MR. ZOELLICK: Well, Thank you very much, Chair and Director-General Somavia, for both of you being very gracious with your introductions.

I much appreciate this opportunity to speak to the governing body. I know it’s a particularly busy week.

I’ve worked with the ILO in different capacities over the years, so I got to know its very special tripartite structure quite well. And in the course of the past seven years or so, I’ve had a chance to work quite well with Director-General Somavia. We first started to cooperate in the area of trade, where, as some of you may know, the U.S. was the first country to add enforceable labor and environmental standards to its free trade agreements. It had already had labor standards in some of the preferential accords. And this gave me an opportunity to work with Juan [Somavia] and the ILO to help countries try to meet and enforce core labor standards, try to have a better sense of what their laws were on the books, how they comported with the labor standards, and also the process of enforcement.

I also had a wonderful opportunity a few years ago to talk about the ILO with one of its strongest proponents in the United States, the late Senator Daniel Patrick Moynihan, who, as some of you may know, did his dissertation on the ILO; he saw it in its historic context and recognized its very unique role. He was one of the ILO’s strongest supporters and students.

Indeed, just to share with you a particular association I had with the ILO: at one point, I think, a couple of years (ago), I had to try to phone the Director of the Office of Management and Budget, the U.S. Budget Director, to try to increase the financial support for the ILO; and it was only after I hung up that I recognized I had just managed to secure an added sum for the ILO that was about half my own budget at USTR, and much more than I was able to get for the trade agency. So it made me pause to wonder who was benefitting from whom out of this relationship.

So, when Juan invited me shortly after I assumed the presidency of the World Bank to come speak to you, I welcomed the opportunity, but not so much to talk but also to listen and to learn. So I appreciate that we will have some opportunity to hear from all of you after I speak.

I thought it would be useful to share some thoughts about the context of our work -- both the ILO and the World Bank. As both the Chairman and the Director-General mentioned, we are all well aware that globalization poses some broad challenges and opportunities. There are great benefits, but there are also anxieties and fears, and that led me to propose in my first months as President of the World Bank a vision of trying to support an inclusive and sustainable globalization to help overcome poverty, to enhance growth with care for the environment, and to create individual opportunity and hope.

Now, these ideas grew out of some discussions that I had with Juan and others, and so you’ll perceive some echoes of themes that you’ve probably already heard in these halls. And let me just explain this concept of inclusive and sustainable globalization a bit more.

In my eye, both “inclusive” and “sustainable” have dual meanings. “Inclusive” refers first to the need to make sure that the benefits of growth and globalization are felt throughout societies, that it’s not just a benefit for certain businesses or certain professional classes but it runs throughout the system.

But “inclusive” also has a benefit beyond the individual country. It’s the logic that to be able to have globalization, we have to make sure that all the partners within the international system--the low-income
states, the middle-income states, the developed countries—see the benefits of globalization. So “inclusive” also has a systemic nature.

“Sustainable” also has two meanings. “Sustainable” is of course associated with the environmental purposes, active work we’re doing now in the area of climate change, for example. But “sustainable” also has a systemic meaning: for globalization and its benefits to persist, you have to have a system that is resilient, that has the strengths to adapt, that links into the logic of an inclusive globalization, so that all parties can see the potential benefits of the process.

In effect, what we’re trying to do at the World Bank is something very similar to what you’re doing at the ILO. We’re trying to develop a new multilateralism for changed circumstances. We’re trying to make multilateralism work in a different environment.

I see this work that we’re doing at the World Bank and that you are doing at the ILO as part of a much broader agenda. This is also the work that the IMF has to undergo, the World Trade Organization, and others in the regional system. In effect, we’re taking the rather modest sinews of multilateralism—that have been developed, in the case of the ILO, starting after World War I, and in many other institutions after World War II—and trying to strengthen it to meet additional challenges of this era.

At the World Bank, we connect this vision of inclusive and sustainable globalization to six strategic directions. Each of these can be developed at greater length, but I’ll just mention them very quickly to you.

First, assisting the poorest countries, especially in Sub-Saharan Africa, to develop and grow. Now, in part, this is the agenda of the Millennium Development Goals—I just attended a session on this last Monday with Secretary-General Ban Ki-moon. We were trying to focus on how we advance these Millennium Development Goals, in particular in Sub-Saharan Africa. This is a social development agenda, trying to overcome poverty, trying to deal with child and infant mortality, dealing with maternal health, education—some of the basic core foundations of strong societies.

But there’s another agenda that those of you in particular from Africa recognize, and that is the need for growth for private sector development. In my visits with African countries, you see a call similar needs to those in the developed world: for energy, for infrastructure, for regional integration, for open markets, and of course, increasingly, for investment in skills for a labor force. What one is encountering in many countries is the need to be able to strengthen the ability of the labor forces to compete, so that they can add value and gain benefits from the international economy.

