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Society makes excellent 'investment' in China

by Diana Montgomery

The SOA is "on the cutting edge" of a new era in China, according to Dr. John G. Stoessinger, professor of international affairs at Trinity University in San Antonio.

Stoessinger, keynote speaker at SOA's recent annual meeting in Boston, told a rapt audience that the Society-sponsored actuarial training program at China's Nankai University (April *Actuary*) will give North American insurance firms an advantage in China.

In a speech covering the world economy and our changing relationships with China, Japan and the Soviet Union, Stoessinger said, "I'm delighted that the Society had the foresight to underwrite and support a kind of scholarship program providing China with Canadian and American professors who will teach the art and science of actuaries. In China, no doubt, that profession is going to flourish."

The Nankai University program will help U.S. and Canadian firms gain footholds in China that will help them compete better against the Japanese for the Chinese life insurance market. "The investment you have made there is excellent," said Stoessinger, an internationally recognized political analyst and author of 10 books. "The more you do now to prepare the ground, the more business will come your way. If you get the jump on the Japanese in the actuarial profession, the Chinese will go the American and Canadian way, not the Japanese way."

Stoessinger, who spent part of his childhood in China after fleeing Austria during World War II, visits there two or three times a year. He said China is ending its 30-year communist phase and returning to its 4,000-year-old tradition of capitalism, determined to take a quantum leap technologically and economically into the future. This turnaround has resulted in a loss of popularity for the Soviets and a boost for North Americans.

Because the Chinese historically are distrustful of the Japanese, the Russian popularity drop leaves the Chinese market of one billion people



John G. Stoessinger

more open than ever to American business. However, Stoessinger said, "Most Americans who go to China to make business do badly because they don't understand the cultural difference" between our 200-year-old culture and their 4,000-year-old culture.

The Chinese ponder business deals, maybe taking months, or even years, to get to know a company and its representatives before making a business decision. He said Americans are impatient and give up if business deals aren't concluded quickly. "But the Japanese understand the Chinese time frame. They will stay in their hotel rooms for six months, if necessary, waiting for the Americans to quit and go home."

Turning his talk toward U.S.-U.S.S.R. relations, Stoessinger said he is optimistic for the first time in 40 years, buoyed by the "genuine disarmament treaty" signed last December by Mikhail Gorbachev and Ronald Reagan. Stoessinger also is encouraged by Gorbachev's "hellbent" determination to modernize and improve the disastrous Soviet economy.

The Russian leader, Stoessinger said, "wants to take some of the money earmarked for missiles away from the defense sector and put it into the economic sector.... This is not to say that the conflict has been removed. It will be in the economic, rather than the military, sphere. Gorbachev wants to make the Soviet Union a powerful economic state."

Actuaries at this summer's International Congress of Actuaries in Helsinki already have been touched by the new Russian openness, he said. Russia, for the first time, sent actuaries to the meeting.

Stoessinger seemed most worried about the economic relationship between the United States and Japan, calling it the "greatest role reversal of the 20th Century." Japan was the leading debtor country 40 years ago, and the United States was the leading creditor country. Now, however, the reverse is true: the United States is the leading debtor, while Japan is the leading creditor.

"In this strange relationship lies a very real danger," Stoessinger said. "What would happen if the Japanese would stop lending us money? We would be in very deep trouble." Stoessinger blamed the September 1987 stock market crash on the withdrawal of Japanese money from the market. The Japanese pulled their yen out, he said, because the devaluation of the dollar cut deeply into their profits; because they were disturbed by increasing U.S. protectionist sentiment; and because the United States had not pulled in its belt to reduce the trade deficit.

It's disturbing, Stoessinger said, to know that "bunch of foreigners can pull out the rug from under us at any time." He advised that Americans "decouple ourselves" from the Japanese lending business and devote ourselves to making better products so we can export more.

Speaking from his experience as a professor, he said our North American students today have creativity but lack discipline, while Japanese students have discipline but little creativity. "The secret of success here is to fuse these two qualities into a single irreversible force, which we can do." He said we have the edge over the Japanese in this matter because discipline is easier to develop than creativity.

"We must go back to the work ethic," he said. "Everyone in this audience must teach your kids the value of a job well done and the value of work."