

**Supporting Mechanisms for “Active  
Management, Effective Opening” in  
Cross-Strait Economic and Trade Relations**

**Mainland Affairs Council  
Ministry of the Interior  
Ministry of Economic Affairs  
Ministry of Transportation and Communications  
Council of Agriculture  
Financial Supervisory Commission  
Other Relevant Authorities**

**March 22, 2006**

## **I. The Highlights of the President's 2006 New Year's Day Message**

1. Cross-strait contacts must be conducted in conformity with Taiwan's autonomy and overall national interests. Cross-strait economic and trade policy should not be simplified into a dichotomy of "opening up" and "tightening up". Nor should it only focus on "active opening" while neglecting the greater importance of "effective management". Cross-strait economic and trade policy should not focus merely on the pursuit of individual or corporate interests, but rather on the pursuit of the paramount national interest of Taiwan's sustainable development.
2. The government's role must be to "actively" take on the responsibility of "management", in order to "effectively" reduce the risks of "opening". Policy makers must have regard for the nation's long-term development, guard against foreseeable risks and act as the gatekeepers of Taiwan's economic security. They cannot engage in currying favor or self-serving artifice. "Active management, effective opening" represents a new concept and mode of action for the future conduct of cross-strait economic and trade policy.

## **II. The Contents of the "Active Management, Effective Opening" Policy**

### **1. Core Meaning**

The core meaning of "active management, effective opening" as announced by the President in his New Year's Day Message is as follows:

- (1) "Actively" take on the responsibility of "management"; "effectively" reduce the risks of "opening".
- (2) Transcend the dichotomy between "opening up" and "tightening up," to implement cross-strait economic and trade

policy in an orderly manner under the prerequisites of safeguarding Taiwan's autonomy and overall national interests while carrying out management.

## **2. Main Policy Objectives**

- (1) To implement an orderly liberalization policy of cross-strait economic and trade relations, in order to minimize the negative impacts of liberalization and safeguard Taiwan's economic autonomy.
- (2) To achieve the strategic goals of "globalization" and "internationalization", in order to reduce dependency on the Chinese economy.

## **3. Policy Implementation Plan**

### **(1) Policy principles**

- a. Actively establish support mechanisms for the management of cross-strait economic and trade links.

Establish management objectives and mechanisms and enhance management capabilities for each facet of cross-strait economic and trade contacts, which include the economy, agriculture, finance, people, and the mini three links. Through active management, greater space can be created for further opening.

- b. Continue to push for cross-strait economic and trade consultations, to strengthen management efficacy.

Address cross-strait economic and trade issues through pragmatic consultations, to establish efficient management mechanisms for an orderly implementation of liberalization policies.

- c. Strengthen the implementation of economic "globalization" and "internationalization" strategies.

Strengthen the implementation of the overall economic

development strategy of “cultivating Taiwan deeply and positioning globally” and implement policies that can effectively reduce the overall risks of cross-strait economic and trade links on the basis of globalization.

(2) Concrete actions

- a. Plans in progress: The President presided over a meeting with representatives of the Presidential Office, the Cabinet, the ruling party and its legislative caucus on April 5, 2005, to discuss responses to the new cross-strait politico-economic situation. As a result, all related government agencies have since formulated measures to strengthen “effective management” mechanisms for cross-strait economic and trade contacts, and these measures are currently under active implementation.
- b. Strengthening measures: All related government agencies have further strengthened the management elements in accordance with the aforementioned plans and compiled them into the ‘Supporting Mechanisms for “Active Management, Effective Opening” in Cross-Strait Economic and Trade Relations.’ This is to reduce the risks from promoting cross-strait economic and trade opening policies.

