TAIWAN-MAINLAND ECONOMIC COOPERATION FRAMEWORK AGREEMENT (ECFA): IMPLICATIONS FOR CROSS-STRAIT RELATIONS

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*EAI Background Brief No. 452*

Date of Publication: 21 May 2009


Executive Summary

1. Since Taiwan President Ma took office in May 2008, cross-strait relationship has experienced its most rapid improvement in decades. On April 26, 2009, at the third round of cross-strait talk in Nanjing, Taipei and Beijing inked three new agreements, bringing the total to nine.

2. Such initiatives are crucial to normalize cross-strait economic ties. The talks also reflect Ma Ying-jeou’s policy of easing tensions with Beijing by focusing on economic issues, urgently needed in the current economic environment.

3. More importantly, Taiwan recognizes the need to establish more institutionalized cooperation platforms with its neighbors. The proposal to negotiate and sign a Comprehensive Economic Cooperation Agreement (ECFA) with the mainland is the first effort in this direction.

4. As stated by Ma, the objectives of the ECFA are, first, to promote and normalize economic relations with the Mainland; and second, to bolster the internationalization of Taiwan’s economic relation.

5. The possibility of signing an ECFA with the mainland has spurred much debate within the island. Proponents of the ECFA argue that ECFA will alleviate some of Taiwan's current economic woes and facilitate Taiwan's economic recovery.

6. Opponents, like the hard-core DPP members, argue that ECFA will lead to the further hollowing-out of Taiwan's manufacturing industries and the ever increasing dependency of Taiwanese economy on the mainland.

7. A more objective view would point to an economic win-win situation, even though China pays the cost of incurring high trade deficits with Taiwan.

8. The signing of an ECFA will also have significant long-term implications. Through stronger economic ties, the mainland hopes to bring Taiwan closer, and to create conditions for cross-strait political integration.
For Taiwan, an ECFA will help reduce risks of cross-strait hostility and thus improve Taiwan’s economic outlook. Taiwan could look forward to enhancing the island’s competitiveness to attract more FDI and to take part in the emerging East Asian economic community.
Cross-Strait Ties Gain New Momentum

1.1 The past year has witnessed the most rapid improvement in cross-strait relationship in decades. On April 26 2009, at the third round of cross-strait talks in Nanjing, Taipei and Beijing inked three agreements on launching regular flights across the Taiwan Strait, enhancing financial cooperation, jointly cracking down on crimes and offering mutual judicial assistance.

1.2 The two sides also reached a consensus to boost investment by mainland companies in the island. Taiwan’s Ministry of Economic Affairs announced on May 12 that Taiwan will open 99 industries and business lines in the manufacturing and service sectors as well as the infrastructure sector to Chinese investments.¹

1.3 Such initiatives are important to normalize cross-strait economic relations. The talks also reflected Ma Ying-jeou’s overall policy of easing tensions with Beijing by focusing on economic issues. Moreover, as Taiwan’s export-oriented economy has been badly devastated by the global economic crisis, improving cross-strait economic relations and signing a free trade agreement of sort is essential for the island’s economic revival.

1.4 On April 29, Taiwan announced that it would participate in the World Health Assembly (WHA) as an observer under the name Chinese Taipei. This will mark the first time that the island is participating in a meeting or activity of a key U.N. body since 1971 when the island lost its U.N. membership to China. The event was claimed a major “victory” in Ma Ying-jeou’s campaign to win greater international recognition. In Beijing, the official Xinhua news agency said the agreement on the WHA issue reflected China’s desire to promote better relations with Taipei.

1.5 Indeed, cross-strait relationship has taken a dramatic turn since Ma Ying-Jeou took office in May 2008. In less than a year, Taiwan’ Straits Exchange Foundation (SEF) and the Mainland’s Association for Relations Across the Taiwan Strait (ARATS) have held three rounds of talks, on June 13, 2008, November 14, 2008, and April 26, 2009, respectively.

