

Appendix 146 -- China's Policy on Three Direct Links' across the Taiwan Straits

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Beijing, Dec. 17 (Xinhua) -- The Taiwan Affairs Office of the State Council Wednesday issued a document on China's policy on direct links in mail, transport and trade across the Taiwan Straits.

Actively and Realistically Promote 'Three Direct Links' Across the Taiwan Straits by Reliance on the People and in the Interests of the People":

Foreword

Owing to the military confrontation across the Taiwan Straits in the past 30 years or more since 1949, people- to-people contacts and direct links in mail, transport and trade between the two sides of the Taiwan Straits were totally suspended, resulting in total division between the compatriots across the Straits. On New Year's Day 1979, the Standing Committee of the National People's Congress (NPC) of the People's Republic of China (PRC) issued a message to compatriots in Taiwan. In a bid to make it easier for family members, relatives and friends of compatriots on both sides of the Straits to visit each other, to communicate, travel, and develop economic, cultural and other ties, the message initiated a proposal for "starting postal and air and shipping services across the Straits as soon as possible," and "developing trade, supplying each other's needs, and conducting economic exchanges." The mainland has since spared no effort in forging direct links in mail, transport and trade (hereinafter referred to as the "three direct links," or "three links") across the Straits. In November 1987, the Taiwan authorities made the decision to permit Taiwan compatriots to visit their relatives on the mainland, which was welcomed by the mainland and ended the 38-year-long severance between the two sides of the Straits. People-to-people contacts and economic and cultural exchanges across the Straits have since made development, and thus accelerated the progress of the "three direct links." Such contacts and exchanges have made much headway in the past dozen years. But, to our regret, the cross-Straits " three links" remains in an indirect, one-way and partial state due to restrictions and obstructions imposed by the Taiwan authorities. An early realization of direct, two-way and complete "three links" will be in the immediate and fundamental interests of people on both sides of the Straits. We hope that compatriots on both sides will make concerted efforts and actively and realistically promote the "three direct links" across the Straits, so as to bring benefits to our posterity.

1. The Status Quo of the "Three Direct Links" Across the Straits and the Problems to Be Solved

1. Progress of the "Three Direct Links"

Under strong demand from compatriots, and due to negotiations and efforts by business circles, on both sides of the Straits, the " three direct links" have started from

scratch and progressed to varying degrees.

(1) Postal Link Mail Service

The mainland formally launched ordinary and registered mail services with Taiwan in 1979. In 1989 inter- Straits direct postal parcel delivery was established via Hong Kong. In April 1993, the mainland-based Association for Relations Across the Taiwan Straits (ARATS) and the Taiwan-based Straits Exchange Foundation (SEF) signed the Agreement on Inquisition and Compensation of Registered Letters Across the Straits. Registered letter service hence went into formal operation across the Straits.

(2) Telecommunication Service

In 1979, the mainland started telegraph and telephone services with Taiwan. In 1989, Taiwan opened telegraph and telephone services with the mainland via a third place. In 1996, China Telecom and the Taiwan- based Chunghwa Telecom set up direct telecom business ties. And direct telecommunication channels across the Straits were set up through Sino-American, Eurasian and Asia-Pacific seabed optical cables constructed in 1999 and 2000. The telecommunication departments of both sides have launched mutual telephone, data communication, mobile phone roaming and videophone services. Cross-Straits telecom business has been booming, accounting for the largest and second-largest shares of the overseas telecom business of Taiwan and the mainland, respectively.

In August 1979, the mainland proposed for negotiations on sea transportation across the Straits with the shipping community in Taiwan, and declared that Taiwan ships would have access to all its open ports. In order to ensure navigation security across the Straits, the mainland offered the services of mainland lighthouses to ships from Taiwan, and fully opened offshore radio service to Taiwan ships to provide them with communication and navigation services. In addition, the two sides co-founded a search and rescue hotline. Relevant regulations, such as Measures for Shipping Management Across the Taiwan Straits, promulgated in August 1996, standardize essential matters concerning direct shipping across the Straits. So far, seven business offices and 37 shipping agencies for Taiwan-based shipping companies have been given approval to be set up at key ports on the mainland's coastal areas.

