

# RECENT DEVELOPMENT OF COOPERATION AND INTERDEPENDENCE IN THE CIVIL AVIATION SECTION BETWEEN MAINLAND CHINA AND TAIWAN

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## I. Introduction

China has been divided into two political entities between Taiwan Straits after the establishment of the Government of the People Republic of China (PRC) at Beijing and the Government of the Republic of China

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- 본고는 1999년 10월 서울에서 한국항공대학교 항공산업대학원 주최로 개최된 「국제항공세미나」에서 발표된 내용임

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(ROC) at Taipei which was moved to Taipei from Nanking, Capital of China before 1949 during the civil war.

After maintaining a situation status quo of coexistence across Taiwan Straits almost for thirty seven years, the ROC began to take a challenging initiative in inter-Chinese relations by announcing the abolishment of the ban on travel to the Mainland China in the year of 1987, just a few months prior to the death of late President Chiang Ching-kuo of the ROC. In 1988, Taiwan residents were allowed to send letters to the PRC. It was the important step to establish the people-to-people contacts between two rival governments after totally and completely continued interruption of contacts between the PRC in Mainland China and the ROC in Taiwan since 1949.

The second phase of the development of cross Straits relations was the formulation of the semiofficial contact between the ROC and the PRC Governments through the creation of Straits Exchange Foundation (SEF), operating under the Mainland Affairs Council (MAC) of the ROC on February, 1991 and the Association for Relations Across the Taiwan Strait (ARATS), operating under the Taiwan Affairs Office of the Chinese Communist Party (CCP) Central Committee and the State Council of PRC on December 16, 1991.

During this period of time, a number of institutional changes have been made to cope with the accelerating development of exchanges with the PRC. In October 1990, the ROC National Unification Council (NUC) was set up, and the Mainland Affairs Council (MAC) was established thereafter in January 1991.<sup>1)</sup>

Most important task of the NUC was to adopt The Guidelines for National Unification in February 1991 and The Statute Governing

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1) See, An-Chia Wu, Taipei-Peking Relations: The Sovereignty Issue, *Issues & Studies*, vol. 29, No. 5, May 1993, Taipei, pp. 25-38; Ying-Jeou Ma, The Republic of China's Policy towards the Chinese Mainland, *Issues & Studies*, Vol. 28, No. 2, February, 1992, p. 1-10.

Relations between the People of Taiwan and Mainland Areas was also adopted in the same year as two legal instruments formally regulating the wide range of contacts between Taiwan and Mainland China. Apart from these two instruments, the period since 1987 has seen adoption also of a number of declaratory or hortatory instruments, representing not binding engagements, but rather a series of blueprints for the evolution in due course of a new cross-Strait relations.

The third phase of cross Straits relation development was the declaration of Eight-Point on the development of cross-Straits relations and reunification delivered by Jiang Zemin, President of the PRC on the eve of the 1995 Lunar New Year.<sup>2)</sup> The first point of the declaration reiterated the adherence to the principle of one China and in the fifth point emphasized that political differences should not affect the expansion of economic exchanges and cooperation between the two sides, stressing Beijing would protect the legitimate rights and interests of Taiwan industrialists and businessmen by signing a nongovernmental investment protection agreement. He also called for the adoption of practical measures to speed up the establishment of postal, air and shipping links, and trade between the two sides. Taiwan reacted favorably to Jiang's Eight-Point Declaration.

In spite of the tension between Taiwan and Mainland China after the ROC President Lee Teng-Hui visited the United States in 1995 and the launch of testing missiles to the high seas just outside of Keelung and Kaohsiung harbors, two sides have still attached the great importance to the economic cooperation of the two sides. But, Taiwan has consistently insisted not to establish the direct links on mail, trade, and transportation between the two sides in afraid of losing its identity as an independent political entity. However, that policy could not prevent the further improvement of bilateral economic and trade cooperation and the

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2) Kuo-Cheng Sung, Jiang Zemin's Eight-Point Speech and Cross-Straits Relations in the Post-Deng Era, *Issues & Studies*, Vol. 31, No. 7, July 1995, Taipei, pp. 1-17.

acceleration of investment from Taiwan to Mainland China.

