

WORLD BANK HISTORY PROJECT

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Transcript of interview with

EDWIN R. LIM

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By: John Lewis, Richard Webb, Devesh Kapur

FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

Edwin R. Lim
January 11, 1993 - Verbatim

*[Begin Tape 1, Side A]*¹

[This tape begins to go bad halfway through the first side.-jgb]

LEWIS: . . . in the beginning, I think. Why don't you sort of tell us from your point of view, if you would?

LIM: Well, I guess this was back in '89, I recall--one weekend I recall I got a call from Shahid [*Husain*]. I was about to go out to Thailand and . . .

LEWIS: '79.

LIM: '79.

LEWIS: I do that all the time, thank you!

LIM: So do I! And then Shahid said, "What are you doing Monday?"

"Well, I'm on my way to Thailand."

"Well, forget it."

You know, I dropped everything and showed up at my office on Monday morning, and that was when the Bank of China had invited [*Robert S.*] McNamara to go to China. Before that, of course, there had been a lot of feelers, you know, a lot of informal discussions, both in Belgrade Annual Meeting and [*inaudible*] It was very clear to us the Chinese were very interested in joining the Bank. And they even approached quite a lot of people in the Bank, particularly the Chinese staff, before that, but very informally. And there was obviously a great deal of ignorance and also a great deal of political sensitivity as evidenced by the fact that it was the Bank of China who invited the World Bank, McNamara, to go rather than any kind of official government ministry.

So, you know, and I say this is one of the occasions where the Bank moved extremely quickly because between then, between--well, this was already, I guess, 1980 already.

Maybe I should go back even, jump a bit before to 1979. Because we knew China was coming, I think we had done a bit of preparatory work. I didn't—you know, we financed a study by Dwight Perkins on Chinese agriculture. And as part of the 1979 WDR [*World Development Report*] they had me do a piece on China. So that was my first involvement in China. So this was . . .

LEWIS: What had you been working on before then?

¹ Original transcript by Brookings Institution World Bank history project; original insertions are in []. Insertions added by World Bank Group Archives are in *italics* in [].

LIM: I was working on Southeast Asia. So I'd never worked on China before then, but obviously I had a good background. I mean, I'm a Chinese speaker; I'm an ethnic Chinese, actually. But I was in the Southeast Asia region. And so I was seconded to *WDR*. This was the one that was run by [Paul] Isenman on human resource development.

KAPUR: The second one.

LEWIS: No, the third. In 1980.

LIM: And I wrote a piece for them on the human resource development, health and education policy in China, but as far as that we begin to sort of learn about the economy.

So this invitation to McNamara came actually in April of 1980, and between then and July we had completed an economic brief, we had completed a strategy paper, we even had a notion of lending program, and all that was extremely quickly. McNamara actually went very soon after that. I don't--do you have the date exactly when McNamara went?

LEWIS: We've been told, and I've forgotten.

KAPUR: Caio [Koch-Weser] said it was in April of '80.

LIM: April of '80. So this invitation must have been in February, you know, earlier, a couple of months earlier [inaudible]. Yeah, it was '80 because Caio went. I mean, I did not go. Caio was then the personal assistant to McNamara.

And so immediately then we started to work, mostly on the economy. But I think we wrote quite a number of papers. We wrote a fairly, you know, 50, 60 page economic brief about the economic situation, the key sectors. We wrote a paper on IDA [*International Development Association*] eligibility, creditworthiness. We also wrote a paper on country assistance strategy, how we will approach China and what would be the sectoral priorities and so on.

KAPUR: In the absence of sort of prices—sort of the market terms of prices--how were you sort of coming up with the numbers?

LIM: Oh, but there were enough. I mean, this—and obviously this was all really desk work, you know, and it was summarizing. It's generally known about, you know, what the key area, the bottleneck, you know, in transport, power and so on. There's enough information. I was also able to rely a great deal on Chinese sources, and as part of the *WDR* work, in fact, I hired a research assistant in Hong Kong who was digging into the Chinese literature, both in Hong Kong and elsewhere, and then we tapped into a lot of the--there are a lot of research organizations in Hong Kong working on China. I mean, much of it is probably intelligence related, you know, CIA [*U.S. Central Intelligence Agency*] funded and so on. We also went to CIA because they had a lot of information on

China. So it was really gathering everything there was to know, and this was all in preparation of McNamara's [both speaking at once]

LEWIS: Was there any skepticism about IDA eligibility?

LIM: Not really. There was a skepticism about a per capita income level, but any estimate would have put them IDA eligible. You know, this was back in . .

LEWIS: In the '80s.

LIM: Yeah, because even the highest estimate would not have been, would put them out of IDA. And in the early '80s, I mean even Philippines, Thailand, even those countries—Indonesia--was IDA. So I don't think there was any issue. There was a lot of skepticism about the level of per capita income.

But there, you know, in the Bank work on that area—I mean, this is a bit of an aside--I think there was general recognition that if we moved to something like purchasing power parity, then it obviously would be quite high, but then it would be quite high for a lot of countries. We basically came out at that time, before the reform program started in China, that China was somewhere in between India and, let's say, Thailand, Malaysia. But then in the, you know, around the '80s, around '80, it was sort of closer to India than it was to Thailand and Malaysia. And now, I think sort of by the late '80s we were saying it was a lot closer to Thailand and Malaysia. And I think today they may be approaching. So that still would be my view on the per capita income if you just, you know, just from one's personal knowledge of the situation.

You know, China is very misleading in that you go there and you definitely would see an absence of poverty. But you also see a complete absence of wealth. You know, there's virtually no car ownership, and only now property ownership begins to come, you know. And certainly there are no Chinese with Swiss bank accounts. So it is quite a different situation with India where you see both extremes. So one tends to put the average a little bit higher than it probably is, because what you see in the average it's quite reasonable, you know. But anyway that's it.

So we did all of this work, and then McNamara went. And McNamara wanted it before he left, and so, you know, I was full time, and then Caio was working with me a bit from the President's office. And it was, as I say, all desk work, and we did all this—I must say there are copies of this around. It's quite interesting on it, looking back. If one is forced to do something very quickly, it's probably fairly reasonable. We could have spent a year and a half writing a country assistance strategy paper on China, but at the end it would be much more polished, much more elaborate, but probably the gist of it maybe not different than what we wrote in one week, which essentially says that, you know, we were emphasizing infrastructure and education and so on.

So then McNamara went in April, and . .

LEWIS: Can I ask you--you spoke about outside input from Dwight Perkins. Did you have other people outside?