In April 1997, direct shipping between Fuzhou and Xiamen, and Kaohsiung entered trial operation. Mainland- and Taiwan-invested shipping companies can use vessels with a flag of convenience to transport foreign transshipment trade cargos of both sides via Kaohsiung Port. In March 1998, a regular container shipping route was inaugurated across the Straits, whereby cargo ships calling at ports across the Straits require change of documents rather than vessels at a third place.

In consideration of the demand of the people in Jinmen and Mazu, in early 2001 the mainland provided every possible assistance for shipping between the two islands and the coastal areas of Fujian Province. Vessels funded by and registered on either side of the Straits can conduct passenger and cargo transport across the Straits by flying only company flags.

Air Service

In October 1981, the mainland's civil aviation administration expressed readiness to negotiate at any time with its Taiwan counterpart on an air link across the Straits. In March 1990, the mainland released the Provisional Regulations on Application and Approval Procedures for Nonscheduled Flights of Civil Aviation Transport Between the China Mainland and Taiwan. From 1989 to 1996, the civil aviation sectors of both sides each served as sales agencies in passenger and cargo transport for the other, and commenced one-ticket and through baggage services between them. They signed several agreements on cooperation in the aspects of ticket-booking, commerce, plane maintenance, aviation and services. In December 1995 and August 1996, Air Macao and Dragonair opened Macao- Taiwan and Hong Kong-Taiwan air routes, respectively, realizing indirect air links between the mainland and Taiwan via Macao and Hong Kong. Since 1997, four Taiwan airlines have been given approval to set up their representative offices in Beijing.

In 2003, the mainland adopted flexible and practical measures aimed at handling special cases with special methods, to facilitate Taiwan business people's return to the island for the Spring Festival: Six Taiwan airlines were given approval to operate charter planes 16 times to carry Taiwan business people to commute between Taipei and Kaohsiung and Shanghai via Hong Kong and Macao. This was the first time in 50-plus years that Taiwan- operated planes had landed at a mainland airport by a normal approach.

(3) Business Link (Trade, Investment and Finance) Trade

Since 1979, the mainland has opened its market to Taiwan products, offering them preferential treatment such as tax exemption or reduction. In December 2000, the Ministry of Foreign Trade and Economic Cooperation of the PRC released Measures for the Administration of Trade with the Taiwan Area. The cross- Straits trade volume was a mere US \$46 million-worth in 1978, but it shot up to US \$44.66 billion-worth in 2002, approximately 971 times as much as the 1978 figure. By the end of September 2003, the accumulated volume of cross-Straits trade had totaled US \$309. 18 billion-worth, of which US \$48.89 billion-worth came from mainland's exports to Taiwan, and US \$260.29 billion-worth from Taiwan's imports, the mainland's trade deficit with Taiwan amounting to an accumulative total of US \$211.4 billion. Since 1991 the mainland has become Taiwan's No.1 source of trade surplus. According to statistics, in 2002 the mainland had become the largest export market for Taiwan, and the island was the mainland' s second-largest import market.

In July 1988, the State Council of the PRC issued the Regulations for Encouraging Investment by Taiwan Compatriots. In 1992 the Taiwan authorities permitted Taiwan compatriots to make indirect investment in, and carry out technical cooperation with, the mainland via a third place. In March 1994, the Standing Committee of the NPC adopted the Law on the Protection of Investment by Taiwan Compatriots. In December 1999, the State Council formulated the Detailed Rules for the Implementation of the Law on the Protection of Investment by Taiwan Compatriots,

and local people's congresses and governments accordingly worked out corresponding local regulations and administrative rules in light of local conditions. A legal system was therefore formed or improved to protect the legal rights and interests of Taiwan compatriots in the mainland. Relevant departments and local governments in the mainland have made continuous efforts to improve investment environment and provide good service for Taiwan compatriots, thereby promoting their investments. By the end of September 2003, a total of 59,458 Taiwan-invested projects had been approved on the mainland, with the contractual value of Taiwan investment totaling US \$67.98 billion, and the actually utilized Taiwan investment totaling US \$35.71 billion. According to statistics from Taiwan, Taiwan business people have since 1993 taken the mainland as their first choice for outside-the-island investment.