1.6 Alongside the talks are concrete steps to normalize and improve economic relations. By late 2008, the “three links” were largely cemented with the signing of four agreements, including those on air transport, direct sea transport, postal cooperation, and food safety. Moreover, restrictions on two-way investment are expected to be gradually lifted, after the two sides reached a consensus on April 26, 2009, on jointly promoting mainland Chinese investment in Taiwan.

1.7 In the recent talk between Taiwan’s SEF and Mainland’s ARATS, there were also efforts to establish institutionalized cooperation platforms, such as the signing of the “Agreement on Joint Cross-Strait Crime-fighting and Mutual Judicial Assistance”. In the area of cross-strait financial cooperation, besides the signing of “Cross-Strait Financial Cooperation Agreement”, the two sides also include financial supervision and management mechanism (in the banking, securities and futures sectors) and currency management for follow-up negotiations.

1.8 It is expected that economic relations across the Taiwan Strait will continue to improve. The two sides already agreed on issues for negotiation for the fourth
talk between SEF and ARATS later this year, including “cross-strait fishery labor cooperation,” “cross-strait quarantine and inspection of agricultural products,” “cross-strait cooperation on standard inspection, measurement and certification,” and “avoidance of double taxation.”

1.9 In less than a year, three rounds of talks between ARATS and SEF have produced many tangible outcomes. High-level communications across the strait are also carried out through several other channels, such as the Cross-Strait Economic and Culture Forum (annual event between KMT and CCP) and the BoAo forum.

1.10 While progress in cross-strait relations has been remarkable since Ma took office in May 2008, it did not come as a surprise but rather as a process long due. Over the last decade, Taiwan is feeling increasingly marginalized, being excluded from East Asia’s move toward regional integration. More urgently, the island is experiencing the most serious economic depression in decades as the U.S.-led financial crisis spreads globally.

1.11 Since the first ASEAN Plus Three summit in December 1997, China has gradually become an important driving force behind regional cooperation, which has led to the emergence of the EAS (East Asian Summit). Negotiations between China and ASEAN started from negotiations for a free trade agreement (FTA) in 2002 which was concluded in February this year. A free trade area is expected to be established by 2010. The Mainland also signed CEPA (Closer Economic Partnership Arrangement) with Hong Kong and Macau respectively in 2003, and in March this year.

1.12 The concern is that, being excluded from the expected free trade area in East Asia, Taiwan’s businesses will be at a serious disadvantage, due to higher import tariffs as well as other trade and business barriers. This is especially true for Taiwan’s small and medium-sized enterprises (SMEs), which account for over 90 percent of its economic activities. According to a recent report from Taiwan, 110,000 workers may lose their jobs as a result of ASEAN Plus 3 FTA, since Taiwan’s exports of petrochemical, electronics, textile and
machine tool to the Mainland will be subject to 6.5 percent import duty.\(^2\) In contrast, if Taiwan were to join ASEAN plus 3, its GDP will increase by 3.3\% to 3.4\%.

1.13 The situation was aggravated by the global financial and economic turmoil. Taiwan is in its worst recession in history as the economy contracted by 8.4 percent in the fourth quarter of 2008. The economy is expected to grow by only 3.3\% in 2009, a sharp decline from 5.5\% in 2008, and its trade would slump by over 20 percent in 2009.\(^3\) Unemployment rose to a six-year high of 5\% in December 2008, and to 5.8\% in March 2009, which was higher than most East Asian economies.\(^4\)

1.14 To quickly revive the economy and to improve the island’s long term prospects, since day one in office, Ma moved quickly to focus on economic issues, declaring that “Taiwan should get its priority right. Lofty political agenda should give way to the urgent issue of economic rejuvenation, social protection and aging population”.\(^5\) In addition to normalizing cross-strait economic relations, negotiations for Economic Cooperation Framework Agreement (ECFA), a quasi-FTA concept, were recently proposed.