### III. Tasks to be Implemented

#### People Category

Issue Involved	Strengthening Management Measures
<p><b>1. Strengthen management mechanisms of Chinese tourists in Taiwan</b></p> <p><b>(1) Strengthen the security management of Category-2 and Category-3 Chinese tourists</b></p>	<p>1. The Mainland Affairs Council (MAC) in conjunction with the Ministry of the Interior (MOI), the Ministry of Transportation and Communications (MOTC), and other relevant agencies, is to continue to strengthen related management measures in accordance with the “Report on a Special Review of the Problems Concerning Security Management for Citizens of China Visiting Taiwan as Tourists,” as approved by the Executive Yuan on August 4, 2004.</p> <p>2. Recent important improvement measures include:</p> <p>(1) Working with the Travel Agent Association of the ROC, Taiwan (TAAT) since September 2004 to coordinate the continuous reinforcement of their self-disciplinary mechanisms; suspending the reception of tourists from Fujian and Hebei (not including Beijing and Tianjin), owing to the repeated incidence of problems involving tourists from those two provinces; suspending the reception of individual tourists under the age of 30 neither taking part in company trips nor traveling with family members; and</p>

Issue Involved	Strengthening Management Measures
<p><b>(2) Follow-up strengthening measures in response to the opening up of tourism in Taiwan for Category-1 Chinese tourists.</b></p>	<p>suspending the processing of individual tourists introduced by Guangdong travel agents.</p> <p>(2) The Immigration Office of the National Police Agency has comprehensively strengthened documentary review procedures, to prevent the alteration or concealment of documented information, and the Aviation Police Bureau has heightened entry checks.</p> <p>1. The MOTC (Tourism Bureau) is in charge of drafting provisions for: raising the amount of the bond posted by travel agencies receiving Chinese tourists from NT\$1 million to NT\$2 million; in the event that a Chinese tourist strays from a tour group or overstays, the travel agency will be punished by paying NT\$200,000 per person from the bond, instead of the current imposition of penalty points; and in serious cases, a travel agency's business license will be revoked.</p> <p>2. The MAC has already coordinated with the MOTC to include the issue of Chinese tourist identity checks and related management mechanisms in the overall planning of cross-strait consultations, and will handle it in accordance with the progress of the consultations.</p>
<p><b>(3) Enhance the quality of</b></p>	<p>1. Assist the TAAT in devising a self-disciplinary</p>

Issue Involved	Strengthening Management Measures
<p data-bbox="256 237 584 282"><b>Chinese tour groups</b></p> <p data-bbox="209 1263 536 1420"><b>(4) Improve the operation of the reporting system</b></p>	<p data-bbox="687 237 1378 450">code for travel industry members, continue to reinforce related self-disciplinary provisions, and require travel agents to strictly abide by them.</p> <p data-bbox="647 490 1406 819">2. Amend the “Regulations Governing Permission for People from the Mainland Area to Visit Taiwan for Tourism Activities,” and grant the TAAT the right to impose penalties under the self-disciplinary code, to strengthen the travel industry’s self-disciplinary function.</p> <p data-bbox="647 860 1418 1189">3. In conjunction with the opening up of tourism for Category-1 Chinese tourists, include the formation of a model contract and other cooperative norms, as well as the establishment of a travel dispute arbitration mechanism among the items listed for cross-strait consultations.</p> <p data-bbox="655 1263 1422 1771">1. The MOTC’s Tourism Bureau has completed the set-up of a computerized reporting system for Chinese tourists visiting Taiwan. It includes digitization of application forms, itineraries and other related documentation for all categories of Chinese citizens visiting Taiwan. This is to facilitate the exercise of control by the MAC, the National Police Agency, and other government agencies.</p> <p data-bbox="652 1809 1283 1906">2. Strengthen the allocation of review and reporting personnel.</p> <p data-bbox="687 1921 1406 2020">In order to cope with the opening up of tourism in Taiwan for Category-1 Chinese tourists,</p>

