The Third Round of Chiang-Chen Talks

Economic and Trade Matters

Standing astride the Taiwan Strait, with eyes upon the whole world

- Financial cooperation
- Regular flights
- Mainland investment in Taiwan

Mainland Affairs Council, The Executive Yuan

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The Third Round of Chiang-Chen Talks

I. Preface

The third round of Chiang-Chen talks yielded the signing of three agreements - the Cross-Strait Joint Crime-Fighting and Judicial Mutual Assistance Agreement, the Cross-Strait Financial Cooperation Agreement, and the Cross-Strait Air Transport Supplementary Agreement-and the announcement of consensus on matters concerning Mainland investment in Taiwan. Apart from the Cross-Strait Joint Crime-Fighting and Judicial Mutual Assistance Agreement, which is aimed at establishing order in cross-strait contacts, the other outcomes of the talks are all mainly targeted at promoting the normalization of cross-strait economic and trade relations, strengthening linkages between Taiwan's economy and international markets, and thereby helping Taiwan acquire a pivotal role in the economy and trade of East Asia or even of the whole Asia-Pacific region.

II. Cross-Strait Financial Cooperation-Marching Forward on Course to Becoming a Regional Financial Center

1. The Cross-Strait Financial Cooperation Agreement establishes the framework for cross-strait financial cooperation

Financial Supervision Cooperation

The financial supervisory authorities on the two sides of the Taiwan Strait will establish cooperative mechanisms for financial supervision of, respectively, the cross-strait banking industry, the cross-strait securities and futures industry, and the cross-strait insurance industry, in accordance with the practices and possible cooperation on the three memos (financial supervision, financial supervision) and the negotiations.

Monetary Policies

The monetary policies for the Taiwan Strait monetary policy, People's Bank, to determine suitable instruments and methodologies of cooperation. In the future, the monetary cooperation.

Other Items

The two sides will establish financial institutions which have neither other's market.

The two sides will jointly strengthen the cross-strait businesses.

2. Financial Cooperation for Taiwan:

Raising funds

After the
practices and nature of each industry. They will as swiftly as possible conduct the follow-up negotiation and signing of three memorandums of understanding (MOUs on banking supervision, securities and futures supervision, and insurance supervision), and at the same time embark on market access negotiations.

**Monetary Management Cooperation**

The monetary management authorities on the two sides of the Taiwan Strait (Taiwan's central bank and the Mainland's People's Bank) will designate commercial banks and other suitable institutions to conduct banknote exchange, supply and flowback operations, and will also embark on cooperation in such areas as anti-counterfeiting technology. In the future, the two sides will gradually establish a cross-strait currency clearance mechanism, to strengthen cross-strait monetary management cooperation.

**Other items of cooperation**

The two sides agree to conduct negotiations on domestic financial institutions entering and developing business in each other's markets.

The two sides will encourage their domestic financial institutions to step up cooperation, to create conditions for jointly strengthening financial services to both sides' businesses.

2. **Financial cooperation will bring substantive benefits for Taiwan**

**Raising financial competitiveness**

After the signing of the MOUs, Taiwan's financial
institutions will immediately gain an entry ticket for setting up branches and representative offices in the Mainland, and soon afterwards will be able to realize their objectives for penetrating the Mainland market and conducting cross-strait financial business. This will make up for Taiwan's own lack of the large financial hinterland that can help it develop as a regional financial center, and will greatly heighten the competitiveness of Taiwan's financial industry.

**Serving Taiwanese businesses in the Mainland**

Domestic financial institutions that set up branches and representative offices across the Strait will be able to provide financial support and services to the tens of thousands of Taiwanese businesses in the Mainland, and will be able to effectively keep track of the operating status of such businesses.

Financial institutions from the two sides of the Strait will be able to strengthen cooperation, and through syndicated loans and other such means, assist Taiwanese businesses in the Mainland to weather the blows of the financial crisis.

**The outlook for regional financial cooperation**

Engagement in monetary cooperation between Taiwan and the Mainland can be gradually extended from banknote exchange to trade payments, remittances, deposits, and various other kinds of business. At the same time, cross-strait monetary cooperation will also be helpful to Taiwan's future participation in Asian and even Asia-Pacific currency swap arrangements and other regional cooperation, for jointly responding to whatever shocks the financial tsunami may bring.

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3. Financial Safeguards

Future mainland financial institutions will be able to conduct the financial business in Mainland, while of course, the financial business in Taiwan will not be an easy task. Due to the difference of financial information and regulation, financial institutions in both sides need to be rigorously monitored against any improper loans and business failures.