**The Rise of ECFA**

2.1 In 2008, six major Taiwan business and industrial organizations,\(^6\) concerned that they would lose their competitiveness to an eventual ASEAN Plus 3

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\(^2\) “Taiwan should sign CECA with China as soon as possible”, *Central News Agency*, February 23, 2009.

\(^3\) “Taiwan in recession”, *The Strait Times*, February 18, 2009.


\(^5\) Yun-han Chu. “Rapprochement in the Taiwan Strait: The Opportunities and Challenges for Taipei and Beijing”, presented at East Asian Institute, National University of Singapore, May 7, 2009.

\(^6\) These include the Chinese National Association of Industry and Commerce, Chinese National Federation of Industries, Taiwan Electrical and Electronic Manufacturers’ Association, National Association of Small and Medium Enterprises, General Chamber of Commerce of Republic of China, and Taiwan Federation of Industry.
arrangement, appealed to the government to take quick action for Taiwanese businesses to compete in China on the same footing as those from other Southeast Asian economies.

2.2 In early 2009, the Ma administration proposed the signing of a Comprehensive Economic Cooperation Agreement (CECA) with the mainland.\(^7\) However, there were strong objections from opposition politicians about the name, citing that CECA sounds too close to pacts -- CEPA (Closer Economic Partnership Arrangement) -- signed between the mainland and its two special administrative regions, Hong Kong and Macau. Ma late renamed it to Economic Cooperation Framework Agreement (ECFA), which sounds closer to FTA and also conforms to the principles of the World Trade Organization (WTO).\(^8\)

2.3 Ma said that the main idea of ECFA “is to promote relations with the mainland to avoid marginalization as a result of regional economic integration, to promote normalization of economic relations with the mainland, and to bolster internationalization of Taiwan’s economic relations”.\(^9\) Ma also hopes that such cross-strait agreement will help eliminate obstacles and improve Taiwan’s possibility of signing FTAs with other WTO members in East and Southeast Asia.

2.4 According to Ma’s proposal, the signing of an ECFA will allow free flow of merchandise, services, and capital between Taiwan and the mainland. Issues to be addressed include tariffs, non-tariff measures, investment protection, intellectual property rights, and a mechanism for dispute mediation.

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7 As Taipei does not plan to coordinate common tariff with mainland China, and will not allow Chinese mainland workers to enter the island, the proposed cross-strait CECA is in fact an FTA and an economic integration agreement liberalizing trade in services.

8 According to article XXIV of GATT, members within the WTO can strengthen their bilateral relations through the formation of customs union or free-trade-area, or signing of Free Trade Agreement or Regional Trade Agreement. The WTO/GATT also permits members to further liberalize their markets in accordance with the guidelines of the WTO-plus, as these are safeguarding principles to ensure that special trade arrangements between members do not raise trade barriers for non-members.

2.5 Under such a framework, the two sides will also coordinate industrial policies: making joint efforts to incubate world-class industrial giants and brand names; establishing joint ventures in solar energy, automobile, Chinese medicine, aerospace, next-generation telecommunication, materials; jointly developing industrial and technical standards; and forming strategic alliance between state-owned corporations in energy, steel and telecommunication.

**The Debate Over ECFA**

3.1 The possibility of signing either an ECFA or a CECA with the mainland has prompted extensive discussions and vigorous debates over the past few months, including furious criticisms from the opposition Democratic Progressive Party (DPP), which is often ideology-oriented, labelling “all Ma’s cross-strait initiatives as *selling out Taiwan*”.

3.2 DPP fears that the proposed agreement will inevitably involve delicate political issues that will lead to serious social conflicts in Taiwan. It thus insists that “the signing of a CECA was not just an economic issue, but also a security issue which involves the cross-strait political agenda and economic interaction”.

