

The Significance of the Second “Chiang-Chen Talks”

Mainland Affairs Council

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1. Foreword

Under the Kuomintang (KMT) administration in the 1990s, the two sides of the Taiwan Strait held 24 rounds of talks and signed six agreements. In the past eight years under the administration of the Democratic Progressive Party (DPP), however, cross-strait relations worsened rapidly. After taking office on May 20 this year, the new government has resumed cross-strait institutionalized negotiations. As a result, the two sides held the first talks between Taiwan’s Straits Exchange Foundation (SEF) Chairman Chiang Pin-kung and his mainland counterpart, Chairman Chen Yunlin of the Association for Relations Across the Taiwan Strait (ARATS), in Beijing in June, with fruitful outcomes.

The fact that ARATS Chairman Chen will come to Taiwan on November 3 for the second “Chiang-Chen Talks” symbolizes not only the huge improvement but also a turning point in the development of cross-strait relations. There are four major issues on the agenda for the forthcoming talks: the issue of cross-strait air transportation, including replacing indirect flight routes with direct ones, introducing charter cargo flights, and extending charter flights from weekends to weekdays (with increased frequency and number of destinations); the issue of shipping links; the issue of direct mail services; and the issue of food safety. Agreements are expected to be signed during the talks.

The second “Chiang-Chen Talks” will not discuss political topics or the issue of sovereignty. Our government will uphold the principles of “parity, dignity, and reciprocity,” striving to serve the best interests of the Taiwanese people. In the future, the length of flights between Taiwan and mainland China will be shorter and the price lower. Taiwan will also be able to ship its agricultural products to the Chinese mainland quicker and more profitably. Moreover, food safety will be better guaranteed.

2. Public support for the talks

In recent surveys, 65 percent of respondents supported holding the Chiang-Chen talks in Taipei; 59 percent said they welcome Chen's visiting Taiwan as a sign of improved cross-strait relations; 55 percent thought that Chen's visit would not damage our national dignity and interests; and 51 percent considered Chen's visit beneficial in helping mainland Chinese better understand Taiwan's experience of democratization. Further, 59 percent of those polled agreed that the resumption of regular SEF-ARATS negotiations is conducive to cross-strait peace and stability. Meanwhile, 56 percent saw signing a cross-strait agreement on the establishment of a food safety communication mechanism as the most pressing issue.

3. Negotiating on equal footing and with dignity

The new administration has been promoting and implementing its policy measures in the spirit of "putting Taiwan first for the benefit of the people." It has also upheld the principles of "parity, dignity, and reciprocity" in engaging in cross-strait negotiations and solving the various problems that have arisen from exchanges between the two sides. Holding the second "Chiang-Chen Talks" in Taiwan demonstrates that the two sides are now "facing the reality without denying the existence of the other" while following the aforementioned principles to negotiate on an equal footing.

4. More exchanges, increased communication

In an era of globalization, communication is vital. Trade volume between the United States and mainland China has increased from US\$70 billion in 2001 to US\$300 billion in 2007, and more than 60 communication channels have been established between Washington and Beijing. Yet while trade between Taiwan and mainland China is as high as one third of that between the US and the Chinese mainland, there is only one cross-strait channel for dialogue—that between the SEF and ARATS.

In the past eight years under the DPP rule, cross-strait economic exchanges have steadily increased. While cross-strait trade volume in 2000 was US\$45.7 billion, it reached US\$130.2 billion in 2007, representing a growth of 2.8 times. Taiwan also

enjoyed a trade surplus of US\$70.6 billion with mainland China in 2007—equal to 2.5 times the amount in 2000. Exports to the mainland accounted for 40.7 percent of all Taiwan’s exports that year, a growth of 1.7 times from 2000. In the same period, Taiwan’s accumulated investment in mainland China grew from US\$17.1 billion in 2000 to US\$64.9 billion in 2007, an increase of 3.8 times. (Estimates put the total amount of Taiwan’s informal investments in mainland China at US\$100 billion to US\$150 billion.)

Further, almost 4.95 million cross-strait visits were made in 2007, which is 1.5 times the number—3.23 million—in 2000 (see Table 1). Despite such a high frequency of trips, however, the peoples on either side of the Taiwan Strait have been unable to visit each other directly. Instead, they have had to go via a third place. This has caused growing frustration as much time and energy have been wasted and many business opportunities lost. Under the DPP rule, however, the one existing cross-strait communication channel between the SEF and ARATS stopped functioning completely, so that the two sides of the Taiwan Strait were unable to solve any problems through negotiation.