LIM: No, at that point we did not have anything. You see, for the *WDR* we did look at all the literature and then also, as I say, I started to look at Chinese literature, which is not much used by the sort of western academics.

But before McNamara went out we did not use because it was also considered very sensitive, and there was not much publicity. In fact, you know, we were not, I was not allowed to tell people that I was working on China, and I was locked up in Shahid's [*Husain*], you know, front office.

So McNamara went in April and then was followed by the [*International Monetary*] Fund. Tun Thin went I think quite soon after that. And membership came very quickly; I think it was formally probably in about May, I think. And then we went out on the first operational mission in July, and Shahid Husain led that mission. But when McNamara came—when Shahid--Shahid Husain went with McNamara to China in April--and he, when he came out, he asked me to—before I was--he asked me to meet him in Bangkok, and by then he was all go. And so we began then preparing the first economic mission to China, which took place late in the year.

Now there was also a wish then, a very strong wish, to make the first loan to China before McNamara retired so that set a very tight deadline of June 1981, which means that we had to get the economic report out by the spring, and that was really an impossible schedule. But, again, you see, you know, I think that if one is faced with that kind of schedule, you know, it's sort of possible to do it.

So we had a sort of operational get acquainted mission in July 1980 led by Shahid Husain with the project director, the programs director. The project director was [*Syed S.*] Kirmani, programs director was Kim [*Edward V.K.*] Jaycox, and Caio, who was then sort of designated as the division chief after he finished his tour in McNamara's office in October. And then I was the country economist. And then there were a couple of project divisions, [*Jack*] Beach on power and Curt Carnemark on transport.

And then in the summer of 1980, then we began to tap the western academics, and we commissioned a number of so-called background papers. Dwight Perkins, Nick [*Nicholas R.*] Lardy, I mean, all the people we could get for it, and then we organized a large seminar.

Now, you know, we didn't have the staff to work on China, so what we did, in fact, it was organized almost like a *WDR*. We tapped mostly into then CPS [*Central Projects Staff*], I guess, Central Projects, and we used sort of the main economists. For example, the person doing education was Mats Hultin, who was the sort of the chief, the sort of senior economist with the education department. The person doing agriculture was David Turnham, who was the senior economist in the agriculture. But all in the central department, you know, because we couldn't use any of the regional staff because regions

had their own country and so on. In fact, there was quite a lot of resistance when we even tried to borrow some staff, some people who could work on China. There was a lot of resistance about China not disrupting the programs. So probably, I'm sure, this sort of--in any bureaucracy this happens [*inaudible*] staff. So we had to really go into the sort of the research staff and then the central advisory staff. Nancy Birdsall, for example, did the population work; she was then in the Development Economics Department. So it was a fairly large mission. We also had somebody like Bernard Chadenet, who had just retired, who had the energy.

So the mission itself went out between October and December, and the chief of mission formally was the chief economist of the Asia region, Parvez Hasan, and I was the deputy chief of mission.

WEBB: What was the name?

LIM: Parvez Hasan, but Parvez didn't go. I mean, he made a visit in the beginning and he made a visit at the end.

And so we organized the mission into teams: an agriculture team, a PHR [*population, health and nutrition*] team, an industry team, and so on. And then the team would come out about four or five weeks at a time, but the whole mission took about two and a half months. It went from October to just before Christmas, and I was there throughout the two and a half months.

We also organized the work; we focused the work on three provinces. We decided China was much too large, but we did want to get out in the field. So we picked a rich province, a very poor province, and a sort of middle level province. And then—so the team went to each of these provinces as sort of a profile of China.

Now, one of the more interesting things is that obviously there was a great degree of sensitivity on the Chinese part, and obviously they accepted this only as a condition of getting, you know, into the Bank and getting loans from the Bank. So there was a lot of concern, we felt, that “this maybe was a CIA operation, and here were all these foreigners coming in to dig into our economy.” So in order to alleviate that I asked them to appoint counterpart teams and had Chinese economists work with each of the teams and work with the mission all throughout, and go to every meeting so they knew exactly what we were doing. And this worked very well. In fact, this has continued almost to today, that all work in China is, always has counterpart teams. But as aside, also . .

LEWIS: They had enough competent economists at that time?

LIM: None of them I would call “economists” in the Western sense, but they had quite intelligent people . .

LEWIS: Yes, surely.

LIM: . . . of varying in quality, but they were certainly not trained in the economics, Western economics. But this was also a very good opportunity for them to learn about Western economics.

But what I was saying is that--the interesting thing, the man they assigned to work with the industry team was a division chief in the state economic commission, an up and coming man, and this man today runs the Chinese economic policy. He's Zhu Rongji, you know, Z-H-U. He's now the--in fact, he's on the standing committee now, you know, the seven member standing committee, but he's also now the deputy prime minister, and he's basically in charge of economic policy in China. But he was a member of the 1980 economic mission. Even today, when he sees me, he tells me, you know, "I contributed to your report." So this work, and so we were--I just use this--we were able to get very competent people on the Chinese side.

Now, to go back a bit, I think it was very clear from that, the July mission but also some of my other discussions with the Chinese, their main motive to join the Bank was, one, to be part of the international community, but two was IDA, soft money. But over the years it was very clear that what became much more interesting to them was the economic work, and, you know, initially the economic work was seen as a sort of necessary evil that they had to accept Bank mission and so on in order to get the money. But particularly by the mid-'80s we almost had to tell them that they had borrow in order to get the kind of economic work that they wanted because they were seeing enormous benefit in having an institution like the Bank not only undertake analysis of the economy but also bring to them a lot of ideas and expertise, you know. We were bringing in a lot of experts.

LEWIS: And this advantage was not one that was important to them internally for what one would call political reasons so much, but the intrinsic value, I take it.

LIM: Only afterward, yeah, yeah. Initially it was, as I say, it was seen as evil, and they were very, very concerned about it. No, because we were contributing a lot into their own problems. And particularly, you know, I think the then prime minister, Zhao Ziyang, I think regarded very highly the Bank and the economic sector work, and I think this was brought out in the [Michel] Oksenberg report, particularly. I mean, he was always quoting from the Bank report in internal meetings and so on, to the point that there was quite a lot of resentment by some of the other agencies.

But there was a general acceptance, and it got to be that, you know, the Bank report was very sort of widely read and also quite, you know, widely used. The '85 report, for example, I mean we kept printing—you know, we translated, we translate all the main reports into Chinese, and this was also published in China, and we kept--there were many, many printings because the demand was marvelous, tremendous.

WEBB: When you said resentment by other agencies, do you mean Chinese agencies or . . .