3.3 The critics accused the Ma administration of selling out Taiwan’s interests in exchange for closer cross-strait economic ties, arguing that normalizing economic relations with China brings Taiwan additional national security risk. Moreover, DPP holds that the proposed ECFA with the mainland will lead to the “Hongkongization” of Taiwan, increasing its economic dependence on the mainland and ultimately downgrading Taiwan. “Taiwan would lose its survival, development and sovereignty if it signs a CECA with China, as the ultimate goal of such an agreement would be to remove the barriers to movement of capital, products, personnel and technology between the two sides under the framework of a *one-China market*”.

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10 “Chiu denies CECA sells out Taiwan”, *TAIPEI TIMES*, February 24, 2009.

3.4 The opposition also argues that the ECFA will lead to “industrial hollowing-out” in Taiwan as more enterprises move to the mainland. It believes that some industries in Taiwan, such as agricultural and service sectors, will be seriously harmed because, based on WTO rules, “Taiwan cannot expect China to unilaterally give Taiwan preferential treatments without providing China an equally beneficial status in the course of liberalizing the market.”

3.5 Nevertheless, given the rapid growth in bilateral trade, investment and tourism, both sides are positioned to benefit from the further institutionalization of their economic and trade relations. The signing of an ECFA can set clearer rules for normalizing cross-strait economic relations so that enterprises from both sides can operate in a more stable and predictable environment.

3.6 To many, it is evident that, economically, Taiwan shall benefit more than the mainland from such a regional trade arrangement or FTA. The mainland is not only an important manufacturing platform and the biggest export market for Taiwan, but an important source of tourists, investment, and consumer demand. The huge domestic market of the mainland is expected to be the most important driving force for the recovery and development of neighboring economies, including Taiwan.

3.7 As is shown in the Table 1, cross-strait trade amounted to over US$ 100 billion in 2008, where Taiwan enjoyed a trade surplus of US$ 43 billion. With the signing of an ECFA, which leads to zero tariff, the mainland is expected to lose a large amount of tariff revenue, while Taiwan’s more developed service industries and agricultural sector could gain better access to the mainland’s markets. In contrast, the gain for mainland businesses is potentially smaller as Taiwan is a significantly smaller market.

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12 According to WTO regulations, the implementation of an one-way free-trade market arrangement is prohibited between members. Members may grant access to one another’s markets based on the condition of mutuality and reciprocity; otherwise they would violate the cardinal GATT/WTO rule of “General Most-Favored-Nation Treatment”. See Ching Changyen, “The Dos and Don’ts of CECA between Taiwan and China from a WTO’s Perspective”, 台湾观点, No.141, March 3, 2009.

13 It is estimated that 10% of customs tariff reduction will lead to US$ 10 billion revenue loss (文久, “台湾热炒 CECA”, 经济之窗, 2009年4月15日)
3.8 There is also a large amount of capital investment in the Mainland from Taiwan. According to Taiwan’s Investment Commission, the accumulated amount of indirect investment by Taiwan businesses to the mainland, between 1988 and January 2009, reached US$75.9 billion. Unofficial estimates of Taiwanese investment in mainland China, on the other hand, range from US$200 billion to US$400 billion. Currently, there is no direct investment in the other direction, since Taiwan does not allow investment from the mainland.

3.9 During the recent round of cross-strait talks in Nanjing in April 2009, the two sides worked to reduce such disparity and reached a consensus on jointly promoting Mainland investment in Taiwan based on the principles of “complementary strengths, mutual benefit and a win-win situation”. More details of methods and projects regarding the mainland’s capital entering Taiwan will be announced in late May 2009. Ninety-nine industries in three main categories, including manufacturing, service and public construction, are scheduled to open, while financial and telecommunication industries may be included in the second phase of opening up.14

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3.10 There is little doubt that Taiwan stands to benefit significantly from allowing investments from the Mainland. The island enjoys comparative advantages over the Mainland in areas such as research and development, consumer-oriented brand development, and management. Such “high-margin contributions depend on Taiwan's strong intellectual property rights protection and regulatory regimes, not just low labor costs. They are likely to stay in Taiwan long after Chinese investment is permitted”. In fact, investment from the Mainland will help buffer Taiwan's economy from falling demand for its products in the West and bring the island closer to China's emerging domestic market.