In the future, Taiwan's financial institutions will be able to conduct various kinds of financial business in the Mainland, while the financial institutions in Mainland will need to control the financial business in Taiwan. In order to avoid the "money out and interest in" phenomenon, "money out and interest in" will be set as a financial management norm in the financial cooperation in the future, and the financial institutions in both sides will need to be supervised by the respective supervision departments and financial authorities. Financial institutions can only engage in the financial business following the rules and regulations issued by the financial authorities. Financial institutions need to make sure to avoid any improper loans and business failures.
3. Financial firewalls to ensure financial order

**Safeguarding fair competition in the financial industry**

Future negotiation between the two sides on mutual establishment of presence and market access will be conducted under the principle of substantive parity - in other words, with the principle of reciprocity, market characteristics, and competition order taken into account. Since Taiwan's market is much smaller than the Mainland's, it will of course be necessary to set higher thresholds for Mainland financial institutions to come to Taiwan. There will not be any occurrence of Mainland banks buying up Taiwanese banks en masse. And the use of domestic financial information by Mainland financial institutions in Taiwan will be rigorously regulated, so there will not be any problem of improper leakage of businesses' financial information.

**Effective supervision of Mainland investment**

In the future, Taiwan's domestic financial institutions will need to comply with stipulated conditions to invest in the Mainland, to avoid the so-called "bee swarm" or "Mainland fever" phenomenon. At the same time, firewall mechanisms will be set up to ensure that there are not any so-called "money out" problems. Branches and representative offices set up in the Mainland by Taiwanese banks will be effectively supervised by the Financial Supervisory Commission by means of information exchange and cross-border inspections, while banks will also be able to opt for on-site inspections. These measures will be able to effectively reduce the risk of business failure.
III. Regularly Scheduled Cross-Strait Flights
Connecting Taiwan to Global Markets

1. The Bountiful Fruits of the Cross-Strait Air Transport Supplementary Agreement

**Arrangement of regular flights**

Normalized arrangements will be conducted for the operation of regular cross-strait passenger and cargo flights on the basis of the weekday passenger charter flights and cargo charter flights as provided for under previous agreement.

**Opening of two new direct cross-strait flight paths**

Two new flight paths will be established respectively in a southern line (between the Taipei and Guangzhou Flight Information Regions) and in a second northern line (between the Taipei and Shanghai Flight Information Regions).

**Increase of passenger flight points**

In addition to its current 21 flight points, the Mainland will open six new flight points in Hefei, Harbin, Nanchang, Guiyang, Ningbo and Jinan, for a total of 27 flight points that may all operate regular flights.

Taiwan will retain 8 flight points, of which Taoyuan and Kaohsiung will be permitted to operate regular flights, and the others to operate charter flights.

**Substantial increase of flights**

The number of passenger flights will be increased from the current 108 charter flights operated weekly by both sides to a total of 270 regular and chartered flights per week. Each side will operate 135 flights, with a maximum of 180 flights per week-up to the five busiest flight paths.

**Increase in passenger carriage**

The flights between Taipei (Taoyuan) and Shanghai (Pudong) are the busiest among all regular and charter flights. In the coming week, double daily flights will be operated between these two airports, permitted to operate a total of 262 flights per week.

**Mutual establishment of a comprehensive mutual enforcement system**

Airline carriers from both sides will establish reciprocal arrangements in the cross-strait aviation. Established, the Mainland and Taiwan have approved a comprehensive system to cross-strait aviation, allowing further negotiation for the number of carriers from both sides and the operation of flights between the two sides on each other.

2. The proposed expansion of regular cross-strait flights

**Doubling of flights**

The 2.5
week-up to 90 operated by each side-serving the Mainland's six busiest flight points.

**Increase of cargo flights and opening of belly cargo carriage**

The flight points for regular cargo flights will still be Taoyuan and Kaohsiung on Taiwan's side and Shanghai (Pudong) and Guangzhou on the Mainland side. A total of 28 regular and chartered cargo flights may be operated each week, double the current number of charter flights, with 14 operated by each side. Regular passenger flights will be permitted to carry belly cargo.

**Mutual establishment of representative entities, and mutual exemption from taxes and fees**

Airline companies on each side of the Strait will be able to establish representative entities (agencies or business entities) in the cross-strait flight locations on the other side of the Strait, and by themselves or through a designated and approved agent sell documents of carriage, undertake advertising and marketing, and conduct other business related to cross-strait air transportation. The two sides will conduct further negotiation on the mutual exemption of each side's air carriers from all kinds of taxes and fees pertaining to the operation of cross-strait flights and income derived therefrom on each other's side of the Strait.

2. **The progressively increasing economic benefits of regular cross-strait flights**

**Doubling of flights relieves demand**

The 2.5-fold increase in the number of cross-strait
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passenger flights should effectively relieve demand from the general public for cross-strait flights. It should also be conducive to the future reduction of ticket prices, will make it more convenient for the more than one million Mainland-resident Taiwanese business owners, managers and their family members to visit home, and will help Mainland-operating Taiwanese businesses set up operations headquarters in Taiwan. At the same time, the increase of Mainland flight points from 21 to 27 will be favorable to the arrangement and diversification of travel and tourism, and could bring more Mainland tourists to Taiwan, creating business opportunities worth more than NT$60 billion per year.

