

Newsletter



Institute Delegation in Lijiang. Left to Right: Bill Lee, Marsha Vande Berg, Beulah Sung, C.B. Sung, Matilda Young, and Rosalyn Koo

ACWF Hosts Institute Delegation in China

by Marsha Vande Berg

The 1990 Institute joined hands a second time with the All China Women's Federation (ACWF) in October 2001 when a delegation of the Institute traveled at ACWF's invitation to Shanghai, Beijing and Yunnan Province. Once again, a mutual interest in understanding today's China became a bridge between the two organizations.

Two years ago in San Francisco, an

ACWF delegation joined The 1990 Institute in an international forum on women, leadership and sustainability. Last October's delegation, led by Institute founder and chairman C.B. Sung and his wife, Beulah, President of the Sung-Kwok Foundation, experienced first-hand an array of educational and enterprise programs, including several highlighted by ACWF on behalf of girls and young women.

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Announcing our Twelfth Annual Dinner

William P. Fuller to be Principal Speaker

June 14, 2002 is the date for the twelfth annual dinner of The 1990 Institute, which will be held at the Sheraton Burlingame Hotel at 600 Airport Boulevard in Burlingame, CA. Dinner will be at 7:00 P.M., preceded by cocktails at 6:00 P.M.

William P. Fuller, President of The Asia Foundation will be the principal speaker. The subject of his speech will be "China's Dynamism: A Congressional Delegation's Perspective". Hang-Sheng Cheng, President

of The 1990 Institute, will also be one of the featured speakers. His topic will be "The 1990 Institute and Transnationalism in America." Hang-Sheng will assess the contributions of The 1990 Institute to American society in the last twelve years. According to Hang-Sheng, "In many ways the Institute represents the best of the American spirit and opportunities to achieve greater understanding with other countries in the world."

Mr. Fuller has been president of The

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Institute Convenes High-Level Symposium to Discuss China WTO Entry

By Wei-Tai Kwok

The 1990 Institute sponsored a half-day, invitation-only symposium February 27, 2002 at the San Francisco Federal Reserve Bank to generate practical discussion on China's entry into the World Trade Organization. Entitled "China and the WTO: Strategies for the New Environment," the symposium's 40 attendees focused on high-level as well as industry-specific implications.

Institute director Richard Holton, who came up with the idea for the event and who headed the planning committee, opened the symposium and invited Bob Theleen, Chairman of ChinaVest, to moderate the day's discussion.

Lili Zheng, a partner with Deloitte & Touche, presented opening remarks about China's perspective on WTO membership. U.S. Commerce Department representative Christopher Damm then introduced some viewpoints and observations from the American side.

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Newsbriefs

1990 Institute Gains Two New Board Members

REUVEN GLICK

Biography

Reuven Glick is Vice President at the Federal Reserve Bank of San Francisco, where he serves as Chief of the International Studies Section in the Economic Research Department and also as Director of the Bank's Center for Pacific Basin Monetary and Economic Studies.

Prior to joining the Bank staff in 1985, Dr. Glick was a professor of Economics and International Business in the Graduate School of Business at New York University. He also taught in the Economics Department at the University of California at Berkeley, served as a consultant to the World Bank on international debt issues, and worked as an economist in the Research Department at the Federal Reserve Bank of New York. Dr. Glick received a Ph.D degree in economics from Princeton University and a B.A. degree in economics from the University of Chicago.

He is also the author of many journal articles and other professional writings.

JIONG MA

Biography

Jiong Ma is currently a Ph.D. student in Bioinformatics at Stanford University. He is presently conducting research in Prokaryotic Genomes.

In 1996 he received a Master of Science degree in Molecular Biology and Biochemistry and was awarded a Rutgers University Excellence Fellowship. His undergraduate work was at Peking University where he majored in Molecular Biology and Physiology.

During the period from 1997 to 2001, Jiong has worked as a Research Associate for the Genetic Information Research Institute in Sunnyvale, CA, and for CNET-WORK (a non-profit organization for Chinese professionals), as a Vice President of Information Development.

The Institute would like to thank Jiong for volunteering to be in charge of the Institute's website and for handling its April 2002 redesign and relaunch.

Please see the results of his hard work at www.1990Institute.org.