3.11 Taiwan will also benefit from the rapidly increasing number of tourists from the Mainland. According to Taiwan Immigration Agency, the number of Mainland tourists to Taiwan hit 288,599 by the end of 2008 and 30,518 in January 2009, an increase of 130% over January 2008. Unofficial sources estimate that daily arrivals of mainland tourists have gone up from less than 300 to around 5,000. This has markedly invigorated Taiwan’s domestic tourism-related industries, such as restaurants, hotels and catering, retail, and real estate. It is estimated that more than 5.5 billion RMB of tourism income can be generated annually.

3.12 Indeed, the Kuomintang (KMT) proponents of the ECFA would argue that the ECFA will alleviate some of Taiwan's current economic woes and facilitate Taiwan's economic recovery, since China's economy is currently the only major economy in the world which is still growing strongly. In contrast, some in Taiwan, like the hard-core DPP members who oppose this scheme, argue that the ECFA will lead to the further hollowing-out of Taiwan's manufacturing industries and the increasing dependency of Taiwanese economy on the mainland.

16 Yun-han Chu. “Rapprochement in the Taiwan Strait: The Opportunities and Challenges for Taipei and Beijing”, presented at East Asian Institute, National University of Singapore, May 7, 2009.
17 李非，“新形势下海峡两岸经贸政策互动趋势”，东亚论文，第 66 期，2009 年 1 月。
An objective view would point to an economic win-win situation, even though China pays the cost of incurring high trade deficits with Taiwan. The political argument is equally convincing. Taiwan's security will be better served by making the Taiwan economy even more valuable to the mainland. In short, if the ECFA is going to produce its expected results, it will make the mainland and Taiwan a stakeholder in each other's economy, thereby providing greater incentives for both sides to maintain peace and stability across the Taiwan Strait.

Implications of ECFA for Cross-Strait Relations

4.1 Since Taiwan’s economy is highly dependent on export, it has been badly affected by the U.S.-led financial crisis. The on-going crisis renders extra urgency to Ma Ying-jeou’s mainland policies, as it highlights the need for Taiwan to further diversify its trade and to forge closer economic relations with its neighbors in East Asia. Since the construction of an East Asian economic community is bound to accelerate, Taiwan has to find ways to plug itself in. China’s huge internal market gives Taiwanese firms ample room to grow and to be more integrated into the East Asian economy.

4.2 Initially, the Ma administration had hoped to discuss the proposals of an ECFA at the third round of talks between SEF and ARATS and get it into the quick track. It is expected that the ECFA can “richly cultivate Taiwan while linking up with the world” and help Taiwan overcome the current economic crisis and find new development momentum.

4.3 At the same time, the Ma administration was also insistent on certain policy positions, including prohibiting mainland Chinese laborers and 800-plus types of agricultural products from entering the Taiwan market. The import of Mainland products into Taiwan is still subject to many strict customs

restrictions, inspection and quarantine controls. The Mainland was thus reluctant to engage in talks on an ECFA initially.

4.4 It seems that the mainland later adjusted its position. “The onslaught of the most severe economic crisis and Ma’s dwindling popularity prompted Beijing to put aside its lingering reservation about Ma and respond positively to Taipei’s wish list”. As Ma is the first elected leader who is not committed to Taiwan independence since 1996, “Beijing’s first priority is to further weaken the social support for Taiwan independence and consolidate a pro-integration coalition”.

4.5 In response to Ma’s new cross-strait economic policies, Wang Yi, director of Taiwan Affairs Office of Chinese Communist Party Committee, announced at the Fourth Cross-Strait Economic and Trade Cultural Forum held in Shanghai in December 2008 that the Chinese Industrial and Commercial Bank and China Bank will respectively finance Taiwanese enterprises based in mainland with 50 billion RMB. The mainland side will support and help Taiwanese enterprises based in mainland to adjust and elevate their production structures, and encourage them to take part in high technology projects.

