

**Safeguarding Taiwan, Reaching across the Taiwan Strait,
and Forging Links to the Global Marketplace:
The Fruits of Three Chiang-Chen Talks**

Mainland Affairs Council

December 2009

Table of Contents

Three Chiang-Chen Talks.....	2
Cross-Strait Negotiations.....	3
Safeguarding Sovereignty.....	5
Public Support.....	6
Supervision by the Legislative Yuan.....	8
Direct Air Transport.....	9
Direct Sea Transport.....	11
Opening Taiwan to Mainland Tourists.....	12
Direct Postal Services.....	13
Financial Cooperation.....	14
Food Safety Agreement.....	15
Joint Crime-fighting and Judicial Mutual Assistance.....	17
Pending Issues.....	20

Three Chiang-Chen Talks

First Round of Talks (June 13, 2008)

- SEF-ARATS Minutes of Talks on Cross-Strait Charter Flights
- Cross-Strait Agreement Signed Between the SEF and the ARATS
Concerning Mainland Tourists Traveling to Taiwan

Second Round of Talks (November 4, 2008)

- Cross-Strait Air Transport Agreement
- Cross-Strait Food Safety Agreement
- Cross-Strait Sea Transport Agreement
- Cross-Strait Postal Service Agreement

Third Round of Talks (April 26, 2009)

- Cross-Strait Joint Crime-fighting and Judicial Mutual Assistance
Agreement
- Cross-Strait Air Transport Supplementary Agreement
- Cross-Strait Financial Cooperation Agreement
- Items of Consensus Reached Between the SEF and the ARATS
Concerning Mainland Investment in Taiwan

Institutionalizing Cross-Strait Economic and Trade Relations and Internationalizing Taiwan's Economy

Cross-Strait Negotiations

Cross-strait negotiations resume;

Taiwan forges links to the global marketplace

A hiatus in institutionalized talks between Taiwan and mainland China was seen for many years beginning in 1999. This, however, did not stop economic exchanges between the two sides. On the contrary, in the eight years in which the Democratic Progressive Party was the ruling political party in Taiwan, total cross-strait trade volume grew 280 percent and the accumulated amount of Mainland-bound investment made by Taiwanese businesses jumped 380 percent. During this period, mainland China became Taiwan's largest trade partner, and Taiwan's economic dependence on mainland China grew stronger. However, cross-strait economic exchanges have not enjoyed institutionalized protections, and in many areas have lacked documentation to clearly explain the rules.

Since taking office on May 20, 2008, President Ma Ying-jeou and his administration have been tackling these challenges with a new mindset—by transforming the increasingly close cross-strait economic relationship into a springboard from which Taiwan can make greater strides into foreign markets. The Republic of China government and the Beijing authorities resumed institutionalized negotiations between Taiwan's Straits Exchange Foundation (SEF) and the mainland's Association for Relations Across the Taiwan Strait (ARATS). Thus far, three rounds of talks have been held, led by these institutions' current heads, Chiang Pin-kung for the SEF and Chen Yunlin for the ARATS.

Nine agreements have been signed and one consensus has been reached as a result. These agreements have mapped out the basic rules for cross-strait economic activities, have brought order to exchanges and have created a new way for Taiwan's economy to connect with the world.

Safeguarding Sovereignty

Putting Taiwan first for the benefit of the people; safeguarding the ROC's sovereignty

The Republic of China is an independent sovereign country. The ROC government carries out its mainland China policy and conducts cross-strait negotiations under the guiding principle of “putting Taiwan first for the benefit of the people.” “Putting Taiwan first” highlights the importance of safeguarding Taiwan-centric identity, while “for the benefit of the people” stresses the necessity of ensuring that the benefits of cross-strait negotiations are enjoyed by the general public in Taiwan, not just certain business groups.

The resumption of cross-strait institutionalized negotiations has allowed officials from both sides to hold talks face-to-face under the principle of equal terms and dignity. Through a direct liaison mechanism created under bilateral agreements, competent agencies on both sides are able to directly coordinate with each other and deal with issues of mutual concern. It can thus be seen that the ROC's sovereignty has been well protected.