LIM: Chinese agencies, in the sense that Zhao was--I remember I was told at one meeting he told the planning commission, he brought out the '85 report, which did have a sort of long term perspective and so on, and he brought out the report and said, "Why couldn't you do anything like this?" You know, "Why couldn't you"—because planning, as you know, in the Soviet system is extremely mechanistic and really no analysis, no policy content. And when he saw our report which sort of, you know, gave him options about service sector and so on, and he sort of told the state planning commission, "Why couldn't you," you know, when they had presented their set of plans, "Why weren't you able to do something like this?" But this was resented among the much more conservative group who always resented the thrust on reform and the role of the Bank anyway.

Yeah, I don't know—I'm getting a bit—I don't how you want to . .

LEWIS: No, I think this is great.

LIM: . . hear the story. You want to do it by theme, or do you want to do it chronologically. I guess I'm jumping back and forth

WEBB: I think chronologically is very helpful, yeah.

LIM: Okay. Well, so then we got to the end of--and also in July, then, 1980, when Shahid, when we agreed on a number of areas where we were preparing projects, and we also fairly soon after that decided that we'd make education the first loan because initially the Chinese had the idea that the World Bank was a supplier of hardware and that, you know, they shouldn't let the Bank get involved in education, the so-called soft sectors. But I think we found because of the cultural revolution the education system was in a shambles. And so we decided that it would sort of be a good signal to make education the first loan, and so that's what we did. The first loan was presented in June 1980. And then, of course, McNamara, playing tennis, broke his arm and never showed up at the Board [*of Executive Directors*] meeting after all that big--but, nonetheless, the first loan was made under the McNamara tenure.

LEWIS: You—I was just interested about these outside bunch that you brought in. You said Perkins and Lardy. Now they are both economists. Oksenberg, he's in political science.

LIM: That's right. We also used him. We also used sociologists, urban people and so on, yeah. The point I would make, though, is that we found after the summer that we were way ahead of them. We never used them anymore but in very limited way. Once we got to China, we were so far--and we have never--but we also never--the other thing we made quite quickly was that we did not recruit China experts to work on China for the Bank. We decided we would learn a lot about China, and it was much more important to bring people who know about the Bank to work on China rather than to bring in outside people.

LEWIS: That's interesting.

LIM: We did debate this, and I think one possibility would have been to bring in people like Nick Lardy and so on to the Bank. We could have done that, or at least even more junior people. But we decided that we were going to learn a lot about China once we had this relationship, but we had to have people who know about the Bank because a lot of the job earlier would be to explain to the Chinese about Bank and what the Bank could do and could not do and what it has to offer. So we decided against hiring any China experts. So the team we put together had no China expert at all.

LEWIS: Did you interact with other outlanders who were coming into China at that time? The Ford Foundation was there, Gregory Chow was going back and forth and talking to the prime minister quite a bit, and the Australians, I know, were in and out.

LIM: Yeah. To some extent, we knew what they were doing. Ford quite a bit, UNDP [*United Nations Development Program*], who was there before us, and we used a lot of UNDP money to do a lot of the work, you know, sort of institution building we were doing. Greg Chow not so much because I think he was basically going in, you know, once a year and . .

LEWIS: Teaching economics sort of.

LIM: That's right. Well, that was the program that Dwight and a lot of people were involved with, Dwight Perkins, obviously, the summer econometrics program and so on. We knew about them. We didn't have--because none of them was really working that much on the policy side.

LEWIS: Right.

LIM: But what was also interesting perhaps in the beginning is that we used probably more than anyone else Eastern European expertise. We started bringing in Eastern Europeans.

LEWIS: Oh, really?

LIM: And before, you know, some of them were not even members. Some of them came from countries—for example, we were using Hungarians; you know, we had Janos Kornai very often, but we also brought people like Włodzimierz Brus, B-R-U-S, who was a sort of Polish emigre who was in the U.K. But we had even gone to Poland and hired people in the Polish, used to be in the Polish price bureau, who were involved in price reform in Poland. We brought [*Bela*] Csikos-Nagy from Hungary. You know, he was the sort of deputy prime minister in charge of this. And this was before Eastern Europe was really a member of the Bank, and we brought in nonmembers because we thought it was very important for our work in China to understand the socialist system.

LEWIS: Isn't this a different philosophy than the Bank has used in Eastern Europe itself now? There's a different--one has the impression there that if you want to take the Kornai's—well, Kornai's had a second coming; he's become a total neoclassical. But the

others, they set aside for fresh minds like Jeff [*Jeffrey*] Sachs or something who are going to [both speaking at once]

KAPUR: One hasn't heard of Chinese experts being brought into Eastern Europe.

LIM: I know, well, the Russians are.

LEWIS: Are they?

LIM: In 19—this is jumping ahead—1990, before I came back--no, 1989--the Russians had a conference. They brought me and a whole bunch of Chinese because they asked the Chinese to come to Russia on the conference, and the Chinese brought me along with them.

LEWIS: I see.

LIM: But, no. You're right. And I think it's wrong, you see, because I think people like Jeff are neoclassicists, and they don't understand about the socialist system. They don't understand about what's there and therefore they think that you can just come in and create a market economy; whereas, I think it was very useful to have these people who--because they were able advise us, you know, what isn't there. For example, there's no accounting system, right, and there is no company law, there is no legal system, and so on. You know, how can you create a stock exchange and market system without even basic accounting?

So we thought it was very--but also, you have to remember, now, this was back in the early '80s when we were all talking about incremental and gradual reform. I mean, I guess in the Eastern Europe, Soviet Union, the feeling is that you just forget about the socialist system; it's completely irrelevant. And that's why, as you say, you know, Janos Kornai almost lost his *raison d'être* because he was the ultimate in analyzing the working of the centrally planned system. So he was extremely useful to us. No, I think we found these people very useful. But by the mid-'80s they were already obsolete in that China was already pushing beyond even their frame of mind. And then we would start to bring in people from the West, you know, much more talking about the working of the market economy rather than reforming a centrally planned economy.

The very sort of eventful incident here, in 1985 at their request, we organized what is called a "boat conference" for them. This is when China began to worry about macro-management. You know, they were dismantling the tools of central planning, and then they decided that--they were becoming increasingly aware that they need other tools to manage the economy and to guide the functioning of the economy. And so macro-management in fact then become a new term in China because before that there was no such term.