4.6 At a higher level, Chinese Premier Wen Jia-bao affirmed in his annual report at the NPC’s second session in Beijing this March that “the mainland will accelerate the normalization of cross-strait economic relations and facilitate the signing of a comprehensive agreement on economic cooperation, and gradually establish an economic cooperation mechanism tailored to both sides of the strait”.

4.7 China reiterated that it is open to discussions on an ECFA with Taiwan. At the third round of cross-strait talks, Zheng Li-zhong, vice president of China's ARATS, stated that Beijing has a "proactive" attitude and will conduct a

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20 Yun-han Chu. “Rapprochement in the Taiwan Strait: The Opportunities and Challenges for Taipei and Beijing”, presented at East Asian Institute, National University of Singapore, May 7, 2009.

21 Ibid.
feasibility study. At the first Taiwan Strait Forum in Xiamen on 16 May, Wang Yi announced 8 important measures to further develop cross-strait economic relations, reiterating China’s positive and open attitude toward ECFA.

4.8 As a comprehensive agreement on economic cooperation, ECFA is targeted at a higher level of economic integration including free flow of capital, technology and information. Such an agreement is of special significance and importance to Taiwan’s businesses, including those in the financial sector, which are eager to expand their businesses to the mainland to overcome their current difficulties.

4.9 After the three “Chiang-Chen Talks”, the two sides have largely achieved the normalization of cross-strait economic and trade relations. By establishing an institutional mechanism for cross-strait economic regions, the signing of an ECFA is expected to further strengthen economic cooperation and enhance mutual benefits of the two sides.

4.10 Needless to say, the signing of an ECFA will also have significant long-term implications, economically, politically, and strategically. The mainland intends to enhance cross-strait economic integration with the ECFA, hoping that stronger economic ties will bring Taiwan closer politically and culturally, thus preventing Taiwan from drifting away and creating conditions for cross-strait political integration.

4.11 For Taiwan, the ECFA will help reduce risks of cross-strait hostility, which in turn improves Taiwan’s economic outlook. In the last decade, despite Taiwan's close proximity to the world's largest emerging economy, and its robust regulatory and legal environment, international investors have not viewed the island as an attractive investment destination due to the potential risk of cross-strait conflict.

4.12 With improved economic relations with the mainland, Taiwan could look forward to enhancing the island’s competitiveness to attract more FDI from
multinational corporations and to take part in the emerging East Asian economic community. Cross-strait relations are also more likely to enjoy a higher level of stability and prosperity in the long run.
## APPENDIX 1  SUMMARY OF TALKS BETWEEN SEF AND ARATS  
(Since May 2008)

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Main Results</th>
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| First 11 - 14, Jun 2008 | Beijing | 1. SEF and ARATS resumed institutionalized dialogue and negotiation mechanism;  
2. Signed minutes of talks on two agreements;  
3. Signed 2 agreements;  
4. Made follow-up arrangements for future negotiation;  
5. ARATS’ Chen agreed to visit Taiwan. |
| Second 7 Nov 2008 | Taipei   | 1. Signed 4 agreements;  
2. Reviews and expanded the effectuation of existing agreements;  
3. Reached consensus on issues for subsequent discussion. |
| Third 26 Apr 2009 | Nanjing  | 1. Signed 3 agreements and reached 1 consensus;  
2. Agreed to engage in follow-up negotiations for the fourth talk. |

