

About The 1990 Institute

The 1990 Institute is a U.S.-based, action-oriented think-tank dedicated to the study of major economic and social issues relating to China. It is organized as a tax-exempt, non-profit U.S. corporation.

The Institute sponsors in-depth studies and organizes conferences to facilitate an ongoing dialogue between research scholars in the United States and those in China. The objective is to enhance understanding of the economic and social problems that are impeding China's modernization and to contribute to the search for their solutions – through independent, objective and policy-oriented research – for the benefit of the people in china, and peace and prosperity of the world.

In recent years, the Institute has broadened its scope of activities to include direct-action projects, such as improving the economic status of women and education of girls in poverty regions, and enhancing concerns over environmental protection through a nationwide children's art contest.



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Special Report

China and the WTO: Strategies for the New Environment

*A Symposium Held on
February 27, 2002*

Symposium Participants

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Mr. Michael Brownrigg ChinaVest, Inc.	Stanley Lubman, Esq. Visiting Scholar, School of Law U. C. Berkeley
Mr. Jack Beebe Federal Reserve Bank of S.F.	Mr. Allan K. A. Marson Baker McKenzie
Ms. Barbara Bundy USF Center for the Pacific Rim	Mr. G. Paul Mathews Mathews International Funds
Mr. Daniel Chao Bechtel Enterprises	Professor Charles McClain Director, The 1990 Institute
Professor Yea-Mow Chen San Francisco State University	Mr. William P. Mott III Agland Investment Services
Mr. Hang-Sheng Cheng President, The 1990 Institute	Mr. Robert Parry President, Federal Reserve Bank of S. F.
Mr. Christopher Damm U.S. Department of Commerce	Mr. Eduardo Perez Federal Reserve Bank
Ms. Deidra Deamer Unison International	Ms. Julie Reinganum Pacific Rim Resources
Ms. Wei Qun E Chinese Enterprise Association	Mr. George Scalise Semiconductor Industry Association
Mr. Dan Frank Cooley Godward	Dr. Jerome B. Siebert Agricultural & Resource Economics
Mr. James Fuller NorthCoast Securities	Mr. C. B. Sung Chairman, The 1990 Institute
Mr. William Fuller Asia Foundation	Mr. Robert Theleen ChinaVest, Inc.
Mr. Reuven Glick Federal Reserve Bank	Ms. Marsha Vande Berg Director, The 1990 Institute
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Mr. Nicholas Hope Stanford University	Mrs. Jill Worsley China Scitech Foundation
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Note from the President

August 30, 2002

Dear 1990 Institute Supporters

I am pleased to send you the enclosed report of the symposium: "China and the WTO: Strategies for the New Environment," which was held at the Federal Reserve Bank of San Francisco on February 27, 2002. Also enclosed are (1) the symposium program, (2) a short note on the Institute and a brief introduction of the speakers, and (3) a list of the symposium participants.

The purpose of the symposium was to provide a forum for the Bay Area's prominent leaders involved in trading or investment in China to share their views on the challenges and opportunities to U.S. businesses by China's entry into the World Trade Organization.

In order to facilitate discussion, the attendance was by invitation only and limited to 40. In fact, 39 attended. At the symposium, both the presentations and floor discussions were exceedingly lively. In summing up, a speaker said that of all the conferences on China's WTO entry he had attended, this was the most informative and substantive. At the

conclusion of the symposium, Federal Reserve President Bob Parry, an Institute honorary co-chair, hosted a luncheon for the participants in the Bank's dining room and spoke on Federal Reserve's interest in U.S.- China economic relations.

The symposium was organized by a 1990 Institute task force led by director Dick Holton. The members consisted of Wei-Tai Kwok, Charles McClain, Marsha Vande Berg, and myself—all directors of the Institute. The task force worked over several months in planning and preparing the symposium. Marsha wrote the final report. On behalf of the Institute and all the symposium participants, I thank them for their hard work.

Given the success of this symposium, The 1990 Institute would be glad to organize another meeting next year, should there be sufficient interest.

