

WORLD BANK HISTORY PROJECT

Brookings Institution

Transcript of interview with

MASAKI SHIRATORI

**Date: June 5, 1991
Washington, D.C.**

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.

Masaki Shiratori
June 5, 1991 – Final edited

*[Begin Tape 1, Side A]*¹

SHIRATORI: . . . one year ago?

KAPUR: It was August of 1989.

LEWIS: Yes, so it's been quite awhile getting moving.

SHIRATORI: Yes.

LEWIS: We're, among other things, very grateful to Japan for being a supporter of this project. Your foundations have contributed a quarter of the bill, and American foundations likewise, the Bank a quarter, and I think Brookings is still looking for the fourth quarter.

SHIRATORI: I see.

LEWIS: But we so far--that's not our department.

I think that what we'd like to get you to talk about particularly as one thing, is your perception--how long have you been an ED [*Executive Director*] now?

SHIRATORI: Two years. I joined the Bank at the end of May 1989.

LEWIS: Two years, right.

SHIRATORI: But I was in the IMF [*International Monetary Fund*] twenty years ago.

LEWIS: Oh! We're interested very much, as you can imagine, in the relations between Management and the Board [*of Executive Directors*], and they seem to have been evolving. They're somewhat different now than they were, I guess, twenty years ago. Maybe they have a connection to the presidency, that [*Robert S.*] McNamara had one sort of set of relations and [*Eugene R.*] Black one and [*George D.*] Woods another, but what's your sense now? Is it a—is the sort of balance of power between the Board and the Management shifting, or . . .

SHIRATORI: Yes, I don't have the experience of some years ago, or compared with, say, twenty years ago when McNamara was the president. There is certainly clear difference. Maybe there are three factors: one is that the work in the World Bank is becoming more and more important, not only for recipients but also for donors. The influence of the World Bank has increased. That's the first reason. The second reason is the president, the characteristics of McNamara versus [*Barber B.*] Conable. And third, I

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 [].

think the Board members that sit together in Board meetings, the importance accorded them have substantially improved compared with, say, twenty years ago. And sometimes, in my case, for example, in the case of Japanese Ministry of Finance, this post is regarded as one of the most inactive, do-nothing type of positions.

LEWIS: I see.

SHIRATORI: But now it is completely different. The economic cooperation issue is very important now, in the Ministry of Finance. Or in the case of Japan there are four ministries concerned on the economic development, but the Ministry of Finance is the most important of them. But in the Ministry of Finance we are suffering from the shortage the staff, and because of that--but at the same time the work done in my office has become more and more important. Therefore, there are a number of staff that are increasing here. The result is that Tokyo is now shifting more burden from them, and we are doing loads and loads of work. Tokyo is deciding the basic policy issues, but the daily transactions, daily business, is done by my office, and on the policy issues we make recommendations to Tokyo. And usually what I am doing is that, say, given a big document, we--in this office we summarize the major points, and between us, among us, we discuss what should be the major issues and what should be the points I should make at the Board, and then make our recommendations to Tokyo and Tokyo normally responds, "Okay. You may go ahead." That kind of business was quite new. That is particularly the case since I joined the office. Up until then we were just silent.

LEWIS: So that's a very important shift, so that the central analytical work is done here now.

SHIRATORI: Yes. Now, as far as Japan is concerned.

LEWIS: Yes, yes, yes, yes.

SHIRATORI: That's because we consider that the role of the World Bank has increased substantially, and we should put more voices here in addition to our money.

LEWIS: Do you think that's characteristic of other . . .

SHIRATORI: I think so; I think so. The U.S. has been always very active, and the other G-7 countries are also putting lots of emphasis on the work of the World Bank.

LEWIS: That brings up the question about the extent to which there are blocs or groups in the Board and whether you are--we know that you just had a meeting with your G-7 colleagues, but to what extent is that representative? Is there more caucusing of groups in the Board, do you think, than there may have been in the past?

SHIRATORI: Well, I don't know. I'm not familiar with the past . .

LEWIS: Yeah, I understand.

