

The Potential for Developing Short Sea Shipping between Taiwan and Mainland China

發展台灣與中國大陸間近洋海運的潛力

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Abstract

Short sea shipping could help the development of local economies. However, direct short sea shipping operations between Taiwan and mainland China have been suspended since 1949 because of political differences. With the growing economic interaction between the two sides of the Taiwan Strait, there has been growing demand for direct cross-strait shipping services, which hold great potential for developing short-sea-shipping businesses. Responding to the demand, Taiwan's government first created the so-called indirect offshore shipping center operations in 1995 and followed this in 2001 by opening the "mini three links". This paper investigates the issue of direct short sea shipping links across the Taiwan Strait. It begins with a short introduction to the relationship between Taiwan and mainland China. Next is a discussion of the current status of cross-strait short-sea-shipping operations and an assessment of the potential for development from the standpoint of market demand. Some conclusions are presented in the final part.

Keywords: Short sea shipping, Offshore shipping center, Taiwan, China

摘要

近洋海運可幫助地方經濟之發展。然而，因為政治因素，自 1949 年起台灣與中國大陸間直接的近洋航線營運即被終止。隨著海峽兩岸經濟交流的增加，兩岸直接通航的需求，日漸增強；這意謂發展兩岸近洋航線之營運，非常具有潛力。因應需求，台灣政府首先在 1995 年開創境外航運中心業務，其後在 2001 年又開放「小三通」的營運。本文首先介紹台灣與中國大陸間的關係；接著討論兩岸近洋海運發展的現況，並從市場觀點評估兩岸近洋海運發展的潛力；最後，作一結論。

關鍵詞：近洋海運、境外航運中心、台灣、中國

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I. Introduction

In most cases, the promotion of short sea shipping is aimed at helping the development of local economies. In 1991, Tinsley commented that “the trend among deep-sea carriers towards faster and higher-capacity mainline vessels, calling at fewer ports, had key implications for the [short-sea] feeder business; this is particularly the case in Europe, with its myriad cargo interfaces, well-developed infrastructure, intensive competition between ports in relatively close proximity, and vast consumption and production of manufactured goods.” (Tinsley, 1991, p. 207) Government officials see not only the economic advantages of short sea shipping, but also focus on other important benefits it can offer, such as energy conservation, environmental protection, and transport safety against a background of rising trade volume among trading partners within a region. (Tinsley, 1991, p. 220)

In practice, short sea shipping is synonymous with modest vessels size considered from a market point of view. Nevertheless, the short-sea sector should not be viewed as a microcosm of the traditionally more influential deep-sea shipping industry. Caspers and Brugge point out that short sea shipping in the EU region was an important component in the combined transport chain system and could help fulfill the requirements of the shippers in the search for new logistics strategies. (Caspers and Brugge, 1993, p. 40) Indeed, short sea shipping between Taiwan and mainland China, from an economic perspective, would help global operators fulfill their logistics arrangements in the East Asia area. It would, in particular, help attract global manufacturers who plan to expand into China to set up regional operations center in Taiwan. The existence of the attraction may be evidenced by that, over the past few years, the European Chamber of Commerce Taipei and the American Chamber of Commerce in Taipei have both urged Taiwan’s government to speed up cross-strait business normalization and to lift the ban on direct cross-strait transportation and commerce. (ECCT, 2006) Legislators of the opposition party have continued attempting to remove the ban on cross-strait direct shipping operation. (*China Times*, 2006)

This paper studies the issues of direct short sea shipping links across the Taiwan Strait. The next section provides a brief introduction to the relationship between Taiwan and China, which is necessary because the issue of cross-strait links is complex and highly

political. The paper follows the investigation of the current status of cross-strait short sea shipping operations and assesses the potential development from the standpoint of market demand. Some conclusions are presented in the final part.

II. Background of the Relationship between Taiwan and Mainland China

Normal economic interaction between Taiwan and mainland China has been stopped since 1949, when the then-ruling Nationalist party (also called the Kuomintang, or KMT for short) was defeated by the Chinese Communist Party in civil war and moved the government of the Republic of China (ROC) from mainland China to Taiwan. Although Taiwan and mainland China are separated both politically and geographically, many people have close ties with others on the opposite side of the Taiwan Strait. As shown in Table 1, the Taiwan government unilaterally announced that people in Taiwan would be allowed to pay family visits to mainland China, starting November 2, 1987.

Since that time, the interaction between the people of Taiwan and China has become more frequent and closer. To administer activities across the Taiwan Strait, the 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 from rbusiness groups, however, the government promulgated the “Regulations Governing the Establishment and Operation of Offshore Shipping Center” in 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. The regulations use the term “offshore” to avoid the label of direct shipping links, which remain officially forbidden in Taiwan.