**The optimization of flight paths raises transport efficiency**

After the opening of the southern-line direct flight path, flights to and from the southwest Mainland will no longer need to detour via the Hong Kong Flight Information Region. This will reduce the distance of the flights by around 46~95 kilometers, and cut 5~15 minutes off each flight (calculated according to the operation data for an Airbus A330 airliner). The second northern-line flight path can serve to dissipate the current congestion on flights to and from Shanghai, increase airspace and flight path options for aircraft flying across the Strait, and help enhance transport efficiency and flight safety. Moreover, this flight path can connect with the Mainland's five flight points in the Northeast and Shandong regions (Harbin, Shenyang, Qingdao, Dalian and Jinan), cutting the flight distance by about 357 kilometers compared to the northern-line flight path currently in use, and saving on

average air travel costs, permitting better service and making cross-strait travel more convenient, and will also be able to help reduce air travel costs, and enhance transport efficiency.

**Expansion and Security**

After recursive expansion services can be considered, and carriers will enter Taiwan, into Taiwan, and thereby enhance the tourism industry, and promoting economic development.

3. Gradual expansion and parity and security

The government has approved cross-strait flights both of not at the time, and is a direct link to the regional Flight Information Region through the Hong Kong Flight Information Region, reducing flight distance, cutting time, and enhancing security. In addition, the defensive section of the nautical mile flight point B576...
average around 25 minutes per journey. Furthermore, permitting belly cargo carriage in regular passenger flights will make cross-strait cargo delivery faster and more convenient, and will also help airlines increase their revenues, reduce their costs, and enhance their operating efficiency.

**Expansion of global air transport capacity**

After regular flights go into normalized operation, all services can be run on the same basis as international flights, and carriers will be able to incorporate all cross-strait routes into Taiwan's worldwide network of aviation links. They will also be able to connect up with international prime air routes, thereby enhancing the competitiveness of Taiwan's airline industry, and bringing value-adding benefits to Taiwan's economic development.

**3. Gradually sequenced progress under condition of parity and security**

**Security paramount in flight path negotiation**

The government's highest principle in negotiating direct cross-strait flight paths is the assurance of parity and dignity and of not affecting national security. The southern flight path is a direct air route between the Taipei and Guangzhou Flight Information Regions, with flights no longer having to detour via the Hong Kong Flight Information Region, saving time and reducing flight control handover procedures. In setting this route, we have completely avoided opening any restricted area, and the flight path will not in any way affect our national defense security. The second northern flight path runs 63 nautical miles to the north of the northern flight path from point B576 BERBA that was agreed in the Cross-Strait Air
Transport Agreement signed by the SEF and ARATS on November 4 last year. Its main purpose is to dissipate congestion on the current single Shanghai flight line, and it will have absolutely no impact on national defense security.

**Air transport negotiation progressing step by step in orderly sequence**

The negotiation of regularly scheduled flights has adhered to the principles of dealing with easy matters ahead of difficult ones, and proceeding in gradual, properly sequenced steps. The main focuses in this round of talks were on achieving the normalized operation of cross-strait flights, and on making ancillary arrangements for opening new flight paths, increasing flights and flight points, and so forth. The across-the-board expansion of regular flight operations and more complex issues will be left for subsequent negotiation.

With regard to fifth freedom or on-carriage rights, this is an issue that involves complex factors such as the two sides' commercial interests and airline competition, as well as difficulties concerning the negotiation of air rights and amendment of air agreements signed by the two sides of the Strait with third countries. Since the arrangements involved are so extensive and cannot be achieved in one step, this issue will be left for further and deeper discussion at subsequent talks, with sights set on the gradual development of consensus.

IV. Mainland Foreign

1. The content in Taiwan

**Complementary benefit and competition**

Adhering to the principle that all sides benefit, the advantages of the situation, the companies can be beneficial industrial cooperation, institutionalization.

**Taiwan vs. and competition**

Taiwan regulations and regulations, and to expand and gradual, related tasks, investment, investment, investment.

**The Mainland cross-strait**

The Mainland be the qualified Mainland and to provide investment in Taiwan.
IV. Mainland Investment in Taiwan-Boosting Foreign Investor Confidence in Taiwan

1. The content of the Consensus on Mainland Investment in Taiwan

**Complementing each other’s advantages for mutual benefit and a win-win situation**

Adhering to the principle of complementing each other’s advantages to gain mutual benefit and achieve a win-win situation, the two sides will encourage and assist Mainland companies to explore and invest in Taiwan. This will be beneficial to strengthening and deepening cross-strait industrial cooperation, and achieving the normalization and institutionalization of cross-strait economic and trade relations.

**Taiwan will introduce related regulations and sound and complete ancillary measures as speedily as possible**

Taiwan makes a commitment to introduce related regulations and supporting measures as speedily as possible, and to expand the opening of spheres of investment in proper and gradual sequence, continuing to press forward with related tasks, and helping solve problems stemming from investment, to facilitate Mainland investment in Taiwan.

**The Mainland will create conditions conducive to cross-strait investment in Taiwan**

The Mainland makes a commitment to actively support Mainland businesses investing in Taiwan, to encourage qualified Mainland enterprises to explore investing in Taiwan, and to provide facilitation for strong and competitive firms to invest in Taiwan.
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Joint promotion by the two sides of the Strait

The two sides' competent authorities will establish communication mechanisms in a suitable form, to jointly promote investment in Taiwan by Mainland enterprises.