Financial Exchanges and Cooperation

In 2002, mainland-based commercial banks officially started remittance and letter of credit business with the offshore bank units (OBU) of Taiwan-based banks. In 2003, they further opened these businesses with the domestic bank units (DBU) in Taiwan. By October 2003, the mainland had approved the establishment of 2 Taiwan-invested banks, representative offices of 7 Taiwan-based banks, 12 representative offices of 9 Taiwan-based insurance companies and 1 Taiwan-based insurance brokerage company, and 17 representative offices of 12 Taiwan-based securities companies.

In the process of promoting the "three direct links," non-governmental trade organizations across the Straits have carried out in-depth discussions time and again on relevant technical and professional issues involved in the "three direct links," and reached consensus in many aspects. Negotiations on inter-Straits communication have been going on successfully. Trial direct navigation across the Straits is operating smoothly. Delicate issues concerning two-way direct shipping between coastal areas of Fujian Province and Jinmen and Mazu have been properly resolved. Meanwhile, Taiwan-operated charter planes for the first time transported Taiwan's businesspeople across the Straits during the 2003 Spring Festival. All these facts show that businesspeople on both sides can undoubtedly find methods acceptable to both sides. As a matter of fact, both the technical and professional issues involved in the "three direct links" have been settled.

2. The Current Indirect, Two-way and Partial State of the "Three Direct Links" Has Impeded the Exchanges and Contacts Between Compatriots and the Development of Economic and Trade Cooperation Across the Straits.

Mail

Cross-Straits postal parcels have to be delivered via Hong Kong or Macao. Postal business is of a limited scope, and parcel post, small parcel post, remittance and express delivery services still remain unopened.

Transport

Direct shipping and flight are still unavailable. Cross-Straits travelers therefore have to transit via a third place such as Macao or Hong Kong. Cross-Straits cargos are ineligible for trial direct shipping, and have to be transshipped via a third place such as

Hong Kong or Japan. Here arises the curious phenomenon of "cross-Straits cargo ships bringing in no cargos and arriving cargos not being brought by cargo ships."

The mainland market has been completely opened to Taiwan enterprises and commodities, while the mainland's exported commodities are subject to many discriminatory restrictions in Taiwan. Many of the mainland's advantageous commodities that are in high demand in Taiwan can find no access to the island. Mainland enterprises are not allowed to invest in Taiwan, or to set up their necessary business agencies there. It is difficult for mainland enterprises to hold or attend economic and trade exhibitions and business talks in Taiwan. And the mainland's businesspeople face many restrictions on investigation tours of or visits to Taiwan.

3. The Failure to Realize Direct, Two-way and Complete "Three Links" Is Mainly Attributed to Obstruction by the Taiwan Authorities.

For a long time in the past, the Taiwan authorities have set up numerous barriers to inter-Straits "three direct links," in disregard of the eager desire of compatriots across the Straits and the demands of Taiwan's economic growth. Lee Teng-hui and the current leader of the Taiwan authorities have both tried to stall and obstruct the "three direct links" on the pretext of seeking "equality, security and dignity." The Taiwan authorities have willfully added stringent restrictive clauses to regulations concerning the "three direct links," attaching to them various political prerequisites in an attempt to hamper cross-Straits negotiation on the "three direct links." On the one hand, the current leader of the Taiwan authorities refuses to accept the one-China principle or acknowledge the "1992 common understanding." As a result, cross-Straits dialogue and negotiation cannot be resumed. On the other hand, he refuses to accept the simple and facile method of having non-governmental trade organizations negotiate "three direct links" matters, causing protracted delay in the opening of the "three direct links" negotiation. Facts have spoken volumes that, although the current leader of the Taiwan authorities has indicated that the "three direct links" should not be a problem and is "an inevitable way to go," in essence he is unwilling at all to see the cross-Straits exchanges and the normal development of inter-Straits relations. He has broken his promise, gone back on his word, and done everything in his power to postpone the opening of the "three direct links." What's more, he has tried every possible means to politicize and complicate the "three direct links" issue, even to try to incorporate it in his framework of separatist proposition of "one country on each side." The stand and policies of the current leader of the Taiwan authorities aimed at disrupting the development of cross-Straits relations and splitting the motherland are the root cause of the failure so far to realize the direct, two-way and complete "three links."

ii. Realization of the "Three Direct Links" Accords with the Immediate Interests of Compatriots Across the Straits, and Is the Fundamental Way to Attaining Mutual Benefit and a Win-Win Situation.