Issue Paper Preview

Pension Reform in China

By Hang-Sheng Cheng

The Institute recently completed research on pension reform in China, culminating in a policy paper: "International Experience and Pension Reform in China" by Michael Keran, member of the Board of Directors of The 1990 Institute, and Hang-Sheng Cheng, President of The 1990 Institute. The paper is intended for policymakers and their advisors in China and will also appear as a forthcoming Issue Paper to be published by the Institute. Since China's policymakers and their advisors are familiar with the background, the paper does not deal with China's pension plan history, thus leaving a gap for readers of the Issue Paper. Besides summarizing the research results, this article also intends to fill the gap.

Prior to 1979, the people in China enjoyed all-inclusive, cradle-to-grave social welfare. The benefits were provided by the employers, which were the communes for the peasants, the state enterprises or collectives for workers in the urban areas, and the government for civil-service workers. Since all means of production were state-owned, essentially everyone was "eating from the same pot." All were taken care of, but all were poor, desperately poor.

The economic reform of the past two decades has changed all that. It brought to China rapid growth and impressive improvement in the standard of living. At the same time, it has also resulted in erosion of the social support system. First, the communes

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US-China Children's Environmental Drawing Project

First Phase Art Competition Has Begun

by Bill Lee

The 1990 Institute and the Center For Environmental Education and Communication of China's State Environmental Protection Administration (CEEC-SEPA) are co-sponsors for the two-phase US-China Children's Environmental Drawing Competition described herein. The First Phase began in early May of this year.

The goal of this project is to bring chil-

dren of the world closer together to share common concerns for the environment, and to experience the joy of expressing their thoughts through art. Emphasis will be on awareness, sharing, hope and goodwill.

The 1990 Institute is pleased to announce that Mrs. Sarah T. Randt, wife of US Ambassador Clark T. Randt, Jr., has agreed to join Minister Xie Zhenhua of

China's State Environmental Protection Administration to serve as Honorable Co-Chairs for this US-China Children's Environmental Art Competition.

The following is the current planning for the two phases:

FIRST PHASE (in China)

China's environment will be the subject of a nation-wide children's drawing competition. The project will be coordinated by CEEC-SEPA with participation by CNCC (China National Children's Center). The 1990 Institute representatives will participate in the Awards Program.

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Dragon Fund

Educating for the Future

by Matilda Young

The mandate of the two-year-old Dragon Fund, a donor-designated fund of The 1990 Institute, is to give financial support to specific programs to improve economic conditions and education for women and girls in rural China. In the fall of 2000, a group of Dragon Fund donors traveled to China to investigate funding possibilities. Of the many sites visited, two were chosen in Gansu, a women's building and a greenhouse; and one in Shaanxi, a scholarship program. In October 2001, a second group of Dragon Fund donors, among whom were Rosalyn Koo and myself, returned to the selected projects to see firsthand what progress had been made.

Educating Women

The Women's and Children's Training Center in ZhangXian was launched several years ago by the All-China Women's Federation (ACWF), headquartered in Beijing. When we arrived in ZhangXian in October, 2000, the Center was under construction and ACWF had already raised 80 percent of the money needed to build it. The Dragon Fund subsequently raised the



Women's and Children's Building in Zhang Xian



Greenhouse in Zhang Xian

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ACWF Hosts Institute Delegation in China (from page 1)

ACWF graciously opened doors to schools, programs and the individuals responsible for them at the provincial and local levels. From ACWF's perspective, the trip was an opportunity to show a U.S. delegation some of the progress that is being made on behalf of Chinese women, including those among the country's 55 minorities, -- and to highlight arenas where progress continues to be elusive.

ACWF's efforts are manifold. However, top priorities include helping girls attend school, particularly youth in impoverished rural areas; preventing domestic violence; and improving women's participation in political, economic and social activities, explained our Shanghai hosts, a panel of ACWF representatives from the Shanghai Women's Federation. This was not entirely news to all in our six-member delegation.

Institute board members Rosalyn Koo and Matilda Young are both well under way with the Dragon Fund, a project under the Institute's auspices to assist young girls in attending school. Nevertheless, the entire delegation responded with enthusiasm, curiosity and good will to each demonstration of ACWF's efforts to widen the circle of prosperity for Chinese women.

Our final destination was Beijing, where we were feted at The Great Hall of the People at a farewell dinner by Mme. Gu Xiulian, member of the Standing Committee, and First Member of the Secretariat. Deputy Director of the International Liaison Department of ACWF, Ms. Cui Lin Lin, was our very able and friendly companion throughout the nearly two-week journey that began in Shanghai.