During this period of time, non-governmental relations have not been affected and the cross-Straits exchange and cooperation have been further promoted mainly by private sectors, particularly by various academic, professional and commercial organizations. Transportation is one of the most important issues of controversy and its alternative solution of overcoming the restriction of direct shipping and air transport links between Taiwan and Mainland China is to take certain measures to implement de facto links and de jure cooperation in private sectors not objected by government agencies.

The current phase of the development in cross Straits relations is the turning point of peaceful co-existence for a long period of time between Taiwan and Mainland China after ROC President Lee Teng-Hui of the ROC expounded on "the Special State-to-State Concept" in a July 9 interview with the German broadcasting Deutsche Welle.<sup>3)</sup> The PRC blasted the term as suggestive of Taiwan independence and have since stepped up their verbal warnings of Taiwan, including the final resort of military force against Taiwan. The present situation might create new psychological obstacles to promote further the cross-Straits cooperation; however, it could not affect already existed interdependence of economic cooperation between ROC and PRC in the long run.

Nevertheless, air transport is a very important sector of transportation within the framework of bilateral economic cooperation between Taiwan and Mainland China. Therefore, this paper will concentrate its discussion on the recent development of cooperation and interdependence of air transport between Taiwan and Mainland China, which will illustrate the existing economic and commercial ties between the two sides. First, we shall try to find out the reason why the ROC government has firmly refused the repeated requests to establish the air links from PRC

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3) See, *The Free China Journal*, Vol. XVI, No.34, August 27, 1999, Taipei, p. 2.

government and from Taiwan commercial circles. Secondly, we shall analyze the existing patterns of cooperation in air transport between Taiwan and Mainland. Thirdly, we shall introduce the new air policy of ROC as well as the blueprint of the direct links of air transportation between Taiwan and Mainland China designed by ROC competent authorities.

## **II. The Political Hurdles of Direct Air Transport Links between Taiwan and Mainland China**

"The Guidelines for National Unification" and "The Statute Governing Relations Between the People of Taiwan and Mainland Areas" adopted in 1991 are two basic documents to formulate the basic principle of establishing the direct air link across Taiwan Straits. It sets three stages of unification procedure, namely, the short term, the middle term and the long term of development, reaching the final unification of the two sides. Direct air transport link will be realized only by the successful completion of the short-term period of exchange and cooperation based on mutual respect and reciprocity.

Unfortunately, there is always a radical view from different political parties in Taiwan on the notion of "independent political entity" enjoyed by the ROC, but the target of the short term bilateral development has never been implemented until the moment. In 1995, the ROC Government adopted a document so called "The Common Opinion of Subjects for Cross Straits Relations of National Development Conference" announced that air transport links will be negotiated and solved based on the principle of security and reciprocity when the time is appropriate. From time to time, the ROC Government also adds the principle of dignity as the precondition to negotiate the direct air links between the two sides. In short, the ROC Government has adamantly kept its position.

as that the air transport link is a political issue rather than a commercial one. In the other words, the PRC has to recognize Taiwan as an independent political entity before negotiating the direct air links. This is the problem to be solved pending the political arrangement in the future.

Mainland Affairs Council of the ROC has repeatedly emphasized the major political, legal and security obstacles to establish the transportation links between the two sides of the Taiwan Straits. It demands the PRC to eliminate first these obstacles they have erected before negotiating the direct transportation links.<sup>4)</sup>

So far as to political obstacle is concerned, the establishment of direct air links between the two sides involves complicated negotiations about landing rights and the signature and execution of air traffic service agreement. The PRC should first no longer deny Taiwan as an equivalent political entity so that the two sides can proceed with the relevant negotiations. If the PRC government insists on maintaining the attitude of a central government dealing with a local government, then, there is no basis for carrying on with negotiations to establish air links or sign agreements.

So far as to legal obstacle is concerned, the aircraft of both sides of the Taiwan Straits have their own national identity which are governed by different laws and regulations, and are governed by different regulatory government agencies. Therefore, only when both sides confer the mutual recognition and the respect of laws and to legal system of the other side can all problems confronting the establishment of direct transportation links between the ROC and the PRC be resolved, and the proper order for direct transportation links be established.

