

Look at the World and Have the Future in Mind

—Exclusive interview with Mr. Zhu Xian, former Vice President of the World Bank

In the golden month of October 2023, Mr. Zhu Xian, Vice Chairman of the International Financial Forum and former Vice President of the World Bank, who was in Washington USA, accepted an online interview with Qiao Rui, a doctoral student from Peking University. He started from the spirit of Peking University: one must have a thirst for knowledge, an open mind, and the ability to think and judge independently. He shared the inspiration from working at the World Bank and the New Development Bank: when confronted with development problems, apart from knowing what to do, it is important to understand potential reasons and related approaches. At the same time, what the government should do and what it should not do also matter. The World Bank and development financial institutions have their uniqueness and innovativeness, which are the lessons for developing countries. When it comes to China's development today, he pointed out that China is facing a combination of cyclical problems as well as structural problems, and more international comparative research can be conducted. In the end, he encouraged Peking University students to persist in critical thinking, become more curious and international, stay close to the grassroots, and keep individual consciousness and the bottom line in mind.

Mr. Zhu is elegant and humorous with profound insights. The following is the record of the interview with Mr. Zhu for everyone to learn from.

I. Studying at Peking University

Q: Mr. Zhu, I learned that you graduated from Peking University. What impact did your experience at Peking University have on your career?

A: I was in the classes of 1977 and 1978, which were the first two classes after the reinstatement of the college entrance exam.

I went to Peking University in the classes of 1977 and 1978, which happened to be the first two levels after the resumption of the college entrance examination. It had several features: first, 80 to 90 percent of the students who entered these classes had work experience; second, as the first two classes of students to enter universities through the restoration of the college entrance examination, everyone cherished this opportunity; in addition, since the reform and opening up has just begun, everyone

was full of enthusiasm for learning new things from the outside. I worked as a worker for seven years, and my only skill was that I could speak some English which I learned on my own. It made me fortunately admitted by the Spanish major at Peking University as one of the 1978 class. Peking University focuses on the cultivation of one's independent thinking and judgment, namely not blindly following the trend.

A good tradition at Peking University was the lecture tradition. In the 1970s and early 1980s, some of the old masters at Peking University such as Prof. Li Funing, Prof. Yang Zhouhan, Prof. Zhao Luorui, Prof. Zhu Guangqian, and Prof. Wang Li etc. were still alive. They were not imperious when giving lectures; on the contrary, they set examples for us to impart knowledge and educate people.

Through interdisciplinary study, I learned that no matter what you do, you must be open-minded because knowledge has no borders. It benefits me for a lifetime. Be humble even when you are in a relatively successful and prominent position now. We understand only a small part of the infinite knowledge. Learning is a lifelong journey, and no matter how successful your career is, you are always at the starting point.

II. Inspirations from the World Bank

Q: You have rich work experience. You were a government official at China's Ministry of Finance and a senior executive in many multilateral financial institutions such as the World Bank. You have successively served as Executive Director of the World Bank in China, Regional Representative for Pacific Island Countries and Bangladesh, Vice President of the World Bank and Chief Ethics Officer of the World Bank Group. On what occasion did you decide to join the World Bank from China's Ministry of Finance? What difficulties and challenges did you encounter at the World Bank?

A: In the 30 years since I graduated from Peking University, I worked in China's Ministry of Finance for 15 years, and in three international financial institutions for the next 15 years. Majoring in foreign languages, I was exposed to international business when I joined the Ministry of Finance, which was mainly engaged in international business related to the World Bank. I was fortunate to visit the World Bank for the first time as an adviser of the Chinese Executive Board in the late 1980s, which enabled me to have a good understanding of the policies of the World Bank, including development, finance and macroeconomics. Several years later, China's Ministry of Finance sent me to the World Bank as the director of China. When I left there, Sir James D. Wolfensohn, the Former President of the World Bank Group

invited me to join the World Bank. Later, I worked in the World Bank for more than 10 years, from director to vice president. In that position, you not only represented a country but served as a relatively senior international staff to deal with affairs related to the World Bank and other countries.

In terms of thinking patterns, a major challenge I faced as an international staff member in the World Bank was that I always felt that this kind of problem could be handled in China, but why not in other countries. Viewing from development policy, development economy and development financing, we should not simplify the problem and assume there is a common solution. I admit that some general rules apply, but concerning the approach to tackling the problem, specific situations should be taken into consideration. Moreover, the world is diverse; thus, when we encounter problems, we need to ask ourselves a question at first: why? Why does this matter get to this point? Then it comes to the way to solve it, which, in some cases, is more important than what the problem is. The transition from “what” to “why” and “how” is actually a leap in thinking, I think.