2. Promoting Mainland investment in Taiwan in gradual steps

Adopting positive listing for enterprises open to investment

A positive listing approach will be adopted for opening the manufacturing and service sectors to Mainland investment. Around 20~30 percent of all types of enterprise in these sectors will be opened for investment.

Prioritizing the opening of industries with complementary advantages

Priority will be given to the opening of industries in which the two sides of the Strait possess mutually complementary advantages, such as Chinese herbal medicine, the automobile industry, the textile industry, rubber and plastic products manufacturing, the wholesale and retail industry, and the catering industry.

Prioritizing the opening of BOT public construction projects

The i-Taiwan 12 Projects and BOT public construction projects can be prioritized for opening to foreign investment, including investment from the Mainland.

Opening real estate investment gradually and sequentially

Priority will be given to opening real estate purchase to Mainland companies that have invested in Taiwan.

3. The economic balance in Taiwan

Balancing inward and outward investment

Opening to Mainland investment can change Taiwan's inward investment structure, upwards of 80 percent of which comes from Japan. This can also vis-à-vis strengthen economic ties with the Mainland.

Two-way situation

Opening to Mainland investment can achieve the economic balance in the Taiwan Strait, is helping to boost Taiwan’s economic development and essential economy.

4. Effective opening project

Opening effective projects do

- Core-tie industrial investment
- Mainland investment
- Bidding projects
- Open projects
- Ancillary investment
- Manipulation
3. The economic benefits of Mainland investment in Taiwan

**Balancing two-way investment, and peppering up inward FDI**

Opening Taiwan's manufacturing and service sectors, i.e. Taiwan 12 projects and real estate to Mainland investment can change the imbalance of the one-way flow of cross-strait investment, which has seen Taiwanese businesses pour upwards of US$100 billion into investment in the Mainland. It can also vitalize policy to attract foreign investment, and strengthen foreign businesses confidence in Taiwan's investment environment.

**Two-way investment, reciprocity and a win-win situation**

Opening Taiwan to investment from the Mainland achieves the two-way flow of investment across the Taiwan Strait, is helpful to injecting capital into Taiwan's industry and boosting Taiwan's capital markets, and can create jobs and fuel economic growth.

4. Effectively controlling risks of opening

**Opening to Mainland investment will not adversely affect domestic industry**

- Core-technology industries that are prohibited from investing in the Mainland will not be opened to Mainland investment in Taiwan.
- Bidding on public construction projects will not be opened to Mainland investors.
- Ancillary measures will be adopted to prevent manipulation of real estate prices.
Risk management mechanisms

- Establishment of control thresholds:

  To prevent Mainland investors investing in Taiwan via a third country to circumvent regulations on investment from the Mainland, plans have already been made to require that, if Mainland investors hold above a certain ratio (in principle 30%) of the shares of a foreign company investing in Taiwan, or are shareholders with a major influence in the company, the company will be subject to the same controls as a Mainland investor.

- Restricting Mainland investors from holding a decision-making stake in a company:

  To address worries of Mainland investors gaining substantive control of domestic listed or OTC companies through stock investment, plans have already been made to require that, if a Mainland QDII acquires more than 10% of the shares of a Taiwanese listed or OTC company, it must pass review by the Investment Commission of the MOEA in accordance with the regulations for the approval of Mainland investment in Taiwan.

- Sound and complete review and management mechanisms:

  Under Article 73 of the Act Governing Relations Between the Peoples of the Taiwan Area and the Mainland Area, rules laid down by the competent authorities governing permission for Mainland investment in Taiwan must provide for sound and complete review and management mechanisms in respect of relevant applications, to enable adequate

V. Building a Competitive Environment

As an island nation, Taiwan faces the reality of globalization. In order to address various challenges and opportunities it faces, it is necessary to embrace globalization and the spirit of competition. By so doing, Taiwan will be able to make the most of the opportunities brought about by global economic conditions and develop into a highly competitive urban society.

In the light of the above, the new administration has been focusing on creating a new competitive environment for business, and has been working to address many of the problems that have been hindering development. The Economic and Cultural Co-operation Agreement, the Economic and Cultural Co-operation Agreement on Cross-Strait Trade and Economic Co-operation, the Cross-Strait Trade and Economic Co-operation Agreement, and the Cross-Strait Trade and Economic Co-operation Agreement on Cross-Strait Trade and Economic Co-operation have all been signed in accordance with the principles of mutual consents and mutual benefits. These agreements provide the Mainland with an important platform for the development of cross-strait trade and economic co-operation.
identification and control of risk.

V. Building up Taiwan's International Competitiveness

As an island economy founded on trade, Taiwan must face out to the world, face up to the rapid development of globalization and regional economic integration, and squarely face the reality of the economic rise of Mainland China. Only by so doing will it be able to find its best position on the global economic map, and make itself internationally competitive.

