

**Taiwan blames China over name change controversy.**By **Chaitanya Kalbag** and Andrew Browne

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TAIPEI, Sept 15 (Reuters) - China is to blame for growing frustrations in Taiwan that have bubbled over into popular demands for the island to change its official name, a senior policymaker said on Monday.

The official made clear the government had sympathy with a movement led by former President Lee Teng-hui to drop the name "Republic of China" and replace it with Taiwan.

The "call Taiwan Taiwan" campaign, which is picking up momentum ahead of presidential elections next year, is viewed with alarm by Chinese leaders who fear it is part of a drift toward independence under President Chen Shui-bian.

"I think this exercise for name change is very much an effort to make Taiwan more distinguishable from China," said the policymaker, who declined to be identified.

Taiwan people were frustrated that after decades of Chinese efforts to isolate the island "we don't have an identity of our own and we don't have our voice heard clearly by the international community".

"That shouldn't be equated with the idea of going independent," the official said.

The campaign drew at least 50,000 protesters onto the streets of Taipei this month in one of the biggest rallies in years.

Beijing must "understand why these people are on the streets," Tsai Ing-wen, Taiwan's top policymaker on China, told Reuters in an interview.

"The important factor in this whole thing is the Chinese government's ability to understand the nature of the business," said Tsai, chairwoman of the cabinet's Mainland Affairs Council.

CAUTION ON REFERENDUM

The name-change issue has highlighted bitter political differences in the run-up to presidential elections next March.

Taiwan acquired its official name in 1949 when the Chinese Nationalists brought their "Republic of China" government to the island after defeat by the Communists in a civil war.

Any move to change it would provoke Beijing and risk regional instability.

China lashed out at this month's demonstration, saying it had "seriously damaged cross-Straits relations".

The Nationalists, now in opposition, have condemned the movement as irresponsible. Chen has offered qualified support for the protesters, without conceding to their demands. This month the government added "Taiwan" to the cover of passports.

On another highly sensitive issue - moves to pass a law allowing a referendum - Tsai of the Mainland Affairs Council struck a cautious tone.

China fears such a law would give the island's 23 million people a way to vote for independence.

"Referendum is something that is rather common in a democratic society," Tsai said.



She added: "While we are very keen on establishing a referendum mechanism we are very aware of the cross-Strait implications of this exercise."

Taiwan will never allow a popular vote on either independence or reunification with China, Tsai said, repeating the official position.

Opinion polls show most Taiwan people want to maintain the status quo with China, but the issue of Taiwan's name has struck a deep chord with many and the referendum bill has widespread public support.

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TAIPEI, Sept. 15 (Reuters) - Taiwan will permit its banks to do business in China next year if a regulatory grant the island some supervisory authority and allow banks to accept local currency deposits, Taiwan's top policy maker on China said on Monday.

A week after the finance ministry said more talks with China were necessary before Taiwan could venture into the mainland market, Tsai Ing-wen, chairwoman of Taiwan's Mainland Affairs Council, said the government was considering the matter.

"If we can find a way to manage the kind of risks... then we'll be happy to allow our banks to upgrade themselves and become branches in China," she told Reuters in an interview.

As China views Taiwan as a renegade province, it does not recognise the island's government institutions, including regulators.

Without regulatory links, Taiwan fears it could lose control over banks that move to China, where Taiwan companies have invested an estimated \$100 billion.

"The central bank was asked for good cooperation between regulatory bodies," Tsai said. "There had to be some sort of mechanism set up for the regulators to work together."

The opening would give banks a much-needed avenue for growth outside the stagnant and overvalued Taiwan market - some 57 banks fight for business among the island's 23 million people. About 20 banks have ties as early as the 1950s.

In 2002, Taiwan started to allow some of its banks to open representative offices in China so they could explore the market. The idea was to allow full branches to be set up in two years, pending successful negotiations with mainland China - a thorny process between the two political rivals.

Another sticking point is that China does not yet permit foreign banks to accept local currency deposits from Chinese sources, Tsai said. However, it will have to lift some of the restrictions by the end of the year under commitments made to the World Trade Organisation.

If Taiwan banks can accept yuan deposits, then "they would be able to use the capital that is available there in China to support their banking activity," Tsai said.

Ten Taiwan banks have earned approval to set up representative offices in four. Among them, Citibank, HSBC Bank and United World Chinese Commercial Bank, a unit of Citibank Financial Holding, will both have been in China for two years in 2004.

"Sometime in the spring next year, there will be some banks here that will fulfil the two-year requirement, the waiting period," said Tsai.

Taiwan banks are also seeking banking acquisitions in Hong Kong, hoping to use the territory as a springboard for China.

Abacus Financial Holding Co., for example, said last week it would buy International Bank of Asia Ltd to gain a strategic foothold in the greater China market.

Taiwan and China have suspended formal talks since 1949, though trade ties are booming. The island's businesses have invested an estimated \$100 billion in China, a sector that Taiwan banks are desperate to serve.

