

*"Looking Back, Leaping Forward"*

*Keynote Address*

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The mission of the World Bank Group is to fight poverty with passion and professionalism. Our dream is a world free of poverty.

It is easy to be misled into thinking that we understand poverty. But, it takes more than our head to understand the reality of poverty. It takes an open heart. And mine was torn open some years ago, by simple words of an old woman. She had walked hours under the scorching sun of pre-monsoon India, just to fetch a bucket of water. "This, is not life," she said. "This, is only keeping a body alive."

Deep in your hearts, I know many of you here can connect with her words. You, and millions like you throughout Japan, must have felt exactly the same at the end of the World War II.

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So, today, we look back. Former Prime Minister Miyazawa has just been our gentle guide, reminding us of those harsh years and the scale of the journey travelled. A journey, from survival to life, by the sovereign people of Japan.

Fifty years ago, Japan joined the Bretton Woods institutions. Today, we mark that milestone with a sense of privilege to find Japan our strong partner in that dream we share, of a world free of poverty.

Japan's rapid recovery and growth enabled her to graduate from World Bank borrowing in 1966 and finish repayments of all loans by 1990 with, I should add, an impeccable debt-servicing record sustained over three decades. Japan is now the second-largest shareholder-donor of the World Bank Group, and the largest provider of trust fund grants.

Along the way, countless Japanese citizens invested their savings in various World Bank Group bonds. The Tokyo market has been our single largest funding source for quite some time. Like any other sound financial institutions, we aspire to lend other people's money wisely, manage our finances prudently, meet all debt obligations to investors as promised, earn their trust, and guard that trust jealously. We are proud of our fine AAA credit ratings, built up slowly from a far inferior rating when we first opened

our doors for business. The ratings signal the investors' confidence, and enable us in turn to provide low-cost financing for developing countries. As such, the World Bank Group owes a great deal more than just money to the sovereign people of Japan -- their market's prudent discipline on us, and their trust and confidence.

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An impressive membership history, indeed. Yet sadly, we still live in a world of conflicts within and among nation states. Whether Afghanistan, Angola, Bosnia, Congo, Guatemala or Sri Lanka, to name but a few, the World Bank continues its reconstruction work with the people of war-torn nations. In their struggles as the dark of war recedes, it is Japan that offers a beacon of hope. It is Japan's collective memory of what it took to finish reconstruction that remains the guide for today's distressed nations:

- ◆ a sound macroeconomic management, guarding against inflationary tendencies of post-conflict economies;
- ◆ far-reaching structural reforms, with unfailing focus on people's health and education, to unleash growth in investment, employment, output, and productivity; and
- ◆ a balance between public investments and private sector leadership in reconstruction, especially smaller enterprises.

Most important of all, Japan's reconstruction demonstrated the power of a people's self-determination. In our 50-year partnership, this was perhaps Japan's most valuable lesson to the World Bank. Under President Wolfensohn's leadership, we now call our way of working the Comprehensive Development Framework. This framework is rooted in the principle demonstrated by Japan: that nation-building is a learning process, a process of transformation of a society that is of the people, by the people, and for the people; and that external agencies, like the World Bank, serve as a team of facilitators for that process, invited by the people as catalysts for positive change of their own conviction. The framework is now spreading throughout the world, as it guides developing nations to articulate their Poverty Reduction Strategies and donor nations and agencies to set their assistance strategies.

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The World Bank also feels gratified to learn from Japan's distinguished citizens -- those who, as young visionary leaders of change, had worked with us as "counterparts" -- about what they valued most in our partnership:

- ◆ the global best-practice knowledge shared freely by the World Bank staff, with a singular focus on the well-being of the Japanese people;
- ◆ the staff's appreciation of Japan's local context, and their curiosity and interest in learning what Japan had to offer to the rest of the world; and

- ◆ the World Bank's long-term financing, not for the money's sake but for providing that precious social, economic and political "enabling space" for these leaders to transform their dreams into reality.

The World Bank's mandate and priorities have evolved since its founding, along with changing needs of its members. Yet, these three things said to have been valued most have remained the bedrock of our corporate vision, values and business strategy. Indeed, the World Bank today (as a group of financial cooperatives belonging to the sovereign people of the now 184 member nations) is a global learning organization, a "knowledge bank." Lending money comes second to this core -- simply an instrument that opens an enabling space, in which a society can travel through a transformation of its own. We learn constantly from global experience, and share the best-practice as honest brokers with all members. And, we strive to remain tuned to the future shape of the world in which development must take place.

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That future appears alien to us. It differs from the past most notably in that the Earth itself is the relevant unit with which to frame and measure that future.

Discriminating issues that shape the future are all fundamentally global. We belong to one inescapable network of mutuality: mutuality of ecosystems; mutuality of freer movement of information, ideas, people, capital, goods and services; and mutuality of peace and security. We are tied, indeed, in a single fabric of destiny on Planet Earth.