In the little less than a year since coming to power, the new administration has thoroughly changed the thinking behind and direction of Taiwan's government policy. Boldly facing out to the world, facing up to challenges, and embracing the principle of "maximizing the opportunities while minimizing the risks" in facing the trends of cross-strait economic and trade development. It has embarked on three rounds of "Chiang-Chen talks" at which nine agreements have been inked, namely, the Minutes of Talks on Cross-Strait Charter Flights, the Cross-Strait Agreement Concerning Mainland Tourists Traveling to Taiwan, the Cross-Strait Air Transport Agreement, the Cross-Strait Sea Transport Agreement, the Cross-Strait Postal Service Agreement, the Cross-Strait Food Safety Agreement, the Cross-Strait Joint Crime-Fighting and Judicial Mutual Assistance Agreement, the Cross-Strait Financial Cooperation Agreement, and the Cross-Strait Air Transport Supplementary Agreement, and at which consensus has been established on investment in Taiwan from the Mainland. These important achievements have already laid and expanded firm foundations for promoting the
normalization of cross-strait economic and trade relations. They are also paving the way for Taiwan to once again find a place of importance on the global economic stage, and enabling the gradual firing up of Taiwan's advantageous conditions and economic vitality. On these increasingly solid foundations, Taiwan will surely be able to seize the opportunities of a global economy in transition, and rise to another peak of economic achievement.

Cross-Strait Economic and Trade Relations

This agreement is the third round of the Chiang-Chen Talks. It represents the completion of the two previous rounds and the beginning of a new chapter in cross-strait economic cooperation. To promote cross-strait economic and trade relations, the Cross-Strait Economic and Trade Cooperation Negotiation Committee (hereafter referred to as "the Negotiation Committee") was established in 2008, following the second round of the Chiang-Chen Talks. The Negotiation Committee is a platform for discussing and negotiating on various issues, including those related to economic and trade cooperation.

1. Financial Affairs

The Parliaments are responsible for managing financial-related matters.

(1) Financial Affairs

The Parliaments are responsible for managing financial-related matters. The parties involved in the cross-strait financial cooperation are expected to ensure the smooth functioning of their respective financial entities.

The Parliaments may also consider issues related to banking, insurance, and other financial matters. These matters will be discussed and practiced through the Negotiation Committee.
Cross-Strait Financial Cooperation Agreement

(This agreement will become effective only after the completion of relevant procedures.)

To promote cross-strait financial exchanges and cooperation, advance the stable development of cross-strait financial markets, and facilitate cross-strait economic and trade dealings, the Straits Exchange Foundation and the Association for Relations Across the Taiwan Strait, after negotiation based on an equal footing, hereby agree on the following matters concerning cross-strait cooperation in financial supervision and monetary management:

1. Financial Cooperation

The Parties agree to assist each other in fulfilling the responsibilities of financial supervision and monetary management, to strengthen broad cooperation in the financial domain, and to jointly maintain financial stability.

(1) Financial Supervision

The Parties agree that the financial supervisory institutions on the two sides of the Strait shall establish cooperative mechanisms for financial supervision of, respectively, the cross-strait banking industry, the cross-strait securities and futures industry, and the cross-strait insurance industry, to ensure the effective supervision of mutually established entities.

The Parties' financial supervisory institutions for the banking industry, securities and futures industry, and insurance industry may make specific arrangements for matters of cooperation in accordance with industry practice.
(2) Monetary Management

The Parties agree to start by providing appropriate institutions, such as commercial banks, with suitable means to conduct cash exchange, supply and flowback operations, and to develop cooperation in such areas as banknote anti-counterfeiting technology, as the first steps in gradually establishing a currency settlement mechanism to strengthen cross-strait cooperation in monetary management.

(3) Other Items of Cooperation

The Parties agree to engage in discussions on financial institutions on both sides of the Taiwan Strait having access to and developing business in each other's markets.

The Parties agree to encourage financial institutions on the two sides of the Taiwan Strait to step up cooperation, to create conditions for jointly strengthening services to businesses on both sides of the Strait.

2. Information Exchange

The Parties agree to provide each other with information on financial supervision and monetary management, for the purpose of maintaining financial stability. The Parties shall as speedily as possible provide information on significant matters that could affect the sound operation of financial institutions or the stability of financial markets.

The mode and scope of the provision of information shall be determined through discussion between the Parties.

3. Confidentiality Obligation

The Parties agree that all information obtained under this
Agreement shall be used solely for the purposes of financial supervision and monetary management, and shall comply with confidentiality requirements.

The mode of handling third-party requests for the provision of information shall be determined separately through discussion between the Parties' respective supervisory institutions.

4. Mutual Establishment of Entities

The Parties agree that, after this Agreement goes into effect, the financial supervisory institutions on the two sides of the Strait, giving consideration to the principle of reciprocity, market characteristics, and competition order, shall as quickly as possible push for the mutual establishment of entities by commercial financial institutions on each side of the Strait.

Qualifying criteria for financial institutions to establish entities or obtain equity stakes in entities across the Strait, and the scope of business operations permitted on each other's side of the Strait, shall be determined separately through discussion between the Parties' supervisory institutions.

The Parties agree to seek each other's opinions concerning applications by financial institutions to establish entities or obtain equity stakes in entities across the Strait.

