

INTERVIEW: PAUL WOLFOVITZ, PRESIDENT, WORLD BANK

'I have a feeling that what happened last week should be a wake-up call for Bangladesh'

The new president of the World Bank Paul Wolfowitz is better known for his recently completed tenure as US Deputy Secretary of Defence, during which he achieved notoriety as one of the principal architects of the Iraq war. Prior to that, Dr. Wolfowitz had, among other distinctions, served as US Ambassador to Indonesia and Dean of the School of Advanced International Studies, Johns Hopkins University. He recently visited Dhaka in his new capacity as head of the World Bank and took the time while here to speak with The Daily Star. World Bank Country Director Christine Wallich was also on hand to answer questions.

The Daily Star (DS): How was your trip to Bangladesh?

Paul Wolfowitz (PW): It was wonderful. Especially the last two hours when I visited two non-government organisations. It's extraordinary what they have done, almost hard to believe. It's clearly one of the most effective ways to deliver real assistance to people who need it. I think we need to do more to try to learn lessons from institutions here, not only to apply it somewhere else, but also to make our own procedures more flexible, so that we are little less dependent on going through government bureaucracies to get the support to people.

DS: What did you discuss with the Prime Minister and the Leader of the Opposition?

PW: Basically we talked about development. I told them that despite the much more negative impression in the outside world, Bangladesh has actually achieved some real successes in development, especially in the area of health, education, and providing opportunities to women, including through education. I think one of the reasons for these successes are the contributions of the non-government organisations, the way they mobilise domestic resources, the efficiency with which they do it.

Also the growth rate here for the last ten years has been fairly good - five percent. But fairly good is not the same as very good. And that's why I said that Bangladesh could be doing better than achieving five percent growth. There are so many talented people here, people with enormous advantages. We just saw young people being trained for

various technical jobs. What impressed me most was that they seemed very highly motivated and very much capable of learning even though they had virtually no educational background.

So I asked myself and also asked the experts, what were the problems. The first one everyone identified was corruption. I mentioned this to both the PM and the opposition leader. It's easier to recognise corruption as a problem than to figure out what the solution is. I told the Prime Minister and Finance Minister that widespread corruption in the power sector is holding back projects in the sector. We have agreed to see if there is a way to get some project started in the power sector with assurance to all the donors that the money to be given to the sector will be used in the right way. I think it would not only provide power to the people, it would also set a good example.

DS: Did you discuss the political situation of the country with them?

PW: I did. Although I am not an expert on politics, I can say from the point of view of development and the level of confidence of both foreign and domestic investors, that the feeling of political gridlock and non-functioning parliament loses the great strength of a democratic system, which is the ability to get consensus and bring people together. I am not too much of a pessimist. I am impressed even with the changes of governments.

DS: How did they react to your observations on the prevailing situation in the country?

PW: I understand that they are not going to suddenly change their positions in any radical way

because some new person comes and tells them about what could be done. I just hope that it registered in their minds that the political turbulence in this country really has a retarding effect on growth. And I am talking on behalf of lots of people in the development community.

DS: There is an impression among other donors in Bangladesh that the World Bank is quite soft on issues of governance, corruption, etc. Would you like to comment on that?

PW: I do not honestly know about the whole situation to give you a firm judgement, but I do understand that the philosophy adopted by the World Bank changed a couple of years ago. The thinking was that it would be better to find ways to work in a country that does not contribute to the corruption and gets the resources to the people. I think we have done a pretty good job of that.

Christine Wallich (CW): It's a question of style and focus on results. We are interested in ensuring things work differently, not talking about the things that should work differently. And much is often accomplished behind closed doors that cannot be achieved in public. I like to think that we have good partnership with the government. Things are improving, needless to say not at the speed that we would like to see.

PW: We need to commit resources where they can be used effectively. To say that the general climate is bad and that government policy in many areas needs to be improved and Bangladesh will not get any money until it changes the whole system -- is wrong. I do think

we need to be very careful while operating in this environment. We should not commit money where it is wasted or give support to those who are conducting bad policies. The problem is when Bangladesh ranks at the bottom of the list of Transparency International, I am afraid there are a lot of taxpayers in developed countries who ask why are you spending the money here. And it's really a challenge.