1. The Direct, Two-Way and Complete "Three Links" Is an Objective Demand for People-to-People Contacts and Economic and Trade Exchanges Across the Straits. Between 1988 and 2002, Taiwan people made more than 27 million passenger trips to

visit their relatives and friends, travel, conduct investment or engage in other cross-Straits exchanges on the mainland, whereas mainlanders' trips across the Straits reached well over 700,000. In 2002 the cross-Straits volume of passenger transport approached four million, the trade volume exceeded US \$40 billion-worth, and the volume of cargo transport reached anything up to tens of millions of tons. Failure to institute the direct, two-way and complete "three links" has not only increased the economic burden on compatriots across the Straits, particularly Taiwan compatriots, but also wasted much of their time and energy.

On a flight from Taipei to Shanghai via Hong Kong, a round-trip ticket only from Taiwan to Hong Kong will cost US \$380. This means that for the 27 million passenger trips the passengers will spend a total of well over US \$10 billion more than necessary. A direct flight from Taipei to Shanghai would take only one hour and 15 minutes, but when flying via Hong Kong as the stopover, the flight time will be extended to about four hours, not including waiting time in Hong Kong.

Freight Transport

The direct distance between Shanghai Harbor and Kaohsiung Harbor is 600 nautical miles, but sea transportation bypassing Japan's Ishigaki Island is 232 nautical miles longer, a voyage costing more money and taking more time than necessary. The adoption of a direct air transport service will definitely save time and reduce transport costs by wide margins, and cross-Straits trade will be increased as a result of improved efficiency of goods flow.

2. The Direct, Two-Way and Complete "Three Links" Will Help Boost Inter-Straits Economic Development.

Currently, the two sides of the Straits are in different stages of economic development. There are adequate conditions for mutual complementarity and also much room for development in their economic cooperation. The history of cross-Straits economic exchange over the past dozen years is a "win-win" history of cross-Straits economic development. Cross-Straits economic exchange and cooperation have contributed more than obviously to Taiwan's economic growth.

According to the Taiwan-based Chung Hua Institution for Economic Research, every growth of US \$1 in Taiwan's exports to the mainland will bring an increase of US \$2 of direct or indirect output value to the relevant Taiwan industries. Taiwan's huge favorable trade balance with the mainland has contributed greatly to the growth of its foreign exchange reserve, and continuous cross-Straits trade development will be of vital importance to Taiwan's economic growth. The attainment of the direct, two-way and complete "three links" will help ensure Taiwan's sustained economic growth.

Since 1988, the shift of Taiwan's labor-intensive industries to the mainland has rejuvenated these industries. The obstruction of the "three direct links" has been one of the important causes of Taiwan's economic stagnation, slowed industrial structure upgrading, reduced investment, decreased consumption, increased unemployment rate

and soaring index of people's plight over the past few years. Taiwan's industrial and commercial circles believe that realization of the "three direct links" will bring Taiwan's advantageous geographical location into full play, and greatly improve its investment environment; that Taiwan's enterprises can make full use of the mainland's resources and markets to further develop themselves, and promote Taiwan's economic development; that, in return, mainland enterprises can also make investments in Taiwan, which will undoubtedly inject new vitality into Taiwan's economy and create more business opportunities. Cross-Straits economic exchange and cooperation have contributed significantly to the mainland's economic development as well.

Taiwan investors have brought funds, technology, enterprise management know-how and marketing experience to the mainland, helped expand its overseas trade and increased its tax revenue. Taiwan compatriots have more opportunities to participate in the mainland's march toward the magnificent goal of building a better-off society in an all-round way, and they themselves will achieve further development while helping to boost the mainland's economic development.

3. The Direct, Two-Way and Complete "Three Links" Will Help Compatriots on Both Sides of the Straits Jointly to Adapt to the Trends of Economic Globalization and Regionalization, Strengthen Cooperation, Seize Opportunities and Meet Challenges. In the world today, science and technology are progressing by leaps and bounds, economic globalization and regionalization are gaining momentum, and competition in comprehensive strength is becoming increasingly acute. The people on both sides of the Straits are faced with both opportunities and challenges. The early achievement of the direct, two-way and complete "three links" will provide both sides of the Straits more sufficient information, more convenient transport, more smooth capital circulation, and more efficient resources allocation. In this way, each of the two sides will be properly placed and each will bring its own potential capacity to play, to the point of helping greatly to enhance the economic competitiveness of both sides, accelerate mutual development and boost the overall economic rejuvenation of the whole Chinese nation.