Policies and actions that attempt to tear a nation from this cloth will inevitably fail, by impoverishing the very wealth or income of those they set out to protect. Of this, the inter-war history of the world is one notable testimony. Not to repeat that history, of the Great Depression and the world wars, was what motivated and drove the founding fathers of the Bretton-Woods institutions -- Lord John Maynard Keynes among them.

What, then, does it take for the world community of nation states to think beyond national borders and myopic self-interests? Is such a different "state of the world" possible?

Enlightened policies that raise the sights of a people above the lowest common denominator of "democratic consensus", beyond their immediate losses to a greater gain for all, are instigated only with leadership of vision and courage. With such leadership, the world community can begin to think globally and act to raise the sights of respective national interests, so that globalization can indeed mean the greater good and not the good of the great. For the first time in human history, we possess the technology and resources to rid our world of poverty by doing so.

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It is in this context that, while looking back over the 50 years, I suggest Japan to leap forward.

I sense that the people of Japan see their country at crossroads of her destiny. Too many nations have grown rich while losing sight of their culture, spirituality, harmony with nature and with other peoples. As a citizen of Japan, it saddens me deeply to hear my countrymen ask whether they have left behind something valuable somewhere along the way...

There is a small nation in a remote corner of Asia, who has chosen an entirely different path: Bhutan. More than twenty years ago, Bhutan set "Gross National Happiness" as the nation's development goal, explicitly.

In the cultural context of Bhutan -- as is also the case with Japan and other societies of Asia -- the word "development" is traditionally understood to mean "enlightenment." Enlightenment, not solely an object of religious activity, but the blossoming of happiness. In Bhutan's vision, happiness is a complete view of human and national development that transcends the material. Inner spiritual development is as prominent a focus as external material development in the nation's policies and actions. In Bhutan's conviction, happiness is made more probable by consciously creating a harmonious psychological, social, economic and natural environment within which to live -- to be able to say: "This, is life -- not just keeping a body alive."

This choice is no less extraordinary in its foresight, than in its non-conventional wisdom and non-conformist perseverance. It carries a striking relevance today in thinking about that different state of our world, where nations expand their policy horizon beyond their borders. In the words of H.E. Jigmi Thinley, the Foreign Minister of Bhutan:

"The knowledge of the self is important to attain individual liberty and freedom, to gain happiness. ... In varying degrees, the contemporary world may be too acutely preoccupied with the self ... But the paradox is that excessive self-concern does not lead to real knowledge of ourselves. Happiness depends, instead, on gaining freedom from this ... In our opinion, minimization of self-concern is also an important step in the process of constructing a happier web of human relationships, and of transforming man into a less intrusive and destructive force in our natural and human environments."

With my hard World Bank economist's hat on, I view this conscious pursuit of happiness as a truly holistic view of development. It has quite naturally led this small Himalayan nation, for instance, to execute environmentally sustainable development at the cutting-edge of world practice, long before the world woke up to its deteriorating ecosystems. In a world suffering from climate change with insufficient action, Bhutan takes pride in protecting and expanding its pristine forest as a contribution to the global sink service.

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If there is a way to turn the inescapable global mutuality into a positive energy, one may indeed find it in the Asian way demonstrated by Bhutan. The connection Bhutan makes, between the hard stuff of the material and the soft stuff of the intangible "development," is not at all foreign to Japanese thinking. Was this not part of Japan's cultural foundation, the thread that wove her society together throughout trying times?

Japan is the only G7 nation whose heritage -- a heritage not yet lost -- would make her a natural and ideal champion, globally. The people of Japan do understand what it takes to go after the win-wins between national interests and those of the world. With all her post-war achievements that were once thought impossible, it is surely reasonable to expect Japan to inspire all with an "Asian enlightenment."

I repeat. Enlightened policies that raise the sights of a people, beyond their immediate losses to a greater gain for all, are instigated only with leadership of vision and courage. With such leadership, the world community can begin to think globally, and act to raise the sights of national interests, for globalization to mean the greater good, not the good of the great.

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The greatest challenge of this third millennium, for every nation on Earth, will be to secure the happiness of the people. It is my hope that this century will see the world's collective energies devoted to a higher development endeavor, aiming not to pacify the insatiable self but to bring happiness and peace to all. And it is my personal dream to see Japan leap forward, side-by-side with the like-minded such as Bhutan, and lead a positive change in how nation states think and act.

On behalf of James D. Wolfensohn, the President of the World Bank Group, and the entire staff in 107 offices world-wide including the Tokyo Office now led by Vice President Yoshimura, I wish the sovereign people of Japan well -- all the change leaders of today, and of tomorrow, among them. A very happy 50th birthday, and many happy returns, from the bottom of my heart!