So they asked us to bring in people to help them about how to manage a planned economy under the sort of market framework. And so we had a one-week conference

which, because we wanted to be sure that all the Chinese officials, many of which are very senior, would be isolated, we did it on a boat. We went down to the Yangtze gorges. We chartered a boat, and so we had it--you know, we were able to go slowly. And then so we brought in Jim [*James*] Tobin from the U.S. We brought in--I don't know; you must know him--Otmar Emminger, the late Otmar Emminger, the Bundesbank person. We brought in Alex [*Alexander K.*] Cairncross. We brought in Janos Kornai from Hungary. We brought in Brus, B-R-U-S, from Poland, and we brought in [*Leroy P.*] Jones from Korea because we couldn't get a real Korean to come [all speaking at once]

LEWIS: Oh, you did?

KAPUR: [inaudible] Harvard Institute for International Development?

LIM: Yeah, from Boston, I believe he was. [all speaking at once] Well, we bring in a sort of Korea expert because at that time they still didn't want us to bring in a Korean. Then we bring in---well, what's his name; I know his name in Chinese--the chief economist of the IBJ.

KAPUR: Industrial Bank?

LIM: Yeah, Industrial Bank of Japan. But anyway, so this was a full, a very high-powered people.

And then we had about, you know, about a dozen ministerial level people, all the top economists in China, the top, you know, ministers of some of the sort of [*inaudible*] system reform commission, you know, ministry or agency involved in drawing up the blueprint. And before that we spent four hours with the prime minister.

And we did that every year after that, you know; we found a special topic. So, you see, the Bank role was not only just our own work, but we were also a channel for bringing in expertise.

Now, it was very interesting in terms of the history of that. Jim Tobin told me that, you know, he had been to China a couple of times before that as an American economist, and he said that he was treated—you know, that the environment was just entirely different. When he was there as an American economist, every meeting was very formal. He never met any real economists. He was solely with these protocol people, very strict meetings, two translators, they couldn't get at anything; whereas, when he was there with us, they keep coming, and they would tell everything, and they were telling all about their problems and keep asking him what can we do about this or that, just because he had on a World Bank hat. It was a world of difference. And this is the point. I wasn't sure that—think that the success of the Bank in China in the early years was because China then was still very nervous about bilateral relationships, particularly with the West and especially with the U.S. But they also know that they needed our help, particularly on projects, on investment, analysis, on economic analysis, and also the whole issue of how to reform their economy.

So the World Bank was extremely useful to them in that this was an international organization, a multilateral organization, of which they are a member and they sit on the Board and so on, but yet through us they could get at anybody they wanted, you know. And, in fact, very frequently they would come to us and say, "Please, you know, get us somebody who will tell us about the Korean example." And even the Taiwan example, you know, we would both provide papers for them and so on. But also even when we would bring in somebody like Jim Tobin, who somehow, because he was coming in under the World Bank's hat, he was much more objective and so on to them than if he was coming in under American hat.

LEWIS: As you well know, there are a lot of cynical people around who think the World Bank is a kind of an agent of the U.S. Why didn't they have that kind of . . .

LIM: I think there was some feeling about that, but I think, you know, when they see the—that was the usefulness of having these counterpart teams--when they see us at work, you know—and sometimes you sit in a meeting and you start introducing--you know, in China in those days, there always nationality was very important. But, you know, you go around a Bank mission, and you go around there'll be Indian and Pakistani and American and Dutch, you know, I mean they could see this was really . .

LEWIS: It was international.

LIM: Yeah, but also I think they did really believe that we may an agent of it but we were--it was also comfort. And we established that comfort relationship very early on, I mean, you know, the trust. And I think that--and this came out very much in Oksenberg's report because he was interviewed in Chinese--I think very quickly they learned to do, to trust the Bank.

But if you have a look at our report, we also were never very heavy-handed, you know. We never questioned socialist systems. We always tried to work within the envelope that they set for us. For example, you know, in '85 we never talk about privatization of the big firms. We talk about commercialization, you know, giving them independence, organizing them into state, joint stock companies where the ownership would still be by the state but giving them, you know, arm's length relations with the state and so on. I mean, we always work within their political parameters.

But there was--I think that's a much more—there's no tangible sort of way of explaining, but somehow we did gain their trust, you know, fairly early on. And many of the things that the Bank did was very much welcome: you know, economic analysis of projects. They never did, you know, on their own in the Soviet system they never really did true economic analysis. That was very valued. They printed a handbook. They gave it to all the planning commission people, you know, just simple how do you analyze a project, benefit cost analysis, internal rates of return and so on, shadow pricing. And they—so they asked us in fact to write up this handbook, and this, you know, they distributed tens of thousands of copies to all the banks, to all the planning commission people.

ICB they resisted like anything (you know, international competitive bidding). They really resisted. And so finally we agreed that on one project, particularly for civil works, they would bring in foreigners to do civil work. They just could not understand at all. But finally we did a hydro project down in Guilin, down in the southeast of China, and this was going to be an experiment. And we brought in, we did it, but we went to ICB for the dam, the civil work. A Japanese firm won, but then they discovered afterward, and they wrote a piece on it. But the work was done in half the time that the Chinese firm had, you know, originally planned to, in which case it would be more than—you know, it would be over. But it was done in half the time. The cost was just about half. And not only that: They discovered, although the contract went to a Japanese firm, just 20 Japanese came. The rest were all Chinese. And they even did a calculation that they saved a lot of foreign exchange by having a foreign contract because, you know, the Japanese were able to use the equipment a lot more efficiently and so on, and they, yeah, *[inaudible]*

In fact, they made a movie out of it. There's a full feature film in China about the story of a dam, and there was a project manager and--obviously this had to be a love story--and he had a daughter, and there was this international bank who came in who said, "We will lend you the money if you go to international competitive." And, of course, the father, who was a conservative, was resisting it, but the daughter fell in love with this young engineer who thought they could do it, you know, and they should do it. And of course--but it followed our story that *[inaudible]* and in the end the young engineer got his way and got the international bank to come in, and the daughter, you know, and everybody lived happily ever after. *[Laughter]*

KAPUR: Just as a footnote. Do you remember the name of the film?

LIM: I don't remember the name of the film, but our Chinese people in Beijing would know.

LEWIS: We'll have to ask about that.

Is there any opposition to any of--where is the opposition to the Bank in China? There must be some people who don't like it.

LIM: I think it was pretty much more—yeah, there must be in the, initially, although I guess I really don't know much about that. But I think the debate, the main debate, which continues to today, was whether the Bank should be used as a pure financial agency. You know, you come in and you do the project and we give them the minimum information or it should have a much broader role and be very much involved in policy advice and technical assistance and so on, and that debate remains until today.