SHIRATORI: . . . but it's quite conspicuous nowadays, and we G-7 Executive Directors meet from time to time to discuss various important issues. Of course, there is nothing that the one member of G-7 can force others to accept his views, but the exchanging of views, very frank views, will facilitate Board discussions. And it's normally not confrontational at all.

LEWIS: Part II countries also do some . . .

SHIRATORI: They have their own G-10, or--I don't know.

LEWIS: I don't know what's . . .

SHIRATORI: I don't know whether it's G-10 or G-8 or—yes, they do have. They do have. And sometimes we had G-10, G-7 plus Scandinavian countries, Australia . . .

LEWIS: Canada?

SHIRATORI: Yes, to discuss more wider . . .

LEWIS: Yeah, that would be sort of the OECD [*Organization for Economic Cooperation and Development*] set.

SHIRATORI: Yes.

KAPUR: Do you think that this might have led or is leading to a greater Part I versus Part II division?

SHIRATORI: You mean the confrontation?

KAPUR: Right.

SHIRATORI: I don't believe so. I don't think so. It's simply facilitating the discussions of the--facilitating our understanding on the views of other members. We always take into account what the Part II members will react to this program and what would be appropriate reaction from our part. That kind of discussion has always taken place. So I don't think this is the major reason for polarization or whatever you called it.

WEBB: Do you have a sense that this change, in addition to some other changes, particularly multiplication of trust funds, co-financing, is reducing the multilateral ingredients here and increasing somewhat the bilateral ingredient of the Bank?

SHIRATORI: That's a very difficult question. As far as Japan is concerned, I don't think so. Of course, we are the major financier to the World Bank to different special funds and so forth. We are the largest donor. We don't want to do that way, but it's inevitable because what is asked for us to give more money without any voice. That is not accepted

by the Japanese public anymore. The only solution is to channel our bilateral money through the World Bank, but unless we are given the proper voice, it is inevitable to have some bilateral connections. Otherwise, the Japanese public will not accept the unproportional increase above our management contribution and financial contribution.

LEWIS: In terms of this “voice” issue, is there any trend there? That is, is the U.S.-- show any tendency to be more relaxed on that score, or is it just the U.S. or also the Europeans?

SHIRATORI: Well, six, seven years ago I was director in charge of the multilateral development institutions, and at that time one of the biggest issues for me, responsibilities for me, is to raise the Japanese position from number five to number two, which was very tough because not only of the United States but the European countries were very harsh to us. But since we achieved this goal, say, some three or four years ago, I don't see any . .

LEWIS: No other movement?

SHIRATORI: No. No other movement. We have not been preparing to go to number one. As far as I am concerned, I'm continuing to struggle, but my counterpart in the IMF is still suffering from this struggle, I think.

LEWIS: I thought you said that the reason for the use of the trust fund alternative is because you cannot get the voice that's proportionate to your share of resources if you went through regular channels. Is that right?

SHIRATORI: Yeah.

LEWIS: So it would mean that there is a sort of ceiling. I mean, the present ceiling is not high enough from the point of view of greater contributions through regular channels.

SHIRATORI: No, but I must say that our presence here does not fully reflect our financial contribution.

LEWIS: Right, right, right. I guess it's also true, isn't it, that you have been expanding your bilateral program very rapidly . .

SHIRATORI: Yes.

LEWIS: . . and you've been expanding--it used to be it was concentrated pretty much in your part of the world, in Southeast Asia. Now you're doing a lot in Africa and so on, and you don't have all of the expertise and so on that you would like to run a regular bilateral program, so you're able to use the Bank's . .

SHIRATORI: Exactly, exactly. Particularly in the case of Africa. Africa is too far from us in all senses. We don't have enough knowledge, specific knowledge on individual

countries in Africa. We don't have any connections with the African people, so the best thing for us is to utilize the expertise which the World Bank has. So as far as Africa is concerned, it's in our best interest to use the World Bank. That is one of the major reasons we are here. More money needs more knowledge. And you are quite right. And that applies to some extent to other countries.