Sincerely,

Hang-Sheng Cheng
President

Symposium Program February 27, 2002

9:00 a.m.	Registration
9:10 a.m.	Introductory Remarks: <i>Bob Theleen, ChinaVest, moderator for the day's program; Dick Holton, UC Berkeley</i>
9:15 a.m.	China and the WTO: An Overview The Chinese Perspective: <i>Lili Zheng, Deloitte & Touche</i> The American Perspective: <i>Christopher Damm, US Department of Commerce</i>
10:00 a.m.	Discussion
10:30 a.m.	Break
10:45 a.m.	Panel Discussion: <i>Stanley Lubman, moderator</i> Building Distribution: <i>Deidra Deamer, Unison International</i> Telecom/High Tech: <i>George Scalise, Semiconductor Industry Association</i> Agricultural Products: <i>Jerome Siebert, UC Berkeley</i> Financial Services: <i>Linda Tsao Yang, former US Executive Director, Asian Development Bank</i>
11:30 a.m.	Discussion
12:00 noon	Summary: Bob Theleen
12:15 p.m.	Lunch Speaker: <i>Robert Parry, President, Federal Reserve Bank of San Francisco</i>
1:30 p.m.	Adjourn

The 1990 Institute WTO and Business Environment in China Symposium

February 27, 2002

by Marsha Vande Berg, Board Member, The 1990 Institute and Editor,
The World Report/International Business Advisors (www.IBAdvisors.com)

China became a member of the World Trade Organization, the premier forum for international trade and commerce, on Dec. 11, 2001. Taiwan followed suit less than a month later, on Jan. 1, 2002. With membership, Chinese leaders demonstrated a commitment to comply with global trading rules and in the process, to promote ongoing market liberalization and pervasive structural reform.

The task is daunting.

Their motivation can be traced to reforms that were initiated well over two decades ago under the leadership of Deng Xiaoping. Deng's reforms, underway in 1978, jumpstarted a transformation from a tightly-controlled and centralized economic system into a more horizontally-organized system that includes greater authority and responsibility at the provincial and municipal levels. At the same time, political control vis a vis the Chinese Communist Party was maintained in Beijing.

Subsequently, the economy began to grow. Through deft handling at the central level, it managed to skirt the 1997 Asian economic crisis. Today, according to official statistics, it is growing at an annual rate of 7-8 percent of GDP (Even though the official Chinese statistics cannot be verified readily, the point is the constancy of the annual growth rate.)

Developed markets in the world economy, notably those posed to reap maximum benefit from new technologies, also grew during this period. As globalization took off, China's leadership recognized the value in moving their country away from self-imposed economic isolation and toward membership in the world's largest trading club. Privatization plans were set in motion with the objective of creating efficiencies, spurring domestic competition and attracting foreign investment. A fledgling private sector also got underway.

Their efforts were not without setbacks, however. After 15 years of negotiations, China was extended membership in the WTO.

Today's efforts at implementing the WTO agreement also run parallel with a

major transition to a new generation of Chinese leaders. The transition is expected to culminate this fall and next year in changes at the top. Those discussed as successors to President Jiang Zemin and Premier Zhu Rongji are said to support ongoing reforms as well as WTO member-

“Despite the impressive progress China has made in the last twenty years, it continues today to face awesome challenges.”

ship. At the same time, the new leaders are expected to continue Beijing's efforts to stage-manage the pace of reforms out of concern about social unrest.

These and related issues figured into the highly informed discussion at a half-day symposium on Feb. 27, 2002. Sponsored by The 1990 Institute and held at the San Francisco Federal Reserve Bank, the event was chaired by Bob Theleen, president of the San Francisco-based private equity firm, ChinaVest.

Theleen deftly divided the discussion into two themes: 1) the U.S. and Chinese perspective on the post-WTO business environment in China and 2) an analysis of that environment as it relates to four sectors emphasized in the WTO agreement itself -- distribution or the business of getting goods to market; technology, including high technology and telecommunications; agriculture; and financial services. The following served as backdrop to the discussion:

- Under China's accession agreement, average tariff rates will fall from 15 percent in January 2002 to 9 percent over the next three to five years.
- China's private sector is expected to grow with the country's WTO membership serving as catalyst.

The private sector generated 60 percent of China's GDP, according to published reports in early 2002.