Throughout the trip, we learned that encouraging school attendance among young girls can be quite a challenge in China. By law, each child is supposed to attend school for nine years. This includes six years at the elementary level and three additional years at the middle school or junior high level.

The government covers the costs of schools and the teachers. But families must pay book, uniform and other incidental fees. While the fees are relatively small, it becomes problematical for rural families, especially when the husband and father is working in the city. This leaves the mother and often the grandmother at home to tend

the fields and also leaves them with very little income. It is difficult for these families to both spare a child who is able to work and to pay the cost of education.

What sometimes happens is the family sends the children to school for a day or two -- long enough for official census figures to be recorded -- and then insists the child help out at home. All too often, young girls are the losers in this scenario.

Kunming -- the capital of Yunnan Province -- is famous for its pu-er tea, tobacco, herbal medicines and a dish with the intriguing name, "Crossing the Bridge Noodles". (Of course, there's a story behind this.) Kunming also is known as the site of a recent international garden expo at the vast World Horticulture Exhibition Garden.

"It is difficult for these families to both spare a child who is able to work and to pay the cost of education."

Number 28 Middle School is also in Kunming. Built in 1908, this is the only girls school in Yunnan Province. It also serves as a model for how education can be extended to a wider circle of Chinese women. Deng Xiaoping's wife is a graduate. So are young women representing 23 of China's 55 minorities. For more than two hours, we visited here with young students, each of whom was dressed in her own minority group costume. We joined them in the classroom and in their neatly arranged dormitory rooms, learning firsthand about their joys at being in school, and their longing for family and home. After completing their education, many said they plan to return to their villages where they will try to extend the circle of prosperity even further.

Outside of Kunming, a smartly-dressed and trim Madame Su Hua met us at the entrance to a kindergarten and embroidery factory she started following her retirement as chair of ACWF's prefecture-level program. A sharp increase in unemployed women in the area impressed on her the need to provide them with re-training. She also recognized the need for early education for young girls in her area.

The indefatigable Su Hua organized women skilled in sewing techniques to teach others. She then organized a cottage industry around the craftswomen and now together, they export beautifully stitched garments and accessories to the United States, Australia, Thailand and Japan. Not to be outdone, the kindergarteners in the compound next door to the embroidery factory, performed with recitations, songs, dances and marching, dressed in costume and with their cheeks rouged in bright pink circles.

Following a visit to a nearby greenhouse, where roses are grown for retail sale (probably in Kunming), we asked our hosts: "What is the biggest challenge facing you today?" The answer -- on more than just this occasion -- was: Bracing for WTO... and meeting the challenges of the future. (China became a member of the World Trading Organization two months later on Dec. 11, 2001.)

Near picturesque Lijiang some villagers have begun to respond to today's challenges on their own. "We've arrived," exclaimed Matilda Young. "It's Shangri-la." She was responding to the beauty of this area where a famous botanist, Joseph Rock, discovered the Dongba culture while here, 1929-1949.

Dongba, brought to this region in the 10th Century by the Naxis (related to the Tibetan nomads), is a shamanistic religion that blends Tibetan Bon, animism and Tao scriptures in pictographs. The Dongba scriptures captured Rock's attention and subsequently that of James Hilton, author of "Lost Horizon" who is credited with the notion of this area as Shangri-la.

Outside Lijiang is the airfield used by two squadrons of Claire Chennault's Flying Tigers in 1941 when they took on Japanese bombers and protected the Burma Road. Huangshan Township, a village of 104 households, also is on the town's outskirts. Here Mu Xiu, a Naxi woman lives with her husband and two daughters. Her home is a two-story compound built around a courtyard -- in Naxi architectural style. Inside the compound, she has spread wheat to dry on a concrete floor under an open, crystal blue October sky. Later, she will make it into wine.

Each morning, she collects milk products from other villagers and delivers them

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ACWF Hosts Institute Delegation in China
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to her husband, who turns them into milk and yogurt products for resale purposes. Together, they bring in three times as much money as they spend on living expenses each year. Doorways to many compounds in this and other villages are marked by rows of small stars.