KAPUR: Moving on to Latin America, on what grounds are choices made as to how much money is channeled to the IDB [*Inter-American Development Bank*]*—*Japanese money--as opposed to the World Bank?

SHIRATORI: Well, I don't have any exact answer to this. Of course, our historical background is pretty important. Take, for example, Brazil. There are so many Japanese migrants there compared with some other parts of—say, Argentina, we have very few, compared with Brazil where there are so many. So on the bilateral front we are putting more money on Brazil rather than Argentina. But Argentina is also important for us. So we put more emphasis on Argentina through the World Bank. So that kind of consideration always comes into countries.

WEBB: Now you have a president of Peru.

SHIRATORI: Well, that's nothing to do with--as you know, you are, we have . .

LEWIS: It's his president.

WEBB: I'm Peruvian. I'm making a joke.

SHIRATORI: Oh, I'm glad you say that! [*Laughter*] Mr. [*Alberto K.*] Fujimori being a Japanese descendant has nothing to do with our aid policy. Peru is an important country in the world and very important for us Japanese, so therefore we have to maximize the Japanese public reaction.

LEWIS: We heard that, about, of course, your concern about voice in the Bank and also the concern about personnel, about . .

SHIRATORI: Exactly.

LEWIS: Now, how would you describe that? Is there a resistance here?

SHIRATORI: We are extremely under-represented here. Our share in the Bank is 7.6 percent, and the share of the staff is 0.6 percent.

LEWIS: Um. 0.6.

SHIRATORI: It's terribly—it's a terrible under-representation, and one of my major jobs here is to put more Japanese here in this institution, as well as to put the existing Japanese staff, be promoted.

LEWIS: Now, is this--do you sense that . .

SHIRATORI: And I think that, answering to your question, yes, there is a strong bias against the Japanese . .

LEWIS: Is there?

SHIRATORI: . . and minorities.

LEWIS: I see.

SHIRATORI: For example, the one of the directors in charge of personnel affairs mentioned semi-officially that Japanese are not culturally fitted to this kind of institution. Therefore, he would not adopt Japanese. That was the statement made by the director in charge of personnel there, some one year ago! So I made a strong protest to Mr. Conable. It's an open secret that there is a strong bias against late-comers, against the non-European, non-American.

LEWIS: Well, I'm surprised. I hadn't really heard as clear a statement of that as you've just made. Part of the problem, surely, is that many of the gifted people, Japanese, don't have the language facility in English . .

SHIRATORI: That's right.

LEWIS: . . which is a very unfair kind of situation, but nevertheless it's a factual situation.

SHIRATORI: Yes. And also our Japanese educational system is different. A Ph.D. is just nothing in my country, but here it is the most important factor to be a member of the World Bank. But if you have a Ph.D. in my country has a kind of negative impact.

LEWIS: Really?

SHIRATORI: But here it's the opposite.

WEBB: Is that seen as rather purely academic, not practical?

SHIRATORI: You see, in my country, sorry to say, that the scholars are regarded to be a minority group of citizens.

LEWIS: Well, that's sort of the pattern in France, you know, that the people who go to the grande écoles, like [*Michel*] Camdessus and so on, [*Jacques*] de Larosiere, they don't get Ph.D.s. They're not academics. They're—and they don't go to university, technically speaking. They go to these superior schools. I suppose in your case they go to Tokyo University.

SHIRATORI: Yeah.

LEWIS: But you don't get a Ph.D.?

SHIRATORI: No.

KAPUR: Or law school?

SHIRATORI: Law department (undergraduate). There is no law school system in Japan now. The best students come to the Ministry of Finance and some other ministries. And only a few academically-oriented students directly become assistants to professors.

LEWIS: Right. We are fortunate to have some of your Ministry of Finance students always at the Woodrow Wilson School. They are sent by the Ministry. We've had them for years.

SHIRATORI: And in my country it is more advantageous for us to be the generalist rather than the specialist, but by having the Ph.D. we are regarded as a specialist, which has demerits.

LEWIS: Well, yeah. We have that . .

SHIRATORI: But that is not the case here in the World Bank, and that's one of the reasons why it is very difficult for a Japanese to come to the World Bank, because we don't have the Ph.D.