- At the close of 2001, a total \$395 billion in foreign direct investment had been committed to China. With nearly 400 of global Fortune 500 enterprises invested, foreign interests were producing 30 percent of all manufactured goods.
- The economic restructuring necessitated by WTO compliance requires extensive legal reform, with an emphasis on transparency and improvement in the ability to equitably execute laws and review administrative procedures at all levels of government.
- Liberal estimates suggest a minimum of a decade to accomplish the task of adjusting domestic laws and bringing the spirit of the domestic economy in line with internationally trade standards as embraced by the WTO.

The bar has been set high for Asia's awakening economic giant. Likewise, the stakes for foreign investors are high. To understand the nature of this environment and its opportunities, Mr. Theleen suggested that participants engage in a search for "ground truth." Borrowing a phrase from media coverage of the Afghanistan conflict, Mr. Theleen invited comments based on unvarnished truth. Experience should be brought to bear, he said. The discussion should focus on realities as supported by the facts that are being played at "ground truth".

Ambassador Linda Tsao Yang described Beijing's position at the level of "ground truth" in the following way: "China's desire to enter WTO is not motivated by any ideological conviction about globalization or a liberal market. Rather, China sees WTO as an effective mechanism by which it can accelerate economic development.

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"The pace of that development will have to conform to what China believes is in its own interest. The controlling factor will be stability. If change starts to happen too fast and the government sees that as upsetting stability, they will slow it down," she said.

Michael Brownrigg, former U.S. trade negotiator and now a partner at ChinaVest, described the political realities he sees unfolding at "ground truth" in both Washington D.C. and Beijing. "Trade agreements in this country have skin deep support. It's no different in China. In fact, it's worse. There are those who really believe in economic reform. And there are a whole lot of people who really don't believe in it.

"My hope is that the U.S. government limits the cases it takes to the WTO (involving China) to those that can set precedents. Otherwise, I worry. The easiest thing for China in an economic pause is to allow domestic frustration to be directed at the WTO and foreigners and away from the Communist government," he said.

Overview

Lilli Zheng, an international tax partner and head of the Chinese Services Group of Deloitte & Touche, was the symposium's first speaker. She highlighted two consequences of accession by way of describing the post-WTO environment in China today. China's leaders are concerned about negative reverberations in the agricultural sector, she said. They also worry about how to bring provincial and local authorities in step with new expectations for an economy that permits foreign participation and investments in a range of activities and at various levels.

China's agricultural sector is likely to be one of the hardest hit as tariffs are phased out and imports flow in, Ms. Zheng said. Both the size of farms and their production in rural China are dwarfed by American farms in particular, with their access to value-adding technologies. As rural incomes drop, farm worker migration is reshaping the Chinese marketplace at both the rural and urban end of the employment spectrum.

There is also a growing awareness of the need to find ways to work with local government officials and prevent non-tariff barriers that unfairly protect local industry and business. "But overall," Ms. Zheng

concluded, "most think more good than harm will come from the decision to join the world trade body."

Speaking from the perspective of U.S. interests in post-WTO China, Chris Damm, international trade specialist in the Silicon Valley's U.S. Export Assistance Center of the U.S. Commercial Service, advised those doing business in China to always do necessary due diligence. His bottom line, he said, is: "There's nothing noble about losing money in China."

It is incorrect to assess the Chinese marketplace based on its population of 1.2 billion people, Mr. Damm continued. The size of China's market is closer to that of Italy and roughly two-thirds the size of California's. U.S. exports (to China) might be growing at an annual clip of 12 percent, but some companies are making profits – and some are not. Fast food franchise, Kentucky Fried Chicken, is one of the more successful, opening up a new restaurant every five days, he said.

There also is very little predictability to the Chinese marketplace. "China is missing a legal and regulatory system. Political power is disbursed among bureaucrats. Resolution of problems can be arbitrary," said Mr. Damm.

Damm's anecdote about the distance that can creep in between Beijing and provincial officials brought home another point. A U.S. company was invited by provincial authorities to build a power plant in a rural area, he explained. When the plant was 95-percent completed, Beijing inspectors declared the building illegal. Provincial authorities shrugged their shoulders. It seems coal-powered plants no longer are allowed in China, but no one had bothered to check.