Our hosts explained that local officialdom awards stars for practicing family values, showing harmony, sanitary living, maintaining the house in accord with village standards, having friendly relations with neighbors, being environmentally mindful, adhering to family planning rules, showing love, contributing to the community, valuing education -- and following the rules!

Another stop, this time in Lijiang, took us to a celebration by the Lijiang Women's Federation. There was dancing, Naxi-style,

speeches from a local politician, and lots of children. The entertainment was as warm and welcoming as was the warm October sun. In the distance we could see the famous Jade Dragon Snow Mountain, Lijiang's symbol and resource for fresh water. They invited us to sing and make speeches too. C.B. Sung obliged on behalf of the delegation with a few words relaying our gratefulness to our hosts and to the people in Lijiang. Founding Institute director Billy Lee, a native of Ningbo, also stepped forward -- in a gesture that bridged the distance traveled from America to China's rural heartland. On the spot, he composed a song about the moon and his childhood years spent in China. A hush fell over the crowd. But then, he left us smiling and laughing when he swung into a (slightly off key) rendition of

the song from his alma mater, Yale University. "Boola, boola, boola," he sang out -- which, come to think of it, could be almost any language! □

The entire delegation wishes to express its gratitude to the All China Women's Federation for their invitation and heartfelt effort to show how women and children live, work and learn in today's China. Throughout the trip we recognized and were impressed with ACWF's commitment to the well-being of women and children at all levels of Chinese society.

Marsha Vande Berg is an Institute Director and is editor of The World Report and International Business Advisors (www.IBAdvisors.com).



Representatives of ACWF and of The 1990 Institute inside "The Great Hall of the People". Hostess Mme. Gu Xiulian is fifth from the right.



Chinese minority girls in traditional costumes.



Representatives of The 1990 Institute and ACWF watch school children perform.



Middle school students sitting in one of their dormitory rooms.

Twelfth Annual Dinner

(from page 1)

Asia Foundation since 1989. The Foundation is a private, non-governmental organization that supports through grants and other programs Asian development efforts in the fields of governance and law, economic reform and development, women's participation, and regional relations.

Prior to joining The Asia Foundation, Mr. Fuller served as Deputy Assistant Administrator of the U.S. Agency for International Development (USAID) from 1987 to 1989, with responsibility for U.S. foreign assistance in the Near East and

Europe. He previously served as Director of the USAID mission in Indonesia from 1981 to 1987.

From 1971 to 1981, Mr. Fuller served with the Ford Foundation in Asia, first as an advisor to the National Education Commission and Ministry of Education in Thailand, and subsequently as Representative for Bangladesh. Mr. Fuller has also worked with the World Bank in Paris, with UNICEF in Beirut, Cairo, and New York, and as a visiting lecturer at the University of Chicago.

He has also served as a member of var-

ious other international organizations during the period of 1995 to the present.

Mr. Fuller's contribution to international development efforts has been recognized by several awards and honors. He is a two-time recipient of the President's Meritorious Service Award, in addition to USAID's Distinguished Honor Prize and Korea's Hueng-in Jan Medal for Diplomatic Service.

He holds an MBA from Harvard and a Ph.D. from Stanford University. □

Pension Reform in China

(from page 2)

collapsed; then the state-owned enterprises and collectives that were laden with large social support responsibilities found it increasingly difficult to meet competition and required heavy government subsidies and bank loans to keep them afloat. A thorough change in the social benefit system was, therefore, a necessary condition for success in both enterprise and banking reforms. Nonetheless, a sweeping change of all aspects of social welfare was too daunting a task to undertake all at once.

In the late 1980s, the government began experimenting with pension reform in a number of provinces and municipalities. The idea was to move toward social pooling of pensions of urban enterprise workers, shifting the responsibility from the enterprises to the regional governments, with the latter collecting mandatory contributions from the enterprises and workers in payroll taxes and distributing the pensions to the retirees. In essence, the system is similar to those in the United States and other industrial countries—except its regional administration feature, which significantly complicates pension administration in China.