During the past decade or more, inter-Straits relations have undergone twists and turns, but cross-Straits people-to-people contacts and economic and cultural exchanges, have all along remained on the rise, opening up new prospects for the progress of the "three direct links." These fully demonstrate the congenial connections of the people on both sides of the Straits, their sharing the same language and national feeling and their having increasingly deep common interests. The "three direct links" will help toward common economic prosperity and accord with the fundamental and immediate interests of people on both sides of the Straits. Cross-Straits people-to-people contacts and economic and cultural exchanges have yielded abundant returns, which serve as both a solid foundation and an inner impetus for achieving the direct, two-way and complete "three links." People from all walks of life in Taiwan are ardently calling for the early realization of the "three direct links." Compatriots on both sides of the Straits have performed many successful deeds and gained a wealth of experience in the process of promoting the "three direct links," while, on its part, the mainland has made

full preparations in all aspects for the attainment of the "three direct links." In a word, the "three direct links" is the trend of the times and the will of the people.

III. The Mainland's Basic Stand and Policies on the "Three Direct Links"

Both the mainland and Taiwan belong to one China. China is the common homeland of compatriots on both sides of the Straits. Any separatist attempt and action aimed at cooking up "Taiwan Independence," "two Chinas," and "one China, one Taiwan" will be opposed by people on both sides of the Straits. The "three direct links" accords with the common interests of the people across the Straits. It is the inevitable requirement of constantly expanding cross-Straits contacts and should not be hampered by any artificial or political factors. We hope to realize the "three direct links" at an early date and across the board, so as to open up a new situation for cross-Straits economic cooperation and benefit compatriots on both sides of the Straits. Proceeding from this basic stand, we wish to reaffirm our policies and propositions concerning the "three direct links."

1. Relying on the People and Working for the Well-being of the People's Are Our Stand and Purpose in the Resolution of the "Three Direct Links" Issue.

During the process of promoting the "three direct links," we will actively and pragmatically help promote the measures that will genuinely benefit the compatriots, people-to-people contacts, and the development of economic and trade relations between the two sides of the Straits, and, especially, benefit the Taiwan compatriots, and industrial and commercial circles and Taiwan's economic development as a whole.

2. The cross-Straits "three direct links" has itself manifested the nature of the issue as an internal affair of Chinese people.

Cross-Straits direct air and shipping services are air and shipping routes across the Straits. We resolutely oppose anyone who attempts to describe "three direct links" as links "between nations" or as "quasi-international" links, or to "internationalize" them in disguised form.

3. Shelve Political Disputes and Prevent Political Differences from Affecting and Interfering with the "Three Direct Links"

The "Three direct links" is purely an economic matter. Political differences between the two sides of the Straits should not be used as a pretext or obstacle for obstructing the "three direct links." Negotiations concerning the "three direct links" are not political negotiations; they may be carried out beyond the political implications of one China, but should seek for practical resolution of the various concrete problems involved, so as to accelerate the progress of the "three direct links."

4. Direct and Two-Way Links, Reciprocity and Mutual Benefit, and Consultation on the Basis of Equality The "three direct links" promoted and achieved in this spirit will be the "three direct links" in the true sense of the

term, and only in this way can cross-Straits economic exchange and cooperation be expanded, and be developed in a sustained and healthy way, so as to attain the goal of safeguarding and improving the common interests of compatriots on both sides of the

Straits.

5. Let Non-governmental Trade Organizations on Both Sides of the Straits Conduct Consultation on the "Three Direct Links" Issue

To realize the "three direct links" as soon as possible, consultation may be conducted as flexibly as possible, the measures for resolution of the problem should be simple and feasible, technical problems should be simplified, and the methods of resolving it easy and convenient. Given the situation caused by the Taiwan authorities, in which dialogues and consultation between the ARATS and SEF cannot be resumed, it may be feasible for non- governmental trade organizations on both sides of the Straits to conduct such consultation on the "three direct links" issue. First, to hold consultation on a non-governmental basis. Consultation may be conducted by such organizations on the issue, in which officials of relevant competent departments from both sides may participate in negotiations in the non-governmental capacity. Second, to reach a consensus. Over the years, non- governmental trade organizations on both sides have gained rich experience in how to solve technical and professional problems related to the "three direct links." Under these circumstances, formal consultation between these organizations can lead to a consensus. Third, to make respective confirmation. The "consensus," "agreement," "summary of minutes," "memorandum" or "business arrangement" attained after negotiations should be implemented upon confirmation by each side. This method of settlement will not bring any harm to either side, in terms of their rights.