DS: After taking over the World Bank's presidency, are you going to bring some changes to the Bank's policies?

PW: I do not see any need for changes, the organisation is doing impressively well. I am very grateful to my predecessor for having left it in good shape. I also think that it's a very important institution for the world because of its multi-lateralism. In my own mind, priority number one are the poorest countries of the world, in fact it is the poorest people of those countries. Within that priority list, Africa comes first. Partly because at least in Bangladesh there has been a downward trend in poverty, in Africa it's been the opposite.

But the second priority for us, in fact, is countries like Bangladesh, India and others where the majority of the world's poor live. Statistics show that half of the world's poor live in South Asia. And the third priority is to evolve a new kind of relationship with countries like China that are moving relatively quickly from being recipients of World Bank assistance to potential major contributors. We need to think of them in a different way.

DS: Can we expect a bigger World Bank assistance to Bangladesh to achieve the



Paul Wolfowitz.

Millenium Development Goals?

CW: Since about four years ago, our lending was around \$300 million, well below the IDA entitlement. We are now much more proactive in the line of IDA lending levels which are now \$600-700 million a year depending on how performance goes in the future. We have re-engaged in infrastructure, whether in water, power, rail, gas, sanitation and other urban issues.

DS: In many parts of the world, including Bangladesh, there is a strong campaign against World Bank policies. What are your

thoughts on this?

PW: I think some of it is an image problem. What people think you did twenty years ago takes a long time to forget. Sometimes it's a lack of understanding. I got a petition on this trip from an NGO group of impressive people criticising something they called a World Bank project, which is actually not a World Bank project at all. Frankly, we also need to do a better job in trying to explain ourselves. It's often easier to just say that we have agreed on this or that policy reform and not try to explain concretely why. It's a constant

challenge.

DS: What are your thoughts on the current world scenario, mainly dealing with terrorist attacks including in Bangladesh where nearly five hundred bombs were exploded all over the country recently?

PW: Bangladesh is not the only country where terrorists are seeking to destabilise the country. I think one of their objectives is to prevent progress. They blow up power plants and schools in Iraq, for example, because they are afraid that of people have a better life they would be out of business. I do think it's important not to underestimate the potential problems in this country.

I say this more as an outside observer - I know that on the whole this is a very tolerant country and the Islam practiced here is mainstream like in Indonesia where I was the Ambassador for three years. I saw how extremely tolerant Indonesian Muslims are. Initially they did not think there was any al-Qaeda threat, they thought it was just the imagination of the US. But just like 9/11 was a wake-up call for the US, the Bali bombings were a wake-up call for Indonesia. And I have a feeling that what happened last week should be a wake-up call for Bangladesh.

Even though not many were killed, the capability to do enormous damage was demonstrated. It's one more reason I hope that the mainstream forces in the country who believe in keeping this a tolerant society can unite on this important issue instead of arguing over smaller things.

DS: Where do you think the world stands in the "war on terror"?

PW: I would like to restrain myself from answering that question because it's not the World Bank's job to get into that campaign, but it is fair to say that the problem is going to be with us for a long time. And it is appropriate for the president of World Bank to say that poverty is not the only cause of terrorism -- Osama Bin

Laden, a multi-millionaire, is a prime example of that. But terrorism does feed on misery and poverty and therefore if we can do more to improve the lives of poor people, it will contribute to a more stable world.

DS: What made you take up the job of president of World Bank?