Issue Involved	Strengthening Management Measures
	<p>priority will be given to supplementing manpower as needed in the MOI, the Tourism Bureau of the MOTC, and other agencies concerned.</p>
<p><b>2. Strengthen the apprehension and repatriation of illegal immigrants</b></p> <p><b>(1) Strengthen inducements and capabilities for the apprehension of illegal immigrants</b></p>	<ol style="list-style-type: none"> <li>1. Increase rewards for the apprehension of illegal immigrants. The National Police Agency under the MOI is mapping out plans to increase the amount of funds within its budget to allocate as performance rewards to all levels of police agencies for their work on illegal immigration prevention. It is also considering the issuance of rewards to members of the public who assist in providing related information to the authorities, as an item of special expenditure.</li> <li>2. Continue to strengthen the Airborne Police Squadron’s capabilities to provide operational support to the Coast Guard Administration (CGA), especially in the conduct of night-time searches, to help the CGA bolster its effectiveness in acting against illegal immigration and smuggling.</li> <li>3. In conjunction with the establishment of the Bureau of Entry, Exit and Immigration, the MOI will conduct an overall review of police forces deployment and strengthen the supporting police force.</li> </ol>



Issue Involved	Strengthening Management Measures
<p><b>(2) Strengthen procedures for the repatriation of illegal immigrants</b></p>	<p>Continue to pursue consultations with China on speeding up the repatriation of illegal immigrants, and comprehensively strengthen the illegal-immigrant repatriation process.</p>
<p><b>3. Strengthen security management for social and professional exchanges</b></p> <p><b>(1) Strengthen the guarantor system and tighten entry and identity checks</b></p> <p><b>(2) Implement interview system for Chinese spouses</b></p>	<p>1. Improve the guarantor system for Chinese citizens visiting Taiwan, enforce guaranteed responsibilities and strengthen the system's effectiveness.</p> <p>2. Revise the Entry, Exit and Immigration Law to strengthen the legal basis for the examination and registration of Chinese citizens and Hong Kong and Macau residents after they enter Taiwan.</p> <p>Increase the deployment of specialist interviewers, enhance their professional capabilities, and establish normative operational mechanisms.</p>

**Agriculture Category**

Issue Involved	Strengthening Management Measures
<p><b>1. Strengthen the order of agricultural trade</b></p> <p><b>(1) Strengthen countermeasures against the smuggling</b></p>	<p>1. Strengthen the reward system to prevent the smuggling of agricultural products.</p> <p>Amend the "Regulations Governing Rewards</p>

Issue Involved	Strengthening Management Measures
<p data-bbox="256 237 496 338"><b>of agricultural products</b></p> <p data-bbox="204 1014 608 1285"><b>(2) Respond to problems concerning the marketing of agricultural products in China</b></p>	<p data-bbox="692 237 1406 568">for Informing the Authorities of the Smuggling into the Country of Animals and Plants and Their Products,” to increase the amount of the reward (increasing the amount awarded in individual cases from NT\$1.8 million to NT\$3.6 million).</p> <p data-bbox="647 607 1374 936">2. Install vessels monitoring system (VMS) on fishing boats operating in coastal waters: In 2005, subsidies were provided for the installation of VMS on 230 long-line fishing boats between 20 and 100 tons; this initiative will continue in 2006.</p> <p data-bbox="647 1014 1385 1171">1. Set up integrated mechanisms and information systems for the marketing of agricultural products in China:</p> <p data-bbox="667 1193 1422 1523">(1) The Taiwan External Trade Development Council (TAITRA) has been assigned to serve as an integrated window for the marketing of agricultural products in China, incorporating agricultural associations from all over Taiwan into a supply and marketing system.</p> <p data-bbox="667 1545 1422 1986">(2) The Council of Agriculture (COA) has set up a statistical system for trading agricultural products. This is to reinforce the monitoring of the volume and value of sales to China of important domestic agricultural products such as vegetables, flowers, and the 15 kinds of fruit granted zero-tariff treatment by the Chinese authorities.</p> <p data-bbox="647 2024 1315 2063">2. Strengthen the development of alternative</p>