The indirect, one-way and partial approach and other restrictive policies adopted by the Taiwan authorities on the " three direct links" issue have disrupted the normal order of cross- Straits trade and investment, damaged the market environment of fair competition, undermined the legal rights and interests of relevant mainland and Taiwan enterprises. In September 2003, the Taiwan authorities unilaterally declared "a simplified program for cross-Straits cargo air transport," in which, Hong Kong and Macao are designated as the stopovers for cross-Straits round trips by the air freighters of Taiwan airlines. The civil aviation administrative department on the mainland holds that chartered air freighters from either side of the Straits stopping over in a third place will amount to "rejecting what is near at hand and seeking for what is far away," and that cross-Straits air and shipping services should be equally operated by airlines from both sides, so as to maintain healthy and sustained development for such services and benefit compatriots and industrial and commercial circles across the Straits. Taiwan's simplified program for cross- Straits cargo flights, in which it unilaterally declared the time limitation of flights without consultation between non- governmental air transport operators on both sides of the Straits, is inappropriate, and also unacceptable to the mainland. In October, at the further request of Taiwan compatriots and industrial and commercial circles for opening the "three direct links," the Taiwan authorities relaxed some restrictive regulations concerning cross-Straits people-to-people contacts, trade and investment, but at the same time setting some additional conditions, in order to continue to postpone the opening of cross- Straits direct air and shipping services. We hope that the Taiwan authorities will, starting from the common interests of compatriots on both sides of the Straits, take practical and effective measures for

opening cross-Straits direct, two-way air and shipping services, and abolish discriminatory restrictions and unfair treatment against the mainland at an early date.

IV. Explanations on Some Questions Related to the "Three Direct Links"

1. Consultation on the "Three Direct Links" Question Between Cross- Straits Non-governmental Trade Organizations

The "three direct links" question could have been discussed through the existing cross-Straits consultative mechanisms, namely the ARATS and the SEF. In 1992, the two organizations reached the common understanding that each should express verbally that "both sides of the Taiwan Straits adhere to the one-China principle," thus laying the political foundation for consultation between the ARATS and SEF. However, after coming to power the present leader of the Taiwan authorities categorically negated the "1992 common understanding," thus undermining the foundation for consultation between the two organizations, rendering it impossible yet for them to resume their dialogue and consultation. In these circumstances and considering that non-governmental trade organizations across the Straits have already established smooth communication channels over the years, these organizations have conducted in-depth discussions on technical and professional questions related to the "three direct links," and have reached consensus in many aspects. Therefore, we propose that cross- Straits non-governmental trade organizations conduct consultation on the "three direct links" issue. This is the most practical and feasible pattern of consultation at the present stage.

2. The Flag and Certificate in Cross-Straits Direct Air and Shipping Services

The air and maritime transport circles on both sides of the Straits have reached some understanding through many years of exchange of opinions on how to deal with aircraft and ship flag and certification paper problems in cross-Straits direct air and shipping services. This, plus the successful practices in cross- Straits air and maritime transport, has provided a referential basis for the solutions of these problems.

According to relevant provisions in the International Convention on Civil Aviation and its appendixes, an aircraft must have the national or regional identity symbol and registration symbol, both of which must be selected from among the national or regional identity codes of their temporary wireless call signs given to the registering nation or region by the International Telecommunications Union. The aircraft symbols of both the mainland and Taiwan are the same English letter, B, thus the aircraft symbol question will not arise in direct air transport across the Straits. For main-certificate check and approval involved in direct air transport, a Taiwan-based airline company in charge of the operation may present a qualified certification paper for the necessary certificate to the mainland's civil aviation administrative department, and, upon approval, it may file its application. This simple, practical and flexible procedure was applied and verified in handling Taiwan business people's charter plane business at the 2003 Spring Festival, providing useful experience for resolving problems to be involved in the two- way direct air transport across the Straits.