There is a concept in economics called trade-off. If it is impossible to achieve everything, there can only be trade-offs. My first job at the World Bank was to work as a country director for South Pacific island countries. After I arrived there, I found that the smallest country had only 10,000 people. One finance minister told me: “I have only about 30 people in total, and we keep serving foreign aid agencies like you every day. How can we possibly have time to sit down and do research? Besides, we cannot understand the proposals you put forward, let alone implement them?” At that time, I just left China, and I thought that if in China, all of these problems could be solved. But it is noteworthy that even though the Chinese government, maybe the most capable in developing countries, there are still areas that cannot be balanced, let alone the governments of these small countries. Hence, when it comes to setting a goal, one must be very selective. It is difficult to find a solution that works for all problems once and for all.

There is another problem: brain drain. Though talents were cultivated, the local government failed to keep them. I found a phenomenon that many professionals trained by international organizations went back to work in international organizations in the end because of the low salaries at local governments, which could not support their families. The original intention of training these international talents is to make them return and contribute to the countries. However, not enough conditions were created for them, so they went back to work for international organizations. This was the sad reality that the developing countries faced.

Q: Are there any governing styles and innovations of the World Bank that developing countries can learn from?

A: First of all, the World Bank is not only a multilateral financial institution but also a think tank. I once joked that the World Bank is like a department store for economic development. As long as there are issues related to economic development, one can always find a corresponding team working on them in the World Bank. For example, the development report issued by the World Bank 30 years ago was about environmental problems. That is to say, 30 years ago, visionary talents in the World Bank already believed that environmental issues would become an international one. Second, the World Bank has sent many staff to developing countries, which is conducive to the all-round training of talents. Since most of these people were elites from the best schools, many of them did not have much social practice. To put it in another way, it is a bit like “three cadres” who lack practical experience. Without social practice, how could they formulate reasonable policies?

Q: For China, what are the main contributions of the World Bank to China's economic reform and development?

A: From the 1980s to the end of the 1990s, when I was working in China's Ministry of Finance, I had contact with the World Bank many times. When we decided to reform and open up and take the road of the socialist market economy, we knew very little about the market economy, and the World Bank brought a lot of experience. Some of our current basic approaches to development finance are also related to the experience of the World Bank. Another example is project evaluation through bid invitation and procurement. At that time, China was mainly administrative. However, when the World Bank was introduced to China, it insisted that China should use the loan from the World Bank through competitive bidding and procurement, which confused many people. They thought that since they owned the construction unit and funds, why should they resort to the third party? The World Bank has played a leading role in the standardization of economic activities.

For example, many people talk about macroeconomic regulation and control today in China. When the World Bank reported it to Chinese leaders at that time, the very simple word in English was macroeconomic management, but we could not think of a corresponding word in Chinese. We then had a brief discussion and eventually named the word. Now everyone is using it. From these perspectives, the World Bank is indispensable.

Q: What does China's development mean for the World Bank?

A: The World Bank's greatest affirmation is that China has solved poverty problems in the past 30 years. It is a historical miracle that China, such a populous country, has been able to solve the problem of poverty in such a short period of time, which is fully recognized by the World. In other words, the World Bank has taken poverty elimination as its responsibility. Without the success China has achieved, the worldwide poverty condition might not be what it is today. Another successful experience, put forward by Professor Lin Yifu, is that the Chinese government is a proactive government in development, which is debated by economists. In today's context, I think we still have to learn the dos and don'ts including which should be done by the government, or by the market, and which is not suitable for the market temporarily, and how the government can create conditions for it. Once the market is mature, the government should exit and not intervene too much. Therefore, how to integrate the government and the market to form a promising government and an effective market is still an important issue.

III. BRICS New Development Bank (NDB)

Q: Now let's talk about the NDB which was established in 2015. As one of its founders, you worked as the vice president. The NDB must have faced many difficulties in its establishment. Could you share with us some special difficulties or interesting stories during this process?

A: In 2015, two new multilateral financial institutions were established, one of which is the Asian Infrastructure Investment Bank (AIIB), and the other is NDB. I was fortunate to participate in the establishment of the NDB, and later I was mainly responsible for the loan business. It is indeed a difficult process to build up a bank from scratch. There were two tough questions -- the construction of the bank itself and the development of its business.