In the first stage of the operation of the “offshore shipping center”, the Taiwan government opened the port of Kaohsiung as the access port. In August 1996, the mainland Chinese government responded to Taiwan’s policy and announced that the ports of Fuzhou and Xiamen were to be the mainland’s access points. On April 19, 1997,

some select shipping companies began running transshipment cargoes directly between Kaohsiung and Xiamen, and between Kaohsiung and Fuzhou. The operation signified the partial resumption of direct shore sea shipping between Taiwan and China after forty-six years' suspension. After that, maritime authorities on both sides actively undertook to finish the task of resuming cross-strait shipping links.

The pace of developing cross-strait shipping links, however, slowed in 2000, when the presidential election brought a shift in power from the Kuomintang to the Democratic Progressive Party (DPP). The Beijing government is more reluctant to negotiate with the current administration because of the association of the DPP with the Taiwan independence movement, which Beijing vehemently opposes. Although the Taiwan authorities have continued designing some programs to promote shipping links across the Taiwan Strait; the lack of confidence between the two sides has hindered progress. As shown in Table 1, the Taiwan government subsequently promoted the so-called Mini-Three Links in 2000. Taiwan unilaterally requested that Beijing authorities allow vessels to run direct shipping links between ports of Kinmen in Taiwan and Xiamen in China, and between Matsu in Taiwan and Fuzhou in China. Although the Mini-Three Links policy was promoted by Taiwan unilaterally and not strongly supported by the Beijing government, the operation still has helped develop both sides' local economies and provided useful experience toward planning any future full-scale direct shipping links across the Taiwan Strait. Other efforts include releasing the "Assessment of the Impact of Direct Cross-Straits Transportation" in August 2003, and publishing the "Measures for Cross-Straits Ocean Transport Facilitation" in May 2004.

Table 1. Important Events Concerning Direct Shipping Link between Taiwan and Mainland China

Year	Event
December 9, 1949	<ul style="list-style-type: none"> ● ROC government moves from mainland China to Taiwan. ● All relations between Taiwan and China suspended.
November 2, 1987	<ul style="list-style-type: none"> ● Taiwan people are allowed to pay family visits to mainland China. ● Taiwan and mainland China restart contact after 38 years of maintaining no-contact policies.

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July 31, 1992	<ul style="list-style-type: none"> ● Taiwan promulgates the “Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area”. The act prohibits direct shipping links between Taiwan and China.
May 1995	<ul style="list-style-type: none"> ● The Taiwan government promulgates “Regulations Governing the Establishment and Operation of Offshore Shipping Center”. The regulations allow those cargoes going to and from the ports of Fuzhou and Xiamen in China to be transshipped via Kaohsiung Port in Taiwan. The regulations use the term “offshore” to avoid labeling the shipping links “direct,” since direct links remain officially forbidden by the Taiwan government. ● In the first stage, the Taiwan government opens the port of Kaoshing as the access port. ● In August 1996, the mainland Chinese government responds by announcing the ports of Fuzhou and Xiamen as access points.
April 19, 1997	<ul style="list-style-type: none"> ● Some select shipping companies start to run direct shipping links between Kaohsiung and Xiamen, and between Kaohsiung and Fuzhou for transshipment cargoes, signifying the partial resumption of direct short sea shipping between Taiwan and China after 46 years’ suspension.
December 15, 2000	<ul style="list-style-type: none"> ● The Taiwan government promulgates the “Regulations Governing the Trial Operation of Transportation Links between Kinmen/Matsu and the Mainland Area”. ● The operation is called the Mini Three Links across the Taiwan Strait. ● Taiwan unilaterally requests that China allow direct shipping links between the ports of Kinmen in Taiwan and Xiamen in China, and between Matsu in Taiwan and Fuzhou in China.
January 1, 2001	<ul style="list-style-type: none"> ● A vessel carrying the magistrate of the ROC’s Kinmen County navigates from Kinmen to Xiamen, beginning the operation of the Mini Three Links. ● The Mini Three Links policy is promoted by Taiwan unilaterally; it is not strongly supported by the Beijing authorities.