5. Solving problems that concern the public

The 2001 Economic Development Advisory Conference reached a consensus on liberalization concerning the problems of air cargo and shipping that have arisen from close cross-strait economic exchanges. Yet, over the past eight years, the DPP government tried but failed to solve these problems. Within one month of taking office, however, the new administration had successfully resumed the institutionalized negotiations between the SEF and ARATS, with the *Cross-Strait Agreement Signed Between SEF and ARATS Concerning Mainland Tourists Traveling to Taiwan* and the *SEF-ARATS Minutes of Talks on Cross-Strait Charter Flights* as results. **That is to say, the new administration has accomplished the mission that the DPP government attempted to complete without success.** At present, through the SEF and ARATS, the new administration is set to further solve problems that have arisen from various cross-strait exchanges with the second “Chiang-Chen Talks.”

6. Four agreements to benefit Taiwan

(1) Air transportation

- **Replacing indirect flight routes with direct ones:**

Prior to July 2008, most travelers from Taiwan had to pass through Hong Kong en route to mainland China. For example, it would take about four hours to fly from Taoyuan to Shanghai, with an additional one to two hours for a stopover in Hong Kong. Starting from July 4 when weekend charter flights were launched between Taiwan and the mainland, the total flight time has been shortened to about two hours and 24 minutes (calculated for the A340 and the B777). Aircraft still have to fly across the Hong Kong Flight Information Region, but stopovers in Hong Kong are no longer necessary.

After the conclusion of the second Chiang-Chen talks, new routes will be launched without endangering Taiwan's national security. It will take only one hour and 22 minutes to fly from Taoyuan to Shanghai—about 62 minutes less than it currently takes—with a saving of 40 percent to 45 percent fuel per trip. In other words, there will be a total reduction of over NT\$3 billion in costs for airlines and travelers per year.

- **Extending charter flights from weekends to weekdays and adding charter flights and destinations**

Increasing the number of charter flights and destinations will greatly facilitate tourist visits between Taiwan and the mainland, raise Taiwanese businesses' international competitive edge, attract foreign investment, enable Taiwan to become a transshipment center for air transportation in the Asia-Pacific region, and enhance convenience for mainland tourists visiting Taiwan. Moreover, Taiwanese airliners will have more opportunities to increase profits in the face of challenges of the current economic climate.

- **Introducing cargo charter flights**

Currently, cargo flights make stopovers at Hong Kong and Macau. A flight from Taoyuan to Shanghai takes 12 to 16 hours (including stopover and transfer time). If one plane is used for the whole route—which must be indirect under the current system and with no stopover—the flight takes five to six hours. Introducing direct cargo charter flights would bring the flight time down to 1.3 hours, clearly a major improvement for cargo transport across the Taiwan Strait. This would lower costs, bring about a more efficient division of labor between Taiwanese businesspeople working on either side, and make Taiwan an operations headquarters. The measure will also be of particular benefit to the cross-strait transportation of electronic products and machinery equipment.

(2) Launching direct sea transportation

- **Enhance the efficiency of logistics delivery for businesses**

Previously, there was no direct sea transportation between Taiwan and mainland China. It therefore took time and effort for Taiwanese ships to pass through Ishigaki Island, Okinawa (Ryukyu Islands) en route to harbors in mainland China. However, this will no longer be the case once an agreement on direct sea transportation is reached in the second Chiang-Chen talks. **A total of 16 hours to 27 hours of travel time and 15 percent to 30 percent of transportation costs will be saved per voyage.** Counting the documentation fees collected by the third place, **approximately NT\$300,000 per voyage will be saved. If there are 4,000 voyages annually, NT\$1.2 billion will be saved per year.** Direct cross-strait sea transportation will thus greatly enhance the efficiency of logistics delivery for businesses, increase the freight volume of harbors and airports, and raise the number of value-added activities in their neighboring areas. Consequently, with its own harbors as bases for operations and the vast hinterland of mainland China on its doorstep, Taiwan has great potential to become a hub of international logistics.

- **Create opportunities for Taiwanese agricultural products in the mainland market**

Direct cross-strait sea transportation will shorten the delivery time of Taiwanese agricultural products to the mainland. According to the Council of Agriculture, without having to pass through a third place, **the delivery time of Taiwan's fruit exports to Shanghai will be shortened from eight days to four**, thereby ensuring the freshness and quality of the produce and **extending shelf life by four days. Damage due to transport will also be reduced from 15 percent to 5 percent.** All these changes will reduce costs. Likewise, Taiwan's flowers will be able to enter Shanghai and other markets in mainland China by sea transport or by being transshipped to Russia. Taiwan's vegetables grown in winter will be either sold in northeast mainland China or transshipped to Russia. It will also be possible to export fresh fish (e.g. ornamental fish and groupers) to the mainland, thereby creating new opportunities for Taiwanese agricultural products in the mainland market (see Table 2).