The system is commonly described as a “pay-as-you-go” system, in that revenues are collected to pay the current retirees. It is also called a “defined benefit” system, in that so long as a worker has met the minimal required number of quarters of contribution, he is entitled to receive the same amount of pension upon retirement, regardless of how much or how little he has contributed to the system. Obviously, it is a powerful tool for income redistribution, which guarantees a minimal level of retire-

ment income to the elderly poor after having worked for a number of quarters. The system, however, assumes that the current revenue will always be sufficient to pay for the current pensions. That is no problem when the population is young, as for

“It is too soon to tell how the experiment is actually working. The two-pillar system has been in operation since 1995 and has not worked as intended.”

instance during the baby boom in the United States after World War II, when the annual revenue exceeded annual disbursement year after year, leaving an accumulated surplus large enough to meet potential deficits for years to come. Typically, the surpluses are invested in government securities that are free for the government to draw upon for meeting current budget deficits or to amortize the public debt. With an aging population, however, the situation is reversed when the government must step in to pay for the annual pension deficits by direct subsidies from the treasury. It could become an increasingly heavy fiscal burden as times goes on.

By the mid-1990s, this was exactly the condition China was in. As a result of the success of its one-child policy the birth date had sharply declined and with improved

health and standard of living, people were living longer. China's population was rapidly aging. The ratio of retirees to current workers rose from 3 percent in 1978 to 18 percent in 1993 and 29 percent in 2001 and is expected to rise to 55 percent in 2030.

The number of workers supporting each retiree fell from 30 in 1978 to 5.5 in 1993 and 3.5 in 2001, and is expected to fall to only 1.8 in 2030. Clearly, under these circumstances, a pay-as-you-go system could not be sustained in the long run.

In 1995, China started a new pension system for its urban enterprise workers. It was primarily a two-pillar system, consisting of a “social pooling” pillar and an “individual account” pillar. The former is a pay-as-you-go system, relying on a 20 percent payroll tax paid by the enterprises to pay for the current pensions, with the national treasury to serve as the guarantor of last resort. The latter is purported to be a fully funded “defined contribution” system, into which an 8 percent payroll tax paid by the workers is deposited and credited to the workers' individual accounts. (These rates are those being applied on an experimental basis in several regions since mid-2001 and are expected to apply nationwide if the experiment works out as expected.) It is called defined-contribution, rather than defined-benefit, because the workers' rate of contribution is defined, but the amount of benefit will depend on how long the worker stays in the system and the rate of return the deposits will earn until his retirement. It is fully funded because the pillar should never require government subsidy, as the amount of pension a worker will receive should

WTO Symposium

(from page 1)

Stanley Lubman, a China legal-expert, then moderated a discussion covering the impact of WTO on specific industries. The industries and members of the panel were as follows:

Distribution: Deidra Deamer, Unison International

Telecom/high tech: George Scalise, Semiconductor Industry Association

Agriculture: Jerome Siebert, UC Berkeley

Financial Services: Linda Tsao Yang,

former US Executive Director, Asian Development Bank

The symposium then concluded over a luncheon presentation given by Robert Parry, Honorary Co-Chair of The 1990 Institute and President of the Federal Reserve Bank of San Francisco.

The 1990 Institute is planning to publish a detailed report of this symposium in early summer 2002. □



On February 27, 2002, The Institute hosted the symposium "China and the WTO: Strategies for the New Environment." Pictured from left: Richard Holton (UC Berkeley Haas School of Business), Lili Zheng (Deloitte & Touche), Allan K. Marson (Baker & McKenzie), Bob Theleen (ChinaVest).



Planning the WTO Symposium - Marsha Vande Berg and Richard Holton

"China and the WTO: Strategies for the New Environment"

February 27, 2002

List of Speakers

- **Professor Richard Holton** is a member of the Board of Directors of The 1990 Institute and is also E.T. Grether Professor Emeritus and former Dean of the Haas School of Business at U.C. Berkeley.
- **Robert Theleen** is the founder and Chairman of ChinaVest, a group of venture capital investment funds.
- **Lili Zheng** is an International Tax Partner and a leader in the Chinese Services Group of Deloitte & Touche.
- **Christopher Damm** is an International Trade Specialist in the Silicon Valley U.S. Export Assistance Center of the US Commercial Service.
- **Stanley Lubman** has specialized on China as a scholar and as a practicing lawyer for over thirty years. He is currently teaching Chinese law at the University of California (Berkeley), where he is a Lecturer at the School of Law and Visiting Scholar at the Center for Law and Society.
- **Deidra Deamer** is a member of the Board of Directors of The 1990 Institute and an EVP at Unison International.
- **George Scalise** is president of the Semiconductor Industry Association (SIA) where he directs a staff focused on International Trade & Government Affairs, Workforce, Technology, Environmental Safety & Health, and Communications.
- **Dr. Jerome Siebert** is Extension Economist Emeritus in the Department of Agricultural and Resource Economics at the University of California, Berkeley.
- **Ambassador Linda Tsao Yang** served as the U.S. Executive Director at the Asian Development Bank from 1993-1999.
- **Bob Parry** is an Honorary Co-Chair of The 1990 Institute. He has served as president and chief executive of the Federal Reserve Bank of San Francisco for the past 15 years.