LEWIS: I work at an institution, you know. We don't give out Ph.D.s much either. We give out Masters of Public Affairs, and we've had the same sort of issue raised, but there are a lot of Wilson School people in the staff here, you know, including a couple of Japanese ladies.

SHIRATORI: Yeah. Nowadays there are many Japanese young people who are having Masters or Ph.D.s and eager to join the World Bank. But because we are so under-represented and because—there is one more factor, which is this so-called decentralization . .

LEWIS: Yes.

SHIRATORI: . . as a result of the reorganization. Because of this decentralization personnel authorities are given to the division chiefs, and they are adopting the young staff or the people from among the people he or she knows quite well.

LEWIS: I see.

SHIRATORI: The Japanese are outsiders. They don't have any personal connections with these division chiefs, so it's very difficult. I'm talking to Mr. *[Bilsel]* Alisbah, vice president in charge of the personnel, but he has no influence because division chiefs are so influential and they—this director mentioned that this personnel authority, given to the division chiefs and managers, should be kept at all costs. That is what he said.

LEWIS: I see. Well, what you've got to do is be patient and take over the YP *[Young Professional]* program, I think.

SHIRATORI: Yes, so I'm putting more emphasis on the YP program and asking Mr. Alisbah to pay special attention to increase the number of YPs from under-represented countries. We have many youngsters who are capable and eligible, but because of the under-representation at this stage they have trouble, difficulty, in finding jobs here. That should be rectified.

LEWIS: Do you have any special program for English training?

SHIRATORI: Yeah, we are ready to provide some financial assistance for that purpose if necessary, and that is what I am proposing, for instance.

LEWIS: There are, you know, programs for that. Boulder, Colorado, for one, has a summer program. People coming from developing countries, non-English speakers, in economics, often go there. It might fit your needs. I have great sympathy for this personnel problem. I'm distressed to hear that you feel there's actual prejudice that is blocking at this point. I suppose it'll be useful when you get a senior vice presidency, at least.

SHIRATORI: Um-hum. We should have. We should have. We have one vice president here. It is still closely under-represented. The trouble on our part is that we don't have enough capable personnel.

KAPUR: I was wondering—to take you up on your theme--when you came you were saying that Japan had a slightly different system on how much people with Ph.D.s are appreciated, and so on, sort of taking you up on sort of a broader theme around that, it is said that the World Bank's sort of development philosophy—the very quote “Western” unquote philosophy--how do you see it when you see here the way it does, sort of its philosophy of economic development and your experience with that of Japan? Is it different? Do you find that an issue?

SHIRATORI: Well, I think you are referring to a very general issue, and I would like to respond in a very general way. I am quite unhappy with what the World Bank economists are doing because in my view they are poisoned with textbooks, by the textbooks. They're market economy oriented, too much market oriented, and they do not necessarily take into account the specific circumstances of each individual country. They say that deregulation is necessary. It's all right, but the question is how to deregulate and in which sequence and how the supplementary measures should be taken. But the economists here

tend to say that we should deregulate instantly, then the markets will take care of everything. That is the general tendency, in my view, and because of that many recipient countries are disgusted with the Bank economists. It's amazing to hear that many African policymakers are feeling quite unhappy with what they are recommended by the Bank staff. Suppose the president of one, Uganda, for example, a young Bank economist comes to Uganda and tells Mr. [Yoweri] Museveni to deregulate everything, introduce the flexible exchange rate and so forth. He'll say, "Okay, but where is the market? There is no market in my country!" That kind of frustration is so evident. That's amazing.

LEWIS: You came, you say, in '89, was it?

SHIRATORI: Mr. Museveni is the name of the president.

LEWIS: No, no, no. But you've been here two years. I was going to ask you whether you have any sense at all that this situation that you just described has gotten a little less bad in recent years. I would say that this characteristic of Bank economists was more entrenched in the early '80s than now. I think that there is . . .

SHIRATORI: Well, if that is the case I'll be happier.