Most of the rules and regulations that can be used for reference came from the existing international financial development institutions. Working at the World Bank, however, I bore a notion in mind: one could not copy them without a thought, and some systems and procedures could be optimized and even simplified. I worked at the NDB for six years, and when I left, the loan balance was nearly 30 billion US dollars. Many people asked me about the difference between the NDB and the World Bank. In terms of goals of development, there is no essential difference. The real difference lies in whether NDB can find a new way. What is the new way? **First**, no additional

conditions are attached to the loan, and no excessive macroeconomic indicators are required. **Second**, not many policy-related issues are set up during the application of the loan, such as environmental protection or procurement issues, which are handled according to the national rules of the host country. **Third**, the loan review should be short and smooth, and not be seeking perfection. We should strive to complete the preparation work of the project with high efficiency within half a year to one year.

IV. China's Development

Q: Let's talk about the development of China and the world. In the post-epidemic era, China is facing unprecedented opportunities and challenges. Externally, China-US relations are tense, geopolitics is complex and volatile, and the Russia-Ukraine war keeps escalating; internally, domestic demand is insufficient and the local debt poses risks. As a multilateral financial institution, how can the World Bank balance development and risks? What can that tell us about the future economic development of China? What do you think China should do at this stage to break through?

A: This is a big issue. I will talk about my personal views. I think the situation we face today is a change unseen 30 years ago. Nowadays, de-globalization or re-globalization is often mentioned. The Chinese economy is very different from that of 30 years ago. The Chinese market is very large and we are still an important part of globalization. We should not choose the way of self-isolation. Personally, I think, **first**, we should not focus too much on short-term behavior but should pay attention to the status quo of cyclical and structural problems. China has developed from a low-income country to a middle-income country. What structural problems have not been fully solved? Is there any solution, and how much does it cost? For example, China used to be the world's factory. Now, its comparative advantage in labor costs no longer exists. We need to think about our next step. I think we need to analyze the situation geographically and practically and work out solutions by combining structural and cyclical problems. **Second**, the Chinese economy needs active transformation. With rapid changes in technology, AI will replace many jobs. As a middle-income country, China now faces many economic challenges that are no longer the same as in the past. We need to consider and solve them at a new level.

V. Career planning for Peking University students

Q: As a senior of our students and also the pride of Peking University, do you have any suggestions for young people who are now studying at Peking

University? What do you think they should focus on to better prepare for their future careers?

A: I still miss my academic experience at Peking University very much. It brings me a philosophy, a principle, and a bottom line that can be useful for a lifetime. For young people studying at Peking University, it would be great if they could find a job that meets their ideals and interests in the future. Besides, looking at the world, I hope that Peking University students can be more international. That is, even if we are in China, and have a better understanding of the situation, we should not be too nerdy, but full of curiosity, able to make objective comments, and have critical thinking and independent opinions. Not only can you learn knowledge and skills in this first-class university, but when you encounter setbacks, difficulties, and temptations in the future, whether you are at home or abroad, you will have a sense of conscience, inheriting and disseminating this spirit and culture.

Q: You have worked in the World Bank and other multilateral financial institutions for many years, what areas or skills do you think students majoring in economics at Peking University should pay special attention to during their academic and career planning?

A: Whether you are studying economics or finance at Peking University, you may have to consider whether you intend to follow the development direction of scholars or practice. If you follow a scholar-type development direction, you need to learn more cutting-edge theories, continue to focus on academics, endure the pain of loneliness, and strive to become an expert in a certain field and be a professional. If you focus on practice-type development, you should read more books that can enrich your knowledge structure, participate in more social surveys, and be a generalist. You cannot have both, which means you should have a plan for your future career path.

Q: What advice message would you give to young people who are working or aspiring to work in international financial institutions?

A: For most of my career, I have worked in international financial institutions. I found that there are still too few Chinese working in international financial institutions, especially those who can enter the management level. To put it in another way, there are few generalists. When I was working at the World Bank, I would say that China, Japan, and South Korea were all powerful countries from the perspective of the economy, but there were still relatively few people from these countries that were in higher positions in international financial institutions. Of course, there are many

historical reasons for this, and it is also related to our culture and education. We have been taught to be followers, not presenters, and our communication skills have not been fully cultivated. In addition to skills, it is important to be a good communicator when working in an international organization. Besides, many of my colleagues who work in international organizations have devoted themselves to the cause without hesitation, whether it is solving the problem of poverty or simply basic problems, as long as they can make a difference in society with their efforts. This strong sense of mission is also a spirit worth learning.

Host: Mr. Zhu Xian, thanks for your generous teaching! As a PKUer, I will pass on this sense of mission and the spirit of Peking University, become a person with lofty ideals, and contribute to the realization of the Chinese dream!

[Host: Qiao Rui, Ph.D, Institute of South-South Cooperation and Development, Peking University]