

House of Councilors makes visa-free status permanent

By Mac William Bishop

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Taiwan-Japan relations received a boost yesterday after the Japanese Diet voted unanimously to make permanent the current visa-free status for Taiwanese travelers.

A bill granting the special status for Taiwanese tourists was passed by the House of Councilors -- the upper house of Japan's Diet -- early yesterday, after having been approved by the House of Representatives on Tuesday.

According to a statement issued by the Ministry of Foreign Affairs (MOFA), the permanent visa waiver will take effect on Sept. 26 -- the day the current temporary visa waiver is set to expire.

Taiwanese travelers will be allowed to stay for up to 90 days in Japan without requiring a visa.

Japan is one of the top destinations for business travelers and vacationers from Taiwan, and nearly 1 million Taiwanese visit the country each year, according to statistics supplied by the Central News Agency (CNA).

Japan currently grants visa-free entry to citizens from 62 countries.

THANKS

The move was welcomed by Taiwanese officials, who praised Japan for demonstrating its support for Taiwan despite heavy opposition from Beijing.

Chinese officials have regularly lambasted Tokyo over the visa waivers, which were first granted for Taiwanese tourists on March 25 as part of a tourism campaign for the 2005 World Exposition in Aichi Prefecture.

Beijing wanted Japan to grant visa-free status to Chinese citizens, arguing that Tokyo could not negotiate with Taipei over the issue because of the "one China" policy.

However, the Diet refused to consider the Chinese requests, citing frequent problems

with illegal immigrants and criminal activity by Chinese nationals.

MOFA spokesman Michel Lu urged people in Taiwan to "cherish" their "hard-earned preferential treatment," also cautioning them to obey the law and behave appropriately while in Japan.

The nation's top representative to Japan, Koh Sei-kai, also lauded the move, saying that dropping visa requirements was a move calculated to promote the interests of Taiwan and Japan.

Koh said that he hoped the bill was the precursor to "increased bilateral engagement" between Taiwan and Japan, saying that the current method of conducting relations was obsolete.

Japan ended formal recognition of the Republic of China in 1972, establishing a non-official organization, the Interchange Association, to act as its de facto embassy in Taipei. Taiwan also maintains a de facto embassy with an ambiguous title in Tokyo, called the Association of East Asian Relations.

TOURISM CAMPAIGN

The move by Japan to relax visa requirements for Taiwanese tourists is part of a tourism promotion campaign that began in 2002, titled "Yokoso! Japan."

"Yokoso" is Japanese vernacular for "welcome."

The campaign, which is run by a group called the Visit Japan Campaign Headquarters -- an association of government and tourism-association officials, is designed to attract 10 million visitors -- almost double the annual number of foreign tourists -- to Japan by the year 2010.

Taiwan is Japan's second-largest source of foreign tourists.



Rumsfeld urges China not to act like a pariah state

AFP, LOS ANGELES

The US should encourage China to move toward a freer system, US Secretary of Defense Donald Rumsfeld said on Thursday, warning of inevitable tensions between its repressive political system and the demands of a modern economy.

"They obviously are moving from a continent power to a regional power and have interests in expanding beyond that," Rumsfeld said. "Now where is it all going to end? I don't know."

Rumsfeld was asked at a luncheon for the Los Angeles World Affairs Council about a Chinese general's recent warning that Beijing would resort to nuclear strikes in a conflict with the US over Taiwan.

Relations between the US, China and Taiwan have been "relatively clear and relatively well understood and relatively stable for a good many years now," Rumsfeld said.

The essence of it, as spelled out in the Taiwan Relations Act, was that any resolution of the Taiwan dispute must be carried out peacefully, he said.

But Rumsfeld went on to warn that if China wishes to maintain a growing economy "you're going to have to conduct yourself in a way that doesn't make you a pariah nation, a state that people don't want to be involved with."

"Because money is a coward. Money does not want to go to a place that is inhospitable to investment and to returns," he said.