KAPUR: That's curious. You said that, you know, the '85 economic report, the Bank really accepted the socialist framework, did not question that basic framework. At the same time, I mean, even then in a number of other countries the Bank was stating it quite explicitly that this was not a model which was going anywhere—*[Julius]* Nyerere's

Tanzania would be one example, in the early '80s, Bank reports there. Do you see this as much a function of the relative economic strength of the country or . . .

LIM: Partly, but I think because obviously we were realistic enough to know that even today we could not tell China, you know, "Socialism is [*inaudible*]." But more important, we didn't think it was an obstacle because given where they had to go, what they had to do, you could do under the socialist framework, you know. There was no need to privatize the entire industrial sector. We didn't see that they had the conditions to do it. So in some sense our view was very much different from, say, you know, the shock therapy, the big bang approach of Jeff and other people. Then we saw there were a lot of things that need to be done, and we don't think that it was an issue because they were—first of all, China, you see, was already taking an approach which we had discussed with them. The approach was to allow the private sector to grow rather than to privatize your existing industries. So particularly for the big, you know, the large enterprises, it was really--we could see, you know, the difficulty of dealing with them, because, you know, you've got a foreigner, you've got [*inaudible*] sort of the key industries. So the main thrust was to say, "Look, free up the economy and allow the private sector to grow." And so without privatization from early--let's say, pick 1980, let's say take the decade, '79 to '89--the state sector output went from about 90 percent to less than 50 percent. And, you know, today the state sector represents less than 50 percent of industrial output, much less agriculture. But it was because of the growth of the non-state sector.

On this issue, you know, once--I think I need to go back a bit. In the early '80s we could see that agriculture reform was really taking place and was leading to a boom in agriculture which was pushing the whole economy up. But there was one issue which really worried a lot of us, and to put it in Chinese was--it was disguised unemployment in the rural areas because in China, like all the other economies, we knew there was a large number of disguised unemployed. And we were concerned that under the commune system, these were all hidden, everybody had a job, everybody gets work points, you know. But if you have essentially privatized agriculture, what are you going to do with these people? In fact, we estimated of the 300 million people in the rural area, about 100 at least were unemployed once you have this sort of efficient agriculture.

And so the decision was made then was the only way you can do that is to create, to allow a very liberal, open economy in the rural area. So without doing much in the urban area, they allowed enterprises to be established, you know, without any kind of control, with--outside the planning system and so on. And these were essentially collective enterprise which were in any sense private, you know, in the sense that there is no subsidy of any sort, I mean there is no grandfather. You know, they had to live and die on their own. They change very quickly, they self-managed, now very little interference.

So the liberalization of the rural economy was extremely important, but by 1990 these enterprises--now we call them township and village enterprises; you know, it is essentially local--they are now employing 95 million people. So in fact it absorbed the entire surplus labor. And they're responsible for about a third of industrial output and maybe even more than that. You know, industrial output in China because of the growth

is enormous. In fact, the entire output of these industries is now the same as the entire industrial output of China in the late '70s. So it essentially created another new industrial sector.

KAPUR: It led to a very good market structure.

LIM: That's right. Yeah. And income distribution and so on.

But there's another thing also. This is--the Chinese approach has always been criticized, even including within China, of this basic approach in the urban area or industrial area was this two tier pricing system, and this is the key example of the gradual approach to China. Rather than simply saying that, you know, we would free up all output and free up all prices, what China did in the early '80s is to tell enterprises, "Okay. You see, under the planning system but we will gradually reduce the scope of central planning. So for the next year ten percent of your output you can sell in the market at any price, and 90 percent you have sell." And then this was gradually increased from ten percent to fifteen percent, you know. This is their idea of the gradual reform.

Now, we, in fact--I think this is an area where offices in the Bank also criticized because, of course, what happened, you have a two-tier pricing system, and that led to an enormous amount of arbitrage and corruptions. You know, a senior official would take one from one price, from one of the central, you know, which is low price, to the other one. And all of this is correct, and of course now it created obstacle to further reform because at some point it was a lot of vested interest in keeping this two-tier system, and all the economics tell us that this is wrong.

But on the other hand this two-tier system allowed the rural industry to grow because without that the rural industry would have never been able to have access to raw material, electric power and, you know, all the things that are needed for them to produce. But because you had this two-tier system they could buy all the energy, all the raw material they want--obviously, at very high prices, but because they were so much more efficient than state industry, they could do it anyway. And they grew. You know, I think they've been growing at an average of about fifteen percent a year.

And now, of course, the whole southern China--you know Hong Kong is now de-industrialized. They have [all speaking at once] all moving into China, all these rural industries. As Africa has done. But Guangdong and Fujian, you know, there--all industries are now in that part of it.

So the Chinese reform--I wouldn't say they had a blueprint. You know, it was also--there was a lot of and trial and error; but it was always very pragmatic. And that's why this idea of socialism never really bothered us. I mean, it was just meaning public ownership, and one could define that in many ways. But it was never exclusive anyway.

LEWIS: What was your interface with Anne Krueger and her . . .

LIM: Not much except we used a lot of their people, you know, in that sense, but we used a lot of DPS [*Development Policy Staff*]. As I say, Dean Jamison, you know, he worked on health sector. Timothy King worked on employment. Most of the China work was very much done like a *WDR*, you know; we would just pull people from the, you know--and I guess because of the attractiveness of China it was possible. But we didn't take a lot of these people in full time. We kept up a core team of about five or six people, and then we used a lot of these people [both speaking at once]

LEWIS: Did you get a lot of flack from that quarter when it came to reviewing your drafts and so on?

LIM: From time to time. I remember, you know, the review of the '85 report. We had Anne Krueger as one of the reviewers but we also had Janos Kornai to balance it.

LEWIS: I see.

KAPUR: Was the decision to open the Res Rep [*resident representative*] mission before or after the economic report?

LIM: About the same time, about the same. We were, in fact, if anything probably rather slow because, you know, I think the idea on China was always to be a bit more cautious because it was so big, and, you know, we didn't open it until five years. And after the really—already we had a big program. We were lending about one and a half billion, but we were already very accepted in terms of the economic dialogue.

KAPUR: So the request came from the Chinese side or . . .

LIM: No, I think it was sort of mutually agreed. I don't think it was a special request.

KAPUR: So that's when you went.

LIM: That's right. So in '85 I went, and then I think the rest of the mission played a very large role in the dialogue, and probably both institutionally but also some personally. I mean, I used to have a lot of private meetings and long hours of discussions and so on. But we also worked with many of the agencies. We built up a lot of the agencies.

LEWIS: Chinese agencies?