Shipping Service

The ships' flag and certification problems in cross-Straits direct shipping service can be resolved with reference to the relevant procedure adopted for the navigation lines for shipping service between Hong Kong and Taiwan after Hong Kong's return to the motherland in 1997, as well as for the shipping service between Fujian's coastal areas and Jinmen and Mazu. That is to say that a ship of either side navigating directly across the Straits will need only to fly the company's flag or a flag with symbols agreed upon by the two sides, and, when entering a port of the other side, it will not need to fly the flag of the other side; and that one side should check the relevant certification papers of the other side and, if necessary, may write its comments on a separate paper.

3. Participation of Foreign Companies in Cross-Straits Air and Shipping Services

The air and shipping services across the Straits are by no means "state to state air and shipping services," nor are Cross-Straits air and shipping international lines, therefore they should be operated by mainland and Taiwan airlines and shipping companies or by mainland-Taiwan joint ventures. Sino-foreign joint airlines and shipping companies registered with the authorities on either side may participate in such business operations, but the foreign partners of such companies are not allowed to have the dominant share. These propositions of ours are conducive not only to safeguarding the principle of preventing China's sovereignty over aviation and navigation from being infringed upon, but also to protecting the legitimate rights and interests of the Chinese people on both sides of the Straits.

4. The "Three Direct Links" and the So-called Taiwan Security

The Taiwan authorities assert that the "three direct links," especially the direct, two-way air and shipping services across the Straits will seriously jeopardize the security of Taiwan, and take this assertion as their main reason for impeding the direct, two-way and complete "three links." Certain Taiwan organizations recently classified its security issue into the four issues of military security, political security (mainly, Taiwan's being dwarfed politically), economic security (mainly, Taiwan's markedly increasing economic dependence on the mainland market, its industrial "hollowing" and its growing unemployment rate), and social security (mainly, public order, epidemic prevention, social welfare and education burden). Apart from those possible problems relating to social security that can be discussed and pre-arranged in the "three direct links" consultations, the other viewpoints are ungrounded in facts; rather they are products of the Taiwan authorities' inveterate hostility toward the mainland, their purpose being to influence Taiwan compatriots' attitude toward the "three direct links" and continue to postpone and obstruct the "three direct links." These viewpoints need to be pointed out and corrected.

First, the mainland's policy on Taiwan is based on the fact that the people on both sides of the Straits are bound together like brothers and sisters, and, as the saying goes, "Blood is thicker than water." We cherish greater hope than any others for solving the Taiwan question by peaceful means. The mainland has worked for the prospect of peaceful reunification with the greatest sincerity and the utmost effort. When we say we will not commit ourselves to rule out the use of force, it is directed not against the

Taiwan people, but against the attempt of foreign forces to interfere with China's reunification and the attempt of Taiwan's separatist forces to materialize "Taiwan independence." Second, the technical and professional problems concerning direct air and shipping services across the Straits, consultation on an equal footing by the two sides should be conducted and unanimity of opinions reached, before they can be put into practice. By then, Taiwan's concern about its security will be properly resolved. Third, in fact, direct transport service across the Straits has been opened on a trial basis for six years, and direct sea transport between coastal areas in Fujian and Jinmen and Mazu has been going ahead for over two years. These have never infringed on Taiwan's "military security," nor have they brought any "threat" to Taiwan. On the contrary, these direct contacts have helped build up a harmonious and stable atmosphere in the Taiwan Straits area. Fourth, the fundamental way of realizing and maintaining peace and stability in the Taiwan Straits area is that the Taiwan authorities must totally abandon the separatist claim to "Taiwan independence" and stop all the splittist activities along that line; and that negotiations should be held and an agreement reached on "an official end to the state of hostility between the two sides under the principle of one China so as to jointly safeguard China's sovereignty and territorial integrity and work out plans for the development of the future inter-Straits relations. The more this state of hostility is eased, the more peaceful the Taiwan Straits area will become. And the more rapidly the inter-Straits relations are developed, the better the compatriots on both sides of the Straits will be assured of their security. The Assertion That "Taiwan Will Be Dwarfed Politically" in the Process of the Consultation on the "Three Direct Links."