Pension Reform in China

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depend entirely on how much he puts in, plus the earnings from his deposit. This mixed, two-pillar system should at least lessen the stress on China's pension system in a rapidly aging society.

The system's viability depends on the workers' trust that the contribution they pay into their individual accounts will be there when they retire, and earn a rate of return sufficiently higher than the inflation rate in order to assure a decent retirement income in real terms. The former requires that the individual accounts be managed separately from the social pooling account, and the latter depends on the actual rate of return accrued to the deposits. In the current experimental system, the individual accounts are managed by banks, which are required to keep 20 percent of the amount in bank deposits and invest 80 percent in government bonds. The combined interests from these two sources determine the actual rate of return to the workers' individual accounts.

It is too soon to tell how the experiment is actually working. The two-pillar system has been in operation since 1995 and has not worked as intended. The main problem has been the de facto mixing of the funds from the two sources. Nominally, the workers' contributions are credited into their individual accounts; in fact, however, they are routinely diverted by the provincial authorities to pay for the current pension deficits and other types of expenditures. The so-called individual accounts are generally known to be nominal accounts, with perhaps little or no funds in them. They do not have much creditability in China.

This system is called a "notional defined contribution" system, in that it is a defined-contribution in name only. In fact, it operates just like a pay-as-you-go system, with the government guaranteeing the pension payment on the basis of its current revenue from the payroll tax and other sources. Because of its apparent ease of operation, the system has been adopted by numerous countries in their pension reform, among which, however, the World Bank finds only the Swedish system to be sustainable in the long run.

The Institute's study of the pension reform in China finds that a major factor in

the sustainability of Sweden's notional defined-contribution system is its workers' traditional trust of the government and their willingness to put up with the high payroll tax rate, 16 percent--compared to 8 percent in China--without incurring widespread tax avoidance. The system is also deemed sustainable because its pension payout depends on an actuarially-based life expectancy of workers upon retirement--compared to a rigid 120-month rule in China's system, whereby a worker's monthly pension will be equal to the total amount in his individual account upon retirement divided by 120, regardless of how long he might

“Since large-scale pension-fund management requires sophisticated skills, which presently China may lack, the study suggests opening pension management to foreign participation...”

live after retirement. The study concludes that it would be difficult for China to fulfill all the essential requirements that have made possible the sustainability of Sweden's system. Rather than adopting a notional defined-contribution system like Sweden's, China would be better off to go directly to a fully-funded system.

This is especially so, since what motivated Sweden and other countries to adopt a notional instead of a fully-funded, defined-contribution system is the high transition cost, which is considerably less in China. The transition cost is the cost of transition from a pay-as-you-go system to a fully-funded defined-contribution system, during which the workers or the nation as a whole would have to pay for the costs of both the old and the new systems. The double payment is required because under the new system the workers pay the payroll tax into their individual accounts, leaving no one to pay for the pensions of not only the current retirees but also those current workers who will retire before they have accumulated the

sufficient amount in their individual accounts for the payment of their pensions. In the case of Sweden and those of other countries, this transition cost was too large for either the workers or the nation to pay. Hence, they opted for a compromise of the notional system, instead of the fully-funded system. That, however, is not the case in China, for which the transition cost should be much smaller relative to its national output. Having examined various approaches to funding the transition cost, the study regards the most feasible and desirable way for China is by issuing new government bonds.

