

EDITORIAL

A negative example of home education

In a sweeping denial of all allegations about his "money laundering" on August 22, former president Chen Shui-bian asserted that his money is both "dry" and "clean," and therefore it cannot be laundered, nor does it need laundering. He reminded the public once again that many of his party comrades and political allies had solicited financial assistance from him, and that many high government officials, past and present, had channeled public funds to their private pockets. "I have 75 unexploded bombs in my hands," Chen told a local weekly magazine, referring to abuses committed by former president Lee Teng-hui, who issued a strong statement demanding that Chen immediately stop making false malicious charges.

The former president's behavior offered an interesting contrast with the earlier acts of Chen Hsing-yu, his daughter.

On August 18, Hsing-yu blasted members of the Democratic Progressive Party (DPP), for taking money from former president Chen to finance their election campaigns, but now acting like "pseudo-upright" people. She even named names, which included Su Tseng-chang, Frank Hsieh, both former premiers, and Chen Chu, mayor of Kaohsiung. "Who honestly reported campaign surplus funds?" Chen's daughter asked. "If the surplus money deposited overseas is illegal, why is it legal when put in domestic accounts?"

The former head of state is being investigated for alleged "money laundering" abroad, after his wife, Wu Shu-chen, admitted to having wired NTS600 million overseas and deposited it in a Swiss bank in her daughter-in-law's name, which prompted Swiss authorities to ask for help from the Taipei government to investigate the dubious source of the huge sum of money.

This was not the first time the public witnessed an emotional outburst by Hsing-yu, who is known for her hot temper and strong will. In the past, numerous instances occurred in which she angrily chided the press for invasion of privacy by following her and her family (she is married and has two sons) wherever they went. What she forgot was that once she became a member of the first family, she enjoyed many more privileges than before, but at the same time, she was bound to lose many rights to privacy as a public figure. This is the case everywhere in the world, particularly in democratic nations.

If many of the charges Hsing-yu leveled at the press, politicians and the general public in the past were irrational, her recent furious reaction over the public treatment of her father and her mother was even more prejudiced and unjustified. What's wrong with needy DPP members asking for financial help from the former president, the standard-bearer of the party generally acknowledged as a capable fundraiser? Whether Chen got the money legally or illegally was beyond their knowledge and none of their business either. Even if, as Hsing-yu claimed, other DPP leaders did not handle their campaign funds in a completely honest manner, this did not justify her father's alleged criminal behavior. It is true that all criminals should be brought to justice, but there is the priority, depending on the evidence that has surfaced or been discovered. No criminal has reason to cry foul simply over being caught and prosecuted ahead of others. Moreover, there is no comparison whatsoever between the former president and other DPP politicians in terms of social status, political power and the amount of the money in question.

As an outstanding graduate from a prestigious medical college, Hsing-yu ought to know how to behave herself in Taiwan society. If not, due to her youth and a lack of experience, she should have learned a lot from her father and mother. In fact, she did, but, alas, most of the teachings from her parents were neither correct nor decent. Indeed, we have reason to believe, as demonstrated by former president Chen's rebuttal to charges about money laundering, that her uncontrolled emotions and misunderstanding of Taiwan politics largely reflect the wrong and biased information she received from her parents. Some observers have summed up the characteristics of the home education offered by the former first couple in these words: "All are the faults of others." Or, "since all under heaven commit mistakes, why catch us only?" What a negative example of home education the former president has set for all young people in this country!

When asked by reporters about her reaction to her daughter becoming a defendant in the "money laundering" case, Wu Lihua, mother-in-law of Chen Chih-chung, son of former president Chen, replied in tears. "I never taught her to do such a thing (money laundering). She was taught by her mother-in-law." According to reports, Hsing-yu used to be a hard-working, independent and frugal person with little self-conceit. Apparently, under the influence of the former president and first lady, the character and fate of their children have undergone enormous changes, so much that they have either behaved abnormally or are implicated in criminal cases.

LETTERS TO THE EDITOR

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Address: 8 Fushun Street, Taipei, 104, Taiwan
E-mail: editor@mail.chinapost.com.tw
Fax: (02) 2595-7962

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台北市中山區 104 撫順街 8 號
Tel: (02) 2596-9971 • Fax: (02) 2595-7962

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Keeping the race milestone quiet

By CHARLES BABINGTON
DENVER, AP

Barack Obama achieved a historic breakthrough with his nomination for president, but you wouldn't know it by tracking the official events of the Democratic convention's first three days.