"On the other hand, they've got a communist political system that is not open," he said.

"Now as you go down this road there is going to be a tension," between a closed political system and the demands for openness of a modern economy, he said.

"So the question is which is going to give?" he said.



Hospitals blamed for China's poor medical system

REUTERS, BEIJING

China's Health Minister has accused greedy hospitals of being largely to blame for the sorry condition of the country's health care system.

Profit-seeking hospitals were charging exorbitant fees and prescribing unnecessary and expensive medications, the China Daily quoted Minister Gao Qiang as saying.

"Health institutions putting profit ahead of other functions not only adds burdens to patients, but seriously undermines the image of both medical personnel and public health departments," Gao said in an official report published Thursday.

Gao's statements followed the issue of a report last week by the World Bank and a department China's State Council that called the country's efforts at reforming its medical system "basically unsuccessful," the newspaper said.

In the late 1970s, 94 percent of China's villages were covered by cooperative medical schemes. As the collectives were disassembled during the market reforms of the 1980s, coverage rates fell to around 7 percent.

The government has tried a variety of stop-gap insurance experiments, but many have faltered or failed due to fragmented bureaucracy, spotty regulation and funding shortfalls.



A child is vaccinated against bacterial meningitis in Beijing in February. According to an 11-page report released by Chinese Health Minister Gao Qiang, China has failed to provide adequate health care to most of its citizens and the national health system is unable to properly cope with large-scale epidemics and diseases.

Today China's medical care sector is composed of a confusing assortment of hospitals run by all levels of government, military and the private sector. In many rural areas, badly under-staffed and under-supplied clinics offer the only health care.

Despite receiving fewer patients each year, Chinese hospitals' revenues rose 70 percent between 2000 and 2003, the *China Daily* said.

The rise in the cost of health care had surpassed salary growth for the past eight years and many migrant workers and rural residents still had no medical insurance.

"The next step of medical reform will focus more on the public interest and affordability of medical services for all," the paper quoted Gao as saying.



Nation's defenses must be bolstered

There's little surprise in the latest white paper from Japan's defense agency. The report, which was approved by Japan's Cabinet Tuesday, is similar to the annual report on China's military buildup published by the US Department of Defense. Although each is based on its own country's observations and evaluations, the two reports clearly agree on one thing: China's military power is growing rapidly, and that growth has started to make many countries uneasy.

On Feb. 19, the US-Japan Security Consultative Committee, a deputy-ministerial-level security forum, listed stability in the Taiwan Strait as a "common strategic objective" for the two countries. Meanwhile, both country's white papers pay special attention to the cross-strait military situation. The US believes that the military balance is tipping in China's favor due to its rapid military expansion in recent years. But the Pentagon says that China still lacks the confidence and capability to carry out a large-scale amphibious assault. Although Taiwan is numerically inferior to China in terms of its weapons, the island enjoys a qualitative advantage. But this advantage is gradually eroding. Japan points out that China's military strength will surpass Taiwan's next year, when the balance of power is expected to change dramatically.

Geographically, the US is safely distant from China. Washington also needs Beijing's cooperation regarding its war on terror and the six-party talks with North Korea. Therefore, US arguments for and against China balance each other out. But as a close neighbor of China, Japan's anxiety is much greater.

The rapid expansion of China's submarine fleet and its arsenal of ballistic missiles has caused Japan considerable anxiety. China's anti-Japanese riots this April, provoked by the controversy over Japanese history textbooks and visits to the Yasukuni Shrine, have made Japan more sensitive to China's feelings of enmity. Relations have been further aggravated by sovereignty disputes over maritime territories near the Diaoyutais and friction over gas and oil rights in the East China Sea. In this situation, calls by the Liberal Democratic Party (LDP) for constitutional amendments to create a full-fledged army to replace Japan's Self-Defense Force and upgrade the Japan Defense Agency to full ministerial level appear to be warranted.

