

# **Current Status of Short Sea Shipping between Mainland China and Taiwan**

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## **I. Background of the Relationship between Taiwan and Mainland China**

The normal economic interaction between Taiwan and mainland China was stopped since 1949 after the then ruling Nationalist party (also called Kuomintang, KMT) was defeated by Communist party in civil war and moved the Republic of China (ROC) government from mainland China to Taiwan. Although geographically Taiwan and mainland China is separated by Taiwan Strait, the people of two sides still have close connections and their relationships cannot be suspended by any political means. As shown in Table 1.1, Taiwan government firstly unilaterally announced that people in Taiwan were allowed to pay family visits to mainland China from November 2, 1987.

Since then, the interaction between the people of Taiwan and China becomes more frequently and closer. To administer the people's activities across the Taiwan Strait, Taiwan government promulgated the "Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area" on July 31, 1992. Economically, the Act prohibits direct trade, transportation and postal services between Taiwan and mainland China. Under pressure of businessmen's requests and the needs of further development of Taiwan's economy, the government promulgated the "Regulations Governing the Establishment and Operation of Offshore Shipping Center" on May 1995. The regulations allow those cargoes going to and from ports of Fuzhou and Xiamen in China to be transshipped via Kaohsiung port in Taiwan. It uses the term "offshore" to avoid the label of direct shipping links, which is officially forbidden by law in Taiwan.

In the first stage of the operation of "offshore shipping center", Taiwan government opened port of Kaoshing as the access port. In Augusts 1996, mainland Chinese government responded to Taiwan's policy and announced that Fuzhou and Xiamen ports to be the access points. From April 19, 1997, some selected shipping companies started to run the direct shipping links between Kaohsiung and Xiamen,

and between Kaohsiung and Fuzhou for transshipment cargoes. The operation signified the partial resumption of direct shipping link between Taiwan and China after 46 years' suspension. After that, maritime authorities on both sides actively undertook to finish the task for resuming cross-Strait shipping links.

The pace of developing cross-Strait shipping links was slowed down from 2000 because Taiwan's opposition party-Democratic Progressive Party (DPP) won the presidential election and took control of government from the KMT ruling. Comparatively, Beijing government does not trust the DPP government due to part of the DPP members advocating the independence of Taiwan. Taiwan authorities continue designing some programs to promote shipping links across Taiwan Strait; it is hard to get good results because of the lack of confidence on each side. As shown in Table 1.1, Taiwan government subsequently promoted the so-called "Mini-Three-Links" in 2000. Taiwan unilaterally requested Beijing authorities allowing vessels to run direct shipping links between ports of Kinmen in Taiwan and Xiamen in China, and between Matsu in Taiwan and Mawei in China. Although the "Mini-Three-Links" policy was promoted by Taiwan unilaterally and not strongly supported by Beijing government, the operation still offers many helps to develop both sides' local economies and provides more experience for planning the future full-scale direct shipping links across Taiwan Strait. The other efforts include the following: releasing the "Assessment of the Impact of Direct Cross-Straits Transportation" on August 2003, and publishing the 'Measures for Cross-Straits Ocean Transport Facilitation' on May 2004.

**Table 1.1 Important Events Concerning Direct Shipping Link between Taiwan and mainland China**

Year	Event
December 9, 1949	<ul style="list-style-type: none"> <li>● ROC government moves from mainland China to Taiwan.</li> <li>● All the relationship between Taiwan and China suspended.</li> </ul>
November 2, 1987	<ul style="list-style-type: none"> <li>● Taiwan people are allowed to pay family visits to mainland China.</li> <li>● Taiwan and mainland China restarted contact after 38 years no-contact policy.</li> </ul>
July 31, 1992	<ul style="list-style-type: none"> <li>● Taiwan promulgated the "Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area. The Act prohibits direct shipping link between Taiwan and China.</li> </ul>
May 1995	<ul style="list-style-type: none"> <li>● Taiwan government promulgated "Regulations Governing the Establishment and Operation of Offshore Shipping Center". The</li> </ul>

