

The Political Economy of Bank Privatization in Taiwan

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Abstract

There is a widespread perception that bank privatization promotes operating performance of public banks, and that subsequently this stimulates economic growth. Consequently, in the last two decades bank privatization has become a crucial component of financial reform. Followed the government announced financial liberalization as guidelines for Taiwan's future economic development in 1984, bank privatization was adopted in 1989. However, the banking sector was not privatized until 1998. This article studies the promotion and implementation of bank privatization policy in Taiwan and its evolution over the last two decades. This attempts to explore why privatization agenda is adopted and why privatization is proved so difficult to implement. Also, the reasons for the sudden speeding up of bank privatization in the wake of the Asia crisis are explored.

Keywords: privatization, bank privatization, public bank, state-owned enterprises, bank union

Introduction

In 1984 the former Prime Minister Kuo-hua Yu identified “liberalization, internationalization, and institutionalization” as guidelines for Taiwan’s future economic development, and emphasized that the main objectives of future economic policy were to adjust economic structures and to accelerate industrial upgrading (Executive Yuan, 1984; Sun, 2003: 1). Five years later, on 25 July 1989, the Executive Yuan, the highest administrative institution, established a Privatization Task Force to implement privatization,¹ and on 16 August it proposed a list of nineteen public enterprises classified as “in immediate need of privatization” (Council for Economic Planning and Development, 1989; Chen, *et al.*, 1991: 218; Chan, 1993: 137; Chu, 2001). From then on, privatization became an important policy to achieve the goals of economic growth in a new stage of national development. The promotion of privatization challenged and changed Taiwan’s economic development philosophy as practiced previously. As a consequence of the policy shift signalled in 1984 and the subsequent adoption of privatization as a policy goal, public enterprises, which had played a central role for forty years in Taiwan’s economic development, suffered a serious challenge. By 1991, with the introduction of the Fair Trade Law, which introduced antitrust legislation, public enterprises were subjected to competition and could no longer occupy a privileged position in the market.

¹ Generally, the term “privatization” refers to transfer ownership of any enterprise from the public sector to the private sector. According to the “Statute for the Transfer of Public Enterprises to Private Ownership,” in Taiwan, privatization used in this article indicates that any enterprise is completed to privatize when the share (or capital) of government is below to fifty percent.

However, its progress on privatization turns out to be surprisingly hesitant. After announcing its privatization program in 1989, the government allowed five years to pass before the first case of privatization (the China Insurance Corporation) in 1994. A decade had passed since the government announced financial liberalization in 1984. Overall, only four state-owned enterprises (SOEs)—the China Insurance Corporation (1994), the China Petrochemicals Development Corporation (1994), BES Engineering Corporation (1994), and the China Steel Corporation (1995)—were privatized before 1996. The banking sector was not privatized until 1998. If privatization was such a crucial policy in relation to upgrading national economic development, why did it prove so difficult to implement?

Another question arises from the broader wave of privatization that took place in 1998 and 1999, in the context of the “Asia Crisis.” What was it unblocked the apparent impasse around privatization in the late 1990s? Why did the government favor bank privatization in the post-crisis period, if tight state control had enabled it to weather the “Asia crisis” so well? Debates over the cause of the financial crisis involved arguments between neoliberals and state-institutionalists, which remain unresolved.² Compared with Southeast Asia countries, however, it is generally recognized that the crisis had a relatively limited effect on Taiwan. This underscores the significance of national

² Faced with the criticism that Southeast Asia had been championed as the paragon of successful market-led development and yet Indonesia, Thailand and Malaysia were the worst casualties of the crisis, neoliberals claimed that this was due to deeply entrenched patrimonial state structures, oversized governments and opaque government-business relationships (McLeod, 1998). Opposing them, the institutionalists argued that the principal cause of the crisis was underregulation rather than overregulation (Johnson, 1998; Chang, 1998; Weiss, 1999). For example, Chang (1998) argued that the crisis stemmed from a conscious, deliberate decision by the government to abandon the “traditional state-led model of development.”

economic governance in the whole saga of the crisis, along with the different financial institutional characteristics in comparison to the worst affected countries, such as low external debts (Abe, *et al.*, 1999: 35; Henderson, 2000; Lee, 1998; Weiss, 1999; Wu, 1999). On this view, Taiwan was able to avoid serious damage from the crisis by virtue of successful state-led economic development policy. Under these circumstances, it is not easy to explain why the government vigorously promoted privatization after 1998, especially in the banking sector, while engaging in post-crisis economic and financial restructuring programs.

Within this framework, the article attempts to examine and provide explanations for the promotion and implementation of bank privatization in Taiwan. First of all, the privatization program will be presented. Then, the next section discusses why bank privatization is difficult to implement. The third section explores how eight public banks are privatized. Finally, the last section makes an overall review of the article.

The Privatization Program

Huan Lee, who succeeded Kuo-hua Yu as Prime Minister on 1 June 1989, took a large step towards promoting privatization, even though this afterwards resulted in formal conflict between the Executive Yuan (the central government, led by the Prime Minister) and the provincial assembly (the agency responsible for supervision of the provincial government).³ On 25 July, the Executive Yuan

³ The opposition of Ministry of Finance's bank privatization came from the provincial assembly members. Because they controlled the budgets of the provincial banks in the provincial assembly, the members of assembly were able to obtain large loans from the provincial banks. The provincial banks invested heavily in the businesses of the assembly members, creating a "special" relationship between the provincial assemblymen and the

formed the Privatization Task Force at the ministerial level to carry out the privatization program as high priority. The ad hoc committee was comprised of ministers and was designated to formulate plans to implement the privatization of public enterprises, to analyze problems and find solutions regarding privatization, and to oversee the implementation process. The objectives of privatization were clearly expressed as the follows:

1. To increase the autonomy of state-owned enterprises, and upgrade their performance.
2. To raise capital for public construction, and accelerate the implementation of public investment programs.
3. To provide more outlets for excessive liquidity and ease inflationary pressure.
4. To enlarge the capital market and introduce more financial instruments into it (Chang, 1999: 11; Ministry of Economic Affairs, 2001: 6-7; Peng, 1988; Schive, 1995; Yang, 1995: 39).

Later, in August, closely following the setting up of the privatization task force, a privatization list was proposed. Nineteen state-owned enterprises were identified to be privatized in the first privatization stage. Among them, four provincial banks were chosen to be privatized. These were the Chang Hwa Commercial Bank, the First Commercial Bank, the Hua Nan Commercial Bank, and the Taiwan Business Bank. The Taiwan Business Bank had not previously been identified as a target for privatization, but each of the other three provincial banks held a 12.8 per cent share in it (Provincial government, 1999:

provincial banks (Fang, 1995). If the provincial banks were privatized, the assembly members would lose their authority to supervise these banks, and reduce their ability to obtain loans from them.