(3) Expanding postal cooperation

Cross-strait postal services such as small packet, parcel post, and express mail will be made available. With direct cross-strait air and sea transportation, delivery times are expected to decrease dramatically. Therefore, the people and businesses on both sides of the Strait can enjoy faster and better postal services when mailing urgent documents, information, commercial samples, and merchandise.

(4) Establishing a food safety screening mechanism

In September of this year, powder-milk products imported from mainland China were found to contain melamine, which jeopardized the health of the people of Taiwan and caused panic among businesses and consumers. The government will do its best to assist victims in filing indemnity claims against mainland Chinese manufacturers. The SEF has set up a dedicated service line to accept calamity claims from melamine victims, which will then be transferred to ARATS to claim indemnity against the manufacturers for the loss incurred. In addition, the government intends to achieve the following goals during the second Chiang-Chen talks:

- **Rejection of tainted food products:** Mainland China's tainted food products will be banned from entering Taiwan. Only food products that have met food safety standards can be imported.
- **Strict inspections:** Standards for inspections of imported food will be raised to the same levels as those of the United States, the European Union, and Japan so as to ensure that stricter checks are carried out.
- **Provision of safeguards:** Dispute-management mechanisms will be established to protect the rights and interests of innocent victims.

7. Conclusion

The second "Chiang-Chen Talks" not only will effectively resolve the outstanding issues of the first "Chiang-Chen Talks," but will also demonstrate the spirit of pragmatism, dignity, parity, and reciprocity exemplified by the resumption of institutionalized negotiations across the Taiwan Strait. The two sides can thus take another step forward in the establishment of mutually beneficial, win-win relations.

Although during the past eight years when the DPP was the governing party, the ban on direct sea and air transportation links were not lifted and mainland tourists were not allowed to visit Taiwan directly from the mainland, certain foundations had been established through initial negotiations between private enterprises commissioned by the government. This has enabled the new administration to speedily complete negotiations on certain issues and sign agreements for liberalization. Therefore, the previous DPP administration's contributions to opening direct cross-strait transportation links and allowing more mainland tourists to visit Taiwan should also be acknowledged.

Table 1
Cross-strait trade and economic indicators

Category	2000	2007	Growth rate
Trade volume across the Taiwan Strait (including Hong Kong)	US\$45.72 billion	US\$130.24 billion	280%
Trade surplus with the mainland	US\$28.54 billion	US\$70.56 billion	250%
Percentage of Taiwanese exports bound for the mainland (including Hong Kong)	24.4%	40.7%	170%
Total investment in the mainland	US\$17.103 billion	US\$64.869 billion	380%
Percentage of Taiwanese foreign investment bound for the mainland	33.9%	60.7%	180%
Number of trips across the Taiwan Strait	3.225 million	4.948 million	150%

Sources: Mainland Affairs Council and Ministry of Economic Affairs

Table 2
Export opportunities for Taiwan’s agricultural products after the
opening of direct transportation links
across the Taiwan Strait

Item	The current approach	Advantages of opening direct transportation links
Fruit	Taiwan’s fresh fruit exports to mainland China have to be transshipped via Hong Kong or the so-called “mini-three-links,” resulting in higher freight costs, longer delivery time, and shorter shelf life, thereby decreasing the competitiveness of Taiwan’s agricultural products.	The delivery time for Taiwanese agricultural exports to mainland China will be shortened. As documentation at a third place will no longer be required, transportation time will be reduced from the current eight days to four days, which will extend shelf life by four days and help ensure the freshness and quality of products. In addition, damage caused during transportation will be reduced from 15 percent to 5 percent, thus lowering production costs and creating new opportunities for Taiwanese agricultural exports to mainland China.
Flowers	Transported by sea and transshipped via Hong Kong	Fresh cut flowers can be shipped to Shanghai and other mainland Chinese markets via sea transportation, or transshipped to Russia via Shanghai, creating new markets for Taiwan’s flowers.

Vegetables	Currently, the majority of vegetable exports to mainland China are frozen products and are mainly transshipped via Hong Kong.	Taiwan's winter vegetables can be sold in mainland China's northeast and transshipped to Russia.
Ornamental fish	The mini-three-links (Taiwan-Kinmen-Xiamen)	Ornamental fish have to be delivered to the buyer between 24 hours and 48 hours after the order is placed, which represents a high technology threshold. Mainland China largely imports Taiwanese fish for use as broodstock. The disadvantage of the current transportation and distribution approach is monopolization by one single importer. Direct transportation links will expand the current mainland Chinese market and orders will increase.
Rockfish	Shipped to mainland China by sea via Hong Kong and then transported to other destinations on the mainland, limiting market size	An expanded mainland Chinese market, lower costs, and more orders

Source: Council of Agriculture, Executive Yuan