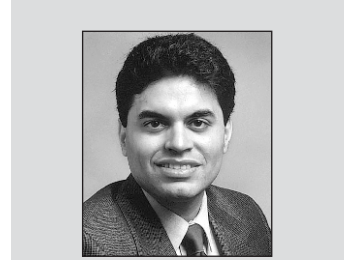
PW: About forty years ago, when I was a summer intern in the budget department, I did a paper on the subject of US aid to Pakistan. Later when I did my PhD, it was actually an analysis of a large infrastructure project for the Middle East. Most importantly when I was in the State Department working on the Philippines, then working as Ambassador to Indonesia, the development issues were right there in front of me to deal with. That was actually my first up-close exposure to this disease of corruption in this part of the world and what damage it does to development. And I have felt strongly about it ever since.

DS: Why did you decide to visit South Asia?

PW: Originally this whole trip was not on my itinerary because I was supposed to be on vacation this month. Then I realised after seeing my travel schedule for the next few months when I will be visiting China, Japan, and other places, that months will go by without a visit to South Asia, which is a region I think is very important to learn about. So I said I would take a week out of my vacation and visit the region. I was delighted when I had a chance to visit the area and also Bangladesh.

For a long time, this country has been very important in the development process and its importance is under-appreciated. I first learnt about Grameen Bank in the mid-eighties when the idea was being tried out in central Java. Then David Milam, who was the US Ambassador in Dhaka and a very good friend, had been after me for a long time to come and visit. It was not long enough this time, so I will come again.

How to escape the oil trap



FAREED ZAKARIA writes from Washington

If I could change one thing about American foreign policy, what would it be? The answer is easy, but it's not something most of us think of as foreign policy. I would adopt a serious national program geared toward energy efficiency and independence. Reducing our dependence on oil would be the single greatest multiplier of American power in the world. I leave it to economists to sort out what expensive oil does to America's growth and inflation prospects.

What is less often noticed is how crippling this situation is for American foreign policy. "Everything we're trying to do in the world is made much more difficult in the current environment of rising oil prices," says Michael Mandelbaum, author of "The Ideas that Conquered the World." Consider: Terror. Over the last three decades, Islamic extremism and violence have been funded from two countries, Saudi Arabia and Iran, not coincidentally, the world's first and second-largest oil exporters. Both countries are now awash in money and, no matter what the controls, some of this cash is surely getting to unsavoury groups and individuals.

Democracy. The centerpiece of Bush's foreign policy encouraging democracy in the Middle East could easily lose steam in a world of high-priced oil. Governments reform when they have to. But many Middle Eastern governments are likely to have easy access to huge surpluses for years, making it easier for them to avoid change. Saudi Arabia will probably have a budget surplus of more than \$26 billion this year because the price of oil is so much higher than anticipated. That means it can keep the old ways going, bribing the Wahhabi imams, funding the Army and National Guard, spending freely on patronage programs. (And that would still leave plenty to fund dozens of new palaces and yachts.) Ditto for other corrupt, quasi-feudal oil states.

Iran. Tehran has launched a breathtakingly ambitious foreign policy, moving determinedly on a nuclear path, and is also making a bid for influence in neighbouring Iraq. This is nothing less than an attempt to replace the United States as the dominant power in the region. And it will prove extremely difficult to counter more so, given Tehran's current resources. Despite massive economic inefficiency and corruption, Iran today has built up foreign reserves of \$29.87 billion. Russia. A modern, Westernised

Rising oil prices are the result of many different forces coming together. We have little control over some of them, like China's growth rate. But America remains the 800-pound gorilla of petroleum demand. In 2004, China consumed 6.5 million barrels of oil per day. The United States consumed 20.4 million barrels, and demand is rising.



Russia firmly anchored in Europe would mean peace and stability in the region. But a gush of oil revenues have strengthened the Kremlin's might, allowing Putin to consolidate power, defund his opponents, destroy competing centers of power and continue his disastrous and expensive war in Chechnya. And the "Russian model" appears to have taken hold in much of Central Asia.

Latin America. After two decades of political and economic progress in Latin America, we are watching a serious anti-American movement gain ground. Hugo Chavez in Venezuela emboldened by his rising oil wealth was the first in recent years to rebel against American influence, but similar sentiments are beginning to be heard in other countries, from Ecuador to Bolivia.