	<p>regulations allow those cargoes going to and from ports of Fuzhou and Xiamen in China to be transshipped via Kaohsiung port in Taiwan. It uses the term “offshore” to avoid the label of direct shipping links, which is officially forbidden by Taiwan government.</p> <ul style="list-style-type: none"> <li>● In the first stage, Taiwan government opened port of Kaoshing as the access port.</li> <li>● In Augusts 1996, mainland Chinese government responded and announced Fuzhou and Xiamen ports as access points.</li> </ul>
April 19, 1997	<ul style="list-style-type: none"> <li>● Some selected shipping companies started to run direct shipping links between Kaohsiung and Xiamen, and between Kaohsiung and Fuzhou for transshipment cargoes.</li> <li>● It signified the partial resumption of direct shipping link between Taiwan and China after 46 years’ suspension.</li> </ul>
December 15, 2000	<ul style="list-style-type: none"> <li>● Taiwan government promulgated the “Regulations Governing the Trial Operation of Transportation Links between Kinmen/Matsu and the Mainland Area”.</li> <li>● The operation is called the “Mini-Three-Links” across the Taiwan Strait.</li> <li>● Taiwan unilaterally requests China allowing to run direct shipping links between ports of Kinmen in Taiwan and Xiamen in China, and between Matsu in Taiwan and Fuzhou in China.</li> </ul>
January 1, 2001	<ul style="list-style-type: none"> <li>● A vessel leading by Kinmen County Magistrate navigated from Kinmen to Xiamen and started the operation of Mini-Three-Links.</li> <li>● The “Mini-Three-Links” policy is promoted by Taiwan unilaterally; it is not strongly supported by Beijing authorities.</li> <li>● The operation of “Mini-Three-Links” helps develop the local economies across Taiwan Strait. Besides, it provides more experience for planning the future full-scale direct transportation link between Taiwan and China.</li> </ul>
August 15, 2003	<ul style="list-style-type: none"> <li>● Taiwan released the “Assessment of the Impact of Direct Cross-Straits Transportation”.</li> <li>● Taiwan’s Mainland Affairs Council (MAC) declared that the government would actively promote the ‘Measures for Cross-Straits Transport Facilitation including Sea and Air Transportation’ in order to speed up all preparatory work for direct transport.</li> </ul>

<p>May 7, 2004</p>	<ul style="list-style-type: none"> <li>● Taiwan released the ‘Measures for Cross-Straits Ocean Transport Facilitation’ which allows foreign-registered ships, including flag-of-convenience ships run by either side, to carry cargoes, including those involved in cross-Straits trade, to sail directly from the mainland to Taiwan or from Taiwan to the mainland.</li> <li>● However, such a proposal was rejected by mainland China, which considers that Taiwan intends to make the cross-Straits route internationalized</li> </ul>
<p>2004</p>	<ul style="list-style-type: none"> <li>● Taiwan announced allowing ports of Taichung and Keelung to become the offshore shipping center.</li> <li>● The policy has not started to operate.</li> </ul>

Sources: Major events derived from the Mainland Affairs Council (MAC), Executive Yuan ROC (2006) *Major Events Across the Taiwan Straits*, information published in MAC website: [www.mac.gov.tw/english/chronology/sce2.htm](http://www.mac.gov.tw/english/chronology/sce2.htm); the author added some information affected on short sea shipping businesses.

## II. Current Status of Short Sea Shipping Operations between Taiwan and Mainland China

The previous section introduced the background of the short sea shipping between Taiwan and mainland China. Many significant events and policies concerning the shipping links are also briefly discussed. This section will focus on investigating the current situation on the short shipping operations across the Taiwan Strait.

### 2.1 The Governing Regulations in Taiwan

As mentioned previously, Taiwan government promulgated the “Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area” on July 31, 1992. The Act prohibits “direct” shipping link between Taiwan and mainland China. That is, currently Taiwan’s policy is basically not allowed any short sea shipping services provided to transport cargoes or passengers between ports of Taiwan and mainland China.