284). So it was felt that once they were privatized, it would be easy to privatize the Taiwan Business Bank as well.

There were a number of good reasons for the adoption of the privatization policy. It was a practical response to the problems affecting the economy and society in the late 1980s (Sue, 2007). Through privatization, for example, the government could absorb the excessive money supply stemming from the steady appreciation of the NT dollar and the inflow of hot money at the end of 1980s, and reduce the inflationary pressure. In addition, through privatization, the regulatory limits placed on public banks could be removed, and their autonomy in banking operations could be increased allowing them to further improve their ability to compete in the market. It was particularly important for the public banks because they would soon be faced with competition from the private banks that would be set up following the relaxation of rules for entry.⁴ Furthermore, national investment channels for the public would increase through privatization, which would not only offer an alternative to speculation on the stock market but also reduce the instability of the financial system. This in turn could have the effect of enlarging national capital markets. In addition, privatization revenues would provide capital for the construction of national public facilities and the implementation of public investment programs.⁵

⁴ In the amended 1989 *Bank Act*, the new bank entry policy was confirmed, which were prohibited in the past. In addition, in July 1990, the Ministry of Finance promulgated *Rules Governing the Incorporation of Commercial Bank*, and started to accept new applications for the establishment of such banks.

⁵ At that time, the acquisition of land for the construction of public facilities was a crucial issue strongly spurring the government to adopt privatization. The government needed to purchase land it had previously reserved for public facilities in order to keep pace with the process of urbanization and to improve the public's living environments and living standards, through the building of parks, roads, and school. However, it was restricted in its capacity to do so by legal and financial constraints. In order to protect the interests of landowners, the 1964 amended *Urban Planning Law* had stipulated that the government should acquire the

In September the provincial assembly members passed a resolution directly opposing the privatization of the three provincial banks, insisting that the public shares in the three banks must not fall below 51 per cent (Yang, 1995: 54). However, the money supply continued to expand inflation mounted, fuelling the rise of the stock and real estate markets. *See Table 1.* For example, the consumer price index in 1989 was 2.5 times that of 1988. In order to reduce inflation and maintain price stability, the Executive Yuan proposed a “Price Stability Program” on 23 March 1989. One of main aims of the program was to promote privatization. In particular, a key measure mentioned in the program was to reduce the public shares in each of the three provincial banks to 51 per cent as soon as possible.⁶ Although Prime Minister Kuo-hua Yu did not

land it had reserved but not paid for within ten years. In 1973 the Law was again amended, and the deadline for acquiring public land was prolonged for 15 years, given the financial straits of the government. According to the 1973 amended law, the period in which the government must pay for the land would expire on 5 September 1988 (Chao, 1988), and the government had promised that it would not renew the reservation period again (Lin, 1988). Should it fail to do so, the reserved land would return to its owners for their own use, with negative consequences for the national urban plan. The amount of land, over 20,000 hectares, meant that the government needed NT\$669.6 billion dollars which would over twice of the whole local government revenues of 1987 (NT\$ 277 billion dollars) to pay for it, and most counties had no prospect of finding the necessary funds (Chen, 1988; Hsin, 1988). According to the *Urban Planning Law*, the construction of public facilities was the responsibility of local (county) government. But their sources of revenue were limited, and depended on central government subsidies related to the level of development, until the *Law of the Division of Financial Revenues and Expenditures* was amended in 1999 (Hung, 1999: 12-13; Tsai, 1997: 9). If privatization would implement, then privatization revenues could provide for government’s public investment programs.

⁶ The government’s objective was to use the revenues to help local governments to pay for reserved land and to reduce their need to borrow capital from the banks. At the same time, through privatization, it could absorb some of the excessive money supply, and thereby support the CBC’s strict monetary policy (Chang, 1993; Yuan, 1992: 33-34; Yeh, 1990: 77-78; *Economic Daily News*, 1990). Moreover, at that moment, with the stock market so high and the financial sector being the leading sector, the government could expect a good price for the shares to sell.

support the proposal, he announced the proposed sale of shares in the provincial banks on 25 May, stepping down from the position to make way for Huan Lee, an eager supporter of the policy, a week later.

Table 1: Monetary and Financial Index, 1989-1993

Time	Consumer price (%)	Base Lending rate (%)	Monetary supply growth(%)		Stock market price index	Finance & insurance price index
			M1B (%)	M2(%)		
1989	4.42	9.38	6.05	18.36	8,616.14	2,065.51
1990	4.12	10.25	-6.65	10.96	6,775.32	1,128.37
1991	3.63	9.63	12.09	19.37	4,928.83	817.36
1992	4.46	8.34	12.39	19.27	4,271.63	568.73
1993	2.94	8.21	15.31	15.39	4,214.78	1,356.62

Sources: Chou (2001: 51), Yang (2001: 367), and Ministry of Finance (2003: 191).

In response to the Executive Yuan's decision to privatize the provincial banks, however, the provincial assembly members voted on 27 October that the public shares should not fall below 51 per cent, as noted earlier. When the provincial government submitted a proposed budget which designated the three banks for sale, the provincial assembly made the same response. It agreed on 18 November to the sale of shares, but again insisted that the public stake held by the provincial government should not fall below 51 per cent (Provincial Government, 1999: 9, 36; Yang, 1995: 54). In these circumstances, the Executive Yuan had to restrict itself to revising the 1953 *Statute for the Transfer of Public Enterprises to Private Ownership*, and formulating regulations for such related matters as methods of privatization and forms of compensation for the employees of state-owned enterprises. At the same time, the Executive Yuan requested the provincial government to intercede with the provincial assembly for its support for privatization.

The conflict between the Executive Yuan and the provincial assembly,

which threatened to throw the privatization policy off course, became fierce after Teng-hui Lee started his second term as President in May 1990. On 1 June, he appointed Po-tsun Hao as the new Prime Minister, a military official from the defense sector. In January 1991 he proposed a “Six-Year National Construction Plan.”⁷ The general goals of the Plan were to rebuild the social and economic order, and promote balanced development.