Distribution Sector

Historically, state-owned enterprises have transported their own goods to and from market. Logistics services have been rudimentary at best. As a result, the sector has not kept up with demands or prepared itself for competition from outside interests.

Ships and railroads -- used to move commodities and bulk goods, -- have been slow and inflexible. Air services have provided little, if any alternative resources. China Post has been the overstretched supplier for domestic parcel and express services. (Federal Express caters only to international.) With accession to WTO,

Beijing has begun to encourage domestic companies to outsource logistics. It also has begun to open the sector to foreign competitors.

Deidre Deamer, executive vice president of Unison International and a 1990 Institute board member, addressed concerns related to distribution needs for manufacturing operations, wholesale and retail service businesses and foreign companies that are engaged in a range of distribution-related services, such as freight forwarding for products that the company did not manufacture.

Prior to WTO, she explained, companies were allowed to set up warehouse operations but only to store the materials they needed for their own manufacturing. This meant there was no warehousing in China. However, starting this year, foreign companies are permitted to warehouse products that are not for their own use – provided they have a minority interest in a related operation.

In 2003, a foreign company can own a majority interest in the warehousing concern. By the following year, that same company can operate as a wholly owned enterprise.

Prior to WTO, foreign companies were prohibited from involvement in domestic transportation, including trucking, said Ms. Deamer. Starting this year, foreign companies are able to hold up to 49-percent equity in domestic transport services. They can become the majority interest in 2003 and in 2004, can own the service outright.

"When foreign companies get involved in domestic logistics, they will be transforming these distribution services from passive, poor quality service providers into hopefully key players that allow Chinese domestic enterprises as well as joint ventures to more effectively leverage supply chain management through competitive practices," she said.

Still, the big changes won't occur until 2004-05. In the meantime, the question is whether foreign companies this year and next, will turn to a Chinese partner or wait until they can set up a joint venture and then convert to a wholly owned enterprise. "It's too early to tell what the trend will be," she concluded.

Technology Sector

The WTO agreement is set to open China's telecom service market to

foreigners, permitting foreign companies to hold a 49-percent interest in all service companies three years after accession and a 51-percent interest in value-added services, such as Internet content providers.

Prior to WTO, foreign companies started obtaining small stakes in basic telecom, notably Vodafone in China Mobile and Hutchison in China Unicom. Still, it seems unlikely that a foreign company will become a significant operator in basic telecom for some time.

The Internet attracted significant amounts of foreign investment in start-ups early on although non-WTO rules on foreign ownership and censorship has dampened enthusiasm.

George Scalise, president of the Semiconductor Industry Association (SIA), suggested that the technology sector is one of the more challenging arenas for foreign investment in the post-WTO environment in China. At one level, investments are restricted by geography. For example, foreign investment in telecom was permitted in Shanghai, Beijing and Guangdong right after WTO accession. Next year, 14 more cities will open up. By 2005, all geographical restrictions are expected to fall away.

In the IT space, China has the potential to become a huge market. At the same time, it is developing the capacity to become highly competitive on a regional and even global scale. "This is the first time that a new player has entered the marketplace as both a competitor and a large market," said Mr. Scalise. Taiwan, by contrast, grew rapidly as a competitor and then positioned itself to outsource a lot of the work. It became a formidable competitor without a sizeable domestic market.

"China is different. It has both pieces – the market and the ability to produce."

Part of the process that is underway in China focuses on a new generation of entrepreneurs who have taken a page from the Taiwanese experience and learned by spending time abroad. Mr. Scalise continued. Many of these entrepreneurs started as students in the United States and then worked in Silicon Valley or somewhere similar to get sophisticated experience before returning to Asia to found

About the Speakers

Richard Holton

Professor Holton is a Director of The 1990 Institute and is also E.T. Grether Professor Emeritus and former Dean of the Haas School of Business at UC Berkeley.

Robert Theleen

Robert Theleen is the founder and Chairman of ChinaVest, a group of venture capital investment funds. Mr. Theleen is a founding member of the executive committee of the Hong Kong-Taipei Business Cooperation Committee of the Hong Kong General Chamber of Commerce. Mr. Theleen received a B.A. degree from Duquesne University and an M.B.A. from the American School of International Management.