I could go on, from Central Asia to Nigeria. In almost every region, efforts to produce a more stable, peaceful and open world order are being compromised and complicated by high oil prices. And while America spends enormous time, money and effort dealing with the symptoms of this problem, we are actively fueling the cause.

imports are much less efficient than they used to be. This is the only area of the American economy in which we have become less energy efficient than we were 20 years ago, and we are the only industrialised country to have slid backward in this way. There's one reason: SUVs. They made up 5 percent of the American fleet in 1990. They make up almost 54 percent today.

It's true that there is no silver bullet that will entirely solve America's energy problem, but there is one that goes a long way: more efficient cars. If American cars averaged 40 miles per gallon, we would soon reduce consumption by 2 million to 3 million barrels of oil a day. That could translate into a sustained price drop of more than \$20 a barrel. And getting cars to be that efficient is easy. For the most powerful study that explains how, read "Winning the Oil Endgame" by energy expert Amory Lovins (or go to www.oilendgame.com). I would start by raising fuel-efficiency standards, providing incentives for hybrids and making gasoline somewhat more expensive (yes, that means raising taxes). Of course, the energy bill recently passed by Congress does none of these things.

We don't need a Manhattan Project to find our way out of our current energy trap. The technologies already exist. But what we're searching for is perhaps even harder: political leadership and vision.

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Looming threats: Can this limping democracy survive?

ABMS ZAHUR

It is unfortunate that it has clearly and loudly been proved that the present government's persistent denial of the existence of Islamist militants and the claim that it does not allow unlawful and anti-social activities in the name of religion is not only hollow it is also totally wrong. Despite hesitancy of our ministry of home affairs to state clearly that this dastardly act was committed by Islamist fundamentalists even though these elements distributed their leaflets with the bombs. The administration's lack of readiness to tackle with such threat has been thoroughly exposed through its total unawareness of this heinous crime by the so-called Jamaat-ul-Mujahideen. We feel pity for this incompetence of the ministry of home affairs and the security agencies under it. Once again it has been proved that instead of paying any heed to the advices from the media about the need for watching closely suspicious activities of Islamist fundamentalists the government committed not only a great blunder but also put the whole nation to a major disaster.

The government cannot defend as to why it failed repeatedly to show cogent reasons as to why the people cannot be informed about the culprits of blasts of August 21, 2004 or Habiganj or Shah Jalal Mazar blasts. Are we to conclude that either some persons in the administrations are involved in or some organisations beyond the control of the government are at the back of these incidents or our Home Ministry is incompetent. Incidentally, it was expected that the Home Ministry will be placed under a seasoned and competent minister when Mr Altab was removed. Placing such an important and sensitive ministry under an inexperienced and junior minister reveals government's lack of power of judgement. By resorting to extra judicial killings in the name of 'containing criminals' and ignoring the incidents of fundamentalists' onslaughts on Ahmadiyas or adibashis etc the government has made the state law and order woefully messy. But not taking actions against the crimes committed by the fundamentalists' organisations (made by due to political consideration) BNP leaders' have done harm to party's image as a secular and moderate one where freedom fighters are claimed to be valued members.

The game of politics runs through compromise and adjustment. However, we do not see this among our major parties like Awami League and BNP. The present polarisation is causing immense damage to our march toward building a democratic country. The statement of some leading persons of BNP that country's development cannot be the sole responsibility of the

For the sake of controlling fanaticism or religious extremism all the political parties should cooperate with each others. It is time that both BNP and AL stop accusing each other. We are sure that both the parties want to establish democracy in the country. With emphasising less on the role of certain people in the liberation war, at the moment we have to be more vigilant against the anti-democrats determined to impose their rule to push Bangladesh a few centuries back. The major political parties should unite on one point -- saving democracy from fanatics.



An anti-terror demonstration in Dhaka following 8/17 countrywide bomb blasts.

government and all the people should participate in such activities may be partly true. Because we want to see also the capability of the BNP-led government to attract participation of the common people. Unless proper environment is created such statements happen to be meaningless sham signifying nothing.