So far as to security obstacle is concerned, the PRC, at present, still bear enmity toward the ROC, and have been expanding on a large-scale their air and sea armaments in recent years. Under such antagonistic

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4) See, *Direct Cross-Straits Transportation Links: The Essential Nature and Obstacles*, Publication of Mainland Affairs Council, Executive Yuan, ROC, December 17, 1993.

circumstances, direct transportation links across Taiwan Strait would be regarded to affect the ROC air force's early-warning capability. This would have an enormous impact upon the security of the Taiwan area which lacks deep strategic deployment.<sup>5)</sup>

There is also a psychological obstacle across Taiwan Straits. Taiwan requires to be treated by the PRC as a government in stressing that the ROC government cannot accept Beijing's claim to be the central government with Taipei as a local-level government under its jurisdiction. It is a question of dignity for Taiwan as repeatedly claimed by the ROC government. In this respect, it is the most difficult political problem to be solved.

Therefore, to open up direct transportation links of the two sides must first end the antagonistic situation and, under the premise of mutual respect on both sides and the principle of reciprocity, sign air transport agreement before the safety of travel can be assured and an order to navigation be established. It is the basic position of the ROC government vis- -vis direct air links problem. Apparently, the actual problem is a political one and highly political motivated.

### **III. The Existing Patterns of Air Transport Cooperation between Taiwan and Mainland China.**

There are several patterns of air transport cooperation have been established by private sectors of the ROC and the PRC during the last six year from 1993 to 1999.

3) The first model of bilateral cooperation is through the regular organization of cross- Straits civil aviation conferences to discuss problems relating to the direct flight across Taiwan Straits which is constituted the first step of substantial cooperation in the

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5) Ibid. p. 2.

pre-arrangement of such flight. These discussions touch on subjects in all sectors of aviation industry including airport operation, the entry and exit of crews, the administration of airports, the recognition of aircraft nationality, the recognition of certification, air traffic control, the exchange of traffic rights, FIR and ADIZ problems, carrier liability, code-sharing, taxation, ticketing, baggage transfer, insurance, safety, accidents, the hijacking of aircraft, general sale agency, ground-handling and others.

Since 1987 there has continued to prevail a feeling that more should be done to strengthen the civil aviation contact and cooperation across Straits. Then, there were frequent private visits from Taiwan academic, professional and airline industry sectors to the CAAC and to the national airlines of different districts in China. It would be the direct private contacts of private sectors of both sides and always reached understanding of how to organize mutually professional of conferences discussing the relevant subjects which concern the pre-arrangement of and discussion to the direct air links, which would lay the strong basis of future cooperation in civil aviation sector.

It was on 25 to 26 May, 1993, the First Cross Straits Civil Aviation Conference on Civil Aviation Cooperation was formally and successfully organized by China Civil Aviation Association of PRC, an Association directly associated to the CAAC, in Shanghai and fifty persons from Taiwan were invited to attend the Conference, including airlines executives, the scholars of air transport and law, the Government officials of air transportation, air travel agents as well as a group of journalists and TV cameramen. Voices of asking to establish the direct air links were heard and the problems of indirect and direct air links were discussed.<sup>6)</sup>

However, the main concerns are of the legal and technical problems

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6) See, Proceedings of 1993 Shanghai Conference of Cross-Straits Air Transport, Published by China Civil Aviation Association, Beijing, May 25, 1999.



relevant to mutual recognition of certification, air control and ADZ problem, routing distributions, airport operation of Beijing, Shanghai, and Canton, and other. It was a conference of exchange of views on the subjects of how to promote the establishment of the direct air links in the future.

"The Second Cross Straits Civil Aviation Conference" was convened by Soochow University School of Law from 18-19 April 1995, at Taipei. The Conference was designed to continue the first Shanghai Conference and was the first conference of such ever held in Taiwan after 1945.<sup>7)</sup>

The CAAC sent a delegation of seven members to attend the Taipei Conference under the leadership of Vice Minister Li Zhao, then Deputy Director-General of CAAC. It was also the first PRC delegation on the ministerial level that was admitted to Taiwan since 1950 and it was therefore caused wide coverage of mass media.