5. Modes of Examination

The Parties agree to adopt diverse modes, in accordance with industry practice and characteristics, for conducting the examination of mutually established financial institutions. The modes of examination shall be determined
separately through discussion between the Parties’ respective supervisory institutions.

6. Operational Exchanges
The Parties agree to strengthen cooperation in financial supervision and monetary management by means of personnel engaging in exchange visits, training, technical collaboration, meetings, and so on.

7. Document Format
The format of documents used by the Parties for exchange of information, seeking of opinions, and other operational liaison shall be determined through discussion between the Parties.

8. Liaison Bodies
(1) Liaison on the implementation of matters set out in this Agreement shall be conducted by a contact person or persons designated by the financial supervisory institutions and monetary management institutions of each Party. If necessary, with mutual consent, the Parties may designate other entities to conduct liaison.

(2) Liaison regarding other matters related to this Agreement shall be handled by the Straits Exchange Foundation and the Association for Relations Across the Taiwan Strait.

9. Performance of and Amendment to the Agreement
The Parties shall comply with the provisions of this Agreement.
This Agreement shall be amended only with both Parties' consents.

10. Dispute Resolution
Any disputes arising from the implementation of this Agreement shall be settled by friendly negotiations between the Parties.

11. Matters Not Addressed
Matters not addressed in this Agreement shall be handled separately as appropriate.

12. Effectiveness
This Agreement shall take effect within six months from the date of signature by both Parties. This Agreement shall be in triplicate; one copy each for the Parties and one copy for the Straits Exchange Foundation.

Chairman

Chiang, Chih

【Note: The document contains multiple signatures and dates, indicating its official nature and the involvement of various parties.】
consents, and shall be confirmed in writing.

10. Dispute Resolution

Any disputes arising from the application of this Agreement shall be resolved by prompt negotiation between the Parties.

11. Matters not Mentioned in this Agreement

Matters not mentioned in this Agreement shall be separately discussed and resolved by the Parties in an appropriate manner.

12. Effective Date

This Agreement shall become effective after both Parties have completed related preparations, within no more than 60 days of the date of signature.

This Agreement was signed on April 26 in four original copies, with each Party keeping two copies.

Straits Exchange Foundation
Chairman
Chiang, Pin-Kung

Association for Relations Across the Taiwan Strait
Chairman
Chen, Yunlin

【Note：In case of any discrepancy between the Chinese and English texts, the Chinese text shall govern.】
Cross-Strait Air Transport Supplementary Agreement

(This agreement will become effective only after the completion of relevant procedures.)

The Straits Exchange Foundation and the Association for Relations Across the Taiwan Strait, after negotiation based on an equal footing, hereby agree on the following supplementary matters concerning the opening of regular cross-strait passenger and cargo flights in accordance with the provisions of Articles 1, 3 and 4 of the Cross-Strait Air Transport Agreement:

1. Flight Paths

The Parties agree, on the basis of the northern flight path across the Taiwan Strait, to open direct two-way flight paths in a southern line and a second northern line, and to continue to negotiate for the opening of other more convenient new flight paths.

2. Regulation of Carriage

The Parties agree that the documents of carriage and conditions of liability used for regular cross-strait flights shall be regulated with reference to cross-strait modes of operation in current practice.

3. Carriers

The Parties agree that each may designate airline companies capitalized by and registered on either side of the Taiwan Strait to operate regular and irregular air transport services for the separate or combined carriage of passengers, cargo and mail between designated points specified under the Agreement. The Parties shall also negotiate to open more flights between the other Parties and to make an alteration to the Agreement as necessary.

4. Flight Plans

The Parties agree to follow the principles of the Agreement to determine flight plans shall be agreed upon in accordance with the Agreement.

5. Air Tariffs

The Parties agree on the basis of the Agreement to negotiate for the air tariffs between the Parties on the cross-strait flights across the Taiwan Strait.

6. Representation

The Parties agree to negotiate, on the basis of the Agreement, to determine how the parties shall represent their interests in the cross-strait air transport services across the Taiwan Strait, and the terms and conditions of the approval of the air transport services, advertising, and other related matters relating to cross-strait air transport services shall be regulated with reference to the Agreement.
passengers, luggage, cargo and mail between the flight points stipulated in the Annex to this Supplementary Agreement, and shall give prior notification thereof to the other Party. The same applies to the cancellation or alteration of the aforesaid designation.

4. Flight Points

The Parties agree that cross-strait flight points shall continue to follow the provisions in the Cross-Strait Air Transport Agreement, and that the opening of new flight points can be agreed through negotiation between the Parties in accordance with market demand.

5. Air Tariffs

The Parties agree that airline companies on both sides of the Strait shall submit a record of their tariffs for regular cross-strait flights to the aviation regulators on either side of the Strait.