Public Support

A high level of public support for cross-strait negotiations

The three rounds of Chiang-Chen Talks have yielded nine agreements and one consensus and have earned the overwhelming support of the people in Taiwan.

Public approval of the first three rounds of talks

Subject	Support/agree (%)
Round I	
Positive effects on peace and stability in the Taiwan Strait	59.9
Agreements on weekend charter flights and opening Taiwan to mainland Chinese tourists	58.2
Round II	
Resolving the issues stemming from cross-strait exchanges through cross-strait institutionalized negotiations	71.8
Air Transport Agreement	74.0
Sea Transport Agreement	80.9
Food Safety Agreement	68.9
Cross-Strait Postal Service Agreement	84.6
Round III	
Resolving the issues stemming from cross-strait exchanges through cross-strait institutionalized negotiations	73.8
The percentage responding “just right” to the	58.1

question regarding the frequency (twice a year) of cross-strait talks	
Joint Crime-fighting and Judicial Mutual Assistance Agreement	78.8
Air Transport Supplementary Agreement	71.8
Financial Cooperation Agreement	58.8
Consensus on Mainland investment in Taiwan	64.5
Source: Mainland Affairs Council; polling institutions: National Chengchi University Election Study Center, China Credit Information Service, Ltd. and Business Information Greater China Co.	

Supervision by the Legislative Yuan

Legislative supervision and transparency of the talks

In accordance with the law, all pacts signed by the SEF and the ARATS have been submitted to the Legislative Yuan, Taiwan's highest law-making body, for review. Without exception, every detail of the agreements is open to monitoring by the public.

Before talks

Representatives from the Mainland Affairs Council, the SEF and competent government agencies take the initiative to call on the president of the Legislative Yuan and party caucuses and brief them on preparations for upcoming talks. In addition, heads of related government agencies report to lawmakers whenever the Legislative Yuan requests.

After talks

The administration fully respects and accepts the supervisory role of and resolutions passed by the Legislative Yuan. In compliance with *the Act Governing Relations Between People of the Taiwan Area and the Mainland Area*, the government submits all the agreements signed during each round of talks to the Legislature for recordation or review. Executive agencies also make reports on the results of the talks to the Legislature and respond to questions raised.

Direct Air Transport

Saving time and money while offering comfort and convenience

Since the inception of direct cross-strait flights, people from both sides of the Taiwan Strait have made over three million trips without needing to transit through a third destination. This change has helped people save both time and money while making travel more convenient. For example, flights from Taiwan Taoyuan International Airport to Shanghai, which used to take between six to seven hours, now take only 84 minutes.

Implementation of direct flights has cut airlines' fuel expenses and saved passengers' money by reducing the price of airline tickets. According to data released on October 30, 2009 from the Civil Aeronautics Administration, ticket fares for flights to all destinations in mainland China (excepting Xiamen and Haikou) have dropped by an average of 14 percent. Fares have fallen by 17.8% on the Taoyuan to Shanghai route, by 23.8% on the Taoyuan to Shenzhen route, by 24.2% on the Taoyuan to Wuhan route, and by 27.6% on the Taoyuan /Songshan to Hangzhou route.

The implementation of direct cross-strait air transport in an orderly and gradual manner has helped to increase the number of Mainland tourists coming to Taiwan and has prompted Taiwanese enterprises to return to and invest in Taiwan. It has also helped to reduce the cost of Taiwan's

Mainland-bound exports. Moreover, by allowing more convenient connections to key regional and international flight routes, direct cross-strait air transport has made it even more convenient for foreign business travelers to come to Taiwan, thereby linking Taiwan to the global market.

Direct Sea Transport

Lowering costs and raising transport efficiency

Direct cross-strait sea transport means that ships no longer need to stop at a third destination when navigating between Taiwan and mainland China. Time for navigation has been cut by 16 to 27 hours, depending on destination. Over NT\$1.2 billion (US\$3.7 million) in annual savings on transport costs are being realized, thus raising transport efficiency. This development has also created a market for Taiwan's fresh farm produce in mainland China.