The Conference discussed certain important subjects of mutually concerned, such as the aviation policy of the PRC and the ROC, the perspective of airline cooperation, the establishment of hub and spoke airport system in Taiwan and Mainland China, the air traffic cooperation between Taiwan-Hong Kong-Mainland China, the conflict of laws in aviation between Taiwan-Hong Kong-Mainland China, air routing arrangement, including the fifth freedom of traffic arrangement, the creation of general sale agency, the training of pilots and crews through cooperation, and others.<sup>8)</sup>

"The Third Cross Straits Civil Aviation Conference on Bilateral Civil Aviation Cooperation" was organized again by CAAC under the name of "China Civil Aviation Association" in Beijing just after the "International Conference on Air and Outer Space Cooperation and Competition" co-organized by Peking University, Soochow University School of Law,

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7) Chia-Jui Cheng, *Essays on Cross-Straits Civil Aviation Transportation*, Soochow University School of Law & Air and Space Law Documentation Center Publication, Taipei, July 1997.

8) *Ibid.*, pp. 1-107.

Asian Institute of International Air and Space Law, The International Institute of Air and Space Law, and Leiden University in June 1995. A delegation of thirty members from Taiwan attended the Conference which was coordinated by Prof. Chia-Jui Cheng, Chairman, Asian Institute of Air and Space Law.<sup>9)</sup>

During the Beijing Conference, routing distribution models, ticketing representation, airport operation, the models of air links, the conclusion of an air service agreement, maintenance cooperation, accident compensation, and others were widely discussed. The subjects discussed in the Second Seminar were penetrating from the point of view of air transport operation. For example, how to arrange routing at the first stage of the operation of direct flight was warmly discussed. It was agreed that the point to point flight would be the best solution of it, namely, Taipei CKS Airport and Kaohsiung Airport could be designed as the two points of Taiwan to fly to Xiamen Airport and Shanghai Airports.<sup>10)</sup>

"The Fourth Cross Straits Civil Aviation Conference on Civil Aviation Cooperation" is to be organized by CAAC on 17 November 1999 at Shanghai just after "The Fifth International Conference on International Air Transport and Space Transportation" to be organized joint by Shanghai Jiao-Tong University, Asian Institute of International Air and Space Law, and Leiden Institute of Air and Space Law on 15-16 September, 1999. The subjects to be discussed will be: the perspective of civil aviation transportation in 21st Century; the function of transfer of passengers and cargo at Shanghai Hongqiao International Airport and new Pudong International Airport; the cross Straits management and operation cooperation in civil air transport; the cross Straits aviation industry and alliances and cooperation with third countries; the cooperation of airports of cross Straits; and cross Straits civil aviation

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9) Chia-Jui Cheng, *The Use of Air and Outer Space: Cooperation and Competition*, Kluwer Law International, The Hague, 1998.

10) See, *Proceedings of the 1995 Cross-Straits Conference on Civil Aviation Transportation*, China Civil Aviation Association, June 1995.

security and safety cooperation.<sup>11)</sup>

The forthcoming Shanghai Conference will be an important one at the time when the State-to-State Relations Concept was declared in July 1999. It is expected that all questions concerning the cooperation before and after the direct air links will be discussed in details which will certainly lay the final ground work of the direct air links between Taiwan Straits for the near future.

2) The second pattern is the direct contacts between professional organizations of the ROC and the PRC through round table discussions, seminars and conferences which create the conditions of cooperation between airline industry of two sides.

Most important event of recent years was the First Cross Straits Conference on Flight Technology and Safety organized jointly by Airline Pilots Association of ROC and China Civil Aviation Association of PRC at Beijing on 18 May 1998. A delegation of thirty members attended the Beijing Conference and it was the first gathering of pilots from two sides of Taiwan Straits.<sup>12)</sup> All subjects discussed were related to pilot's behavior and how to avoid air accidents as well as the technical problems concerning the air safety.

For example, certain highly technical problems of how to avoid accidents were discussed by pilots speakers, such as touching the runway of aircraft tail, re-take off to save the miss calculation of landing, the re-take off technique of MD-82/90 type of aircraft, how to avoid the aircraft rushing to the end of or out of runway in landing, how to face the challenge from FANS, and others. There were also a number of topics relating to how to create a sound air safety system, such as how to create a good habit for pilots in flight, air safety management strategy, how to raise the standard of technical training of pilots in service, the

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11) See, Announcement of the 1999 Cross-Straits Conference on Civil Aviation Transportation, China Civil Aviation Association, Beijing, November 1999.