The Article 28 regulates that “Any vessels, aircraft or other means of transportation of the Republic of China may sail or fly to the Mainland Area with the permission of the competent authorities.” Article 28-1 further regulates that “No

vessels, aircraft or other means of transportation of the Republic of China may transport any of the people of the Mainland Area to the Taiwan Area or any other country or area outside the Mainland Area. *In addition*, No people of the Taiwan Area may use any of non-R.O.C. vessels, aircraft or other means of transportation to transport any of the people of the Mainland Area to the Taiwan Area or any other country or area outside the Mainland Area.” The Article 29 regulates that vessels flying China’s flag are basically not allowed to enter restricted waters. Article 30 prohibits According to Article 30, foreign vessels are also not allowed to directly sail between ports between Taiwan and mainland China, unless the government remove the prohibition in whole or in part. According to Article 80, any Taiwan vessel operators who violate the prohibition of Articles 28 or 28-1 will be punished with imprisonment of no more than three years, or a fine between one million and fifteen million New Taiwan dollars (NT\$). In accordance with Article 85, any foreign vessels violating the ban of direct shipping link will be punished an administrative fine between NT\$ 3 million and 15 million (approximately equivalent to US\$ 100,000 and 150,000).

After Taiwan allows its people to pay family visit to mainland China. The number of people traveling from Taiwan to mainland China grows tremendously. Cargoes flowing between Taiwan and China also increase sharply. However, direct transport links across Taiwan Strait has been banned since 1949 Due to political reasons. People traveling or Goods for cross-Strait trade must be transshipped via a third place, such as Hong Kong or Japanese port Ishigaki. Taiwan’s policy to prohibit the direct cross-Strait transport links causes the increase of costs and time for cargoes and traveling passengers.

Taiwan government slightly changed its policy to completely ban the direct shipping link in 1995. After carefully consideration and designing, the government promulgated the “Regulations Governing the Establishment and Operation of Offshore Shipping Center”. From the political and legal standpoints, Taiwan government insists that allowing Flag-of-Convenience ships directly sailing between ports in mainland China and the offshore shipping center in Taiwan is not breaking the ban of direct shipping link across Taiwan Strait. The major points of Taiwan’s offshore shipping center regulations such as type of cargoes, location, operating ships and approval procedure are summarized in Table 2.1.

**Table 2.1 Major Points of Taiwan's Offshore Shipping Center Measures**

Item	Regulations
Types of Cargoes	<ul style="list-style-type: none"> <li>● Transshipment cargoes from China to be transported to other foreign countries.</li> <li>● Those cargoes are not allowed to move into Taiwan territory; the cargoes are allowed to get services of transshipment, simple value-added processing.</li> </ul>
Access Ports	<ul style="list-style-type: none"> <li>● Ports appointed by government.</li> <li>● Currently, Taiwan government appoints three offshore shipping centers: Kaohsiung, Taichung and Keelung.</li> <li>● Kaohsiung port is the first port to be appointed; it currently runs two shipping routes: Kaohsiung/Xiamen and Kaoshiung/Fuzhou.</li> </ul>
Operating ships	<ul style="list-style-type: none"> <li>● Foreign ships operated by foreign shipping company.</li> <li>● Flag-of-convenience (FOC) ships operated by Taiwan's shipping company.</li> <li>● FOC ships operated by China's shipping company.</li> </ul>
Approval procedure	<ul style="list-style-type: none"> <li>● Operators prepared required documents to file the application with maritime authorities.</li> <li>● Taiwan government grants license for two-year period.</li> </ul>

To further cope with the people's requests, Taiwan government designed the so-called "Mini-Three Links" to operate direct shipping services between ports in Taiwan's offshore islands-Kinmen and Matsu and ports of Xiamen and Fuzhou in China. Taiwan officially promulgated the "Regulations Governing the Trial Operation of Transportation Links between Kinmen/Matsu and the Mainland Area" on December 15, 2000 and approved the operation started from the beginning of 2001. The "Mini-Three-Links" policy is promoted by Taiwan unilaterally; it is not strongly supported by Beijing authorities. Nevertheless, the operation of "Mini-Three Links" will help develop the local economies across Taiwan Strait; besides, it also will provide more experience for planning the future full-scale direct transportation link between Taiwan and China.

The major points of "Mini-Three-Links" such as type of cargoes, traveling people, location, operating ships and approval procedure are summarized in Table 2.2.



