

INTERNATIONAL
Herald Tribune

The four circles of a changing world

By James Wolfensohn

Monday, June 4, 2007

WASHINGTON:

When G-8 leaders meet for their annual summit this week, they will focus on reducing poverty in Africa and accommodating emerging powers. However, unless a new vision is forged to confront the changing reality of our international system, these challenges will remain insurmountable.

We are at a pivotal moment: World economic growth is posting a 30-year high, yet the consensus on globalization is splintering. With \$51 trillion in annual global income, we have the resources to eradicate extreme poverty and promote prosperity, but the G-8 and the international financial institutions it controls are struggling to be effective. Unless our institutions keep pace with changing economics, the chasm will continue to grow between rich and poor.

This is because the world has moved beyond the old divides of North-South and East-West. While being more interconnected, it is now rapidly breaking into four tiers of varying levels of prosperity and hope. I call this the Four Speed World.

The first tier are the rich countries, including the United States and Europe, which for the last 50 years have maintained 80 percent share of global income while accounting for only 20 percent of the world's population. They will continue to enjoy improvements in living standards, but their dominance is being contested by emerging economies.

These emerging economies, comprising a second tier of about 30 poor and middle income nations, have learned how to leverage the global economy. With sustained growth at 7 percent or more per year, countries like India and China will soon become global leaders.

A third tier - a much larger number of economies, perhaps 50 in all - have experienced growth spurts, but also periods of decline or stagnation, especially once they hit middle income country status.

Spanning from Latin America to the Middle East, these economies have been forgotten by the G-8 leaders. They are neither poor enough to warrant special aid, nor sufficiently large and fast-growing to be major players in global growth. Yet more than a fifth of the people in the world live in these countries.

A fourth tier, a billion people, live in the poorest countries, which continue to stagnate or decline. These countries, mostly in sub-Saharan Africa, gain little from globalization but are among the most vulnerable to its adverse effects, such as climate change and higher natural resource prices. The human tragedy engulfing this group is a huge concern and political challenge to the rest of us.

In the next 50 years, 3 billion people will be added to the 6 billion already on the planet. Barely 50 million will be added to the rich world; most will increase the second, third and fourth tiers.

Tackling these global transformations and imbalances means embracing change and reform. It also requires a complete revision of our view of the world, which today is America- and Euro-centric.

This year, five of the emerging economies have been invited to attend the G-8 summit, along with six African countries. While this is a credible move toward greater dialogue, economic powerhouses like India, China and Brazil must be formally included in bodies like the G-8 so that there is a recognition of the change that is underway.

Support must also extend to the World Bank. A fragmenting world needs an institution with a global purview and one that can be a knowledge bank for all developing countries. My own view is that if the Bank is to flourish, emerging economies must see their voting shares increase.

Under the leadership of the new president, Robert Zoellick, the World Bank has the opportunity to

strengthen its role in emerging economies and to promote development through sustained growth, innovation and industrialization.

It can be a voice for the poorest nations, mobilizing rich countries and the new emerging powers to do more to help Africa. So far all the rhetoric about aid to the continent does not match reality: The sad truth is that development aid to Africa has decreased from \$49 per person in 1980 to \$38 per person in 2005. In addition, special care must be focused on those modestly performing middle income countries.

The G-8 leaders should consider that global stability can only be achieved if the whole population of the planet is afforded some measure of hope. Aid should not be perceived as generosity or sacrifice; it is a necessary investment in stability and peace.

To take up this challenge the World Bank is an essential and highly valuable instrument. No doubt it can benefit from improvements and it must take account of measured criticisms, but let us cherish its extraordinary people and its achievements and not seek to weaken an institution that can and must serve the objectives of peace and social justice for all.

Therefore let us not measure the success of the G-8 meeting by whether any new initiatives emerge on Africa or on the regulation of cross-border hedge funds. The real mark of success will be if our global leaders lift our sights and point us in the direction of a new compact in which our interdependence is recognized and where a four speed world does not become the legacy for future generations.

James Wolfensohn, the former president of the World Bank, is the founder of the Wolfensohn Center for Development at the Brookings Institution.

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