The second strategic area is to try to better address the post-conflict states and states facing breakdown. As many of you may know, the formal name of the World Bank is International Bank for Reconstruction and Development. In 1944, when the World Bank was created, “reconstruction” meant Europe and Japan. Indeed, the first loans of the World Bank were to France. But today “reconstruction” has a different meaning. It has the meaning of how we can try to help countries going through difficult transition processes, whether it be Liberia, where I just visited; or Mozambique, which is 10 to 15 years into its reconstruction; or Afghanistan or Cambodia.

Frankly, this is a field in the development area that for many years was treated as a slightly more complex set of development challenges. But we’ve tried to identify it as bearing special issues because the questions are different. They’re related to security. They’re related to legal systems and political development. And, of course, they’re critically related to jobs and opportunity. But sometimes the challenges are unique.

For example, in some of these countries, there’s a critical need to demobilize soldiers and then to reintegrate them into societies, create jobs. And for some of these countries, you have a particular need for education and training, because you might be dealing with young people who’ve known nothing but violence and war. If you’re going to create a stable society, you have to figure out how to provide new sets of skills for people who were schooled only in violence.
The third strategic theme is the successful integration of China, India, and the other middle-income countries in the international economic system. These are the rising economic powers, but they still face huge development challenges, and of course some of these in the area of jobs, skill development, social protections, as well as the environment. Increasingly, these countries will play a role with other developing countries—the whole South-South agenda—whether it be in the areas of trade, investment, or learning experience.

While some have suggested that the Bank should only focus on the poorest, I think that would fail to provide our service as a true multilateral institution, not only because many of the middle-income countries and rising countries have a need for support, but also because we need to work with them with other countries in the developing system, and there are lessons to be learned.

Fourth, we are trying to help address the global public goods agenda, such as global climate change and the environment, health issues that cross borders, Aid-for-Trade so that countries can take better advantage of open markets, and financial systems for development and stability.

The fifth theme is to foster development and opportunity in the Arab world. These countries face some special demographic problems, and even those that are doing quite well in terms of natural resource development often have the need for jobs and social development, and there are special challenges in these countries for assisting women in the labor force.

Juan mentioned the work that the World Bank and the ILO do in Jordan. I just met about a week ago with the Jordanian Prime Minister, and he was explaining how, increasingly, university graduates from Jordan are women—over 50 percent now. He pointed out the difficulty these women have in getting jobs in the workplace. And so we started to brainstorm about the role that the IFC, our private sector arm, could play in trying to help connect some private sector institutions with the universities and with skill development, to try to help some of these women graduates be able to move into the work force.

Sixth, there is our agenda of knowledge and learning. This cuts across the other five, but let me explain why I believe it’s particularly important. One of the challenges that we have at the World Bank in explaining what we do is that we’re called “bank,” and that means everybody thinks that our primary role is loans or capital, and I think that really misses our core resource.

When the World Bank Group operates most effectively, it draws together three different elements:

First, it applies lessons of knowledge and learning from across the world, developing as well as developed countries, in a way that tries to lend that expertise to the challenges of development. But we also need to constantly upgrade it, and this is part of our relationship with the ILO, to try to learn from others, to try to become more effective, to try to measure results, and to try to learn how to do all these functions better.

But our work has to be extended beyond individual projects, and that means the second element is to try to support markets and institutions that are connected to markets, so that the effect of any one project can be extended beyond one investment.

And third, what does distinguish us from the OECD or a university is that we have capital to bring to bear. So, whether it be IFC, our private sector arm, or whether it be IDA, which supports the poorest countries; whether it be our IBRD lending, or MIGA, with political risk insurance—we can try to use financial resources to help expand knowledge, and experience, and learning in building markets and institutions.

Now, you can see of course that the ILO has a very full agenda across these topics as well, and I think that Juan Somavia in particular has helped sharpen the focus on the human dimension, especially more and better jobs. As the Chairman mentioned and as Juan mentioned, we’re now in a period of increasing economic uncertainty, with larger downside risks. But even without that challenge, I think we face a striking agenda. More than four out of ten workers are poor despite having jobs. Of approximately 3
billion workers in 2007, about 500 million don’t earn enough to lift their families above $1 a day. About 1.3 billion are under $2 a day. So, globalization offers opportunities of new markets, ideas, technology, global sourcing production, information and communications, know-how, investment, lower prices, more open societies, but also competition. And we can’t leave people behind, whether due to involuntary job loss, sweatshops, or hopeless conditions. That’s part of the goal of an inclusive globalization.

Let me share four policy guidelines on how we might be able to help:

First, we need to pursue policies to help all workers, and that means focusing on helping workers, not protecting jobs. In particular, we have to pay attention to the vulnerable groups, and that also means considering work income support programs.

Second, we should try to support workers through building skills. This helps the overall economies, but it also helps individuals. In particular, what I see around the world is that the lack of skill development is an increasing constraint to both productive businesses and to work. We’ve seen the two work together in some demand-driven programs, like the Joven programs, in Argentina, Chile, Columbia, Dominican Republic, and Panama, that help unemployed young people, but do so not only on the technical side but on the critical aspect of life skills.