**Table 2.2 Major Points of “Mini-Three-Links” Measures**

Item	Regulations
Types of Cargoes	<ul style="list-style-type: none"> <li>● Trading cargoes approved by Taiwan government.</li> <li>● Those cargoes only can be sold in offshore islands (Kinmen and Matsu local markets) and not allowed to move into Taiwan island.</li> </ul>
Traveling people	<ul style="list-style-type: none"> <li>● People of the Taiwan Area allowed to enter or exit the mainland China via Kinmen or Matsu: (1) people who has a household registration in Kinmen or Matsu for more than six months; (2) responsible person or an employee of an enterprise allowed to invest in the mainland China; (3) spouse or children of the responsible person or an employee of an enterprise investing in the mainland China; (4) people born in Fujian of the Mainland Area, or a veteran whose place of birth is Fujian of the Mainland Area; (5) people born in Kinmen or Matsu, or being the people of the Taiwan Area and had household registrations in Kinmen or Matsu at any time prior to December 31, 2000; (6) the aforesaid people’s spouse, lineal relatives, collateral blood relatives within the second degree.</li> <li>● Any of the People of the Mainland Area under any of the following circumstances may apply for permission to enter and exit Kinmen or Matsu: (1) Visiting relatives: for those whose parents, spouse or children have household registrations in Kinmen or Matsu; (2) Illness/Frneral Visits: blood relatives within the second degree, stepparents, parents-in-law, spouse or sons-in-law or daughters-in-law who have household registrations in Kinmen or Matsu; (3) Homecoming visit: for those being born in Kinmen or Mazu, and their accompanying spouse or children; (4) Business activities: being the responsible person of a company or other businesses in Fujian of the Mainland Area; (5) Academic activities: being a faculty or staff member of a school at any level in Fujian of the Mainland Area; (6) Religious, cultural and sporting activities: being a professional or having professional capabilities in the chosen field and based in Fujian of the</li> </ul>

	<p>Mainland Area; (7) Exchange activities: being permitted as a special case by Bureau of Immigration, National Police Agency, Ministry of the Interior in conjunction with related competent authorities; (8) Travel: entrusting a general or Type A travel agency, permitted by the Tourism Bureau, MOTC to operate in Kinmen or Matsu, to file the application.</p>
Access Ports	<ul style="list-style-type: none"> <li>● Ports appointed by government.</li> <li>● Currently, Taiwan appoints ports in Kinmen and Matsu; Beijing government allows Xiamen and Fuzhou as the access points.</li> <li>● The shipping routes are: Kinmen/Xiamen, Matsu/Fuzhou.</li> </ul>
Operating ships	<ul style="list-style-type: none"> <li>● Ships registered in Taiwan or China and received approval from the government.</li> <li>● Foreign ships received approval by government.</li> <li>● A fishing vessel: (1) It registered at Kinmen or Matsu before the Regulations take effect may apply to the local county government for permission; (2) It only can carry aquatic products between Kinmen/Matsu and the Mainland Area; (3) It must file an application to change the intended use of vessel in accordance with the Law of Ships and having its fishing license revoked; (4) the conditions for granting permission to transport aquatic products shall be prescribed by the local county government.</li> </ul>
Approval procedure	<ul style="list-style-type: none"> <li>● Shipping operators operating regularly-scheduled shipping services shall file an application to local maritime authorities and get approval from Ministry of Transportation and Communications.</li> <li>● Shipping operators of the Mainland Area shall obtain the services of shipping agencies of the Taiwan Area to apply for the approval to run the business.</li> <li>● Shipping operators operating non-regular shipping services shall, for each vessel and voyage, apply separately for a navigation permit to the local maritime authorities.</li> </ul>



## 2.2 The Actual Operational Performance

The Taiwan government promoted “offshore shipping center” program began operations from the April 1997. The two shipping routes, as mentioned previously, are Kaohsiung/Xiamen and Kaohsiung/Fuzhou (as illustrated in Figure 2.1). Owing to political reasons, both sides are unwilling to open more access ports for the operation. The container throughput in Kaohsiung port, as shown in Table 2.3, increased from only 127,5509 TEUs in 1997 to the peak 674,774 TEUs in 2004; it slightly declined 12,948 TEUs in 2005. It seems to be hard to attract more transshipment cargoes from Mainland area to Kaohsiung port after many ports in China have been well developed.