Issue Involved	Strengthening Management Measures
<p><b>(3) Respond to trademark infringement of agricultural products in China.</b></p>	<p>markets:</p> <p>Continue to implement the “Program for Strengthening the International Marketing of Agricultural Products”, targeting markets such as Japan, the US, Hong Kong, the EU, Korea and Southeast Asia for diversified expansion of sales.</p> <p>3. Plan the promotion of cross-strait trade consultations on agricultural products: TAITRA has already been assigned to act as the contact window for cross-strait agricultural consultations.</p> <p>1. Measures in response to trademark infringement of tea-production place-names in China:</p> <p>(1) Continue to make requests through the SEF-ARATS interactive mechanism and the WTO platform for China’s Trademark Office to deal squarely with the relevant problems.</p> <p>(2) Assist tea farmers and tea merchants (via the window of the Taiwan Tea Manufacturers’ Association) to institute proceedings through China’s legal system by applying to China’s Trademark Office for administrative relief or filing civil lawsuits.</p> <p>(3) Help growers apply for place-of-origin certification marks for their tea.</p> <p>2. Collect all available relevant information of trademark infringement cases, formulate an overall response to trademark infringement of special agricultural product place-names in China, and establish a mechanism for dealing</p>

Issue Involved	Strengthening Management Measures
	with individual cases.
<p><b>2. Implement management of investment and technical cooperation</b></p> <p><b>(1) Strengthen investigation and punishment of illegal cases of major investment and outflow of technology and cultivars</b></p> <p><b>(2) Effectively manage agricultural sci-tech achievements</b></p>	<p>1. Strengthen the examination of investment in agriculture-related operations in China. Continue efforts to understand the situation of Taiwanese agricultural investment in China, and issue regular reports thereon.</p> <p>2. Request the COA to establish a normal mechanism for strengthening the collection of information regarding suspected cases of illegal agricultural investment in China and the illegal outflow of agricultural technology or cultivars, to be submitted to the relevant agency for assistance in investigation.</p> <p>1. Carry out the enforcement of the Plant Varieties and Seeds Act. Expand the scope of its application and the protection of rights to new plant varieties, harvested crops and directly processed goods. This is to prevent the problem of their crops or processed goods being marketed back to Taiwan.</p> <p>2. Speed up the passage of the “Act for the Protection of Sensitive Science and Technology” into law, to strengthen the protection and control the export of seedling propagation techniques and other sensitive science and technology.</p>

<b>Issue Involved</b>	<b>Strengthening Management Measures</b>
	<p>3. Strengthen the protection of agricultural intellectual property rights, and enhance guidance and assistance to farmers for patent applications.</p>
<p><b>3. Strengthen the management of Chinese seamen</b></p> <p><b>(1) Control the total number of Chinese seamen permitted to work on Taiwanese boats</b></p> <p><b>(2) Plan the promotion of cross-strait consultations on fishing industry labor</b></p>	<p>1. Since April 2005, the COA has taken a series of steps to strengthen the management of Chinese seamen, including restricting fishing boats weighing less than 10 tons and those used for recreational fishing from employing Chinese seamen, and enforcing port entry and exit control and checking procedures of Chinese seamen.</p> <p>2. Implement measures for the finger-printing of Chinese seamen.</p> <p>3. Strengthen the management of employment brokers of Chinese seamen.</p> <p>4. Conduct a study program on recruiting and managing a number of highly qualified foreign seamen as the basis for formulating practical means to fundamentally solve the problem of Chinese fishing labor.</p> <p>In response to the possibility that the Chinese authorities will resume permitting Chinese seamen to work on Taiwanese fishing boats in the near future, make plans for conducting cross-strait</p>

Issue Involved	Strengthening Management Measures
	consultations on fishing labor, and proceed in accordance with the overall progress of cross-strait consultations.

### Economy Category

Issue Involved	Strengthening Management Measures
<p><b>1. Effective management of investment in China</b></p> <p><b>(1) Strengthen the investigation and handling of illegal investments in China</b></p> <p><b>(2) Reform the review system for investment in China</b></p>	<p>1. Strengthen the enforcement mechanism for investigating and penalizing illegal investments in China.</p> <p>Conduct investigations and impose punishments targeting illegal major investments in or export of high-technology to China.</p> <p>2. Increase rewards to encourage people to report offenders to the authorities.</p> <p>The “Ministry of Economic Affairs Implementation Guidelines for Providing Rewards to Encourage the Reporting of Cases of Illegal Investment or Technical Cooperation in Mainland China” were amended on September 12, 2005 to greatly increase the amount of rewards (the highest amount is NT\$2 million for proscribed investment cases and NT\$600,000 for ordinary and technical cooperation cases).</p> <p>Strengthen examination of and follow-up management mechanisms for major investments.</p> <p>(1) Major investment above a certain level or in an</p>