We have always maintained that both sides should solve their differences and problems in the spirit of mutual respect and consultation on an equal footing and with a practical approach, and that one side should not impose its will on the other. Previous negotiations between the ARATS and SEF and exchanges and consultations between nongovernmental trade organizations on both sides of the Straits were all carried out on an equal basis. The question of who would be "dwarfed" simply did not arise. In the trial direct transport across the Straits and the direct sea transport between coastal areas in Fujian on the one hand and Jinmen and Mazu on the other, the two sides handled transportation facilities and technical problems entirely on the principle of equality and reciprocity, bringing about mutual benefits and a win-win situation. Future negotiations on the "three direct links," including market opening and relevant management, and arrangement of operation rights and interests will also be carried out under the principle of mutual respect, consultation on an equal footing, fairness and justifiableness, reciprocity and mutual benefit. The question of Taiwan being "dwarfed" in the "three direct links" process will not arise at all.

First, about the security problem stemming from Taiwan's increasing economic dependence on the mainland market, as a result of the "three direct links." The fact is that the mainland and Taiwan each has its economic advantages, which may supplement each other's needs. In the process of inter-Straits economic exchange and cooperation, the Taiwan economy has gained impetus for growth from the rapidly economic growth of the mainland, which has provided favorable conditions for

Taiwan's industrial restructuring and given its enterprises new room for development, thus stimulating its economic development. This has been fully proved by the facts of the past two decades. In the upsurge of economic globalization and regional economic cooperation, if and when the "three direct links" is realized, and each side's merits are well developed and the two sides are linked closely together economically, this will facilitate both sides in their efforts to prevent economic and financial risks and achieve common prosperity. This conclusion can be readily drawn if one views the question in the light of the interests of the Taiwan compatriots and the needs of Taiwan's economic development.

Second, about the "three direct links" accelerating Taiwan's industrial shift to the mainland, thereby resulting in the "hollowing out" of Taiwan's industry. Industrial "hollowing out" generally refers to the decline of the proportion of manufacturing industry in the total economy, as well as the decline of its productivity and international competitiveness. The research results from relevant departments in Taiwan show that the investment of Taiwan enterprises on the mainland increased rapidly from 1990 to 2001. During this period, the export share of Taiwan products in the global market did not decrease, but instead it increased from 1.96 percent to 2 percent. It did not cause a drop of the total productivity and competitiveness of Taiwan's manufacturing industry, or the so-called "hollowing out" of Taiwan's industry. On the contrary, the "three direct links" will help Taiwan enterprises to rationally allocate and use their essential production factors and resources. Through division of labor and cooperation, Taiwan can bring into play its economic advantages, increase its development potentials and competitiveness, and effectively avoid the industrial "hollowing."

Third, about Taiwan enterprises' investment on the mainland resulting in increased unemployment in Taiwan. The fact that the rate of unemployment in Taiwan has increased in the past few years has been caused mainly by a decline of the enterprises' will in investment. In fact, one of the main reasons is that the current leader of the Taiwan authorities sticks to the separatist stance of "Taiwan independence," undermines the cross-Straits relations and impedes the "three direct links," which have dealt a blow to the confidence of Taiwan and overseas investors. At the same time, the rising unemployment rate is also due to its structural unemployment. With the increase of investment and production costs in Taiwan, labor-intensive industries there have further lost their competitive advantages, and investors have had to look elsewhere for low-cost areas for continued development. By investing on the mainland, such enterprises can regain their competitiveness, and use the profits they make on the mainland to increase their investment capacity in Taiwan, so as to support the sustained development of the emergent industries in Taiwan, and greatly increase their exports to the mainland. All these have played an important role in increasing Taiwan's employment, upgrading its industries and stabilizing its economy.

Conclusion

We are fully confident that the direct, two-way and complete "three links" will be realized. Cooperation will bring benefits to both sides, direct links will lead to a win-

win situation, and the earlier direct links are forged, the better. We call on the Taiwan authorities to take practical steps as soon as possible to remove the obstacles in the way of the direct, two-way and complete "three links" between the two sides of the Taiwan Straits. We sincerely hope that the Taiwan compatriots will make efforts together with us to realize such links at an early date and create a new situation in the inter-Straits relations.