People's Liberation Army General Zhu Chenghu has already stated that China would

not shrink from a nuclear strike against cities on the west coast of the US if the US attacks China in a conflict over Taiwan. Although this threat was made against the US, it represents an even greater danger to Japan. If China's missiles can reach Los Angeles, they can certainly bring about Japan's ultimate nightmare: A repeat of Hiroshima and Nagasaki. Taiwan has long been threatened by China's 700 missiles, but the nuclear threat can also be felt by the US, Japan and many other countries.

China has the military capability and will to protect its strategic interests. In the face of such threats, the best policy is to prepare a defensive strategy. The US-Japan security agreements have already established a security framework for east Asia. Strategic considerations have led to Taiwan being incorporated into this framework. Mechanisms for intelligence and military cooperation, combined missile defense and other matters have been established to ensure security in the Taiwan Strait and the East China Sea.

But even after this security network is in place, Taiwan must still recognize the cross-strait military imbalance. A consensus on national security must be reached and military preparations made. If Taiwan does nothing to bolster its defenses and continues to delay the passage of the arms procurement bill, then it could become the weak link in the security chain preventing China's military expansion into the Pacific.



China's rise anything but peaceful

By Huang Tien-lin

China's self-proclaimed "peaceful-rising" was recently shown to be but a mask. Beijing revealed its true, vicious face, when Chinese Major General Zhu Chenghu publicly threatened that Beijing could destroy hundreds of US cities with nuclear weapons if Washington interfered militarily in the Taiwan issue. In fact, Chinese hegemony goes beyond the military aspect.

Thanks to the seriously undervalued Chinese yuan, Bei-jing has attracted the world's capital. It enjoys an advantage in exports and sees itself as the world's factory. Such hegemonism that profits at the expense of others was also exposed by the July 21

announcement that the yuan would be revalued.

The yuan's appreciation by 2 percent was insignificant and laughable, and can only be categorized as a tiny fluctuation. No wonder a trustee from Morgan Stanley, a US investment bank, criticized the move as an insult to US politicians who claim that the yuan is seriously undervalued. Oddly, the world seems to have overreacted to the move. On July 22, the Japanese yen rose by 1.39 percent. Surprisingly, the New Taiwan (NT) dollar also gained NT\$0.35, or 0.96 percent, and all Asian currencies appreciated. This shows that the market is irrational and goes with the trend.

People have different views on how much the yuan has been undervalued. During the US presidential election campaign last year, Democratic candidate Senator John Kerry said in a presidential debate that it was undervalued by 40 percent. A report from China's official China Securities Journal said that it is undervalued by 36 percent. Earlier this year, the US Senate even proposed a bill that would impose a 27.5 percent penalty tariff on Chinese imports if China failed to revalue the yuan.

Thus, it is evident that the undervaluation of the yuan can hardly be corrected by a 10 or 15-percent hike. The yuan's 2-percent appreciation shows that Beijing is standing fast in its attempt to become an economic hegemon.

When the People's Bank of China announced an appreciation on July 21, it also announced a move from a peg to the US dollar to an exchange rate linked to a group of currencies. This is undoubtedly an attempt to make the yuan's past unfair advantage permanent. In other words, if the group of currencies refers to Taiwanese, Japanese and South Korean currencies, the yuan's future appreciation will move with these currencies, so as to maintain the leading role of Chinese exports among the East-Asian countries.

The purpose is to continue to draw capital and talent from Taiwan and the world to maintain rapid growth and replace Japan as Asia's economic hegemon. This is why the bank stressed that the yuan would not fluctuate too much when it made its announcement on revaluation.

Since China's intentions are clear, the question that remains is how other countries -- especially Taiwan, Japan and the US -- should deal with it. Taiwan's pro-unification camp will certainly speak for China and predict that there is still room for the NT dollar's appreciation.