12) See, Quarterly Review of Airline Pilots Association of ROC, No. 10, July 1998, p.39.

management of pilots cabin, how to reinforce the airport equipment and construction to safeguard the air safety, and others. The Conference has been, without any doubt, reached an agreement that how to create an air safety system of civil aviation is the most urgent task of Chinese airlines industry.

Recently, Taipei Airlines Association, whose members are from all airlines registered in Taiwan, plays an auxiliary role to arrange the visit from PRC airlines to Taiwan on behalf of certain airlines. Before the end of this year two Seminars are to be on the schedule: Cross Straits Seminar on Airlines Marketing Cooperation; and Airlines Operation Cooperation Seminar.

3) The third pattern is the cross Straits inter-airline cooperation through the airline industry's direct contacts and negotiations thereto. The signature of inter-airline cooperation agreement is purely based on the economic and commercial considerations without any government intervention. It is expected that an improvement of how to operate efficiently the existing points across Straits in order to reduce airlines' operating costs without losing business, or to strengthen their competitive position and increase their revenues without increasing their costs to the same extent, or to strengthen their air political positions. On the other hands, they are in favor of such cooperation if it can improve the share of their capacity in the carriage of cross- Strait air traffic, or it can improve the service to the public by leading to more and cheaper public air transportation facilities, or it can reduce losses.

There are four international airlines of Taiwan actually operating in the Far East region, namely China Airlines, Eva Airways, Far Easter Airlines, and Trans Asia Airways, which have transit connecting points to points in Mainland China via Hong Kong, Macau, Manila and Seoul. Macau and Hong Kong Airports are two main transit points to different cities to Mainland China widely used by Taiwanese air carriers. These airlines already concluded certain inter-airline cooperation agreements

with various PRC airlines, such as China National Aviation Corporation (Hong Kong) Ltd., China Southern Airlines, China Eastern Airlines, Air China, Xiamen Airlines, Shanghai Airlines and Yunnan Airlines. These agreements are concerned with different contents of inter-line cooperation as following:

- 1) Direct Ticketing Agreement;
- 2) Direct Baggage Carriage Agreement;
- 3) General Sale Agency Agreement;
- 4) Mutual Recognition of Airworthiness Agreement;
- 5) Chartered Flight Agreement;
- 6) Direct Connecting Agreement at Macau and Hong Kong;
- 7) Repairing Engine Program;
- 8) Code-sharing Agreement;
- 9) Clocking Seats Agreement;
- 10) Ground-handling Agency Agreement;
- 11) Navigation Agreement; and
- 12) Maintenance and Engineering Cooperation Agreement.

Moreover, certain Taiwanese airlines signed cooperation agreements with the airport authorities and aircraft maintenance corporations of Mainland on the ground handling, repairing and maintenance of aircraft of their airlines respectively. In this respect, for example, the Far Eastern Airlines of Taiwan signed a ground-handling agreement with Xiamen Airlines and an agreement of repairing aircraft with Aircraft Maintenance Engineering Company (Ameco) in Beijing.<sup>13)</sup>

The progressive liberalization and deregulation of international air transport regime that will govern international and domestic air transport operations in the end of this century and in the next century, gives rise

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13) China Airlines signed the Agreements of No. 1), 2), 4), 6), 7), and 12); Eva Airways signed the Agreements of No. 1), 2), 3), 4), 5), 6), 7), 8), 9), 10), and 12); Trans Asia Airlines signed the Agreements of No. 1), 2), 3), 4), 5), 6), 7), 8), 9), 10), and 12).

to strategies aiming at ever more comprehensive cooperation in national and cross-border inter-carrier schemes. Cross Straits inter-carriers cooperation can not be departure from that international airline's strategies.

4) The fourth pattern of inter-carriers cooperation is an interchange agreement, which involves the use of the same aircraft over the routes of two carriers to provide a one-plane through service. During the last several years, Hong Kong based Dragon Air controlled by the PRC has operated Kaohsiung-Hong Kong Beijing and Shanghai-Hong Kong-Kaohsiung and vice versa on a one-plane through service. Meanwhile, Macau Airlines controlled also by the PRC has allowed to operate the routing of Taipei-Macau-Shanghai and Beijing-Macau-Taipei and vice versa on a one-plane through service too. These two airlines are only privileged ones to operate the regular flight between two points of Mainland China and Taiwan via Hong Kong and Macau and the other foreign airlines and airlines registered in both Mainland China and Taiwan are not be given the same privilege.<sup>14)</sup>