Shanghai / Ishigaki	460 miles;	Ishigaki / Keelung	150 miles
Kaohsiung / Fuzhou	231 miles;	Kaohsiung / Xiamen	166 miles
Kaohsiung / Hong Kong	345 miles;	Hong Kong / Shanghai	794 miles

**Figure 1.1 Shipping routes across Taiwan Straits**

**Source:** Chang, C.C., *et. al.* (2006) “Developing Direct Shipping across the Taiwan Straits”, *Marine Policy*, forthcoming.

**Table 2.3 Container Throughput of Offshore Shipping Center in  
Kaohsiung Port**

Unit: TEU

<b>Year</b>	<b>Grand total</b>	<b>Unloading</b>	<b>Loading</b>
1997	127,509	69,330	58,179
1998	272,765	151,872	120,893
1999	365,868	204,046	161,822
2000	432,668	227,682	204,986
2001	508,244	270,313	237,930
2002	574,451	281,934	292,517
2003	630,337	312,160	318,178
2004	674,774	343,468	331,306
2005	661,826	348,839	312,987

Remarks: The offshore shipping center in Kaohsiung port began operation from the April 1997.

Source: Statistics derived from the Kaohsiung Harbor Bureau, Ministry of Transportation and Communications, Taiwan.

Regarding the “Mini-Three-Links”, as shown in Table 2.4, the number of sailing ships is steadily increasing. In 2005, there are 1,595 ships sailed from Kinmen and Matsu to Xiamen and Fuzhou; in the meantime, 2,681 ships navigated from China to Taiwan’s outlying islands-Kinmen and Matsu. The Mini-Three-Links operation is not only carrying the trading goods but also the passengers traveling between Taiwan and mainland China. As indicated in Table 2.5, in 2005 there has been more than 276 thousand passengers traveling by ships between Taiwan and mainland China. The number of passengers from Taiwan to China is far more than that from China to Taiwan. Many possible reasons caused the imbalanced transport volume, such as: Taiwan still strictly restricted passengers (including tourists) traveling from China to Taiwan; more and more Taiwan businessmen choose to take ships to China via Kinmen or Matsu instead of traveling by airplanes via Hong Kong or Macau.

**Table 2.4 Mini-Three-Links: Number of Ships Traveling between Kinmen/Matsu and mainland China**

Unit: Ships

Year	Ships from Taiwan			Ships from mainland China			Grand Total
	Kinmen to Xiamen	Matsu to Fuzhou	Sub-total	Xiamen to Kinmen	Fuzhou to Matsu	Sub-total	
2001	83	54	137	34	11	45	182
2002	288	147	435	116	42	158	593
2003	467	309	776	531	36	567	1,343
2004	820	401	1,221	1,215	593	1,808	3,029
2005	1,207	388	1,595	1,467	1,214	2,681	4,276

Source: Statistics derived from the Bureau of Entry and Exit, Ministry of Interior, Taiwan.

**Table 2.5 Mini-Three-Links: Number of Persons Traveling between Kinmen/Matsu and mainland China**

Unit: Persons

Year	Persons from Taiwan			Persons from mainland China			Grand Total
	Kinmen to Xiamen	Matsu to Fuzhou	Sub-total	Xiamen to Kinmen	Fuzhou to Matsu	Sub-total	
2001	9,738	1,991	11,729	951	90	1,041	12,770
2002	26,151	1,936	28,087	1,039	319	1,358	29,445
2003	78,782	2,977	81,759	2,936	824	3,760	85,519
2004	193,937	8,434	202,371	9,865	2,544	12,409	214,780
2005	244,504	13,739	258,243	14,132	4,475	18,607	276,850

Source: Statistics derived from the Bureau of Entry and Exit, Ministry of Interior, Taiwan.