However, the total cost of the plan (NT\$ 8,500 billion) was almost twice annual GDP, and this naturally created the same problem happened as before (Lin, 1993: 14). It was difficult to raise such a huge sum of capital to implement the plan at one time, especially without issuing public bonds or borrowing heavily from the banks. In these circumstances, privatization again became a crucial means of obtaining capital. In July, therefore, Prime Minister Hao urged that the privatization of the three provincial banks should be quickly implemented (*Economic Daily News*, 1991; Yang, 1995: 55). On 29 July the Executive Yuan asked the provincial government to negotiate with the provincial assembly to remove its veto on privatizing the three banks (Provincial Government, 1999: 37, 59). However, the provincial assembly maintained its opposition to the move. This continued opposition induced the Executive Yuan to switch to the national banks as targets for privatization. In August, the Minister of Finance Chien-hsuan Wang requested the Farmers Bank of China (FBC) and Chiao Tung Bank (CTB), managed by the Finance Ministry, to prepare themselves for privatization within one month. In December 1991,

⁷ Hao was expected to address the degenerating social situation, reduce the rising crime levels, and restore the rate of national investment, which had faltered with the “money game” at the end of the 1980s (Wu, 1998: 54). The plan had two main objectives. Internally, it was intended to expand national demand, create employment and stimulate investment, while, externally, it was intended to attract technology, services and foreign investment from developed countries (Council for Economic Planning and Development, 2001: 42; Chou, 2001: 53-54; Shiau, 1995: 180-82; Wang, 1993).

the two national banks were added by the Executive Yuan to the list of entities to be privatized. As a result, the two national banks joined the other nineteen state-owned enterprises (including the four provincial banks) chosen in 1989 as the targets of the first stage of privatization (Wu, 1992: 193; Yuan, 1992: 37). In March 1992 the Ministry of Finance started to sell Farmers Bank of China and Chiao Tung Bank's shares on the stock market, in accordance with the newly amended *Statute for the Transfer of Public Enterprises to Private Ownership*, which had been revised in June. At the same time, the Ministry of Finance continued to request the provincial assembly to agree to privatize the three provincial banks.

However, the Ministry's attempt to sell shares in the two national banks did not succeed because by this time the stock market was sharply down (Ji, 1995: 133-136; Hou, 1991; *Economic Daily News*, 1992).⁸ The fear of a continuing slide in shares price had affected the attitude of individual investors towards privatization issues and discouraged their sale (Chou, 1999: 58; Schive, 1996; *Taiwan Times News*, 1992). Finally, the capital for implementing the Six-Year National Construction Plan had been raised by issuing bonds and borrowing from the banks, adding to the burden of debt carried by the government.

Further difficulties arose because the drafting of laws and regulations proved to be a lengthy process (Schive, 1995, 1996). For example, the proposed revision of the *Statute for the Transfer of Public Enterprises to Private*

⁸ In fact, the Taiwan Stock Exchange Capitalization Weighted Stock Index (TSECWSI) had been in decline since February 1990, falling from its highest point of 12,600 in February 1990 to 2,400 in October the same year. The slump continued through 1991 and 1992. This situation also affected the Ministry's plan to sell their shares in the three provincial banks in April 1990 and again in March 1994, at which point they were sold at a low price set by the Ministry.

Ownership, enacted in 1953 and unchanged since then, was submitted to the Legislative Yuan for its deliberation in November 1989 and promulgated only in June 1991, without related legislation enacted until February 1992. Another issue which affected the promotion of privatization concerned the methods adopted in the Statute was amended in 1991. According to the Statute, the only two methods of privatization allowed were the sale of the assets or shares of state-owned enterprises. This meant that the success of bank privatization would have to depend on the sale of shares, for the most part, to the private financial sector. However, given the limited capacity of the stock market, it was not easy to privatize the six public banks (the two national banks and the four provincial banks) now listed for sale, along with the other state-owned enterprises identified at the same time, valued at about NT\$ 300 billion dollars (Tu, 1992; Wu, 1993). With the crash of stock market, it was even more difficult to implement privatization.

Despite these problems, the government continued to promote privatization vigorously. In related economic programs such as the Economic Revitalization Program (1993) and the APROC (Asia Pacific Regional Operation Center) Plan (1995), privatization was still regarded as a crucial means of upgrading national competitiveness. Thus the next Prime Minister, Chan Lien, appointed in 1993, announced the intention to privatize four state-owned enterprises in 1994, all involved in heavy industry.⁹ He also required other enterprises, including the targets of the first stage privatization announced previously, to complete their privatization timetable before September 1994. Three banks were identified for privatization over the

⁹ The China Petrochemical Development Corp. and BES Engineering Corp. needed to be privatized in the June 1994. Besides, the Taiwan Machinery Manufacturing Corp was required to be privatized in the end of 1994, while the China Steel Corp. was to be privatized before 1995 (Schive, 1995).

following four years, as shown in *Table 2* (Lee, 2000: 105; Schive, 1995).

Table 2: Bank Privatization Timetable, 1993

Authority	Banks	Privatization schedule
Ministry of Finance	Farmers Bank of China (FBC)	End of 1995
	Chiao Tung Bank (CTB)	June 1997
Provincial Government	Taiwan Business Bank	1997

Source: Schive (1995: 31).

However, the proposal reflected the inability of the central government to overcome opposition from the provincial assembly to the privatization of the provincial banks. As *Table 2* indicates that the principal targets of privatization were the two national banks, and the three provincial banks initially identified were excluded. Although the Taiwan Business Banks was still included, it would still prove difficult in the absence of the prior privatization of the three provincial banks holding significant stakes in it.

The Farmers Bank of China started to implement privatization according to the timetable, selling shares on the stock market in November 1994, with the result that the public stake fell from 92.28 per cent to 61.52 per cent. However, when the Bank sought to move to the second stage of privatization in 1995, with a planned sale of 16 million shares that would reduce the public share to 40 per cent, it met with delay in the Legislative Yuan.¹⁰ The Ministry submitted the privatization program to the Legislative Yuan for approval in 1995.

¹⁰ In December 1993, the joint meeting of the Legislative Yuan's Budget and Economics Committees had resolved that all proposals to release state-owned shares that would reduce the government's holding to less than 50 per cent should be submitted to the Legislative Yuan for approval before they were implemented, in order to prevent improper gains during the process of privatization. In accordance with this resolution, the Legislative Yuan required the Ministry of Finance to make a special report on the FBC privatization for its approval when it examined the Bank's 1995 budget plan.

However, it was not put on the agenda of Legislative Yuan until 1998, despite frequent approach from the Ministry (Ministry of Finance, 1998a; Wang, 1998). The same situation later occurred with the Chiao Tung Bank, as the Legislative Yuan rejected its 1997 budget plan, forcing it to postpone the scheduled privatization (Chou, 1999: 171; Liang Huo, 1997: 8; Ministry of Finance, 1998a; Wang, 1998, 1998b; Wang, 1998). As a result, neither national bank was privatized in accordance with the timetable set out in 1993.