More importantly, direct sea transport has re-established Taiwan in its pivotal trade position in the Asia-Pacific region and strengthened Taiwan's links to the global market. These changes are conducive to having more multinational enterprises invest in Taiwan and have the island serve as their operations base for making inroads into mainland China and Southeast Asian markets. Furthermore, they serve as incentives for Taiwan's overseas enterprises to invest in and set up operational headquarters in Taiwan.

Opening Taiwan to Mainland Tourists

**Experiencing Taiwan's freedom and democracy
and purchasing the island's special products**

Tourism revenue of over US\$1 billion

Since the government eased restrictions on tourists from mainland China in July 2008, a total of 589,969 visits had been made to Taiwan as of November 2009. If average spending by mainland tourists totals US\$250 per person per day, and each tourist stays an average of eight days and seven nights, then revenue in excess of NT\$34 billion (US\$1.04 billion) has been realized.

Exceedingly few non-returnees

Since the new policy on Mainland tourists was implemented in July 2008, there have been only 16 non-returnees. Two of these individuals have been located. The rate of non-returnees, therefore, is just 2.7 per 100,000, while in Japan, it is 140 per 100,000. It is clear that Taiwan's measures to lower the risk of overstays by Mainland tourists are effective.

Tourists from other countries continue to visit Taiwan

The arrival of Mainland tourists has not discouraged tourists from other countries to continue visiting Taiwan. In fact, the number of tourists from other countries increased 4.1 percent year-on-year from January to October 2009.

Direct Postal Services

Peace of mind while saving time and money

Thanks to the implementation of direct postal links, mail can be sent to its final destination without having first to be sent to a third location. An average of one to two days is being saved on the delivery time of each mail, and the risk of lost mail has been lowered.

Parcels both large and small, as well as express mail, have been added to direct postal services to make mailing more convenient for the public and to help firms take better advantage of business opportunities. Since the signing of cross-strait postal agreements, more than 8.85 million pieces of mail have been delivered directly.

Convenient and safe

To provide convenience for the public, both sides began offering direct postal remittance services.

Financial Cooperation

Taiwan to become a regional financial center

Signing MOUs

Following the signing of the Cross-Strait Financial Cooperation Agreement, the financial supervisory agencies in Taiwan and mainland China inked memorandums of understanding on joint supervision of the banking, insurance and securities sectors, laying the foundation for Taiwan's financial institutions to set up branch offices in the Mainland.

Building a regional financial center

From their branch offices in mainland China, Taiwan's financial institutions will be able to serve the tens of thousands of Taiwan-invested enterprises and the million Taiwanese working in the Mainland. They will also be empowered to establish a regional financial network and transform Taiwan into a regional financial service center.

Protecting Taiwan's financial market

The financial authorities of both sides are currently negotiating entry into Taiwan's financial market. The government will set a quota on Mainland-based banks permitted to set up offices in Taiwan and place restrictions on their operations to protect Taiwan's financial market.

Food Safety Agreement

At Taiwan's insistence, Cross-Strait Food Safety Agreement signed during the second round of talks

Preventing problems through prompt notification, supply cutoffs and thorough inspections

Over 400 notifications and enquiries on food safety were received in the past year via the reporting system and institutionalized handling mechanism established by the two sides. For example, pesticide residues were detected on tremella imported from mainland China, which has effectively blocked the entry of questionable items. This arrangement will remain in place and the alert warning system will be upgraded to prevent the occurrence of large-scale food safety incidents.

Expanded cooperation and fewer risks

The food safety authorities of the two sides have met twice and have set up three task forces to discuss food administration, safety regulations, inspections and import/export supervision. Consensus has been reached on expanding cooperation to promote the sound management of Taiwan's food import sources, reduce the risk of exposure to unsafe food from the Mainland and ensure the health of Taiwan's citizens.

Source management for safe food

A food traceability system will be established as a way to build on the success of the aforementioned agreement. The creation of this system will

also be in line with the agreement on the quarantine and inspection of agricultural products to be signed at the fourth round of talks. This will further ensure that sound source management is being practiced and that the food Taiwan's people eat is safe.