In becoming the first black American to claim a major party's nomination, Obama has reached a milestone that many felt was at least a generation away. But the convention, like Obama's overall campaign, thus far has dealt with race lightly, obliquely, or often not at all.

Prominent black lawmakers addressed the Denver crowd Wednesday without mentioning the campaign's racial dimensions, which they eagerly and emotionally discuss in private. Americans watching TV might assume otherwise because convention commentators often discuss race. But they are drawing from interviews and other sources, not from the speeches that are vetted by the Obama campaign and that serve as a record of the four-day event.

Obama is "running as a candidate who happens to be African-American," not as an African-American who happens to be running for president," said Chris Lehane, a spokesman for Al Gore's 2000 presidential campaign.

The reason is simple, campaign strategists say. The more Obama is seen as a black candidate, the greater the risk that some white voters might reject him.

In Denver, the omissions are notable because several convention events have celebrated Hillary Rodham Clinton's unprecedented achievements as a female presidential candidate.

The tone will change Thursday, when Obama accepts the nomination on the 45th anniversary of Martin Luther King's "I Have a Dream" speech, a coincidence that could hardly be ignored. But when Obama resumes campaigning Friday in Pennsylvania, party insiders expect him to revert to his practice of soft-pedaling race: Acknowledging its role in American society, when asked, but rarely bringing it up on his own, and never using it as basis for seeking people's votes.

"No one is going to forget that

Barack Obama is half black," Pennsylvania Gov. Ed Rendell said Wednesday. But in seeking his state's crucial white, working-class voters, Rendell said: "I wouldn't emphasize it. I'd say, 'Look, right now I think the only color you're concerned about is green,'" a reference to families' economic worries.

Obama, the son of a black father from Kenya and a white mother from Kansas, often says that race's role in American society is undeniable, but he does not want people to vote for or against him mainly because of his race.

In his presidential campaign, he has addressed race in a lengthy, comprehensive way only once: On March 18, when incendiary remarks by his former pastor threatened his campaign. "Race is an issue that I believe this nation cannot afford to ignore right now," Obama said in Philadelphia. He later broke all ties with the minister, the Rev. Jeremiah Wright, and has not addressed race again in anywhere near the depth he did that day.

In Denver, the party has passed up obvious opportunities to celebrate

Obama's achievement in a nation whose legacies of slavery and segregation still feel fresh to many. On Wednesday, three of the House's most senior black members — Maxine Waters of California, Elijah Cummings of Maryland and Democratic Whip Jim Clyburn of South Carolina — addressed the convention without alluding to race.

In Denver's hotels and restaurants, of course, talk of racial politics is more commonplace. Some of the bluntest speakers are white labor union leaders, eager to help Obama win working-class votes in key states such as Michigan, Pennsylvania and Ohio.

"There are a lot of white workers, and frankly, some of them are union members," who refuse to vote for Obama "because they think he's the wrong race," Richard Trumka, the treasurer of union federation AFL-CIO, told Ohio delegates this week. "We cannot tap dance around the fact."

"Race is a tool that is used to divide working people," Trumka said. He called on Democratic activists to convince blue-collar workers that Republican John McCain's policies

would harm their interests.

If black delegates say little about race on the convention stage, many are privately exulting over Obama's nomination. "This reflects what Dr. King was talking about" in the 1963 "dream" speech, said James W. Crowell, treasurer of the Mississippi chapter of the National Association for the Advancement of Colored People.

Martin Luther King III said that his father's dream is not totally fulfilled, but that Obama is wise to keep from making race central to his candidacy. The campaign, he said, "shouldn't be about black issues or white issues. It should be about issues for every American." Rendell, the Pennsylvania governor, said families struggling to pay their bills are more likely to vote on pocketbook issues than on matters such as race, which should help Obama.

People will choose their candidate, he said, based on "who's most likely to help them with their financial condition. If the answer is Barack Obama, nobody's going to care whether he's black, green, orange, purple, fuchsia or whatever."

Clinton lost, but remains a key political force

By BETH FOUHY
DENVER, AP

A vanquished guest at another's coronation, Hillary Rodham Clinton proved this week she is still a political force — in the short term and for the future.