Conflict over Bank Privatization

The promotion of bank privatization prompted considerable conflict. When President Lee proposed the privatization of three provincial banks in April 1988, public banks managers (especially those of the three provincial banks) expressed their support (*Economic Daily News*, 1988). They welcomed the prospect of the removal of the influence of members of the provincial assembly over loan policy and personnel recruitment, and the lifting of other regulatory controls over bank operations. In addition, they were worried that they would face increased competition from new private banks, in the wake of the new bank entry policy adopted by the MOF in July 1988. With the entry of new private banks, public banks would no longer occupy a monopoly position in the banking sector. The public banks would therefore need to improve their operating methods and extend the scope of their operations in order to compete with the private banks.

Thus, while the provincial assembly objected to the privatization of the three provincial banks in October 1989, the president of the Bank of Taiwan (a provincial bank) Yuan-tung Hsu asked for the acceleration of privatization in July 1990 (*Economic Daily News*, 1990). Hsu obtained support from other

public banks and from some scholars working in the financial sector. Ching-ing Hou and Kuo-shu Liang¹¹ argued that if the privatization of public banks was not carried out before new private banks started to operate, the public banks would suffer from a number of operating difficulties (Hou, 1990, 1991; Liang, 1995: 85, 1998: 20-22):

1. Some excellent employees of the public banks would be poached by new private banks, as had happened before: when private security companies were permitted to be set up in May 1988, public bank employees responsible for security transferred en masse to private security companies. If the public banks lost their best employees, their ability to compete would be reduced.
2. Some businesses would switch to borrowing from the new private banks due to the limitations placed on public banks and the flight of their employees. The market share of the public banks would be sharply reduced.
3. The businesses which invested in the new private banks would transfer a part of their activities to their own banks. At the same time, the businesses would use their influence to hinder the privatization of the public banks, in order to prevent the public banks from upgrading their competitive capacities.

For reasons such as these, public bank managers vigorously promoted bank privatization, especially when new private banks were on the point of obtaining permission to operate from the Ministry of Finance. In June 1991 they came together to discuss their operating difficulties at the National Financial Conference held to examine national financial systems and

¹¹ Kuo-shu Liang was the president of Chang Hwa Commercial Bank from March 1985 to August 1989, and the president of Chiao Tung Bank from September 1989 to May 1994.

institutions and the future development of public banks in the context of financial liberalization and internationalization. They asked the government to persuade provincial assembly members to agree to privatization (especially for the three designated provincial banks¹²), both through mobilization of the power of public opinions and through methods of “party coordination.”¹³ The decision of the Executive Yuan to add the two national banks to the list for privatization may have been a response to this pressure from state managers, coming as it did shortly before the new private banks started their operations in 1992.

In response to the public bank managers’ position, bank privatization was also vigorously supported by the opposition DPP. The party strongly supported democratic reform, and continued at the same time to strive for financial liberalization reform. The publication in 1991 of *Dismantling KMT-State capitalism: a closer look at privatizing Taiwan’s state- and party-owned enterprises*, written by six economic liberals (some of them, such as Shih-meng Chen and Chung-cheng Lin, were important members of the DPP), gave a clear indication of the party’s standpoint on privatization.¹⁴ Privatization subsequently

¹² The three provincial banks had branches spread widely across Taiwan. In total, their branches accounted for one-third of the total, and their loans and deposits activities accounted for a quarter of the total. If the three banks were privatized, about one-third of national banking activities would fall within the private sector (Lee, 1988). This could accelerate the pace of liberalization of national banking activities. Furthermore, given the existence of mutual holding of public shares among public banks, the privatization of these three banks could help other banks to promote privatization at a later stage (Hou, 1991; Lee, 1988).

¹³ The latter reflected the fact that after all most of Provincial Assembly and Legislative Yuan members belonged to the KMT. So that if the KMT government required its members to support privatization through party loyalty, bank privatization could be easily implemented (Ministry of Finance and Central Bank of China, 1991: 54).

¹⁴ The publication criticized the KMT government for using its dominant authority to seize many national assets and convert them into its private assets from the period following Japanese occupation onwards, and particularly for using “state-owned enterprises” to convert national assets into monopoly resources for the governing party, and for using those

became one of the party's principal propositions, recorded in its party creed, as an essential element of its anti-monopoly and anti-authoritarian position.¹⁵ For the DPP, this implied that the objective of privatization was not just to transfer ownership from the public sector to the private sector. It was just as much a political strategy, related to its support for democracy. The realization that these changes could not realistically be achieved under KMT rule, so this led the party to conclude that the only method to prohibit KMT abusing of national assets was to defeat the ruling party (Chang, 1999).

In contrast to the support from public bank managers and the DPP for privatization, public bank employees neither strongly supported nor objected to

resources to give preference to KMT-owned enterprises. Although these "private enterprises" controlled by the KMT were not subject to supervision by legislative and audit agencies, there was no difference between them and public enterprises. The DPP denounced these so-called "concealed" state-owned enterprises, claiming that there was no difference between the KMT party assets and national assets, the KMT private enterprises and public enterprises, and the KMT party-state and the state. In addition, they argued the KMT used these assets to establish close relationships with favored private businesses in order to strengthen the position of the ruling party, but this increased the detriment of smaller businesses and weaker groups. This affected the sound operation of the whole political and economic system as well as being against social justice, and distorted the national finances. In view of all these, the authors called for KMT state capitalism to be dismantled, and for the state-owned enterprises to be privatized (Chen, *et al.*, 1991: 17, 20-31; Chen & Chang, 1991).

¹⁵ The DPP sought to put an end to the KMT's political and economic monopoly position, and to cut off the political links between the KMT and its favored private sector allies. At the same time, influenced by neo-liberal economic theories and the international wave of privatization, the DPP elites believed that the efficiency of private enterprises was superior to that of public enterprises. As a result, they were particularly suspicious of the KMT's "concealed" state-owned enterprises, formally existed in the private sector but under party control. They also denounced the "fake" privatization (the reduction of the public stake below 51 per cent) which allowed "privatized" enterprises to escape monitoring from the legislative agencies, while they were still controlled by the ruling party. The party therefore argued that privatized enterprises with monopoly or oligopoly status should still be supervised by legislative agencies. In addition, it proposed that no party should run or engage in businesses.

privatization in the beginning. They did not welcome greater freedom of action being granted to the managers of public banks, but at that time the new private banks were luring them with the promise of high salaries and dividends in order to secure the smooth running of their own operations. Unlike other state-owned employees, they did not fear that after privatization they might have difficulty in finding employment. In the circumstances, the major issues which concerned by them were pension rights and severance payments.