Joint Crime-fighting and Judicial Mutual Assistance

Fighting crime and preserving order in cross-strait exchanges

Jointly fighting crime and preserving order in cross-strait exchanges

At the insistence of our government, Taiwan and mainland China have signed the Cross-strait Joint Crime-fighting and Judicial Mutual Assistance Agreement to ensure order in cross-strait exchanges and prevent criminals from absconding to mainland China. This will allow for joint efforts in apprehending criminals attempting to flee justice.

Effective cooperation on apprehending fugitives

Taiwan and the Mainland have established communications channels and a mechanism for repatriating criminals. This has resulted in the repatriation of 11 individuals and the sharing of information on 243 cases of illegal activities. As a direct result of cooperation, the lives and property of people on both sides have been afforded greater protection. Regarding repatriation of major criminals, the Mainland side repatriated to Taiwan a major criminal named Huang "X"-feng who had committed a gun-related homicide and a murder suspect Hsu "X"-jung, respectively, in April and June 2009. In accordance with the above-stated agreement, on September 28, 2009, the Criminal Investigation Bureau designated officers to Xi'an to pick up and repatriate fraud perpetrators Liu "X"-hsing back to Taiwan.

A successful joint crackdown on fraud

Taiwan and the mainland have been working together to fight economic and organized crime including fraud, scams, racketeering and money laundering since the agreement took effect. Cooperation has resulted in the uncovering of seven telecom fraud rings and the arrest of 210 suspects who were residents of either Taiwan or the Mainland. Public safety in Taiwan has been made more complete thanks to this agreement.

Major fraud cases that have been broken up are as follows:

In August 2009, both sides worked together to break up a new type of international fraud ring that operated in the Guangzhou area, was based in Taichung, and laundered its illicit funds in Thailand. The ROC side arrested a total of 35 suspects in Taiwan.

In September 2009, police agencies of both sides conducted the first cross-strait sweep against a telecommunication fraud ring. The ROC side busted 20 criminal bases and made 23 arrests in Taipei County, Taipei City, Taoyuan County, Yilan County, and Changhua County. The Mainland side broke up criminal bases in Chengdu and other areas and made over 10 arrests.

On September 30, 2009, police agencies on both sides exchanged information helping the ROC side to uncover a telecommunication fraud ring that created a new type of crime in which the gangsters gave directives and engaged in money laundering operations in Taiwan, set up

a network in Thailand, and hired Mainlanders as the accomplices to withdraw money from the bank. The ring cheated car owners through the tax authorities' automobile tax rebate program. It operated in over 10 Mainland provinces and defrauded people of tens of millions of NT dollars. The fraud ring leader was arrested by Taiwan police.

In November 2009, after a four-month cooperative investigation, the police authorities on the two sides ferreted out four major fraud rings that were operating in Liaoning, Fujian, Zhejiang, Guangdong, and Guangxi, and defrauded people in Taiwan and the Mainland.

Safeguarding people's rights through judicial mutual assistance

Following the agreement's coming into effect, the institutionalized cross-strait judicial mutual assistance mechanism has led to 2,705 legal documents being exchanged, of which 389 were evidence or other key pieces of information or were related to the repatriation of suspects. Judicial mutual assistance has created a secure channel for notices of lawsuits to be delivered. This has helped to safeguard people's rights and interests and has allowed people from Taiwan to pay humanitarian visits to residents of Taiwan who have been jailed in the Mainland. In sum, the cross-strait judicial mutual assistance agreement has helped to secure the personal, property and legal rights of people in both Taiwan and mainland China.

Pending issues

Issues still remain

The nine agreements signed and one consensus reached by the two sides have seen positive results since taking effect, yet further progress remains necessary in the following areas.

