

# Bush showed spine in naming Zoellick

**Irwin Stelzer**  
Commentary



Some good may yet come from the successful putsch by the staff of the World Bank against Paul Wolfowitz. A great deal of good, in fact. Not that we should cheer the ability of an overpaid staff, besotted with anti-war fervour, to zap its president, first by urging him to resolve personally the conflict created by his girlfriend's employment at the bank, and then by attacking him for doing just that.

But this cloud has more than one silver lining. The first is that it finally made President Bush realise that he has been too attentive to those who advise him to appease his critics. He gave the World Bank staff and some of its shareholders the head of Wolfowitz, only to find that they had more in mind — an end of American leadership of the bank. Never mind that the US is the bank's largest contributor, or that it was ceded the bank's presidency in return for giving up the opportunity of having an American head the International Monetary Fund.

So Bush just said "no" to his foreign antagonists, even though allies such as Britain and Australia lined up against him. That recovery of nerve bodes well for his performance on other issues at the G8 meeting this week. The crowd that opposed having another American head the bank rallied around the notion of "meritocracy", getting the best man or woman for the job. Think about that for a minute: this is the international crowd that thought that Kofi Annan merited the leadership of the UN, where he presided over the Oil-for-Food scandal, and that a Mugabe thug merits the chair of the UN commission on economic development.

So Bush's recovered spine is one positive fallout from "l'affaire Wolfowitz". Another is the selection of Bob Zoellick to replace Wolfowitz. I have served as an (unpaid) adviser to Zoellick when he was US Trade Representative, talked to him



President Bush stood up to his foreign antagonists by nominating Robert Zoellick to preside over the World Bank

frequently when he was No 2 to Condoleezza Rice and since been in steady contact with him on a host of domestic and foreign policy issues. We don't always agree, but I can say that his intelligence is formidable (the polite way of saying I lose many arguments) and his tone always civil.

More important, his understanding of the issues that he will face at the bank runs deep. He knows that Wolfowitz's campaign to weed out corruption on bank-financed projects must be continued, perhaps *sotto voce*, if support for the bank from America is to be maintained. He knows, too, especially after a stint at Goldman Sachs, that the world has changed since the bank was established to help developing countries to leave the world of poverty and disease that they inhabit.

For one thing, capital markets have changed. The bank continues to lend to China and India, countries that surely have access to private capital markets, as do many of the bank's other clients. Where Goldman Sachs and others walk, the bank need not tread. For another, the scale of private philanthropy has increased enormously; think Bill Gates and Warren Buffett, among many others. And contrast the reliability of those private sources of aid to developing countries with the promises made by governments, for example at the Gleneagles G8 summit in 2005, where Tony Blair extracted funding promises not worth the paper they weren't printed on.

Zoellick knows, too, that the adage "trade, not aid" remains relevant. Which is why Joseph Stiglitz's attack

on Zoellick as a defender of "American agricultural protectionism to the bitter end", reported last Friday in *The Times*, comes as such a surprise. Stiglitz, a Noble laureate and former chief economist at the World Bank, is a man to be taken seriously — which is why he must be corrected when in error.

Five years ago Zoellick called for the complete elimination of the agricultural export subsidies that made it so difficult for farmers in developing countries to compete in world markets. He pressed to have average allowed farm tariffs reduced from 62 per cent to 15 per cent, and to have domestic farm support programmes cut by \$100 billion and eventually eliminated. He didn't get everything he wanted, but in 2004 he brokered a deal that won

international support for the complete elimination of agricultural export subsidies. Such steps can do more for poor countries than still another World Bank loan.

On the manufacturing front, Zoellick also pressed for big reductions of tariffs, although he had to swallow hard and play loyal soldier when President Bush slapped tariffs on imported steel to appease workers in key electoral states. And he has done his best to preserve the intellectual property rights of pharmaceutical companies so that their incentive to discover new drugs and medicines is not diluted.

This, of course, displeases those who would permit unauthorised copying of patented drugs so that these life-saving medicines can be made more cheaply available in poor countries. Some balance between intellectual property rights and the plight of the very poor is clearly needed, a balance that Zoellick has sought by working with pharmaceutical companies, developing countries and the WTO to come up with programmes granting special access to drugs for the neediest. So far the result hasn't won the hearts and minds of everyone, most especially of Professor Stiglitz, but this subject has to be at the top of Zoellick's list on his current global tour, which includes a stop in London.

I am less of a fan of the World Bank than is Zoellick, and am inclined to believe that the world would be a better place if the institution's beautiful glass building were turned over to private tenants. But the bank is destined to be with us for a long time. So it might as well be run by someone who is willing to think through its role in the world as we find it today, a world in which grinding poverty still exists, in which corrupt governments swell their Swiss bank accounts while their subjects' bellies swell from starvation, in which poverty create homes for terrorists, and in which Americans are flirting with protectionism.

In my view, the world is a lot better off now that President Bush has asserted his authority, faced down the anti-Americans, and nominated a man who might, only might, make the World Bank relevant again.