The End of the Third World?
Modernizing Multilateralism for a Multipolar World

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April 14, 2010

As prepared for delivery   embargoed for 10 a.m. Eastern time (1500 GMT) on Wednesday April 14, 2010

Introduction: The End of the Third World?

For decades, students of security and international politics have debated the emergence of a multipolar sys

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in purchasing power parity terms has increased from 33.7 percent in 1980 to 43.4 percent in 2010. Developing countries are likely to show robust growth rates over the next five years and beyond. Sub-Saharan Africa could grow by an average of over 6 percent to

percent a year over the same period.

Southeast Asia has become a middle income region of almost 600 million people, with growing ties to India and China, deepening ties with Japan, Korea, and Australia, and continuing links through global sourcing to North America and Europe.

The Middle East region is an important source of capital for the rest of the world, and increasingly a business-service hub between Asia East and South and Euro-Africa. Gross official reserves of the Gulf Cooperation Council countries were over $500 billion at the end of 2008, with estimates of sovereign wealth fund assets of as much as $1 trillion. If the Maghreb can move beyond historical fault lines, it can be part of a Euro-Med integration linked to both the Mideast and Africa.

In the Latin American and Caribbean region, 60 million people were lifted from poverty between 2002-2008 and a growing middle class boosted import volumes at an annual rate of 15 percent.

Africa as a Potential Pole of Growth

Tectonic plates could shift further. Africa missed out on the manufacturing revolution

needs to be left behind.

Today, in many African countries even small, inexpensive items, such as soap or slippers, or basic tools or consumer goods, are imported. If Africans remove the barriers to producing these goods domestically and to local entrepreneurship, while creating conditions for outside investors to shift production to Africa, then African development could begin to look very different. Unlike past failed efforts to favor import-substitution interests behind protectionism, this approach can capture benefits from regional integration within global markets.

What would it take? As a first step, the 80 percent of Africans earning $2 a day or less need to earn enough income so they will be able to buy basic consumer goods. Agriculture is the main source of jobs and an early opportunity to boost productivity and income. To do so, investment is needed all across the agricultural value chain: property rights; seeds; irrigation; fertilizer; finance; basic technologies; storage and getting product to market. Since about two-thirds of African farmers are women, we need to help them get legal and property rights, and access to services.

in the developed world. But what about the smaller ones, whether in developed or developing countries?

These regulations could choke off the financial sector, innovation, and risk management in developing countries. They could make it harder to invest across national borders.

The new world requires identifying mutual interests, negotiating common actions, and managing differences across a much wider spectrum of countries than ever before.

It requires institutions that are fast, flexible, and accountable, that can give voice to the voiceless with resources at the ready.

It requires institutions that reach out to partners, with humility and respect, ready to learn from others, that can act as global connectors pioneering a new world of South-South and South-North learning and exchange.

It requires institutions that can demonstrate real results and can be held accountable when they falter.

The World Bank Group must reform to help play this role. And it must do so continually at an ever quicker pace. Government and public institutions tend to be slower to change than private organizations facing competition. We recognize this risk. To address it, we

We are Reforming to Become More Representative and Legitimate

A modernized World Bank Group must represent the international economic realities of the 21^{st} Century, recognizing the role and responsibility of growing stakeholders, but also their diversity and special needs, and provide a larger voice for Africa.

Reflecting these needs, we are urging our shareholders to keep their promise to move to 47 percent or more ownership by developing countries this month.

But we are not stopping there. In a model unique among International Financial Institutions, shareholdings will be reviewed every five years to allow for changes based on the continuing economic growth and evolution of our shareholders, with the goal of achieving equity over time. For the first time, shareholdings would be based on a formula specifically developed to reflect the needs and mandates of the World Bank Group: they

We are Reforming by Adding Resources

Since the full force of the crisis hit in mid-2008, the World Bank Group has committed more than $100 billion to support developing countries.

This broke all historical records. And I want to especially thank the World Bank Group staff who have risen to this challenge.

We got money where it is needed fast. Even though the World Bank Group has traditionally been a lender on long-term projects, our development disbursements have

When the World Bank Group stepped up to confront dangers, we depended on the effective and efficient use of resources on hand.

We will need more resources to support renewed growth and to make a modernized multilateralism work in this new multipolar world economy. Should the recovery falter, we would have to stand on the sidelines.

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Modern multilateralism will not be a constricted club with more left outside the room than seated within. It will look more like the global sprawl of the Internet, interconnecting more and more countries, companies, individuals, and NGOs through a flexible network. Legitimate and effective multilateral institutions, backed by resources and capable of delivering results, can form an interconnecting tissue, reaching across the skeletal architecture of this dynamic, multipolar system.

Woodrow Wilson wished for a League of Nations. We need a League of Networks.