Mainland tourists in Taiwan

Since Taiwan opened to Mainland tourists in 2008, there has been a noticeable gap between the ceiling of 3,000 Mainland tourists per day and the actual number of Mainland tourists arriving in Taiwan. This is mainly because travel agencies on both sides still need time to coordinate with each other. In addition, only a few Mainland travel agencies offer group package tours to Taiwan, and Mainland tourists and Taiwan's travel agencies often find that their rights are not fully protected. Nevertheless, the number of Mainland tourists arriving in Taiwan has shown a gradual increase, and reached the limit in April, May and November of 2009.

Future talks on tourism will be held by the Straits Exchange Foundation and the Association for Relations Across the Taiwan Strait or other organizations designated in agreements, such as the Taipei-based Taiwan Strait Tourism Association (TSTA) and the Mainland-based Cross-Strait Tourism Exchange Association (CTEA). Items to receive special attention will be the number of Mainland travel agencies offering group package tours to Taiwan, tour guide licenses and determining which areas are open

to visits.

Food safety

Taiwan-based manufacturers who suffered losses in 2008 after having imported melamine-tainted milk powder from mainland China have yet to receive compensation due to the time-consuming compensation process. Nevertheless, the mechanisms established by both sides through the signing of an agreement have enabled the ROC's Department of Health to assist Taiwan's firms in preserving evidence, thereby eliminating the need for firms to continue storing the contaminated milk powder. With the ROC government's help, these companies have begun to negotiate for compensation with their counterparts in the Mainland.

The current settlement progress is as follows:

1. The Sanlu Group in Hebei Province is bankrupt. With assistance through cross-strait liaison mechanisms, the negatively affected companies understand that they can carry out procedures for registering and preserving creditors' rights (the amount claimed by the Taiwan side is over NT\$3 million).

2. Shandong Duqing Inc. has jointly negotiated a compensation settlement with several Taiwan importers of non-dairy creamer (the amount claimed by the Taiwan side is over NT\$480 million).

3. Heilongjiang Hongjia Company is in talks with Taiwanese companies over the disposal or return of tainted ammonium bicarbonate raw materials (the amount claimed by the Taiwan side is about NT\$200 million).

4. Additionally, the responsible agency—the Department of Health

under the Executive Yuan—is now coordinating efforts in cases involving some companies in commercial disputes due to different testing standards for melamine content on the two sides of the Taiwan Strait.

Joint crime-fighting and judicial cooperation

Mainland China has yet to repatriate Taiwan's most-wanted suspects for economic crimes. This issue is expected to be addressed via the established negotiation platform. Our goal in working in cooperating to fight crime is to have the Mainland conduct a more thorough search for our most wanted criminals to ensure that criminals are prevented from operating from one another's territory.

Progress with steady steps

On some of these issues, results cannot be expected for some time, while on others, a joint effort to explore better methods of cooperating is required.

The cross-strait institutionalized negotiation mechanisms resumed in 2008 have been in place for just over a year. Issues that have been building up over the past two decades cannot be expected to be resolved overnight. It would be impossible for all to expect a smooth sailing in the process of cross-strait negotiations. The stage for the handshakes and smiles of the SEF and ARATS high-ranking delegates at the signing ceremony was set by countless negotiations and battles of wit between officials of both sides. But the ROC is looking to make steady progress in

these areas, despite the difficulties involved in cross-strait negotiations. As President Ma Ying-jeou has pledged, as long as our pursuits are in line with the principle of “putting Taiwan first for the benefit of the people,” the government will spare no efforts to make progress regardless of what obstacles stand in the way.

We have achieved what was once impossible under the former DPP administration!

The government's resumption of cross-strait institutionalized negotiations since May 20 last year is not pro-China, nor does it constitute a selling out of Taiwan. It is a courageous and self-confident act of facing up to the issues engendered by many years of close cross-strait exchanges. Through negotiations, the government has established mechanisms and regulated the order of exchanges, enabling Taiwan to expand economic and trade ties across the Taiwan Strait and to advance to the world market.

This is the correct course for enabling Taiwan to return to the global economic and trade stage. Initial plans to this end were made during the administration of the Democratic Progressive Party, but no progress was made in this regard due to the unstable political environment at that time. We have achieved what was once impossible under the former DPP administration!