She will return to the Senate with vastly enhanced stature. Another presidential bid is not out of the question, nor is a Cabinet post in an Obama administration. She's almost certain to write a book, associates say, and will explore public policy opportunities beyond the Senate.

"She comes out of this week in Denver and the entire election season as a bigger and more powerful figure than she ever was before," said Ruth Mandel, Director of Rutgers University's Eagleton Institute of Politics.

In the opening days of the Democratic convention, the pending nomination of Barack Obama as the first black nominee from a major party was nearly overshadowed by Clinton, especially by questions of how forcefully she would back

Obama and whether her army of supporters would swing his way.

In the end, Clinton delivered a forceful speech that left some Democrats wondering whether she might have been the stronger candidate to compete against John McCain. "No way," she said. "No how. No McCain."

After her speech, Obama's staff greeted Clinton backstage with applause. On Wednesday, it was her call for Obama's nomination to be approved by acclamation that helped build unity.

While her husband is still stewing in grudges over how the primaries played out, associates say, Sen. Clinton is focusing on the future and how to take advantage of the stature she built with her campaign.

Polling indicates that Clinton remains widely popular among Democrats despite her narrow primary loss. Three quarters would like to see Clinton be a major spokesperson for her party as she serves out her term in the Senate, according to a USA Today-Gallup Poll

conducted last week.

But a CNN-Opinion Research Corp. survey taken last weekend found just 38 percent of Democrats believe Obama should have chosen Clinton as his running mate, suggesting she would be better off staking out a political path of her own.

For now, Clinton's first order of business will be helping elect Obama in November. For all the talk of bad blood between the two erstwhile rivals, her aides said Clinton wants the Illinois senator to prevail if only because she can't bear the thought of another four years of Republican rule.

She also knows that it would be impolitic to root against a fellow Democrat. And she surely doesn't want to be blamed should Obama lose.

Obama spokesman Robert Gibbs said Clinton has been very forthcoming with offers to help and that she and Obama spoke Tuesday about what kind of campaigning she might do for him in the coming weeks. She'll likely focus on battleground states where she did well in the pri-

maries, like Pennsylvania, New Mexico and Ohio. She'll also target specific demographic groups, including white working class voters and independent women.

Many of her supporters believe Clinton's continued popularity and strong showing in the primaries should earn her a prominent spot in an Obama administration — attorney general or secretary of state — or a seat on the Supreme Court. But her advisers said she would probably prefer to stay in the Senate, where she would have more freedom to pursue her own legislative and political agenda.

A first order of business: Retire a multimillion-dollar campaign debt.

Clinton associates say they've heard from major donors offering to grease whatever path she chooses to stay politically viable. That could include anything from establishing a foreign policy institution to a future run for New York governor or president, they said.

She almost certainly won't go into the private sector, associates say.

Attacking patents is a way to halt progress on climate accord

By TIM WILSON
Special to The China Post

A hundred countries are meeting in Accra this week in negotiations for a new climate change agreement after the Kyoto Protocol expires in 2012. Understandably, developing countries refuse to sacrifice economic growth in order to cut emissions, so they want new low-carbon technology.

India, China and a variety of pressure groups are campaigning for "compulsory licenses" on low-carbon and renewable-energy technology, saying the developed countries are to blame for climate change and should underwrite the alleged solutions.

"The developed countries should get off the backs of India and China. Instead, they should help India and China move towards a low carbon economy with technology and finance," said Rajendra Pachauri, the (Indian) head of the Intergovernmental Panel on Climate Change in July this year.

Shri Raja, the Indian Environment Minister, wants an agreement "paralizing" what he calls "the successful agreement on compulsory licensing of pharmaceuticals," which has undermined supply, quality and trade.

This will destroy any incentive to develop new inventions. Developing countries should instead remove the tariffs and other barriers that they impose on their own people and that increase prices dramatically.

Some even claim patents confer a monopoly that reduces competition and stops downward pressure on prices. But patents are not a monopoly on a market, they are an exclusive right over a specific product. Patents on existing products do not in any way prevent the development of other inventions.