LIM: Chinese agencies, yeah. And again, I would stress this, maybe quite unusual, that this collaborative effort--we had a research program on China, and Ben [*Benjamin B.*] King was sort of running it for a while because—you know, after he retired. We had to—because like now, like the FSU, the former Soviet Union group, it is very hard to recruit people. So we were going to people on a sort of temporary assignment or retired people like Ben. We brought in Ben to run our research program, but our research program was entirely collaborative, you know; the agenda, the topic and the work was done with the Chinese institutions. And this was very much done in my--one, to improve our

effectiveness, but, two, was the capacity building. We felt through this we were able to get them to understand about the economics because truly by 1980 there was nobody in China that understand any kind of Western economics.

WEBB: Did the State Department, Treasury Department, follow what you were doing with a lot of interest?

LIM: I don't know. I don't know much.

LEWIS: Did you interact with the American embassy people very much?

LIM: Yeah, yeah, and I was—in fact, three days ago I was having lunch with Arthur Hummel [*Jr.*], who was the ambassador from '81 to '85. Quite a lot. But I guess in terms of policy dialogue we were much ahead, you know, and I think very often when I was in Beijing the embassy would be asking us about my meeting with so and so, what was going on and so on.

WEBB: You don't remember pushing or pulling with respect to [*inaudible*]

LIM: No, I don't think we ever had any—not at my level, anyway, maybe at a more senior. But I don't think so, you know. I think in the, until the late '80s the political influence on the Bank was much less. It's certainly a lot more now, you know. As you said, maybe nowadays we would not have been allowed to—what we could relax about, you know, public ownership and so on, but . . .

KAPUR: Do you recall a set of steel loans to China?

LIM: Oh, well, we start--when China when we were talking about the possibility of--yeah, on specific topics, yeah, not generally, but certainly, I mean, the U.S., but also even general Bank policy wasn't targeted at China. The Bank--this was in the late '80s, right? The World Bank had a policy against lending to the steel sector, but the incident was in Mexico. And so when the Chinese wanted to borrow for steel, then we had to tell them that, you know, we couldn't do it, although we tried to provide some technical assistance and so on.

Yeah, but there are always instances where the Chinese wanted us to borrow or to lend for, you know, to lend for activities which under the Bank guidelines we could not do. But there were always other ones. There was always a lot of tension in each area, but, you know, between Bank policy—as I said, the first one was ICB. We had a lot of problems on that; they really did not want to accept international competitive bidding for civil works. They said, “Look, we have built these huge dams and things. Why in the world would we want foreigners to come in here?” Equipment they could understand because they wanted the, you know, high tech equipment, and they thought that was useful, but they would not--at local cost they would, you know. China is one country who persistently refused to borrow for local costs.

KAPUR: And still do?

LIM: Very limited, yeah. Still do.

KAPUR: Did you see your role ever at times as a conduit of information between ministries [*inaudible*] costs between ministries themselves?

LIM: Sure, sure, Chinese bureaucracy is just like any, just as inefficient. I mean, it's not worse.

KAPUR: [*inaudible*] I know in India where . . .

LIM: No, not all that, not more than any other country. But, yeah, I played that role.

But there's also, you know out of the [*Willi A.*] Wapenhans report there is a very interesting point I should make [*inaudible*] really allow us to determine the lending program . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

LIM: Now, when you read the Wapenhans report, I was just remarking that one reason for the success of the program, the implementation, is of course this has always been their program.

LEWIS: Their program.

LIM: Yeah. They never--and, you know, I was also making some jokes with my colleagues: "We are now getting more involved, and we are now picking projects. Maybe this performance is going to start to go down." But it was always their program and we were at the margin. Basically they would, say, present us with 20 projects, and we would say, "Well, those 5 are not really consistent with the Bank's program, but we'll do this 15 and so on." But they would never--they resist very much about letting us do a project of our own.

It did change, and we began to do particularly some of this industrial restructuring--which is very much our idea, you know—in Beijing and Shanghai and so on. But traditionally they--and, as I say, you know, that could--so strong ownership, and that certainly would explain a lot about successful implementation of the World Bank program in China.

KAPUR: One small thing—which is a bit jumping the gun—now that you work in Africa and looking at the Bank projects in Africa, one does not have the sense that even in issues of social sector lending, you know, there's always a huge amount of technical assistance, all Bank project does, but I have a sense the Bank has really not tapped that much Chinese expertise. It's always tapping, you know, U.S. and [*inaudible*] How do you see that?

LIM: It's very difficult because the language just isn't there, you know, and also the Chinese technical capabilities are very limited, I mean, paddy growing and so on. But I would not, I mean even knowing what I know about China, they would be quite limited.

In the mid-'80s we did send some Chinese to talk about reform to these countries in Africa with socialist systems, you know. We sent somebody to Benin, we sent somebody to Ethiopia, and so on. But, of course, these, you know, countries gave up socialism very quickly. But it's—you know, I don't think for the work of the Bank it would be—but where they are becoming very successful, of course, is in procurement, that they have been winning a lot of contracts, in Africa particularly.

LEWIS: Winning for what kind of activities?

LIM: Construction, agriculture, and even some industrial stuff.

LEWIS: Do they still have a foreign aid agency?

LIM: They still have a foreign aid program but not much. You know, at one point China was lending 500 million . . .

LEWIS: Big donor, yeah.

LIM: . . . 500 million a year to Africa, and this was in the '70s. So this would be the equivalent of about 2 billion a year now. They are very *[inaudible]* and all in yuan. But their program even now is being criticized within China that they listen too much to the countries. They gave the countries pretty much what they want, and they ended up building stadiums for football, you know, very little for productive . . .

Because they refused to have any say in the programs. They did have a lot of agricultural programs, but often the money went to these sort of white elephant, you know, big buildings and football stadiums. Well, I don't know. Football stadiums may be useful—nation-building, you know, in a stadium.

KAPUR: *[inaudible]*

LEWIS: Building cathedrals *[inaudible]*

LIM: Yeah, that's right.

WEBB: On the fundamentals of development, the liberalization and development of a market economy, when you arrived they were already launched, but it had started . . .

LIM: In a very minute way.

WEBB: In a small way.

LIM: It was just the agriculture, and that's--virtually by 1980 or '79 all they had done was to give farmers responsibility for five years. You know, they had a contractual relationship with the farmers, that they could farm the land for five years. Then this was extended to ten and fifteen and later became fifty, which was de facto ownership. But nothing on industry and so on.

But what was important was that they were already committed to reform. They knew something was wrong. They didn't really know what to do. And they had no clue at all at that point at how far they would go, so . . .