According to the 1991 *Statute for the Transfer of Public Enterprises to Private Ownership*, the payment to state employees on privatization depended upon whether they decided to leave or to stay in the new enterprise. If they left, they received six months' salary and an additional one month in lieu of notice. If they stayed, they still received a payment of six months' salary. In addition, for those who left, a severance payment was made, calculated in accordance with the criteria for payment of retirement pensions as stipulated in the *Labor Standards Law*. However, bank workers were at a considerable disadvantage because the rules under which additional severance payments would be calculated. Under the terms of the "Act of retirement, posthumous relief and severance payment for the MOF's subordinate public banks and insurance employees," promulgated in July 1981, all employees paid in 3 per cent of their salaries, and the government contributed on a sliding scale of 4 per cent to 8 per cent, with the lowest paid employees the most favored. *See Table 3.*

However, banking industry was not among the sectors covered by the 1984 *Labor Standards Law*.¹⁶ Under these circumstances, public bank employees

¹⁶ The situation resulted from the opposition of the MOF minister Chi-cheng Chang to the inclusion of bank employees when the *Labor Standards Law* was drafted in 1979. In the original draft of the Law, the "bank" industry was included. But Chang argued that the salary of the banks employees was so high (the so-called "golden bowl") that they should be excluded from the application of the Law. Thus the Law when enacted covered sectors such

would receive relatively limited severance payments, as well as losing their status as civil servants.¹⁷ As a result, they protested vigorously, demanding that the same criteria be employed as were enjoyed by MOEA and MOTC employees, that their accumulated severance rights should be paid in full, and that the banking sector should be included in the terms of the *Labor Standards Law*, which was currently undergoing revision (*United Daily News*, 1992; Chien, 1996; Hsu, 1999).

Table 3: Pension Arrangements for MOF-controlled Public Banks and Insurance Employees

Level of position	Point of Salary	Pension contributions	
		Government	Employee
15	2100- 2280	4%	3%
14	1840- 2080	4.5%	3%
13	1620- 1820	5%	3%
12	1400- 1605	5.5%	3%
11	1205- 1380	6%	3%
10	1030- 1200	6.5%	3%
9	900- 1020	7%	3%
8	780- 880	7.5%	3%
7	660- 775	8%	3%
6	550- 650	8%	3%
5	480- 540	8.5%	3%

Source: Ministry of Finance (1981: appendix).

However, the demands of the public bank employees were resisted by the

as agriculture, fishing, forest, manufacturing, and mining (Tang, 1996; Tung, 1996).

¹⁷ For a discussion of the consequences, see Liu (1997: 85). Other calculations suggested that while public bank employees might receive less than one million NT dollars, other SOE employees with the same length of service could obtain about 2.5 million NT dollars as severance payments, and MOEA (Ministry of Economic Affairs) and MOTC (Ministry of Transportation and Communications) employees might receive up to 3-4 million NT dollars (*United Daily News*, 1992).

private banks and the Ministry of Finance. For the private banks, the main reason was that it would increase their operating costs, if the banking sector was included in the legislation. Thus, they opposed the amendment, lobbying to keep the relevant bill off the legislative agenda, and arguing to the Ministry of Finance and the Executive Yuan that such a move would affect their willingness to invest. For its part, the Ministry of Finance objected in part because of the pressure from the private banks, and in part because the increased cost of severance paid for public bank employees would reduce the public banks' profits and reduce the revenues going to the national treasury (Tung, 1996). As a result, the Ministry chose a "non-decision" (transferring the issue to the Council of Labor Affairs for resolution), although the privatization Statute stipulated that "to those employees to whom the provisions of the *Labor Standards Law* are not applicable, the severance payment may be applied by analogy" (the 1991 Statute, Article 8). The attitude of the Ministry of Finance led the employees of the public banks to engage in a long struggle from 1991 onwards for their industry to be included in the term of the law. They formed the "National Federation of Bank Employees Unions" in 1993, associated with the DPP and with the help of DPP members, in order to put pressure on the KMT government. The situation further affected the implementation of privatization as protests continued and the issue remained unresolved.

On the whole, public bank employees supported privatization. Through privatization, they hoped to obtain better employee pensions as well as the protection of their rights as workers under the *Labor Standards Law*. However, their aims were not supported either by the managers of the public banks or by the managers of the private banks. The latter benefited from the restrictions placed on public banks, as they made it possible for the private banks to extend their operations. In their opposition to privatization, they were aided by the

support of legislators who were shareholders, as shown in *Table 4*.

Table 4: Major Shareholders of New Private Banks

Bank	President of bank (occupation)	Shareholders (occupation)
Union Bank of Taiwan	Tsun-ching Lee	Chuang-huan Chiu (Minister, Examining Yuan), Chin-yen Fang (Political Vice Minister, Ministry of Foreign Affairs), Chiu-shan Lin (member, the Control Yuan), Yu-tu Tsai (legislator), Shen-shan Hsieh (legislator), Hsueh-tu Lu (National Assembly), Sheng-pang Tsai (legislator)
Cosmos bank	Sheng-fa Hsu (National Assembly)	Sheng-fa Hsu (National Assembly), Chin-jang Chen (National Assembly), Heng-sheng Lin (National Assembly), Yu-jen Kao (legislator), Yu-chi Lee (legislator), Chuan-chin Lo (legislator), Shih-hsiung Shen (legislator), Ping-chao Chang (legislator), Hsien-erh Wu (legislator)
Fubon Commercial Bank	Wan-tsai Tsai(Fubon Groups)	Chih-hui Ho (legislator), Tsung-ming Lin (legislator), Shu-fu Chou (legislator), Tien-ching Wang (legislator), Hsin-min Lu (legislator), Huo-teng Su (legislator), Chin-Hsiang Chen (provincial assembly), Chin-ching Chien (provincial assembly)
Grand Commercial Bank	Tsun-hsien Wu	Ching-jung Su (National Assembly), Huan-chih Su (legislator), Li-tang Chang (provincial assembly), Tsung-chuan Chai (member, the Control Yuan), Ming-hsien Sun (chairman, council of agriculture, Executive Yuan), Chin-hsiang Chen (provincial assembly)
Bao Dao Commercial Bank	Chung-kuang Chen (National Assembly)	Chung-kuang Chen (National Assembly), Chin-ping Wang (legislator)
Chung Shing Bank	Yu-yun Wang (former deputy chairman, Kaohsiung City Assembly)	Meng-hsiung Hsieh (member, Control Yuan), Chih-hsiung Wang (legislator), Shih-hsiung Wang (legislator)
Pan Asia Bank	Jen-tung Hsieh	Chuan Chen (National Assembly), Wen-hsin Yang (provincial assembly)
The Chinese Bank	Yu-tseng Wang(Li Pa Groups)	Shen-shan Hsieh (legislator), Ling-lin Wang (legislator)
Sino Pac Bank	Li-hsin Lin	Hsing-jung Hung (legislator), Ping-chao Chang (legislator)
Ta Chong Commercial Bank	Tien-miao Chen	Chien-ping Chen (legislator), Chi-chuan Huang (councilman, Kaohsiung City Assembly)
Asia Pacific Bank	Chia-hsiung Chiu	Chieh-ju Chen (legislator)
Entie Commercial Bank		Cheng-chung Chen (Councilman, Taipei City assembly), Ping-wei Liu (legislator), Ping-hua Liu (deputy chairman, provincial assembly)

Sources: Tseng (1990: 155), Chen (1990: 166) and Yang (1995: 99-100).