6. Representative Entities

The Parties agree that airline companies on the two sides of the Taiwan Strait can establish representative entities in the cross-strait flight locations on the opposite side of the Strait, and by themselves or through a designated and approved agent sell documents of carriage, undertake advertising promotion, and conduct other business related to cross-strait air transportation. The staff members of a representative entity as aforesaid shall abide by the regulations of their place of location.
7. Mutual Exemption from Taxes and Fees

The Parties agree, on a basis of reciprocity, to negotiate mutual exemption from customs duty, inspection fees and other similar taxes and fees on equipment and goods related to cross-strait air carriers and their operational activities, with the specific items of tax and fee exemption and the range of goods covered thereby to be jointly determined through negotiation between the Parties, and to mutually exempt from business tax and income tax cross-strait airline companies' transportation revenue gained by the two sides' airline companies on each other's side of the Strait from participation in cross-strait air transport.

8. Income Currency Exchange

The Parties agree that cross-strait airline companies may at any time, in accordance with the procedure stipulated in their place of situation, convert the currency of their income earned on the other side of the Strait, and remit the converted funds to where their company headquarters are situated or to another designated place.

9. Aviation Safety

The Parties agree to establish an aviation safety liaison mechanism, for the mutual provision of all timely and necessary assistance, to jointly safeguard the flight safety of cross-strait air transport and the safety of the persons and property of cross-strait air passengers. When an incident or threat occurs to endanger flight safety, the Parties shall assist each other in adopting appropriate measures to swiftly and properly deal with the situation.

10. Ancillary Matters

The Parties shall consult each other about the issue of ancillary matters related to the two sides' enterprises' handling of fees, so on. In the above-mentioned practical operations, the two sides shall cooperate.

11. Application

The Parties shall consult each other about the issue of situation on the application of matters within the two sides' aviation industries.

12. Liaison

The Parties shall consult each other about the issue of matters related to the preparation of liaison, conduct of consultation, and liaison matters.

13. Model Agreement

The intentions and provisions of this Supplement shall be effective and shall serve as the basis for the person-to-person agreements of the enterprise offices on both sides of the Strait. The rest of the relevant documents shall follow.
swiftly and safely terminate the incident or threat.

10. Ancillary Matters

The Parties agree that related matters of certificate and license inspection, airworthiness certification, airport safety checks, inspection and quarantine, ground-handling agency, provision of data, service charges, and so on, shall be conducted with reference to air transport practice and related regulations, and shall strengthen cooperation for the provision of mutual facilitation.

11. Application of Regulations

The Parties agree that the two sides' airline companies shall comply with the relevant regulations in their place of situation when engaging in cross-strait air transport within the area on each other's side of the Strait.

12. Liaison Mechanism

The Parties agree that the aviation regulators on the two sides of the Strait shall establish a liaison mechanism, to conduct communication and exchange of views on matters related to cross-strait air transport at any time according to need.

13. Mode of Implementation

The implementation of matters set out in this Supplementary Agreement shall be handled by contact persons designated by the aviation regulators on the two sides of the Strait, liaising with each other using document formats as decided through negotiation
between the parties, and informing each other of news, answering each other's inquiries, and so on.

In the event of a dispute occurring between the Parties as to the implementation or interpretation of the Agreement, the dispute shall be resolved through negotiation between the aviation regulators on the two sides of the Strait.

14. Effective Date

This Supplementary Agreement shall become effective after both Parties have completed related preparations, within no more than 60 days of the date of signature.

This Supplementary Agreement was signed on April 26 in four original copies, with each Party keeping two copies.

Annex: Specific Arrangements for Cross-Strait Flight Paths and Flights

Straits Exchange Foundation Association for Relations Across the Taiwan Strait
Chairman Chairman

Chiung, Pin-Kung Chen, Yunlin

[Note: In case of any discrepancy between the Chinese and English texts, the Chinese text shall govern.]
ANNEX

Specific Arrangements for Cross-Strait Flight Paths and Flights

Specific arrangements under Articles 1, 3 and 4 of this Agreement are as follows:

1. Newly Opened Flight Paths

The Parties agree that the aviation regulators on each side of the Strait shall by appropriate means establish a direct flight path in a southern line between the Taipei and Guangzhou Flight Information Regions, and a direct flight path in a second northern line between the Taipei and Shanghai Flight Information Regions, and shall conduct liaison and make specific arrangements for a procedure for the direct handover of air traffic control.

The southern line flight path shall be:
From N22°36'15" E117°57'16" to N22°57'00" E116°21'36" via the air traffic control handover point agreed by the Parties at N23°00'00" E117°30'00", for use in both directions.

The second northern line flight path shall be:
From N27°56'18" E123°41'39" to N30°45'46" E123°41'39" via the air traffic control handover point agreed by the Parties at N28°41'57" E123°41'39", for use in both directions.
2. Passenger Transport

(1) Carriers:

Besides each Party designating four airline companies to operate the route between Taoyuan and Taipei Songshan Airports and Shanghai (Pudong) Airport, each Party shall also designate two airline companies to operate each route between the remaining flight points.