Lili Zheng

As an International Tax Partner at Deloitte & Touche, Lili has more than 12 years experience in international tax and business consulting services for inbound and outbound investments. Her work experience related to investment management includes Robertson Stevens, Montgomery Securities, Merrill Lynch and other venture capital firms. Lili also has extensive knowledge in IPO positioning, establishing offshore IP holding companies, implementing cost-sharing agreements, and advising on entry and exit strategies for cross-border investments.

As a leader in the Chinese Services Group, Lili has extensive experience working with Chinese clients and travels frequently to the Asia Pacific region. Lili is also a liaison for business transactions with Greater China and had previously worked in the Deloitte & Touche Tokyo and Beijing offices. She received her B.S. in Accounting and Finance at U.C. Berkeley and M.S. in Taxation at Golden Gate University.

Christopher Damm

Christopher Damm is an International Trade Specialist in the Silicon Valley U.S. Export Assistance Center of the US commercial Service. He graduated from U.C. Santa Barbara in 1997 with a degree in International Relations/Political Science (Minors – Cultural Anthropology and Mandarin Chinese). After graduation, he served as an intern at the American Institute in Taiwan, (AIT) and then joined the Foreign Commercial Service in 1998.

Christopher served a 3-month tour as Commercial Officer at the U.S.

Embassy's Commercial section in Johannesburg, South Africa (Served as Acting Commercial Consul for part of that time). He has also served 3 tours in Beijing China, as Commercial Officer. In 2001 at the U.S. Embassy in Beijing, he covered the Oil & Gas, Environment and Health Care sectors.

Recently, Christopher was a guest on National Public Radio's Pacific Time show.

Stanley Lubman

Stanley has specialized on China as a scholar and as a practicing lawyer for over thirty years. He is currently teaching on 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.

He has previously taught at the Stanford Law School and the law schools of Columbia, Harvard, U.C. Berkeley, University of Heidelberg and the School of Oriental and African studies of the University of London. He has been advising clients on PRC issues since 1972, and has also been active in representing clients in disputes arbitrated by the China International Economic and Trade Arbitration commission in Beijing. From 1978 to 1997 he headed the China practices at two major San Francisco law firms and a large English firm of solicitors.

Deidra D. Deamer

Deidra Deamer is a member of the Board of Directors of The 1990 Institute and an EVP at Unison International. She has been involved in doing business with China since her first visit in 1977, and was an early contributor to the US-China People's Friendship Association from 1974-1979, working for the normalization of relations. She earned a B.A. in Russian and Chinese Studies from Connecticut College and an M.A. in Chinese politics and language at Harvard University.

George M. Scalise

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.

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and run their own companies. The entrepreneurs are winning in the tug of war between young businessmen and women and old-styled bureaucrats. "In China, we're seeing entrepreneurs create momentum much more quickly than they did in Taiwan." Indeed, it would be foolhardy to think the Chinese will not be successful. They will be, Mr. Scalise said.

To operate in that space, he advised taking steps to insert oneself directly into the chain of decision-making and not to delegate that role or rely on intermediaries. The relationship is key when doing business in China, he said. Chinese competitors will continue to improve their relationships in their own backyard, which happens to be where U.S. businesses are trying to compete. Without relationships, the risk is getting "cut short over night," he added.

Another concern is in the area of intellectual property, especially as it involves local content issues and efforts to use joint ventures to get leverage to force technology transfers over and above what is commercially beneficial to a joint venture partner. Decisions must be made on a commercial basis, he cautioned.

On the U.S. side, Mr. Scalise said federal limits on technology exports continue to complicate the business environment. "If we're not more effective in dealing with our export control plans and initiatives, we could end up our own worst enemy as this unfolds," he said.

Agricultural Sector

Under the WTO agreement, China will reduce import tariffs over time from a pre-WTO average of 21.2 percent to 17 percent. Subsidies to support Chinese exports of agricultural products will be eliminated.

In some quarters, China is seen as fundamentally uncompetitive in many forms of agriculture. Average farms are significantly smaller in size than farms in the United States. Prices of many farm goods are higher than those on international markets. Meanwhile, some 900 million people make their livelihood from some aspect of the rural economy. As many as 100 million of these are believed to be seasonally unemployed.