Finally, the study also examines the potential methods of pension-fund management in China. It focuses on two issues: public vs. private management, and prudential vs. draconian regulation of fund management. On the former, international experience indicates universally poor result of public management. Of private management, international experience of sufficient duration is limited to only Chile, which has had private management of its pension funds since 1981. The experience indicates high costs of private management relative to those of efficient, publicly-managed systems, but not relative to the returns of the investment portfolios. Moreover, international experience also suggests numerous ways to reduce the cost of private management. On regulation of pension-fund management, "prudential regulation" is to insure avoidance of fraud, reduce risk-taking, lessen conflict of interest, and limit concentration of market power; whereas "draconian regulation" also stipulates requirements on the structure, investment, and performance of the fund management. International experience indicates that whereas prudential regulation is generally deemed necessary, draconian regulation is both unnecessary and harmful to the workers' interest. Since large-scale pension-fund management requires sophisticated skills, which presently China may lack, the study suggests opening pension management to foreign participation, as China gradually comes under the rules of the World Trade Organization. □

The Dragon Fund

(from page 3)

final 20 percent of the funds that would ensure its completion.

ZhangXian, which lies in southwestern Gansu, was named ACWF's specially designated county in China's recent campaign to "Develop the West." The Beijing ACWF has sent delegates to the county annually to help the local government with development. By assisting ACWF to complete the Center, the Dragon Fund hoped to improve the overall conditions of women in the county, where most people live below the national poverty line.

Although a full year had passed since the last visit by Dragon Fund representatives to ZhangXian, the road from Lanzhou was still under construction, and the bumpy ride took more than five hours. When we arrived in town, the main street—the only street—was muddy and rutted, even though officials had told us the previous fall that the surface would be paved by the time of our return. Now, they said, completion is scheduled for this coming fall. We arrived on a day following a week of rain. The soil was so saturated that the road was almost impassable in places. Beyond the single road and the handful of businesses that line it, only farmland was visible.

But unlike the road, the Women's and Children's Training Center was finished as promised (photo). We arrived just as the first furniture was being carried into the building. The four-story edifice includes an area where local women can sell what they grow or make, a kindergarten (the second one in the county with a population of 188,000), adult classrooms, dormitories for women who live too far from the Center to make the trip each day, and a large assembly hall.

The Dragon Fund's other project in ZhangXian, the Women's Greenhouse, had also been completed (photo), and the first crop, strawberries, was already growing in the 8,000-square-foot, state-of-the-art structure. At the Greenhouse, women are learning about cultivating, marketing, and distributing the berries. Later, when small-scale greenhouses are built where they live, the women will be able to plant their own crops, and an instructor will be available to help them transfer what they learned in the Greenhouse to their own operations. The

strawberries are expected to fetch a good price as a winter crop in the more prosperous areas that surround ZhangXian.

It is anticipated that once the roads are paved, marketing the Greenhouse crops and development in general will become easier, and the lives of all the ZhangXian County residents will improve. Some advancements are already visible. An office of China Telecom that handles cell phone sales and a branch of The People's Bank of China are now located on the town's main street. But transportation remains a stumbling block. Only a few bicycles were in evidence because of the muddy roadways. People who did have them were forced either to carry them on their shoulders or to try to ride them on the sparse and broken pavement. Despite such hardships, people seemed more vibrant, more hopeful than they were on our first visit.

Educating Girls

In both AnKang and ShanLuo, the Dragon Fund is working with the Women's Federation of the Province of Shaanxi to fund the Spring Bud Program, which provides scholarship support for 1,000 girls for three years, from the fourth through the sixth grades. According to the Women's Federation, this is the largest overseas-sponsored scholarship project in its history.

Even though education in the primary

schools is free, each family is required to pay an equivalent of US\$30 per child per school year for school-related expenses such as books and other supplies. Most families in these villages are living below the national poverty line (approximately US\$80 of annual household income), and cannot afford to send their daughters to school.

The girls were chosen according to need. Some of them have only one parent or both parents have chronic diseases. Some are orphans living with their grandparents. Others must rely on older siblings for support. Many had dropped out of school, and the Dragon Fund is making it possible for them to finish their studies through the sixth grade.

At AnKang, a city about five hours southwest by train from Xian, we were able to visit only four of the dozen schools where the scholarship program has been enacted. The remaining schools are situated in areas that were too remote for us to reach by conventional vehicle. We stayed in AnKang and were able to visit only two schools a day because of the hilly, narrow, twisting roads and long distances. Due to the rough terrain some 400 students, out of the total 600 receiving support, must board at the schools. During our visit, we gave each student a gym suit and a book bag, and presented the boarding students heavy army blankets for the cold winter months.

continued on page 10



Students on Scholarship before they received gym suits bought by Dragon Fund.