Without the property rights that patents confer, many inventions that cost millions of dollars to develop can be copied. So without patents there are no incentives for investors and innovators to spend time and money researching and developing new technology. This is especially counter-productive as low-carbon technology is still in its infancy and requires high investment for the next level of innovation.

The low-carbon or "renewable" inventions that would be undermined by removing patent rights include wind turbines, clean coal, solar panels and fluorescent lamps.

A 2007 United Nations Development Program study found compulsory licensing of low-carbon technologies would directly reduce investment. Similarly, a World Bank report from the same year found that weak Intellectual Property regimes act as a barrier to the transfer of low-carbon technology, meaning that patent owners are reluctant to transfer their technology to countries that do not respect patents and other property rights.

Attacking patents is a distraction when there are policies that require greater attention. For example, the top 15 greenhouse-gas-emitting developing countries impose hefty tariffs and other trade barriers that can drastically increase prices on "green" technology they claim is essential.

Zambia and Egypt have tariffs on solar panels at 30% and 32% respectively. In Nigeria, barriers against "clean coal" technology add 160% to the final product cost. In Egypt, the extra cost on fluorescent lamps is 87%, in the Philippines 93%, in Brazil 96% and a staggering 102% in India.

The egregious extent of tariffs and other barriers on low-carbon technologies has prompted the United

States and the European Union to propose an Environmental Goods and Services Agreement in the World Trade Organization, to encourage the transfer of technology. But since the collapse of the Doha Round last month that seems unlikely.

By ignoring these self-imposed barriers, the anti-patent campaign is gaining traction because it is always more attractive to blame someone else. That spells bad news for the poor. Companies that invest in low-carbon technology are dependent on capital to develop new products. If patents are waived investors will not see returns and the funding for new technology will dry up.

Forget patents: Governments in poor countries can make newer, cheaper and more efficient low-carbon technology available now by dropping their self-harming trade barriers.

Tim Wilson is Director of the IP and Free Trade Unit at the Institute of Public Affairs in Melbourne, Australia and author of the new paper *Undermining Mitigation Technology* available at www.ipa.org.au

Chinese banks booming, but bad loan risk still looming

By FRAN WANG
BEIJING, AFP

China's banking sector, once considered the weakest link in the nation's economy, has had a spectacular first half, with one lender now touting itself as the most profitable bank in the world.

Profits have soared due to rising interest revenues and a cut in the income tax, analysts said, but they warned that a slowdown in the economy could hit borrowers' ability to pay back loans in the second half.

"The banking sector saw sharp and better-than-expected growth in the first half, but challenges remain," said Jin Lin, a Shanghai-based analyst with Everbright Securities in Shanghai. "In the second half, the most critical challenge for the banks will be a worsening in asset quality as...we will be approaching a trough in the business cycle."

Industrial and Commercial Bank of China, the nation's top lender, said last week it had become the world's most profitable bank in the first half after earning 9.4 billion dollars, up 56.8 percent over the same period in 2007.

Some other banks reported even higher growth rates, with CITIC Bank posting an increase of 161.5 percent — the biggest among all Chi-

nese lenders that have released their interim reports so far.

The outstanding performance of the banking sector contrasts starkly with more moderate growth in other industries, reflecting a slowdown in the Chinese economy.

The average profit growth of the 1,178 listed firms who had published their interim results by Monday was 30.9 percent.

While impressive by most standards, it was still less than half the rate of the 70 percent achieved in the first six months of 2007.

Just a decade ago, economists warned that the banks were the sector that could cause the entire Chinese house of cards to collapse. But several factors have contributed to the turnaround, analysts and economists said.

China's tight monetary policy has strengthened the pricing power of banks amid robust demand for loans, with credit growth of 14.1 percent in the first six months of 2008.

The rate structure of the Chinese financial system has allowed banks to reap maximum benefit of the roaring loan demand, analysts said.

While banks cannot raise the one-year deposit rate above the benchmark 3.33 percent for average

clients, they may hike the lending rate as high above the official 7.47 percent as they think safe without scaring customers away. "There's a very significant increase in net interest income," said Charlene Chu, Fitch Ratings analyst in Beijing.

"(It's) associated with higher pricing of loans as well as just pretty rapid growth in the loan book in the first half."

Another important reason why the first half was so lucrative was a reduction in the corporate income tax to 25 percent from 33 percent. The tax took effect in the beginning of the year and significantly brought down tax costs for the banks.