8) The fifth pattern of cooperation is the mutual visit of airlines executives in order to exploring the possible cooperation in new fields. Executives from Air China, China Northern Airlines, China Eastern Airlines, China Southern Airlines, China Western Airlines and China Southwestern Airlines, Xiamen Airlines, Shanghai Airways and some important provincial airlines were invited to visit Taiwan one by one either by airlines concerned itself or by certain associations and academic institutions. Conversely, executives from China Airlines, Eva Airways, Far Eastern Airlines, Mandarin Airlines, and Trans Asia Airways were also invited to visit there

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14) In fact, both Dragon Air based on Hong Kong and Macau Airlines based on Macau have been considered as a part of the PRC airline industry because of their major part of shares are controlled by the PRC capitals. The sovereignty of H.K. was transformed the U.K. to China on the first day of July 1997 and Macau is to be transformed from Portugal to China on December 20, 1999.

counterparts in Mainland China. To this point, it would not be important whether direct air links have been realized or not, because the regular visit to each other illustrates the market demand of keeping the friendly and close ties in aviation sector

5) The sixth model of cooperation was the establishment of representative offices of China airlines and Eva Airways in Beijing and Macau Airlines in Taipei. Taiwanese airline representative offices operated in Beijing play a coordinating and, sometimes, negotiating role respectively. Although Macau Airlines was registered in Macau, however, it is controlled by CAAC and is empowered to represent PRC airlines interests in Taiwan.

#### IV. New Air Policy Trend of ROC

"The Direct Air Links Policy" of ROC has been designed as a political bargaining weapon towards PRC. It is an essential countermeasure to Beijing's repeated denial of the ROC existence as a sovereign government. In essence, the government of ROC would not object the final negotiation of direct air links as the time when it is to be considered to be proper. This is the reason why government agencies concerned have worked out a detailed blueprint of direct air transportation between the ROC and the PRC during the last ten years. At the first stage of direct flight between the PRC and the ROC, point to point flight was designed, namely Taipei to Xiamen and Taipei to Shanghai and vice versa.<sup>15)</sup>

During the recent presidential election campaign, Mr. Chen of

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15) See, Chia-Jui Cheng, *The Legal Question of Future Cross-Straits Transportation*, Research Project Report, Published by ROC Mainland Affairs Council, December 1994, p. 173. Moreover, The ROC Ministry of Transportation and Mainland Affairs Council have also conducted a series research reports on the negotiation with PRC about routings and points to points designation in case the direct air links will be permitted by ROC Government.

opposition party's candidate and Mr. Song of breaking away candidate of Kuomintang both announced their favor to adopt a new "direct air transportation". Even, Mr. Lien Chan, ROC Vice President and runner of next term of president, outlines four pragmatic principles for cross-strait relations. In other words, parity, peace, progress and prosperity should be the guiding principles as Taiwan advances its relations with the Chinese mainland. He stressed the importance of parity in cross-strait affairs. Parity, in fact, is the crucial foundation upon which Taipei and Beijing must stand when proceeding with dialogue on any subject, including sensitive political issues, such as transportation.<sup>16)</sup>

From these remarks, we have noted the relaxation of rigid policy from ROC government and the direct air and sea links could be negotiated with the PRC in the near future on the condition of that the PRC would have accepted certain pre-conditions, particularly the principle of equality of two political entities. It would not be difficulty to establish a direct air links tomorrow because Taiwan has already laid down a framework of establishment of such air links. It is likely that the new ROC government after next May 20 might be prepared to negotiate with Beijing the problems concerned.

The above-mentioned five models of civil aviation cooperation between airlines industry across Taiwan Straits have illustrated already existing aviation ties between the two sides.

Moreover, there is a legal problem to be solved. Once the PRC and Taiwan are to be admitted to the WTO which is predicted in the beginning of next year, Taiwan has to comply with WTO constitution opening indiscriminately its service market, including removes its barriers and hurdles in order to facilitate the free entry of domestic market of transportation. Direct air links can be subject of immediately negotiation within the framework of WTO. The ROC Government is prepared to accept such a negotiation at the moment.<sup>17)</sup>

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16) See, *The Free China Journal*, Vol. XVI, No. 34, August 27, 1999, p. 2.