As *Table 4* shows, some presidents and many shareholders of the new private banks were government bureaucrats, legislators or members of the provincial assembly. In conjunction with the evidence presented in the previous section, this explains why the provincial assembly opposed the privatization of the three provincial banks. It also helps to explain why the legislators held up the privatization bills for the two national banks despite pressure from the Ministry of Finance to move them forward. This situation gave rise to considerable conflict between the central government and the provincial government. In order to implement privatization, the Executive Yuan had requested the provincial government to organize support among the members of the provincial assembly on numerous occasions. But the provincial government proved unable to do so. On the one hand, the provincial government wished to support the Executive Yuan's decision and implement its bank privatization policy. On the other, in the spirit of local autonomy, it needed to obey the resolution of provincial assembly and accept the blocking of bank privatization.

The tension that created between the two governmental organizations became more acute after the *Law of the Autonomy of Provinces and Counties* was passed in July 1994, especially after the first election of the Governor of Taiwan Province was chosen in December 1994, in accordance with the Law. From then on, the provincial governor was no longer appointed by the President as had been the case in the past. Legitimized and strengthened by support from the public through election, the provincial governor gradually challenged the authority of the President, who was not directly elected by the public at that time.¹⁸

¹⁸ The promotion of "local autonomy" was one of crucial issues stipulated in the Constitution. In the 1990 "National Issues Conference," convoked by the President Teng-hui Lee to discuss Constitutional reform and national unification, a consensus on the institutionalization of local autonomy was achieved by the representatives at the conference. Under the consensus, the main content of reform included the direct election of the

Finally, privatization was also opposed by the employees of some other state-owned enterprises. Workers in state-owned enterprises¹⁹ had been organizing themselves in support of their interests since 1987, and after 1988. In 1994 several large scale anti-privatization movements arose to resist the government's privatization policy, stemming from the problems surrounding the privatization of the China Petrochemical Development Corporation and the BES Engineering Corporation, which came under the control of large consortia as a consequence of questionable privatization procedures, whereupon large numbers of employees were fired (Chang, 1995; Taiwan Labor Front, 1999). Later, in October 1995, over 20 SOE unions formed a "National Federation of SOE Unions." Campaigning on the slogan of "No Privatization" and rallying "million votes of SOE employees and family dependents" through the federation, they exerted considerable pressure on legislators. At the same time, they used the threat of a general strike to press for workers' rights and industrial democracy (Ting, 1995; *Economic Daily News*, 1995). This created a nervous relation between the government and the SOE unions, putting further obstacles in the way of privatization, especially before the presidential election took place in 1996.

Implementation of Bank Privatization

In March 1996, Teng-hui won the first president elections under the

provincial governor, and the granting of more autonomy for the local government in relation to personnel, financial, police and educational affairs. A proposal to redesign electoral districts in order to avoid a conflict between the President and the provincial governor did not go ahead (Yu, 2002: 76).

¹⁹ Some unions were established in such enterprises as the Taiwan Power Company, the Chinese Petroleum Corporation, the Taiwan Tobacco and Liquor Corporation, and the Taiwan Railway Corporation (Wu, 1992: 187).

difficult external (P.R.C. military threat) and internal (administration disorder) conditions. After the election, this led President Lee to convoke in December 1996 the National Development Committee (NDC), a national conference participated in by the KMT, the DPP, the New Party and business and academia, to discuss the direction of national development. One of the key decisions of the NDC was to down-size the provincial government (National Development Committee, 1996a). This was expected to resolve the conflict created by the “dual mandate,” with the president and the provincial governor both claiming jurisdiction over Taipei, which arose the threat of political and administrative disorder. One of main reasons for the reform was that the provincial government’s functions almost overlapped²⁰ with those of central government. Another important reason to down-size the provincial government was financial.²¹ Overall, too, administrative efficiency would be enhanced by the removal of duplication in functions.

In accordance with the consensus reached in the NDC, a series of reforms down-sizing the provincial government were formulated.²² In August 1997, the

²⁰ For example, in the four levels of administrative organizations, the functions of provincial government were the same as those of the central government, and the only exceptions were defense and foreign affairs. In addition, the provincial and county governments had the same functions (Tsai, 1997: 137). Under these conditions, the operation of administrative systems would not be impaired if the provincial government was down-sized.

²¹ After the provincial government was down-sized, its budget and tax sources could be redistributed, with more resources made available to county governments. This would reduce the county governments’ financial deficit, enabling them to address the issue of purchasing lands reserved for public facilities, as discussed in the previous section (Lin, 1999; Tsai, 1997: 132-34).

²² On 5 May 1997 the National Assembly was convoked to consider constitutional amendments to alter the administrative system of government in order to make the down-sizing of the provincial government possible. In July, the amendment of Constitution was enacted, stipulating that elections to renew the provincial assembly after its term ended in December 1998 would not take place, and no new provincial governor would be appointed (Huang, 1998).

Executive Yuan established the “Taiwan Provincial Government Affairs and Organizational Adjustment Commission” (TPGAOAC) to discuss arrangements for the provincial government’s personnel, assets, and activities, and in December 1998 the *Taiwan Provincial Government Affairs and Organizational Adjustment Temporary Act (the Temporary Act)* was approved by the Executive Yuan to manage the transition to new arrangements.²³ As a consequence of these reforms, the responsibility for the “provincial” state-owned enterprises was transferred to the relevant agencies of the central government. This meant that the new authority over the provincial banks was the Ministry of Finance, with responsibility for managing their privatization. Under the terms of *the Temporary Act*, the state-owned enterprises already identified for privatization would continue to implement in accordance with the timetable already agreed.