There is concern that China will intermingle its food policies with its plans for developing the economy. The loser will be foreign investors in the agricultural

arena, said Jerome Siebert, extension economist emeritus at the University of California, Berkeley, Department of Agricultural and Resource Economics.

Mr. Siebert, who also chairs the California Walnut Board, went on to explain what happened when he and a group of California walnut growers visited walnut growers in China's Yunnan Province. After driving 11 hours over difficult roads, the delegation arrived at what their hosts had described as a "smaller walnut plantation." If this was a small plantation, what size must a large plantation be, the visitors asked. There were more trees on the plantation than all those planted in California – and China does not even emphasize the food and health value of eating walnuts!

And so, the delegation returned home and declared their separate intentions to plant grapes instead of growing walnuts, said Mr. Siebert. Although facetious at least in part, the story demonstrated Siebert's concern that Chinese competitors could turn formidable with the assistance of favorable government policies.

For the time being, however, the Chinese still must focus on large problems, including those related to distribution. "China can produce foodstuffs," he said. "Their problem is getting it into consumers' hands and into the channel."

It also may mean California walnut growers can rest easy – for the time being. They now grow 99.9 percent of all walnuts consumed in the United States.

Financial Sector

Under terms of the accession agreement, foreign insurance companies will be allowed 50-percent participation in life insurance joint ventures and 51-percent in no-life. Foreign banks will be able to conduct local currency business with Chinese corporations two years after accession and with Chinese individuals five years after accession.

"Am I ready for WTO," Linda Tsao Yang, who served as the Asian Development Bank's U.S. executive director, 1993-99, quoted a Beijing banking friend as he asked a rhetorical question.

"Yes and no," he replied. "Yes, I know competition is coming, not only from foreign banks but also from my colleagues in China. And yes, I'm prepared to meet the challenge. But, no, we are not ready in the

sense that we now have a whole generation who are taking charge of banking and who have no notion about what is a credit culture or risk management."

Ambassador Yang said her friend pointed out another difficulty -- centering on China's weak legal system and virtually non-existent enforcement mechanisms. She likened the difficulty to a tug of war between the strongest of dragons and the local snake. The dragon is committed to seeing China succeed with its commitments under WTO. The snake, on the other hand, is lying in wait -- hidden by non-tariff barriers erected to keep competition away from local markets.

There's a bit of truth in any metaphor, Ms. Yang said. Local people are able to slow down the process. They also can make transaction costs so high a foreign investor will not want to go there. Still, the fact that it will take years to sort through the implications of WTO should not be construed to mean that there is a wavering in the commitment to reforms in the upper echelons of government, she continued. Instead, government leaders are trying to make sure the timetable for reforms fit the complexity of the changes reforms bring.

In the banking sector, the market for foreign investment is compelling in two arenas – private business, which has become the engine driving development of the economy, and in consumer-led arenas where incentives are growing. Some 30 million Chinese households now have medium-level incomes of \$4,300 per year. "In terms of real purchasing power, that is truly middle income" in China, said Ms. Yang. Of that 30 million, 1.2 million have bank deposits of more than \$100,000. "That's quite an exciting market," she added.

Fewer than one percent have credit cards. This contrasts with Taiwan, where 60 percent of the population carry credit cards. However, having a credit card is becoming a sign of status in China – as is owning and furnishing an apartment, Ms. Yang said. Given American technology and know-how to turn efficiencies into profits, China's evolving consumer market should be viewed as an area with tremendous opportunity, she added.

On the other hand, Ms. Yang warned against lending to major-size companies where credit criteria form the governing factors. "I would leave this business to others. It will take a long time for the credit culture to sink in," she said. The best way

to access the market, given the pressing realities over the next three to five years, is to concentrate on doing business with multinationals or joint ventures now in place or to generate local funding through the interim market, she added.

Legal System

Institutional weakness in the legal area lies at the heart of the challenge facing China as it begins to work through the requirements of WTO membership. The need for transparency at all levels is paramount if there is to be independence and accountability on the part of the judiciary and others.