WEBB: What I'm curious is: You had the seed planted when you arrived, but you say it was minute. The Bank was also then moving on its own in that direction, and the Bank also moved considerably. So both these, both sides of the relationship were moving, but the way you tell it sounds like the Bank really wasn't pressing that much. It was mostly their own evolution?

LIM: No, yeah, that's true. No, no, the momentum was—no, we pushed quite a lot. I mean, let me--maybe I should explain in this. I was using the '85 report. We pushed against the envelope, and we would go beyond the envelope a little bit, you know, but always not--I mean, you see in '85 if you had told Chinese that, "Look, you have to privatize your industrial sector," that, you know, if we had told the Chinese what Jeff Sachs is telling the Russians now, they would--there would be no dialogue. But we always took the envelope, and we would push beyond that.

You know, there was this section that we talk about privatization. We said, we essentially said, "Look, you've got a huge industrial sector, range from little shops or, you know, modest shops to a steel mill. You just take this sector and divide it into three parts, you know, one for shops and little cottage industries, let it go. I mean, just privatize it. Sell to the, you know. And, in fact, also let the rural industry go. The middle part, you want to commercialize, you know, have independent. And then the steel mill and your defense industry you maybe want to keep as state ownership."

So we were always pushing beyond, but we always stayed within a point where, you know. I remember talking with Janos Kornai about this, and this is what also the Hungarian economy was--their envelope was set by the Russians, not by themselves. But we were always conscious of what they wanted to do and how far they were willing to go, and then we would, you know, push beyond that. For example, then we pushed them on joint stock companies; we didn't push them on stock market. We pushed them on starting a securities market for bonds and start financing projects through bonds and so on rather than to go to equities. Today now they're already experimenting with stock market.

LEWIS: Did you push them on financial institutional development?

LIM: Yeah, but that envelope, that's the one area where we haven't succeeded, and that's the biggest bottleneck now, the biggest sort of--I wouldn't call it a failure, but that's the

biggest bottleneck now in China is the financial, and it's very difficult. I mean, unless you really get people to go there, you know. I mean, you could a bank, but you could run it like a bureaucrat or you can run it like a bunch of crooks. But you just cannot create a mentality of people who are, you know, functioning as bankers.

And we are the last person—you see, they always want to emulate the Bank. We have to tell them, “Look, we’re the last place. We are not a bank. We give interest free loans to people in the world.” You see, that's the problem. They keep saying--and in fact, I remember the current premier saying he wants to change the bank into the World Bank, and we said, “You might want a development bank, you know, like KfW or a long term credit bank, you know, functioning more like the World Bank, but certainly your banking system must not function like the World Bank.”

LEWIS: Robert Cassen said his group at Oxford was getting some kind of a contract to come in on financial institutions.

LIM: That's right. There have also been—we finance it, you know, through, by—well, we started it, and then we got it financing. But we also sent middle level Chinese to Oxford for training, you know, one to two years training.

KAPUR: How do you see the relations between the central and provincial administrative operations? Did that--began to affect the budgetary aspects?

LIM: Well, the budget is very difficult, but yeah, central government is certainly very difficult and also the budget generally because [all speaking at once]

KAPUR: [*inaudible*] began to become more autonomous.

LIM: Yeah, but is this where you get back to the financial market or capital market. The budget, of course, was the main instrument for really allocating, you know, allocation of investment funds, but the budget is now shrinking very rapidly, but you don't have a capital market to be allocating investment funds, and that's a real problem now. So you're getting a lot of money going into productive activities, but you're not getting much into infrastructure.

LEWIS: There are trade barriers also between the states, aren't there?

LIM: Yeah, yeah, but these are big states, you know, so I wouldn't worry too much about that.

LEWIS: No?

LIM: Well, some have 100 million people, you know. I mean, in Africa with, what 300 million we can talk about, you know, and they're are very huge--no, no, it is a problem, but you don't have frontiers. You don't have customs. I mean, it's pretty difficult.

LEWIS: It's pretty porous.

LIM: That's right, yeah.

KAPUR: Now, were you there in the Beijing office in '89?

LIM: Yeah.

KAPUR: How did they--did they take the break . .

LIM: After June 4?

KAPUR: When the G-7 . . .

LIM: Yeah, I think that relationship, in fact, was managed quite well, in retrospect, because they always felt that we—it was, you know, it was the political constraint and not the Bank. They never felt the Bank betrayed them. They always felt, I think, that the Bank would have stuck only on purely economic grounds, but even on economic grounds, we had reason to, you know, to cut back. But they knew that we were not making decisions, political ones, except under pressure from the Board. And they also knew that [*Barber B.*] Conable, for example, you know, was very sympathetic; he was just under pressure and the G-7 was simply decisive and the major shareholder was making the decision of the cut back. You know, that one year lending was almost down to nothing.

But I think in retrospect the relationship was, you know, preserved, and there obviously is some damage because again--the point you were making earlier--they've seen more than before that the Bank after all was the instrument of not so much the U.S. but of G-7.

LEWIS: Ziyang was making pretty strong speeches then on the other side, wasn't he?

LIM: That's right. Yeah, but we always, we kept the office open, and we never—you know, there was a, soon after June 4--in fact, on June 4 I was in Hong Kong on leave. You know, we didn't expect--and on June 5th I think I was the only one to ever sort of go back to China. I went back to China. And we kept the office open. They were a lot of newspaper reports that the World Bank shut down its office and so on, but we never did. But we kept insisting that, you know, that the relationship is based on reform, that it wasn't based on political things, but if they reversed on reform, then we would, you know--it would be a different kind of relationship.

I think without the political pressure we probably would have cut back on lending because of the uncertainty regarding to reform.

KAPUR: You said that in retrospect it went okay. At that time you had different feelings?

LIM: No, I think when you look back and see how it was done--and at that time none of us knew how it would come out because if Chinese had really gone back on reform and became extremely conservative, you know, sort of a, you know, reactionary, you know, then it would be a different story. But, of course, we persevered and then of course they kept it. And, you know, there were people in the leadership that wanted to reverse reform, but reform had already gone too far, particularly in the outlying regions, you know, in the provinces. They couldn't reverse it, and now reform has been given a big boost.



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LEWIS: Let me ask you about a comparison possibly with Indonesia. As you, as we hear you, it sounds in a lot of ways kind of similar to Indonesia story: the Bank had a very close relationship, a very influential one; it's been a success story in many respects, certainly in terms of the development and the ownership of programs. A couple of differences that I hear--we had the Indonesia things--one, although the Bank has been a very valued advisor, it's one of a set of advisors. The Indonesians are very careful to have a whole chorus of different people feeding them advice. They seem to go with the Bank's advice very often, but it doesn't have a solo kind of role. And the other thing is that the Bank in Indonesia has to keep its head down. It's supposed to keep a very low silhouette. It isn't supposed to interact with the general society at all. And as I hear your story, one, the Bank is sort of unparalleled as an advisor. It doesn't have a rival in that sense, and it doesn't sound like you're supposed to keep your head down so much.