While the neutralization of the provincial assembly²⁴ as a source of

Due to the down-sizing of the provincial government, the tenure of the provincial governor came to an end on 20 December 1998. This led Provincial Governor Chu-yu Sung to break with the KMT. He left the KMT party and set up the People First Party (PFP), whose members came mostly from the KMT and the New Party. This weakened the New Party because the two parties were similar in nature.

²³ In practice the provincial government, with just a few departments and personnel, became a subordinate agency of the central government. Its employees were moved into related departments of central government, or encouraged to transfer to local governments, or provided with generous pensions for voluntary retirement.

After down-sizing, the provincial government (the governor and eight other main members) was nominated by the Prime Minister and appointed by the President. From 1 July 1999, its main activities and functions were the following, according to *the Temporary Act* and the *Local Institutions Law* (Taiwan Provincial Government Affairs and Organizational Adjustment Commission, 1999: 3-7; Liao, 2000).

- (1) To monitor local government’s autonomous activities.
- (2) To implement its (provincial government) administrative affairs.
- (3) To implement activities under the delegation of other laws, or delegated by the Executive Yuan.

²⁴ The provincial assembly closed on 21 December 1998, and a new agency, the Taiwan Provincial Consultative Council, was set up on 29 December. This council was a subordinate agency of the central government, and its main function was to offer opinions and

opposition to bank privatization continued, the National Development Committee turned its attention to accelerating the process of privatization itself, in the context of a sharp deterioration of national finances.²⁵ The need to respond to the Asian crisis with forms of financial support for business exacerbated the problem, increasing the urgency of pursuing bank privatization in order to generate income for the central government. The inefficiency and poor performance of state-owned enterprises was much debated in the National Development Committee, as the representatives vigorously promoted reform. In particular, they argued that privatization would put an end to the increasing financial burden on government by removing the need for financial subsidies to under-performing SOEs. At the same time, privatization would improve the performance of the enterprises, allowing them to compete with other countries and create new opportunities for development.

Thus, after discussing the problems of implementing privatization at that stage, the following suggestions were made in the NDC to accelerate privatization (National Development Committee, 1996b):

1. State-owned enterprises should be completely privatized within five years. The government should amend the privatization timetable

suggestions relating to provincial government affairs. The council's 21-29 members (one as chair) were nominated by the Prime Minister and appointed by the President, allowing the ruling party a substantial degree of control over local affairs, and a degree of electoral advantage as a consequence (Lee, 2000).

²⁵ The financial deficit of the central government had broken historical records, rising to NT\$378 billion in 1992 and NT\$330 billion in 1993, greatly surpassing in each year the total deficit of the previous 40 years (NT\$ 200 billion) (Sun, 2001: 398). Due to the size of the deficit obliged the government to revise the Six-Year National Construction Plan and reduce its proposed expenditure from NT\$8,200 to 2,900 billion in June 1993. In September of the same year the government announced an "administrative reform program" to cut down its organizations and employees, providing further impetus for the reform of provincial government discussed above (Sun, 2001: 398; Wang, 1996: 15).

accordingly, replacing and punishing the presidents of enterprises that failed to meet the privatization deadline.

2. The government should devise new methods of selling public shares and assets in order to avoid the problem of the capture of new enterprises by the big consortia to allay public anxiety. Privatization would then be a straightforward task.
3. During the privatization process, SOE employees' interests should be protected, and retraining and options for transferring jobs should be improved in order to win the support of employees for privatization.
4. For state-owned enterprises that did not enjoy a monopoly or oligopoly situation, the government should quickly reduce their public stake to zero.
5. A cross-Ministry and cross-Party privatization task force should be set up to promote and accelerate privatization.

In order to implement the NDC resolution on accelerating privatization, the provincial government asked the provincial assembly on 13 March 1997 to lift the limitation placed on privatization, according to which the provincial government's shares in the three provincial banks could not fall below 51 per cent (Provincial Government, 1999: 42, 149). This meant that the provincial assembly, already facing dissolution, would lose its power to supervise provincial banks. By this point there was little purpose in their continuing to oppose privatization, especially as the NDC had reached a cross-party consensus which reflected public opinions on the issue. At the same time, many members of the assembly were preoccupied with pursuing other electoral opportunities to continue their political careers, such as the 1998 legislative

elections.²⁶ Thus, they did not oppose the request of provincial government on privatization, but also voted on 29 May 1997 to lift the restriction on the privatization of the three provincial banks (Provincial Government, 1999: 43, 153-55).

At the same time, the campaigns of state-owned enterprise unions for improving working rights and job training and the efforts of public bank employees striving for incorporation into the *Labor Standards Law* were resolved, partly because of the significant electoral power they represented in a period of intense electoral competition.²⁷

Events moved quickly from this point. The CEPD (Council for Economic Planning and Development) re-examined each SOE's privatization schedules. Partly in response to the provincial assembly's decision to lift the previous restrictions, the CEPD formulated privatization timetables for forty-seven SOEs, over a period of five years. Among them, it included fourteen public banks. For example, the Taipei Bank and the Bank of Kaohsiung were added to the bank privatization list at this stage. These two banks and the four provincial banks and two national banks mentioned previously were planned to be privatized before 2002. The other six public banks identified, which had strategic functions of various kinds, did not have their timetable for privatization

²⁶ In fact 44 provincial assembly members won seats in the 1998 election and were able to transfer to the legislature (Legislative Yuan) (Huang, 1999).

²⁷ The requests for improving working rights and job training were taken up by the NDC, as we have seen, while as regards the status of public employees, in February 1996 (one month before the President election). Shen-shan Hsieh, the chairperson of the Council of Labor Affairs, guaranteed that the banking sector would be included in the sectors protected by the *Labor Standards Law*, in order to avoid losing the public bank employees' votes (Hsu, 1999). On 1 May 1997 the sector was formally brought under the terms of the law, and public bank employees qualified for the same severance payments as the employees of the MOEA and the MOTC. In a subsequent move, the Ministry of Finance also refunded the retirement saving payments that public bank employees had paid before privatization.

confirmed at this time (Chang, 1999; Cheng, 1998). *See Table 5.*

Table 5: The Timetable and Implementation of Bank Privatization,
(Before 2002)

Administrative authority	State-owned bank	Subscribe privatization time	Date of privatization
Provincial government (provincial banks) →Ministry of Finance	Chang Hwa Commercial Bank	December 1998	1 January 1998
	First Commercial Bank	December 1998	22 January 1998
	Hua Nan Commercial Bank	December 1998	22 January 1998
	Taiwan Business Bank	December 1998	22 January 1998
	Bank of Taiwan	To be decided by the MOF in 2002	
	Land Bank of Taiwan		
Taiwan Cooperative Bank ²⁸			
Ministry of Finance (national banks)	Farmers Bank of China	June 1998	3 September 1999
	Chiao Tung Bank	June 1999	13 September 1999
	Export-Import Bank of China	Not to be privatized	
	Central Trust of China	To be decided by the MOF in 2002	
Taipei City government	Taipei Bank	June 2000	30 November 1999
Kaohsiung City government	Bank of Kaohsiung	June 2001	27 September 1999

Source: compiled by the author.