In reality, Taiwan is unable to resist continually the direct air links between Taiwan Straits because of its weakness in island economy based on export oriented economy which is not allowed her to be isolated from continent economy. That is the reason why the economic and trade relations across the Taiwan Straits have intensified, creating ever-increasing interdependence. The adoption of a "National Plan for Building Taiwan into an Asia-Pacific Regional Operations Center" by the ROC Government since 1995 was the best illustration of economic interdependence of Taiwan from continental China.

There are six specific operations centers to be established, including the manufacturing center, the sea transportation center, the air transportation center, the financial center, the telecommunications center and the media center.<sup>18)</sup> Among these centers, the sea transportation center and the air transportation center are two important centers to be developed. The former is intended to facilitate cargo transportation between Taiwan and Mainland China and strengthen Taiwan's bid as an Asia-Pacific regional operations center. It is particularly important for supporting the development of the manufacturing center. The latter is aimed to seize the business opportunity and , simultaneously, facilitate the travel of people and the movement of cargo, an attractive incentive for multinational enterprises to use Taiwan as a regional operations center.

So far as the air transportation center is concerned, it is designed to make Taiwan into a passenger and cargo transportation center for the southeast Asian region at the first stage and to transform eventually this center as a hub and spoke for Mainland China. Taking advantage of the residents' sense of community, it is now building the Taipei CKS

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17) According to the principle of non-discrimination of GATT and GATS, Taiwan has to open its market of trade in services. Taiwan is, most probably, to negotiate the direct air links with PRC within the framework of the WTO in this case.

18) See, *An Initiative into the Next Century: a Plan for Building Taiwan into an Asia-Pacific Regional Operations Center*, Publication of Coordination and Service Office for Asia-Pacific Regional Operations Center. Council for Economic Planning and Development, Executive Yuan, ROC, p. 5-6.

International Airport area into an air city as an integral part of the overall development of this area.<sup>19)</sup>

From this point of view, the political position of Taiwan has to be balanced by its weakness of island economy through its adjustments of macro-economy and micro-economy and its blueprint for Asia-Pacific Regional Operations Center has clearly indicated its desires to incorporate the island economy into continental economy. The direct air link is the bridge to carry out that determined function and it could not be resisted to construct that economic bridge.

## V. Conclusion

From very beginning the direct air transportation has been classified as a political issue on the agenda by the ROC government, not as an economic and commercial questions as managed by Taiwan airlines industry. Therefore, the direct air link is one of the subjects to be negotiated with PRC in accordance with the 1991 Guidelines for National Unification, however, under the strong pressure from the ROC businessmen circle, the Government has considerably relaxed its intervention to the conclusion of different categories of air service agreement between airlines of the ROC and the PRC, although the ROC government is still resisting to the direct air links in its policy declaration.

Actually, the air traffic between Mainland China and Taiwan has been very well operated through above-mentioned patterns of air transport cooperation of the two sides. From its functional point of view, the third pattern of cross Strait inter-airline cooperation is one of the most important means to replace the direct air links. That indirect air links

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19) Ibid. p. 6: see also, Cheng-Ming Feng, Asian Hub Developments and Prospects with Special Reference to Mainland China and Taiwan, in *The Use of Air and Outer Space: Cooperation and Competition*, edited by Chia-Jui Cheng, Kluwer Law International, The Hague, 1998, pp. 429-434.

through Hong Kong and Macau have successfully operated since 1987 and it is very likely that the ROC government will abolish that rigid policy after the coming new presidential election on March 18, 2000 in Taiwan.

It is the fact that Taiwan has been economically incorporated into Mainland China and the direct air traffic should be maintained which will help very much the future macro and micro economic development of Taiwan, particularly, Taiwan has launched a long term national plan of transforming Taiwan as a regional economic center of East Asia Region. Taipei CKS Airport is designed to be a hub and spoke international airport and Mainland China will be the hinterland of Taiwan.

In short, direct air transportation is the positive means to reach a situation of peaceful co-existence and to realize its long term's goal of final reunification between the ROC and the PRC. Economic interdependence between the PRC and the ROC has constituted the fundamental element of interdependence in the civil aviation sector. I certainly believe that the final reunification of two separate Chinese political entities will be finally realized.