## APPENDIX 2  LIST OF CROSS-STRAIT AGREEMENTS

1. Minutes of Talks on Cross-Strait Charter Flights (Jun 13, 2008)  
2. Cross-Strait Agreement Signed Between SEF and ARATS Concerning Mainland Tourists Traveling to Taiwan (Jun 13, 2008)  
5. Cross-Strait Air Transport Agreement (Draft) (Nov 4, 2008)  
7. Agreement on Joint Cross-Strait Crime-fighting and Mutual Judicial Assistance (April 26, 2009)  
9. Supplementary Agreement on Cross-Strait Air Transport (26 April 2009)
APPENDIX 3     SUMMARIES OF RECENT CROSS-STRAIT AGREEMENTS  
(Signed at the Third SEF-ARATSA Talk, 26 April 2009)

Agreement on Joint Cross-Strait Crime-Fighting and Mutual Judicial Assistance

The agreement will enable the two sides across the Strait to deter crime by exchanging information and to crack down on crime through mutual assistance in investigating and arresting criminals as well as through joint crime-fighting efforts. The two sides will also provide mutual assistance in expatriating criminals, obtaining evidence in investigations, and delivering official documents for the completion of prosecution and trial procedures for criminal conviction and sentencing. At the same time, cross-strait cooperation on fighting crime also further lays a foundation for cooperation on preventing cross-border crime. Under the agreement, persons from Taiwan that are taken into custody in the Mainland Area may, with assistance from the government, be visited in the Mainland by their family members. In accordance with the stipulations of both sides across the Strait and based upon the inmates’ personal wishes, the government can assist in sending back the inmates. The government will also help them re-enter society as soon as possible after due judicial processes have been completed. Moreover, results of adjudication or arbitration concerning the private rights of the people on either side can be affirmed or enforced under the principle of reciprocity. This is aimed at providing more comprehensive judicial protection to interested parties in private rights disputes.

Cross-Strait Financial Cooperation Agreement

In the area of cross-strait financial cooperation, the two sides defined the scope of cooperation as including financial supervision and management, currency management and other cooperation affairs. The two sides agreed to sequentially engage in follow-up negotiations, including talks on the negotiation and signing of three memoranda of understanding (MOUs) on cross-strait financial supervision and management mechanism (in the banking, securities and futures sectors) as soon as possible, negotiations on market access, and issues related to currency management mechanisms, such as cash exchange, supply, flow-back operations, and other related arrangements. In the future, the foundation that has been laid down by the expansion of cross-strait financial cooperation will be conducive to carrying out effective supervision and management of financial institutions. The establishment of branches in the Mainland by Taiwan’s financial institutions can provide financial support and services to Taiwanese businesses, as well as closely grasp the operating situation of Taiwanese businesses in the Mainland. In addition, currency management will enable the gradual establishment of a cross-strait currency settlement mechanism and strengthen cooperation in other fields.
Supplementary Agreement on Cross-Strait Air Transport

Regarding air transport, an arrangement was reached on regular flights. The two sides agreed to establish two new direct cross-strait air routes: a direct flight route in the southern line across the Taiwan Strait (the Taipei and Guangzhou Flight Information Region) and a second direct flight route in the northern line across the Taiwan Strait (the Taipei and Shanghai Flight Information Region). The Mainland side added six new flight points—Hefei, Harbin, Nanchang, Guiyang, Ningbo, and Jinan, bringing the total to 27 flight points, all of which will be open for regular flights. The number of weekly flights was also greatly increased from 108 weekly charter flights originally to 270 flights. Weekly service to and from Shanghai will only be increased by eight flights, falling short of demand. The number of weekly regular cargo flights and charter flights will be increased to 28, doubling the current number of cargo charter flights. In addition, cargo can be transported via regular passenger flights. In the future, the two sides can mutually establish representative offices at flight points on the other side to handle, directly or through an authorized agent, the issuance of the document of transportation, marketing, business operations and other matters related to cross-strait air transport. The two sides will also further discuss mutual exemption from taxes and fees related to airline operations and transportation revenue earned from the other side. The implementation of regular flights will make cross-strait personnel travel and transportation of goods more convenient and further normalize air transport operations and arrangements.