The Dragon Fund*(from page 9)*

Sample class of students on scholarship with gym suits.

At each stop, we toured the classrooms and dormitories and spoke with the home-room teachers. One of the teachers was a college graduate, which is rare in these rural schools. She told us that she had accepted the position because she wanted the scholarship students, who otherwise could not afford it, to get the best education possible. Wherever it was feasible, the scholarship students were invited to attend schools in

the larger villages. These institutions usually have higher standards and larger enrollments.

Upon our return to Xian, we traveled to ShanLuo, located directly south of Xian. This is another region in which the Shaanxi Women's Federation has established the Spring Bud Program. It is a smaller, more compact area than AnKang, and here the Dragon Fund is supporting 400 students in

eight schools, three of which we visited on this trip and two of which we had seen the previous April. The village schools in the districts are located relatively close to the farms, so there are no boarding students. Here, as in AnKang, we visited the classrooms and spoke with the teachers, and we were heartened by the considerable progress the scholarship program had made in this poor and typically neglected area of China.

So that the Dragon Fund can verify the effectiveness of its contribution to the scholarship program, each school has provided a list of names of the students enrolled in the program and a group photo for identification. We also have been promised annual documentation until the students' graduation from the sixth grade.

New Goals

The enthusiasm we saw in the students and teachers has encouraged the Dragon Fund to explore new objectives. To help the girls and their families improve their living circumstances, we need to continue to educate the students capable of achieving more. Toward that end, the Dragon Fund is working to extend its support for qualified students after the initial three years by establishing a new scholarship fund at the junior and senior high school levels. The Shaanxi Women's Federation has agreed to assist in this new endeavor. □

Dragon Fund Acknowledgments

The Dragon Fund gratefully acknowledges the following supporters for their generous donations since our last newsletter.

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US-China Children's Environmental Drawing Project

(from page 3)

Approximately 1,000 students from each of about 1,000 different locations in China will compete. Awards will be given as follows: 5 gold, 10 silver, and 20 bronze, plus 35 merit awards. The Awards Ceremony will be followed by a one-month exhibition at CNCC in Beijing. CEEC-SEPA plans to invite 30 to 50 distinguished guests, as well as 15 media representatives and over 300 children along with their teachers and parents to the Awards Ceremony. It is estimated that more than 10,000 students are likely to visit this exhibition. Booklets illustrating final selected drawings will be produced and later disseminated in both China and the United States.

SECOND PHASE (in U.S.)

The 1990 Institute will select 100 drawings from the above-mentioned competition, and will have them sent to the U.S. for exhibitions at various museums or public facilities in different cities across the country for a period of approximately two years. Creative educational tools will be provided to aid museum visitors to more thoroughly understand the rationale that prompted the exhibit, and to encourage them to learn more about the world's environmental problems through access to a special web site designed specifically for this project. Media publicity and organized social activities will be generated around these exhibitions.

The first exhibit in the U. S. will be held in San Francisco and will include an opening celebration. Participants will be artists, environmentalists, educators, students, as well as cultural, civic, business and governmental leaders and enthusiastic supporters. A number of distinguished guests from China will also be invited.

APPROXIMATE SCHEDULE:

May 2002: Children's Competition begins in China

October 2002: Exhibit in Beijing

Mid 2003 to Mid 2005: Exhibits in U.S.



Children's Environmental Drawing Project Honorary Co-Chair Mrs. Sarah T. Randt in a recent photo with President George W. Bush and her husband US Ambassador to China, Clark T. Randt, Jr.



Minister Xie Zhenhua of China's State Environmental Protection Administration (right) has agreed to be an Honorary Co-Chair of the Children's Environmental Drawing Project.



Learn about
The 1990 Institute's
new Children's Environmental
Drawing Project
and other Institute activities
on our recently redesigned
web site.

<http://www.1990Institute.org>

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“China’s Dynamism: A Congressional Delegation’s Perspective.”

Keynote Speaker
William P. Fuller, President
The Asia Foundation

The 1990 Institute’s Twelfth Annual Banquet
6:00 p.m. Cocktail Reception
7:00 p.m Dinner & Program

Sheraton Burlingame Hotel
600 Airport Blvd.
Burlingame, CA 94010

Please order your tickets in advance by calling Jean Crehan at The 1990 Institute.
Tel: (650) 558-9939 E-mail: jcrehan@1990institute.org
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