"Some banks reported more than 100 percent growth in the first half, which is partly linked to the tax cut," said Winnie Wu, a Hong Kong-based analyst with Merrill Lynch.

"The high growth is for after-tax result. The pre-tax growth is not that high," she said.

She said some of the banks that posted 100-percent-plus after-tax profit growth probably saw a more moderate 70-to-80 percent growth in pre-tax profits.

More important, tax cuts are a distinct one-off, and there are already warnings from economists that bad loans are likely to rebound

in the second half and in 2009.

Domestic firms, especially those focused on exports, will feel the pinch of a slowdown in the global economy and a deceleration in Chinese growth, and may have a hard time servicing their debt.

Qiu Zhicheng, an analyst with Haitong Securities in Shanghai, said some banks' non-performing loan ratios have already started to rise in the second quarter, and the increase was expected to be more noticeable at year's end. "Both the real estate sector and the manufacturing industry will have problems," he said. "Banks' growth rate will slow down gradually in the second half and by a larger margin next year."

Investment in overseas assets by Chinese banks, such as their holdings of bonds in two struggling U.S. mortgage finance giants Freddie Mac and Fannie Mae, is another area where risks could emerge.

Fitch's Chu said the exposure seen so far was relatively small compared to the size of the banks, but the overall impact on China's banking sector remained unclear.

"We need to wait and see — there are big entities like Bank of China that are yet to announce (their exposure)," she said.

Kremlin risks 'domino effect' of separatism

By CHRISTIAN LOWE
MOSCOW, Reuters

The Kremlin's decision to recognize the independence of two breakaway regions of neighboring Georgia has prompted some people inside Russia's own borders to ask: Why can we not have independence too?

The recognition of Abkhazia and South Ossetia risks starting a "domino effect," re-awakening separatist sentiments in Chechnya and other parts of the turbulent North Caucasus where Russia has been fighting to contain rebellions.

Analysts say Russian troops are firmly in control in Chechnya and elsewhere in the region, making a new uprising unlikely any time soon.

"But the recognition of these unrecognized republics will without doubt stick in the minds of a lot of people in the North Caucasus," said Alexei Malashenko, an expert on the region at the Carnegie Moscow Center think-tank.

"In Chechnya there is still separatist sentiment. So a precedent will be set: If one lot of people can have it then why can't the others? It will have an impact."

Russia's FSB domestic security service said last week it expected a surge in activity by separatist and Islamist militants in the North Caucasus. Some Chechens expressed bitterness on Wednesday that Russia had backed separatists in South Ossetia and Abkhazia, yet fought two devastating wars to crush Chechnya's short-lived independence from Moscow.

"Russia shouts about (Western) double standards at the top of its voice, but does not have the slightest hesitation to use the same method," said Idris Yaskiyev, a 23-year-old resident of the capital, Grozny.

Asmart Sambiyeva, 25, from the Chechen town of Gudermes, said she saw the support Russia gave to South Ossetia when Georgian troops attacked the capital, Tskhinvali, this month.

"They called what had happened a genocide. It is very hurtful and funny to observe all this from the point of view of people who went through the complete destruction of a nation and on top of that were called a nation of bandits," she said.

Russian Foreign Minister Sergei Lavrov denied the recognition of Abkhazia and South Ossetia set a precedent for the restive regions in the North Caucasus.

"Inaction by Russia (on the Georgian regions)...would have been absolutely not understood, least of all by the population of the North Caucasus," Lavrov told reporters on Tuesday.

Chechnya is not the only Russian region where some people want to establish their own state.

In neighboring Ingushetia and Dagestan, disparate groups of Islamist militants regularly mount bomb attacks and ambushes. They say they want to establish Islamic rule. Natives of the Russian region of North Ossetia are from the same ethnic group as South Ossetians.

An ancient Christian people who speak a language derived from Persian, Ossetians are loyal to Moscow but some talk — mostly in theoretical terms — about uniting North and South Ossetia to create an independent state they call "Iryston."

The Russian regions of Karachayevo-Cherkessia, Kabardino-Balkaria and Adygea have large minorities who have ethnic ties to the Abkhaz.

"They are our blood brothers," said Valery Vasilchenko, head of the military faculty at Abkhazia's main university.