LIM: Yeah, what you said in both comments--I used to work on Indonesia as well--I think in Indonesia you had the Berkeley Mafia. They were there always a long time, and so we were this--I mean, we were so only even in the form of, I mean, even when Jim

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Tobin comes, it was through the Bank, you know. So we weren't the one always giving advice, but it was always through the Bank channel. And the Bank channel was almost exclusive, you know. I go back to again the sensitivity about bilateral and so on and the World Bank being more comfortable. But it's interesting. The Fund never played a significant role in China; maybe we can come to that later.

The second point, initially we thought we had to keep a low profile, be very careful, but it was they who blew it up, in fact, particularly the prime minister, you know, Zhao Ziyang, who was a very open-minded, a very broad guy. I mean, he was the one that was *[inaudible]* I mean, and Oksenberg was saying--I don't know whether it was true or not--he used to have a copy of the Bank report on his desk, and he would always refer to it. I mean, on the Chinese side they played it up, and of course once you are *[inaudible]* everybody asked you. The Chinese are still a very structured society.

No, I have enormous access. Once the Fund man, you know, the assistant director responsible for China, he'd a bit of a problem and he had to deal with, try to get to one of the deputy prime ministers. And they couldn't know what channel to use and so on, so he was in my office in *[inaudible]* I said, "Well, come. I'll do it for you." So I took him to the, you know, the club, and the deputy prime minister was playing tennis. And I walked onto the court, and I said, "Can I have a few minutes, you honor?" And we pulled him off and had a five minute discussion, solved his problem, and went off. And the guy said, "I wouldn't even dare to do that with my director in the IMF! To pull somebody off the court!"

But our access was just so broad, you know, and we are---but, you know, at some point--but, again, you know, I don't want to think because we were--I don't want to say that we were doing a superb job and so on. I would just say that we were just in the right place at the right time. You know, I mean, we had international experience, and that's always been the strength of the Bank, you know. And we have assets, you know, because we can always hire people and we *[inaudible]*

And China wanted to get out, but they were nervous. But that role is changing, you know, because obviously they're now much more--we used to even advise them on secondary recovery in the oil sector. You know, we didn't know very much about—because they were even afraid of the oil companies. But even on the technical things, we are pretty much out, you know. I think they have now oil company. They've got Boeing, they've got GM, they've got everybody, you know, Silicon Valley running all over China. But on reform I think we are still dominant but less than before, much less than before.

WEBB: It's fascinating.

LEWIS: Yeah.

LIM: Yeah, no, it's very, very interesting, but, again, I think that it was really the timing, you know.

KAPUR: Why do you think the Fund never . . .

LIM: Well, yeah, you know, it's partly the Fund being so, you know, bureaucratic, I mean, you know, and the way, the style of the way they operate. We were very flexible. And I said, I brought a mission where I had the former price minister from Poland, the deputy prime minister from Hungary, because they were the people needed. The Bank is very, you know, flexible in terms of our management. The Fund is very rigid.

But also ultimately what China needed was not the Fund. You know, China is a very conservative manager of their economic policies. They never—I mean, deficit is not allowed. I mean, initially, I remember when McNamara went, McNamara tried to explain to them how we determined the lending program: “Well, we look at the balance of payments, and we look at how much the gap is, and then we factor in the deficit.”

They said, “That's not possible. We never have any gap. It's against the law! Against the law! How could we?” *[Laughter]*

But the Fund, you know, as I say it's sort of short term financing *[inaudible]* never really--so for both counts. China made a drawing once, very, very brief, but never has really used Fund resources and the Fund. And even now, would China really need a lot of Fund's technical advice? I understand the Fund did set up an office, but they're not playing a very major role. They could, though. I mean in certain circumstances they could be very much more, particularly in the financial sector.

LEWIS: You're going to be here for a while. Is that right?

LIM: You mean in Washington? You're telling something I don't know? *[Laughter]* [all speaking at once] You know the way the Bank is . . .

LEWIS: No, we don't bring any special news. We just want to come back and see you some other time. We have to go and meet another person. This has just been fascinating.

LIM: Yeah, it's a very—I mean, there is a lot I could--I think the China story would be a good example of the Bank generally, you know. Now if you wish there's a lot of--we could go on for another two or three hours.

WEBB: I think it has to be a heart *[inaudible]* because of all the success *[inaudible]* entire world.

[all speaking at once]

LEWIS: If you believe some of these projections now, it's going to be the biggest economy in the world very soon.

LIM: But it also--it was a good, just a perfect match at that time. I mean, our international perspective, our project experience, our technical work, our nonpolitical

nature and what China was looking—you had a group of very committed, very competent people, and so on.

You know, I think earlier you used the word “seed.” It was much more than seed. In 1980 they were already committed to change, but the motive was not through any concern about socialism. It was the four tigers, you know. They always—you know, in the late ‘70s they began to see what was happening, and they realized, “My God,” you know. I mean, not only were they way behind Taiwan, but they were way behind Thailand and Indonesia! And, you know, Indonesia was a barbarian country to them. I mean, that was what really prompted them! Even Hong Kong, you know, where they were sort of expelled, was booming. I mean, that's when Deng [*Xiaoping*] made the decision that he had to do something. It would be—it started very much as a sort of a push towards emulating the experience of East Asia.

KAPUR: [*inaudible*] gone without him?

LIM: Would I what?

KAPUR: [*inaudible*]

LIM: I think the individual is very difficult. It probably would have been slower, but the momentum was there. You know, you could attribute without Deng, but Deng just had a vision. I think that it would have been very difficult doing it without Zhao. I mean, Zhao was really the architect of the reform program. He started in Szechuan with the rural reform, and he did so well that they brought him to Beijing and so on.

But, you know, now—and also they're doing things so much better than the Russians are doing. For example, there are so many Chinese students now abroad, you know, and that's the--and there are going to be hundreds of thousands of Chinese students educated at Harvard and Yale and Michigan, and where is the Soviet Union? Nothing, you know! Where are they going to get all these brains! But China has been preparing, you know. I mean, they'll have all the Harvard MBAs. I hear there are already about, you know, 10 to 20 Harvard MBA!

[End Tape 1, Side B]
[End of interview]