(2) Flight points:

a. The Taiwan side agrees that Taoyuan and Kaohsiung Airports can operate regular flights, and that the six other flight points of Taipei (Songshan), Taichung, Penghu (Makung), Hualien, Kinmen and Taitung can serve as passenger charter flight points.

b. The Mainland side agrees that, on the basis of the existing 21 flight points of Beijing, Shanghai (Pudong), Guangzhou, Xiamen, Nanjing, Chengdu, Chongqing, Hangzhou, Dalian, Guilin, Shenzhen, Wuhan, Fuzhou, Qingdao, Changsha, Haikou, Kunming, Xi'an, Shenyang, Tianjin and Zhengzhou, six new flight points will be added, namely, Hefei, Harbin, Nanchang, Guiyang, Ningbo and Jinan. The above 27 flight points all can operate regular flights.

(3) Number of flights:

The Parties agree that regular passenger flights and passenger charter flights shall number 270 round trips per week in total, with each Party operating 135 round-trip flights per week. Among these, the respective Parties shall not operate more than the following number of weekly round-trip flights:

a. The Taoyuan Airport
   20 flights
b. The Mainland Airports
   10 flights

The arrangement of flight points provided above is subject to the mutual agreement of both Parties.

3. Cargo Transport

(1) Carriers:

Each Party shall designate one airline company to operate cargo flights.

(2) Flight points:

a. The Taiwan side agrees that cargo flights can operate from Taoyuan and Kaohsiung Airports.

b. The Mainland side agrees that cargo flights can operate from the Mainland Airports.

(3) Number of flights:

The Parties agree that cargo flights shall number 50 round trips per week in total, with each Party operating 25 round-trip flights per week.
round-trip flights from the following flight points:

a. The Taiwan side: 21 flights from Taipei Songshan Airport.

b. The Mainland side: 28 flights from Shanghai (Pudong); 10 flights from Beijing; 10 flights from Shenzhen; 14 flights from Guangzhou; 14 flights from Kunming; and 14 flights from Chengdu.

The arrangement of regular and charter flights at other flight points can be based on market demand within the range of the total number of flights.

3. Cargo Transport

(1) Carriers:

Each Party shall designate two airline companies to operate each route.

(2) Flight points:

a. The Taiwan side agrees that the Taoyuan and Kaohsiung flight points can operate regular flights.

b. The Mainland side agrees that the Shanghai (Pudong) and Guangzhou flight points can operate regular flights.

(3) Number of flights:

The Parties agree that regular cargo flights and cargo charter flights shall number 28 round trips per week in total, with each Party operating 14 round-trip flights per week. Among these, each Party shall operate 7 round-trip flights serving Guangzhou and 7 round-trip flights serving Shanghai (Pudong).
(4) Carriage of belly cargo

The Parties agree to mutually open the carriage of belly cargo in regular passenger flights.

4. Other Matters

The Parties agree in principle to no longer allow charter flights on routes served by regular flights.

The two sides hope to make the cross-strait relationship more stable and beneficial to the two sides as well as to the two environments. The two sides hope to contribute to the prosperity and peace of the cross-strait, especially the prosperity of the cross-strait relations. The two sides hope to continue to adhere to the principle that both sides agree and the two sides hope that they will continue to benefit the advantages of the two sides. The two sides hope that the two sides can maintain the two sides situation, and to achieve the two sides' goals. The two sides hope to strengthen the two sides' relations, and to achieve the prosperity and peace of the cross-strait environment.

The two sides hope that the two sides' relations will be beneficial to the two sides as well as to the two environments. The two sides hope that the two sides' relations will be beneficial to the prosperity and peace of the cross-strait. The two sides hope that the two sides' relations will be beneficial to the prosperity and peace of the cross-strait environment.

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Items of Consensus Reached Between the SEF and ARATS Concerning Mainland Investment in Taiwan

The two sides are at accord in taking the view that cross-strait relations now face a hard-to-come-by historic opportunity to promote the creation of a propitious environment for two-way direct investment across the Taiwan Strait, especially in face of the impact and shocks that the international financial crisis has exerted on the economies on the two sides of the Strait, and that the two sides should adhere to the principle of complementing each other's advantages to achieve mutual benefit and a win-win situation, and should actively encourage and promote Mainland enterprises to explore and invest in Taiwan, to help strengthen and deepen cross-strait industrial cooperation, and to achieve the normalization and institutionalization of cross-strait economic and trade relations.

The two sides desire that the competent authorities on each side of the Taiwan Strait, by suitable means, establish a communication mechanism for jointly promoting investment in Taiwan by Mainland enterprises.

The SEF declares that: The Taiwan side earnestly welcomes Mainland investment in Taiwan. It will as speedily as possible announce related regulations and ancillary measures, and in orderly sequence gradually expand the opening of investment spheres, continuing to carry out related tasks and helping solve problems stemming from investment, to facilitate Mainland investment in Taiwan.

ARATS declares that: The Mainland side will actively support investment by Mainland enterprises in Taiwan. It will
encourage qualified Mainland enterprises to carry out field investigations in Taiwan, to understand the investment environment and seek investment opportunities. On the basis as promulgated in related regulations, it will provide facilitation for strong and competitive Mainland enterprises to invest in Taiwan.
The Third Round of Chiang-Chen Talks
Economic and Trade Matters

Standing astride the Taiwan Strait, with eyes upon the whole world

Financial cooperation
Regular flights
Mainland investment in Taiwan

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