LEWIS: I think that's right, but there still is an awful lot of it there. There's no question.

SHIRATORI: It's not so obvious. I mean the change.

LEWIS: The change. Well, you look at the last fat report for Africa, the 1989 one, it has quite a lot of nuancing in it. And the poverty, the *WDR [World Development Report]*, that was a team led by a pretty indoctrinated or doctrinaire neo-classical, but it got revised into a somewhat more pragmatic and nuanced way, I think. I'm very happy to have your testimony on this, because it's clear and strong, and that's clearly one of the trends that has occurred here compared to what the Bank economists were saying, say, in the middle '70s. It's changed quite a lot.

WEBB: It's a huge change. I was an economist here in the middle '70s, and it was-- there was much more of a sense of letting a hundred flowers bloom here intellectually, and I think earlier there was even more. The early World Bank economists were more practical, feet on the ground, a different tradition, much less ideological. So maybe it will go back, perhaps.

SHIRATORI: I hope so. But even now one of the hottest issues is the subsidized financial intermediary. We are interested to play that role, but we are resisted by the Bank economists, by the management, strongly.

LEWIS: Which is that issue?

SHIRATORI: The subsidized financial intermediary lenders, two-step loans, slightly below market rate, which has been successful in my country and also some Asian

countries. And I'm proposing to study under what conditions this would be effective, but the Bank management said "No!" I've been fighting vigorously on this issue, and all of my Part II members are on my back.

WEBB: Uh-huh. I can imagine.

SHIRATORI: The next-door neighbor is strongly against me.

LEWIS: I am sure. No, I have sympathy with you that in that same poverty *WDR*, which I thought was much better than it started out in rough draft, there is a very doctrinaire notion that any kind of subsidy is bad, that it sort of automatically--that's a naughty word, nearly, and therefore various kinds of direct anti-poverty programs that used subsidies are bad. When you stop and think about it, almost every kind of direct program makes some kind of use of a subsidy. In fact, IDA [*International Development Association*] is nothing but a subsidized credit, and so it's a kind of an odd situation to get so deeply . . .

SHIRATORI: Very odd.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

LEWIS: . . . relations between the Management and the—and the relations between the staff and the EDs. In fact, one thing I wanted to ask you a few minutes ago when we were talking about that is the extent to which you see ways--or maybe this is happening--that the EDs can take initiatives. I know that the pattern here has been for many years, since John McCloy did a deal with this Board at that time, that all proposals, policies, are recommended by Management and then decided by the Board. But one wonders whether there is any—I mean, this in a sense puts the Board, if it is not caucusing very much and if it doesn't have too long a time between getting documents and having to react to them, puts it in a very passive kind of position. And I wondered whether there's any tendency to caucus, too, when some issue is coming up for decision to, for some groups in the Board to organize, to concert their reactions, to take positions and be prepared to, as a group, debate and resist the proposals. Does that happen?

SHIRATORI: Well, we would like to do that, and we have been trying. For example, the G-7 is functioning in certain ways in that sense, but so far we haven't been successful, I'm afraid to say. We have the Executive Board and the Executive Directors in very passive positions. We cannot make direct suggestions or anything of that kind. Only thing we can do is to say what we consider the best benefits of the Bank and the recipients and donors by--when given one specific project or one policy paper, it may not be reflected instantly in that decision-making, but in the later discussion in the Bank among the Bank staff voices will be heard. That is the expectation, and that has been happening, I think. And I was told that that was not the case some years ago, but recently whatever we say will be reflected in the later project preparation and so forth. That is a good sign.

LEWIS: Yeah, I think it is. I think it would be rather frustrating to be in this position, and particularly, as you say, the Board is becoming more confident, better informed about the issues and so on. They have a lot of ideas. I can't imagine a parliament that would be willing to play quite that role.

SHIRATORI: Exactly.

LEWIS: Right. I think maybe—I've *[inaudible]*

Well, this has been very, very good, and thank you very much.

SHIRATORI: I hadn't prepared anything.

LEWIS: Oh, you were fine without notes! Thank you very much.

[End Tape I, Side B]

[End of interview]