### **III. The Possible development of Short Sea Shipping Business between Taiwan and Mainland China**

Due to political difficulties, people to people contact and direct links via mail, transport or trade between Taiwan and mainland China were suspended for almost thirty years as from 1949. However, since the 1980s the commercial activities and personal interaction between both sides have been growing quickly when Taiwan

government started to allow its people to visit their relatives and friends, and to invest and engage in various economic and trade activities in mainland China. During this period, goods moving across the Taiwan Straits had to be transshipped via a third place, e.g. Hong Kong. Currently, direct shipping across the Taiwan Straits is still prohibited, although some loosened measures have been adopted to allow partial direct or indirect shipping links. Most of the people in Taiwan believe government will allow the operation of full-scale direct transport services because of the continuing growing of trades and people's interaction between Taiwan and China.

From the economic and people interaction viewpoints, there is an urgent need for both sides to operate the direct shipping services. The volumes of trade across the Taiwan Straits are tremendously enlarged. As shown in Table 3.1, Taiwan's Mainland Affairs Council estimated that the cross-Strait trades are around 3,908 million U.S. dollars; the figure quickly increases to over 76,396 million U.S. dollars. Over the 15 years period, the volume of trades by value across Taiwan Strait has grown 19 times.

**Table 3.1 Trade between Taiwan and mainland China\***

Unit: US\$ Million

Year	Exports	Imports	Total
1989	3,331.9	586.9	3,908.8
1990	4,394.6	765.4	5,160.0
1991	7,493.5	1,125.9	8,619.4
1992	10,547.6	1,119.0	11,666.6
1993	13,993.1	1,103.6	15,096.7
1994	16,022.5	1,858.7	17,881.2
1995	19,433.8	3,091.4	22,525.2
1996	20,727.3	3,059.8	23,787.1
1997	22,455.2	3,915.4	26,370.6
1998	19,840.9	4,110.5	23,951.4
1999	21,312.5	4,522.2	25,834.7
2000	25,009.9	6,223.3	31,233.1
2001	24,061.3	5,902.0	29,963.3
2002	31,528.8	7,968.6	39,497.4
2003	38,292.7	11,017.9	49,310.6
2004	48,930.4	16,792.3	65,722.7
2005	56,275.9	20,093.7	76,369.6

\* The figures are estimated by Taiwan government agency-Mainland Affairs Council.  
Source: Mainland Affairs Council, *Statistics across Taiwan Strait*, Taiwan, ROC.



There is also a strong demand for providing direct transport services for passengers traveling between Taiwan and mainland China. As shown in Table 3.2, the number of Taiwan tourists traveling to mainland China has been over 4 million in 2005; the figure of people of mainland China traveling to Taiwan also increased steadily. It is expected that the number of people traveling between Taiwan and mainland China will continue growing in the future.

**Table 3.2 Number of People Traveling between Taiwan and mainland China**

Unit: Persons

Year	Taiwan tourists to mainland China	Mainlanders to visit Taiwan*	Total
1988	437,700	381	438,081
1989	541,000	4,838	545,838
1990	948,000	7,520	955,520
1991	946,633	11,074	957,707
1992	1,317,770	13,134	1,330,904
1993	1,526,969	18,343	1,545,302
1994	1,309,215	23,562	1,332,777
1995	1,532,309	42,634	1,574,943
1996	1,733,897	58,010	1,791,907
1997	2,117,576	72,346	2,189,922
1998	1,174,602	90,626	1,265,228
1999	2,584,648	106,699	2,691,347
2000	3,108,643	117,125	3,225,768
2001	3,440,306	133,655	3,573,961
2002	3,660,565	154,770	3,815,335
2003	2,730,891	134,811	2,865,702
2004	3,685,250	139,344	3,824,594
2005	4,109,200	172,982	4,282,182

\* The people of mainland China visits Taiwan with different purposes: economic and trade activity, tourism, others (such as academic activity, etc.).

Source: Mainland Affairs Council, *Statistics across Taiwan Strait*, Taiwan, ROC.