Only a short time ago the US State Department showed concern about the rise of fundamentalism in Bangladesh. The EU members are worried about the security of minorities. The government repeatedly denied any danger of rising of terrorism in Bangladesh. It would be interesting to see as to how it categorises this incidence (simultaneous blasts at more than 500 spots) which is rightly regarded as warning for much more dangerous incidents in future. In a parliamentary democracy the incumbent government cannot ignore the opinion or advices of the opposition. In such a system there is hardly any scope for behaving like a dictator even though it may hold absolute majority in the parliament.

If it does it gradually loses its capacity to realise correctly the actual situation in the country. By increasing the number of police personnel, or forming riot squads, or improving logistic support of the police or forming anti-crime RAB the capability to directly face the criminals can be raised. But how can we ignore the intelligence part of the system? The ministry must chalk out plan to improve it with the assistance, if necessary, from UK and USA. However, without cooperation from the common people, without gaining confidence of all (that the incumbent government is their government) it is hardly possible to contain the criminals determined to commit crimes in the name of religion or otherwise. Let us appeal to all the people of Bangladesh irrespective of their religion, caste or creed that we must be careful about protecting our young and weak democracy for which so much of blood has been spilled.

Whatever Jamaat want to say about the blasts sounds funny. It is

almost beyond any doubt that Jamaat-ul-Mujahideen of Bangladesh (JMB) has perpetrated this crime may be with direct or indirect assistance from some Islamist militant groups in the Middle East. Due to unethical motive of Ershad regime the fundamentalists started gaining strength. After the oust of Ershad regime they continued to be stronger due to confrontational politics of AL and BNP. In fact the AL regime of Sheikh Hasina had more opportunity to take strong measures. The present government depends much on the strength of Jamaat and we do not expect any strong action against Islamist fundamentalist by the BNP-led government, particularly because of ensuring national election.

At the same time continuation of laxity will certainly result in strengthening of these elements. This will affect our relationship with western donors, our foreign trade and foreign investment. Even our relations with neighbours may cool down because every state is nervous about activities of

fundamentalists in neighbouring countries. Our role in SAARC or BIMSTEC may also face challenge. Even ASEAN members will not appreciate Bangladesh's leniency toward fundamentalists. However, we hope that after consultations with senior ministers and some seasoned politicians of BNP the prime minister will find out some way to contain the extremists without doing much damage to BNP-Jamaat alliance.

Tackling religion based political parties is certainly a tricky job. Whatever we say about the secular attitude of our common people it is a common knowledge that our people have some sort of respect for the madrasa educated. An ordinary police constable may at least think twice to treat harshly madrasa students or people connected with religious institutions. Generally speaking, a Muslim child starts his education with lesson from the Holy Quran. His guardians pay respect to the 'Hujur' (a mouli who teaches the holy book). Thus respecting a mouli starts from childhood. He does not bother much about the real character of the mouli. As the learning in madrasa is not modern a madrasa student does not know what is liberalism. As such it is easier to rouse his fanaticism.

For the sake of controlling fanaticism or religious extremism all the political parties should cooperate with each others. It is time that both BNP and AL stop accusing each other. We are sure that both the parties want to establish democracy in the country. With emphasising less on the role of certain people in the liberation war, at the moment we have to be more vigilant against the anti-democrats determined to impose their rule to push Bangladesh a few centuries back. The major political parties should unite on one point -- saving democracy from fanatics.

From the statement of the state minister for home affairs it is apparent that the ministry is at a fix as to how to tackle the incoming danger. In fact the whole of the cabinet is looking toward the PM for future course of action. We may appreciate the statement of the leader of the opposition on her realisation for cooperation with the government to face terrorism. However, by calling hartal on 20 August, 2004 AL has exposed its desire for utilising this incident for political purpose.

BNP fought so long for establishing democracy. It is thus not correct to blame them as anti-democrats. AL fought for independence and secularism. Thus one may reasonably hope that all major political parties will not lag behind in saving democracy at this critical period.

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