At the same time, the provincial government moved ahead quickly with privatization once the provincial assembly abandoned its opposition. It was anxious to demonstrate its commitment to national development policy, and hoped to improve its reputation by carrying out the privatization before its status was down-graded, and reduce its deficit (Hsu & Tang, 2002). As a result, the four provincial banks were privatized in January 1998, ahead of the

²⁸ Taiwan Cooperative Bank has privatized in 4 April 2005, and Bank of Taiwan, Land Bank of Taiwan and Central Trust of China will be merged together and grouped as a financial holding company before privatization.

timetables laid down. *See Table 5.* On 21 December 1998, when the provincial government and provincial assembly were formally down-sized, the three remaining provincial banks (the Bank of Taiwan, the Land Bank of Taiwan, and the Taiwan Cooperative Bank) which had not yet been privatized were placed under the management of the Ministry of Finance and the supervisory authority of the Legislative Yuan (Taiwan Provincial Government Affairs and Organizational Adjustment Commission, 1999: 1-2, 26-27), and the Ministry undertook an examination of the appropriate timetable for their privatization. With the former provincial banks under their supervision (with larger assets than those of the two national banks) and with the advantages that entailed, the Legislative Yuan members decided not to oppose the NDC resolution, and accepted the privatization of the Farmers' Bank of China and the Chiao Tung Bank. They were duly privatized in 1999. *See Table 5.* In sum, before the end of 1999, six public banks (excluding Taipei Bank and Bank of Kaohsiung) had completed privatization.

While privatization was proceeding, the "reinventing government program" was proposed in January 1998, aimed at the rationalization of inter-governmental, intra-governmental and central-local government relations, and of personnel and services, and the simplification of regulations. The program reflected the reforming spirit of the NDC and complemented the commitment to privatization.²⁹

²⁹ At the same time, the program reflected the growing influence of the "New Public Management," with its adoption of business operation concepts such as "flexibility," "competition," "customer focus" and "entrepreneurial government" (Osborne & Gaebler, 1992). The objective of the program was to introduce the entrepreneurial spirit and to build a creative, flexible and agile government in order to upgrade national competitiveness (Council for Economic Planning and Development, 1998; Chiang, 1998; Research Development and Evaluation Commission, 1998: 1-5). The government examined its regulations and abolished unnecessary regulations to provide a modernizing, competitive,

The same new reforming spirit was further expressed in the draft amendment to the *Statute for the Transfer of Public Enterprises to Private Ownership*, which was sent to Legislative Yuan for approval in March 1999. First of all, the objectives of privatization were changed. In the first article of the draft Statute, two objectives for facilitating the privatization of state-owned enterprises were stipulated: to introduce the market mechanism, and to enhance the operational efficiency of enterprises (Chang, 1999: 11-12). These objectives were different from those of the 1989 privatization proposals such as absorbing excessive liquidity and easing inflationary pressure.

The measures proposed in the draft Statute (amended in 2000) were intended both to overcome problems experienced in the past, and to respond to the resolutions passed by the NDC. Among them were the following (Chang, 1999: 49-51).

1. The methods of privatization were extended, and no longer constricted just to the sale of shares and assets. Other methods included: (1) the formation of a privately-owned enterprise through joint venture with private individuals; (2) the merger of companies to create a privately-owned enterprise; and (3) the reduction of the public shares through capital raising in the stock market.
2. Retraining for SOE employees was given priority in the draft statute. SOEs were to provide job transfer training, second career training or employment assistance before they were privatized. Where necessary, the authority in charge of the enterprise or the competent authority

and efficient institutional environment, in which the businesses could compete through the market mechanism, while simultaneously releasing shares in state-owned enterprises to the private sector. The objective was both to invigorate and energize the private sector and to introduce its qualities to public sector activities in order to upgrade their competitive capacities.

for labor administration would provide assistance. For employees who were laid off within five years of privatization, retraining or employment assistance would be provided by the relevant national labor administration authority.

3. A portion of privatization revenues was appropriated to set up a “special fund”: (1) to be used to cover the severance payments or settlement for years of service which financially troubled enterprises were not able to pay when privatized; (2) to be used by the government for capital expenditure plans.
4. When SOEs with public utility or national defense responsibilities were privatized, the relevant authority had the power to order SOEs to issue preferred shares (with veto rights on specific issues exercised over a specific period of time) in order to stabilize the operation of the enterprise, consumer interest and national security.

Conclusion

This study sets out to explore bank privatization policy in Taiwan over the last two decades. The promotion of privatization policy in the late 1980s was to respond to the financial disorder and social instability generated by its impact on national economic development and prompted to call for reform. In order to solve these financial problems and to complement the new development strategy of economic liberalization, so the government promoted privatization on 25 July 1989.

However, the implementation of privatization was hindered by the opposition of various interest groups. For example, the managers of public banks favored it because it promised an end to limitations on their operations. They favored privatization because it would enable them to increase their

competitiveness vis-à-vis the private banks. It was also supported by public bank employees because they hoped to obtain compensation when privatization went through. In contrast, the private banks objected to privatization and the competition it would bring forth, and resisted it through their shareholders (many of whom were members of the political classes). Political obstacles arising from conflicting interests explained much of the difficulty in implementing privatization. With this obstacle out of the way, the government was able to move quickly to implement bank privatization. Thereafter, eight public banks were quickly privatized.

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台灣公營銀行民營化政治經濟分析

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摘 要

銀行民營化被普遍認為能夠提升公營銀行的經營績效，並進而促進國家經濟的發展，因此，在過去二十年間，銀行民營化已成為台灣相當重要的金融改革：自政府在 1984 年宣布金融自由化為台灣未來經濟發展的指導原則後，銀行民營化也在 1989 年正式採行。然而，實際上直至 1998 年公營銀行才被民營化。本文探討台灣公營銀行民營化政策的制定與執行情形，檢視民營化為何被採行，以及銀行民營化執行上所遭遇的困難；同時，亦探究何以銀行民營化在亞洲金融危機時期快速的執行。

關鍵字：民營化、公營銀行、銀行民營化、公營事業、銀行工會