Issue Involved	Strengthening Management Measures
<p><b>(3) Strengthen</b></p>	<p>industry connected with sensitive technology is not only subjected to special-case examination procedures, but is also required to be reviewed first on the policy level. The relevant government departments will request the investor's responsible officers and managers to conduct coordination in the company's financial plans, technology transfer, export of equipment, equivalent investment in Taiwan, etc. After the company's specific commitments have been verified and it has provided a written agreement that permits the responsible authorities to conduct on-site inspection of the investment in China when deemed necessary, the case will be referred to the Investment Review Committee of the Ministry of Economic Affairs (MOEA) for the commencement of review proceedings.</p> <p>(2) Once investments in China have been approved, the responsible authorities will maintain follow-up management on the parent company's continual investment and technological upgrade in Taiwan, and the situation of its factory operations, capital increases, and plant expansion in China, respectively. When necessary, they shall conduct on-site inspection in China, in order to carry out effective management.</p> <p>1. Strengthen company disclosure of important</p>

<b>Issue Involved</b>	<b>Strengthening Management Measures</b>
<p><b>supporting management mechanisms</b></p>	<p>financial data and information on investment in China:</p> <p>(1) If the directors (or managers) of a publicly listed company intend to make an investment in China which involves competing activity that will have a major impact on the rights and interests of the company’s shareholders, they must first obtain approval at a shareholders’ meeting (or board meeting) in accordance with applicable regulations. When an approval is obtained, it must be announced on a public information website in accordance with applicable regulations.</p> <p>(2) When a director, manager or responsible officer of a publicly listed company invests in a similar industry in China, the information on the investment must be disclosed by the publicly listed company.</p> <p>2. Set up a databank on enterprise investment in China: The MAC will cooperate with the MOEA, the Financial Supervisory Commission (FSC) and other relevant agencies to set up a databank on investment in China by domestic enterprises, compiling comprehensive information on all related matters, in order to gain a complete knowledge of the state of enterprise investment in China.</p> <p>3. Review the regulations concerning related-party transactions undertaken by publicly listed companies and their responsible officers or</p>



Issue Involved	Strengthening Management Measures
	<p>major shareholders:</p> <p>When the Taiwan Stock Exchange Corporation (TSEC) and the Gretai Securities Market (GSM) conduct routine and exceptional management examination of the financial operations of listed and OTC companies, they will check whether there are any abnormalities in related-party transactions.</p> <p>4. With regard to the companies with multiple or extensive investments in China, strengthen pre-investigation of their investments in China to prevent their investments from clustering or breaking into parts, which will cause the industry to lose its core competitiveness.</p> <p>Depending on the needs of each case, refer these investments to the Investment Review Committee for examination in accordance with the “Principles for the Review of Investment and Technical Cooperation in Mainland China” and amend the regulations to include these cases in the special category for strengthened investigation.</p> <p>5. Track the operational status of domestic parent companies after they have invested in China. When their financial situation is found to have deteriorated, examination of the financial reports of the invested enterprise in China and on-site inspections will be reinforced. If there is evidence to arouse suspicion that the parent company is being hollowed out, the case will be specially dealt with accordingly.</p>

Issue Involved	Strengthening Management Measures
	<p>(1) If the examination of financial reports reveals any abnormality or illegality in an investment in China, TSEC or GSM will transfer the matter to the judicial authorities for further handling.</p> <p>(2) If a publicly listed company encounters any major issue in its financial operations or otherwise that has an impact on the company's business operation, TSEC or GSM will implement exceptional management and investigation in accordance with the applicable regulations.</p>
<p><b>2. Strengthen the management of technology transfer and science &amp; technology (S&amp;T) personnel</b></p> <p><b>(1) Strengthen the management of industrial S&amp;T results</b></p>	<p>1. The MOEA acts in collaboration with the National Science Council (NSC) and the Ministry of National Defense (MND) to stipulate the scope and items of industrial technology controls and strengthen management mechanisms in accordance with the applicable regulations, to carry out the protection of industrial technology achievements.</p> <p>2. Strengthen export controls for high technology in accordance with the provisions of the Wassenaar Agreement, and coordinate with the Legislative Yuan to expedite the passage of the "Sensitive Science and Technology Protection Act."</p>