If the NT dollar also goes up with the yuan, China's appeal and economic strength will grow year by year, while Taiwan's economy is marginalized.

If Japan's fear of China remains unchanged and it refrains from criticizing Beijing for the undervalued yuan, it is expected to lose its leading role in the East-Asian economy by around 2015.

The US is facing a great challenge. It was threatened by Russia's military power in the Cold War era. But in today's Sino-US cold war, it is threatened not only by its military expansion, but also by its economic power.

Due to the undervalued yuan, the US trade deficit with China reached US\$162 billion last year. The number may approach US\$200 billion this year if the US government does not take resolute action. Meanwhile, China's foreign reserves will surpass US\$1 trillion very soon. It will use the money to purchase US government bonds and assets. The more dependent Washington becomes on China, the less leverage it will have over it. Eventually, the forces of democracy may have to completely withdraw from East-Asia.

Some said that July 22 was a day for the reverse of the global economy. Whether the situation reverses or not lies with the yuan, whose serious devaluation is crucial to Taiwan's future. We must not ignore it.

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No simple answers to threat posed by China

By Richard Halloran

Surely the most pressing security question confronting the US in Asia and the nations of Asia themselves is: "Will China become a serious military threat in the western Pacific?"

The search for an answer has lately picked up steam. RAND Corp researchers have recently issued a study assessing China's considerable financial resources devoted to its military power. The Pentagon says "China is facing a strategic crossroads." And the Japanese Self Defense Agency's new white paper contends that China's military modernization needs to be closely monitored.

Regrettably, no one seems to have a nice, neat appraisal of the potential threat. Maybe Chinese leaders themselves don't know what that might be, because they are challenged by so many domestic troubles.

Nonetheless, Beijing has vigorously objected to these evaluations. Chinese Vice Foreign Minister Yang Jiechi was quoted by the Xinhua news agency as asserting that the US was not "qualified to carp and cavil on China's defensive defense policy." The official China Daily called the Japanese white paper "impertinent."

The review by the RAND Corp, the California research institute funded by the US Air Force, recited a familiar litany of the reasons for China's military modernization -- to conquer Taiwan, to persuade or force the US to withdraw its armed forces from Asia, to ward off a possible rebirth of Japanese militarism, and to project power into the sea, particularly the South China Sea.

The RAND study, entitled *Modernizing China's Military*, focuses on the connection between China's surging economy and its improving military forces. The researchers estimated that in 2025, "China's economy would be about half the size of the US economy."

They further estimated that the maximum Chinese military expenditure 20 years from now would be the second-largest in the world, surpassing that of Russia, Japan and the major European nations. At nearly US\$200 billion a year, however, China's military budget would still amount to only one-third of US defense spending.

RAND posits four factors bearing on China's ability to finance the expansion of its military forces: First, economic growth. Even though some Western analysts think that China's economic growth rates have been exaggerated in recent years, RAND says "continued strong growth in the economy and the [military] budget is likely."

Second, taxation. In a masterpiece of understatement, RAND says "the Chinese government has not been extraordinarily adept at collecting taxes." That reduces the

government's ability to channel funds to military spending.

Third, competing demands. The government will have to balance, "higher expenditures on pensions, health care, education and more public investment in infrastructure against increased military spending."

Fourth, the defense industry. The RAND study says China's "arms industry either is not able or finds it very difficult to produce modern equipment" and must be reformed to become effective.

The Pentagon's recent report on Chinese military power had a somewhat different tone, but came to a similar conclusion: "Secrecy envelops most aspects of Chinese security affairs. The outside world has little knowledge of Chinese motivations and decision-making and of key capabilities" in the People's Liberation Army (PLA).

Even so, the writers of the Pentagon report asserted that, for now, "China's ability to project conventional military power beyond its periphery remains limited." They continued, however, to say: "Over the long term, if current trends persist, PLA capabilities could pose a credible threat to other modern militaries operating in the region."

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