Third, we have to help workers adapt to change. As most of you know, I used to serve as a trade minister, and I always felt that one of the challenges of successful trade promotion was being able to help people adapt to the inevitable changes of competition, and this is an issue for both developing and developed countries. This means the reinforcement of social insurance. It means connecting this process to jobs and the pride of work.

In the U.S. case, I’ve long supported the idea of wage insurance. You can try to adjust this in different ways, but to me, it not only helps people get back on their feet but it does so in a way that gives them the opportunity to be retrained in the private sector.

Fourth, we should focus attention on the special challenges of girls and women. What we are seeing in our gender programs is gains in education and social development, but we are far, far short of economic empowerment of women. We have just recently come out with a publication that points out that women’s empowerment is smart economics because you can show the benefits throughout the society.

We are trying now to explore how best to pursue these four ideas, and we welcome your experience and insight. It obviously connects quite well with the Decent Work Agenda, and we have been very pleased, as Juan mentioned, to try to build a closer working relationship with the ILO and the World Bank across an agenda that also involves other partners.

Today we have given critical attention to the fundamental issue of hunger and malnutrition. I met the representative from Cameroon as I came in. This is not only an issue of food, it’s an issue of political stability in many countries, and so we’re trying to work with UN agencies—the World Food Program, the FAO—not only to meet the critical needs of hunger but also to address the problem of malnutrition, which has been the forgotten Millennium Development Goal. It has not gotten nearly as much attention, and yet it’s critical to dealing with questions of infant mortality, where some 3.5 million children die each year because of malnutrition. It’s 20 percent of the cause of women’s deaths, so it affects the women’s health goal. And of course it can stunt societies all their lives if children don’t get a healthy start, because it affects education. So, what we’re trying to do at the World Bank across this agenda is develop closer networks with our partners in the UN process and elsewhere. Juan mentioned some of the areas of cooperation.

Let me just highlight five others that I think are worthy of note:

First, the Better Work Initiative between the ILO and IFC, our private sector arm. This has helped try to improve labor practices and competitiveness in the global supply chain.
Shortly after I took office at the Bank, I visited Cambodia, and I visited the Better Factories Process in Cambodia. It’s one I’d learned about as Trade Representative because we had offered special trade benefits to Cambodian textile and apparel exports to the United States if countries met basic labor standards. This was a wonderful idea that I talked about with the president in Cambodia because I was trying to make the case that in a world of competition with big neighbors, Cambodia needed a brand; it needed something to distinguish itself, and it could use the attention to workers, it could use attention to protecting its heritage, as it also is doing in Angkor Wat and other areas, to distinguish Cambodia, to help make this an advantage in the marketplace.

We seconded a World Bank staff member here to help assist, and we’re now trying to expand this program with Vietnam, Lesotho, and Jordan, where we now are having direct impact overall on some 1.2 million workers.

A second very important area is the Youth Employment Network, and this is a good example of the World Bank working not only with the ILO but also with others in the UN system. We’re trying to establish pathways for gainful employment for 1.3 billion people of the next generation. This is an issue of advocacy, but also best practices. We’re developing a global inventory of support measures, including successful school-to-work transition issues, particularly in the Middle East and North Africa.

Third, we have a project with the ILO and UNICEF on addressing child labor issues, one of the core labor topics.

Fourth, we’ve now begun some joint analytical work on two pilot countries. I understand that later this week you’ll be discussing the issue of migration. The ILO has taken the analytical lead in work with the World Bank in Nepal on trying to better understand the determinants of migration; and in turn, the World Bank has taken the lead in a joint project dealing with Zambia, where we’re trying to better understand the issues that go to creation of employment and adding productivity.

Fifth, the ILO has begun working with us on microfinance, and this is critical because in many countries we found that developing local financial sources is fundamental to being able to create jobs, enterprises, and opportunity.

And now as Juan mentioned, like any partners, we have some points of difference which we’re trying to narrow. One of them I know relates to the Doing Business report, and we’re very pleased that Mr. Salazar and Ms. Curtis met with our project leaders earlier this month. We’ve been able to agree on some follow-up work—some joint, some homework for us to do. We’re going to have deeper discussions, particularly concerning labor markets, and we offered to do it with all three parts of the ILO.

We need to consider better how to assess country compliance with ILO core labor standards. As I mentioned from my trade work, this has been an ongoing interest of mine, and it’s an area where I think we can learn together.

We agreed to try to explore some cooperative research on benefits and costs of labor market regulation. We, in turn, made clear that in discussing labor market reforms with governments, we will advise that any undertakings involve consultations with key stakeholders including both worker representative and employer, as well as business associations.

So, I’ll close, Mr. Chairman, where I began. We have a vision of an inclusive and sustainable globalization. What this comes down to at the end of the day is people. It’s trying to improve the lot of people across the globe, and that requires quality jobs, it requires better social conditions, and it requires opportunities for individual development in achieving aspirations.

I want to thank you for your invitation, and we look forward to the discussion and trying to further build the relationship.