Although Taiwan businessmen continually request the government to remove the ban on direct shipping links, the government is still not ready to do that. On August 2003, Taiwan governmental agency (Mainland Affairs Council, MAC) released the “Assessment of the Impact of Direct Cross-Strait Transportation”. According to the

report, it is estimated that the opening of direct sea transport would result in a reduction of shipping cost amounting to around NT\$820 (US\$25) million per year. It would also cut shipping times by about one half (by passing Ishigaki Island of Japan could save an estimated 16 to 27 hours per voyage). The assessment report further pointed out some positive points as the following: (1) for individual enterprises, direct sea and air transport would reduce shipping costs by an estimated 15% to 30%; (2) the benefits of direct transport would be more substantial for air carriers while more limited for sea carriers; (3) a potential economic benefit of direct transport is that, through cost and time savings, it could raise the efficiency of goods distribution, generate an increase in cargo volume at seaports and airports, and spur the expansion of various value-added activities in adjacent areas; (4) direct sea transport could help secure Taiwan's transport status by making international shipping companies more willing to operate in Taiwan's ports; and (5) direct air transport would be favorable to Taiwan's development as an Asia-Pacific regional air-cargo and air-passenger transit hub.

However, the government's assessment report also pointed out the direct transport will cause some negative impact on Taiwan's macroeconomic development, industrial competition, labor employment, social order and national security. Importantly, both sides should hold "negotiation" to discuss the details for conducting the direct transport. According to a research by Chang *et. al.*, there are some key issues both sides still have different opinions as shown in Table 3.3.

**Table 3.3 Key Issues of Direct Shipping Links**

<b>Issues</b>	<b>Taiwan's Attitudes</b>	<b>Mainland China's Attitudes</b>
Definition of shipping route: international or domestic?	Cross-Straits direct shipping can be treated and administrated under the principles of international shipping routes according to Taiwan's law.	The nature of cross-Straits direct shipping services concerns the internal affairs of the Chinese people. It is a domestic shipping route.
Should foreign shipping companies be allowed to participate in direct shipping links?	Yes.	No. (Based on cabotage, it is only opened to those vessels run by shipping companies from both sides).



Ports opened to the shipping Links.	Only international commercial ports in Taiwan will be opened to the shipping links (however, industrial ports are to be considered on the basis of special case).	All opening ports in mainland China will be opened to Taiwanese shipping lines.
Vessels' flying flag.	The flag-flying issue would be resolved through negotiation.	A vessel from either side navigating directly across the Straits will only need to fly the company's flag or a flag with symbols agreed by two sides. When entering a port of the other side, the vessel shall not need to fly the flag of the other side.
Inspection and recognition of ship and crew certificates.	If mainland China authorities cannot recognize and deal with the certificates of Taiwan's ships and crew in accordance with international practices, such an issue should be dealt with through negotiation.	One side should inspect relevant certificates issued by the other side. Any endorsement, if necessary, may be made on a separate paper, instead of directly on the certificates.
Methods of opening up direct shipping links (including priority of opening up to passengers or cargo, ports to be opened for direct shipping, number of participators and qualification of ships, etc.).	To be negotiated.	To be negotiated.
Avoidance of double taxation.	Request to eliminate from double taxation.	To be negotiated.

Establishment of subsidiary companies on the other side.	Request mainland China to allow Taiwanese shipping companies to set up their subsidiaries, and have the right to solicit cargoes and issue bills of lading .by their own names.	To be negotiated.
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Source: Chang, C.C., *et. al.* (2006) “Developing Direct Shipping across the Taiwan Straits”, *Marine Policy*, forthcoming.

#### IV. Conclusion

The direct short sea shipping operation between Taiwan and mainland China was suspended since 1949. Along with the growing economic interaction between two sides across the Taiwan Strait, there is growing demand of direct cross-Strait shipping services. Taiwan government firstly suggested to restore the services and created the so-called indirect “offshore shipping center” operations in 1995. Taiwan further promoted the “Mini-Three-Links” program to provide direct shipping links between its outlying islands-Kinmen and Matsu and Xiamen and Fuzhou ports in mainland China.

Nevertheless, the indirect short sea shipping programs of “offshore shipping center” and “Mini-Three-Links” promoted by Taiwan are not enough to cope with the needs required by people of both sides across Taiwan Strait. People are expecting both sides’ government may jointly start negotiating the full-scale direct shipping services between Taiwan and mainland China as soon as possible.

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