Issue Involved	Strengthening Management Measures
<p><b>(2) Strengthen the management of high-level S&amp;T personnel contacts with China</b></p>	<p>In accordance with the passage of the “Sensitive Science and Technology Protection Act,” assist enterprises to implement necessary control of technical exchanges with China that involve sensitive technology and high-level R&amp;D personnel.</p>

### Finance Category

Issue Involved	Strengthening Management Measures
<p><b>1. Implement control over abnormal inflows and outflows of capital</b></p>	<p>Assess the feasibility of establishing capital movement information exchange with the main areas of registered overseas investment by Taiwanese businesses.</p> <p>(1) Negotiate and sign bilateral co-operation memorandums of understanding (MOUs) with various countries, to establish channels for financial-oversight information exchange.</p> <p>(2) Establish management measures for effectively investigating the ultimate beneficiary of foreign capital, to ensure the security of capital flows.</p>
<p><b>2. Strengthen examination and control of financial industry branches located overseas and in China</b></p> <p><b>(1) Strengthen the pre-approval and supervisory system</b></p>	<p>1. The FSC’s special review and approval process for the establishment of branches in China by Taiwan’s domestic banks, securities firms and</p>

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<p><b>(2) Improve the auditing system for financial industry branches located overseas and in China</b></p>	<p>insurance companies will be effectively integrated with the Investment Review Commission's review mechanism for investment and the establishment of offices in China, to reinforce ex-ante management.</p> <p>2. Strengthen the implementation of ex-ante supervision of the establishment of additional branches in China by Taiwan's domestic securities firms and insurance companies, in order to maintain a complete knowledge of the state of development of financial institutions in China.</p> <p>1. Raise the frequency of on-site inspections of the Hong Kong branches of Taiwan's domestic banks, insurance companies, and securities firms, to maintain complete knowledge of the information needed for effective management.</p> <p>2. In accordance with the principles of mother-country supervision, reinforce checks and control of branches of Taiwan's financial industry located in China.</p> <p>(1) Besides strengthening regular supervision of bank offices in China as prescribed by law, direction will also be provided for banks to conduct internal audits in accordance with the regulations. Furthermore, when bank headquarters are inspected, special emphasis will be placed on inspecting their management offices in China. If necessary, on-site inspections will be conducted, in order</p>



<b>Issue Involved</b>	<b>Strengthening Management Measures</b>
<b>overall credit risk</b>	Taiwanese businesses operating in China and related risk controls, so that the FSC can maintain an effective understanding of the changes in the lending-to-China situation.

## **IV. Performance Evaluation**

### **1. Implementation Timeframe**

- (1) The tasks to be implemented under this program have been included in the ‘Program of Mechanisms for Strengthening the “Active Opening, Effective Management” of Cross-Strait Economic and Trade Links’, for ongoing undertaking in accordance with the existing timeframe.
- (2) Tasks to be implemented under this program that are newly added or require strengthening should in principle be completed by June 30, 2006; those involving amendment of law or the establishment of databases should be implemented or fully planned by December 31, 2006.
- (3) Where items to be implemented under this program involve cross-strait consultations, they will be undertaken in consonance with the state of cross-strait interaction.

### **2. Division of Tasks, Coordination and Evaluation**

- (1) The division of tasks for the implementation of this program will be carried out in accordance with the suggestions of the responsible agencies. When necessary, the MAC will be requested to undertake coordination of the division of tasks.
- (2) This program will be evaluated once every three months. The MAC will be responsible for tracking and evaluation, and will submit review reports to the Executive Yuan and the National Security Council.
- (3) Each agency concerned will be responsible for coordinating authority and responsibility under this program. When difficulty is encountered in conducting coordination, the MAC will be responsible for inter-agency coordination, and when necessary may request the Executive Yuan or National Security Council to undertake coordination.