"I would like to throw a little cold water around because I think it's necessary," said Stanley Lubman, visiting scholar at The Center for Law and Society and lecturer at the School of Law, the University of California, Berkeley. The areas where the challenges are keen include the following:

- Article 10 of the GATT commits the Chinese to enforcement of all rules and regulations in a uniform, impartial and reasonable manner. "Well, their courts are deficient. The judiciary is inadequately professionalized. And no more than 10-15 percent of all Chinese judges have had a complete education."

- Efforts are underway to rectify these circumstances. For example, this year, all judges will take a bar exam.

- The obligation to comply with Article 10 applies to all levels of government, including provincial and local officials, and China has promised to ensure uniform countrywide implementation of its WTO obligations.

- Corruption remains a widespread problem in the courts – and "is not declining." Government decentralization has resulted in the phenomenon of "local protectionism" and partiality toward the local governments, which finance the courts.

- It is necessary to expand the court's authority with regard to review of administrative actions.

Not only do courts lack the power to decide the inherent validity of rules and regulations, they also find themselves jurisdictionally at the same level as the administrative agency whose actions they are called upon to review. Even when there is a

About the Speakers (continued from page 5)

Scalise came to the SIA from Apple Computer, where he served as executive vice president of operations. Prior to that, he held executive management positions at National Semiconductor, Maxtor Corporation, Advanced Micro Devices, Fairchild Semiconductor and Motorola Semiconductor.

Scalise currently serves on President George W. Bush's Council of Advisors on Science and Technology as well as numerous boards: the Federal Reserve Bank of San Francisco where he is Deputy chairman; Cadence Design Systems; and iSuppli Corporation.

Jerome Siebert

Dr. Jerome Siebert is Extension Economist Emeritus in the Department of Agricultural and Resource Economics at the University of California, Berkeley. Since receiving his Ph.D. in 1964, he has served in a wide variety of roles involving research, extension, education, and administration in organization such as the Sunkist Growers, U.S. Army, USDA, U.C. Berkeley and more.

Recently he has worked with the University of California Biotechnology Program in assessing the impact of biotechnology on agriculture, especially genetically modified organisms (GMO's) and their regulation. He is currently working with the California Department of Food and Agriculture in identifying issues and policy alternatives in preparation for revision of the U.S. Farm Bill.

Linda Tsao Yang

Ambassador Linda Tsao Yang served as the U.S. Executive Director at the Asian Development Bank from 1993-1999. She was appointed to the post by President Clinton and confirmed by the U.S. Senate. She serves on the Board of Directors at the Center for Asia Pacific Policy, Rand Corporation, and the Pacific Pension Institute. As a member of the Asia Foundation she participated in the Task Force commissioned to report on the Role of America in Asia and The Council on Foreign Relations. Ambassador Yang was a founding director of The 1990 Institute. She was graduated from St. John's University in Shanghai and earned her M. Phil. Degree from Columbia University.

Robert T. Parry

Bob has served as president and chief executive of the Federal Reserve Bank of San Francisco for the past 15 years. He is a member of the Federal Open Market Committee, bringing his District's perspective to monetary policy discussions.

A native of Harrisburg, PA, Bob received a B.A. from Gettysburg College, where he was elected to Phi Beta Kappa. He earned a M.A. and a Ph.D. in economics from the University of Pennsylvania, and holds honorary doctorates from Gettysburg College and Southern Utah University.

decision, the administrative agency simply may decide not to apply it.

Regulations also tend to be written in vague language, which gives maximum discretion to whomever does the interpreting. "This is why the plan to draft an administrative procedure act is important. But the act must have teeth," added Mr. Lubman. Drafting of legislation is under way currently with the hope that it will be ready by late 2003. Whether it will strengthen the power of the courts remains an open question.

Summary

The rich discussion that weaved its way through the symposium was summed up in this concluding exchange:

Ambassador Yang: We need to monitor

very closely the steps China takes to comply with WTO. We also need to be mindful that WTO can create many areas of conflict. Therefore, we should not take this 'I gotcha' approach. It's better to say, we have a problem here. Then ask, what can we do together to build up implementation.

Mr. Brownrigg: If you are an exporter, the agreement under WTO will be terrific. If you are not an exporter, you should be. Tariffs are coming down. Distribution will be better. Chinese purchasing power is going up.

However, if your business requires that you invest in China in order to succeed, you have a lot of potential problems. Depending on what kind of business you are, there are two different WTOs.