	<ul style="list-style-type: none"> ● The operation of the Mini Three Links helps develop the local economies across the Taiwan Strait and provides more experience for planning the future full-scale direct transportation links between Taiwan and China.
August 15, 2003	<ul style="list-style-type: none"> ● Taiwan releases the “Assessment of the Impact of Direct Cross-Strait Transportation”. ● Taiwan’s Mainland Affairs Council (MAC) declares that the government would actively promote the “Measures for Cross-Strait Transport Facilitation including Sea and Air Transportation” in order to speed up all preparatory work for direct transport.
May 7, 2004	<ul style="list-style-type: none"> ● Taiwan releases the “Measures for Cross-Strait Ocean Transport Facilitation”, which would allow foreign-registered ships, including flag-of-convenience ships run by either side, to carry cargoes, including those involved in cross-strait trade, to sail directly from the mainland to Taiwan or from Taiwan to the mainland. ● China rejects Taiwan’s proposal, which Beijing viewed as Taipei trying to internationalize the route.
2004	<ul style="list-style-type: none"> ● Taiwan announces it would allow the ports of Taichung and Keelung to become offshore shipping centers. ● The ports of Taichung and Keelung, however, have not yet started to operate offshore shipping business.

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

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

The previous section briefly introduced the background of short sea shipping between Taiwan and mainland China. Many significant events and policies concerning

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the shipping links were also briefly discussed. This section will focus on investigating the current situation of short sea shipping operations across the Taiwan Strait.

3.1 The Governing Regulations in Taiwan

As mentioned previously, the 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 between Taiwan and mainland China. Thus, Taiwan’s policy basically prevents short sea shipping services from transporting cargoes or passengers between ports of Taiwan and mainland China.

Article 28 of the act 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-ROC 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.” Article 29 regulates that vessels flying China’s flag are basically not allowed to enter Taiwan’s restricted waters. According to Article 30, foreign vessels are also not allowed to directly sail between ports in Taiwan and ports in mainland China, unless the government removes 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 (approximately US\$ 100,000) and NT\$15 million.

The number of people traveling from Taiwan to mainland China has increased tremendously since 1987, when Taiwan began to allow its citizens to pay family visits to mainland China. The amount of cargo flowing between Taiwan and China has also

soared. The ban on direct transport links across the Taiwan Strait that began in 1949, however, remains in place for political reasons. As a consequence, people or goods transiting the Taiwan Strait must be transshipped via a third place, such as Hong Kong or the Japanese port Ishigaki. Because this prohibition results in extra costs and delays, many people have repeatedly called for an end to the ban.

The Taiwan government slightly changed its policy in 1995, when it promulgated the “Regulations Governing the Establishment and Operation of Offshore Shipping Center”. Under these regulations, allowing flag-of-convenience ships to sail directly between ports in mainland China and an offshore shipping center in Taiwan, would not be viewed as breaking the ban against direct cross-strait shipping. The major points of Taiwan’s offshore shipping center regulations-such as type of cargoes, access ports, operating ships, and approval procedures-are summarized in Table 2.

Table 2 Major Points of Taiwan’s Offshore Shipping Center Measures

Item	Regulations
Types of cargoes	<ul style="list-style-type: none"> ● Transshipment cargoes from China to be transported to other foreign countries. ● These cargoes are not allowed to move into Taiwan’s territory; however, the cargoes are allowed to get services of transshipment, simple value-added processing in the offshore shipping center.
Access ports	<ul style="list-style-type: none"> ● Ports appointed by the government. ● The Taiwan government has designated three offshore shipping centers: Kaohsiung, Taichung and Keelung. ● The first port to be appointed was Kaohsiung’s; it currently runs two shipping routes: Kaohsiung-Xiamen and Kaoshiung-Fuzhou. ● As of December 2006, the ports of Taichung and Keelung have not yet started to operate the offshore shipping.
Operating ships	<ul style="list-style-type: none"> ● Foreign ships operated by foreign shipping companies. ● Flag-of-convenience (FOC) ships operated by Taiwan’s shipping companies.

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	<ul style="list-style-type: none"> ● FOC ships operated by China’s shipping companies.
Approval procedure	<ul style="list-style-type: none"> ● Operators prepare required documents to file the application with the respective maritime authorities of both sides. ● The Taiwan government grants licenses for two-year periods.

To further respond to requests for the opening of cross-strait shipping, the Taiwan government designed the “Mini-Three-Links” to operate direct shipping services between ports in Taiwan’s offshore islands of 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, however, was promoted by Taiwan unilaterally, and has not been strongly supported by Beijing authorities. Nevertheless, the operation of the Mini Three Links could help develop the local economies across the Taiwan Strait and could provide valuable guidance in any future establishment of full-scale direct transportation links between Taiwan and China. The major points of the Mini Three Links-types of cargoes, people authorized to travel via the Mini Three Links, access ports, operating ships and approval procedures-are summarized in Table 3.

Table 3. Major Points of Mini Three Links Measures

Item	Regulations
Types of cargoes	<ul style="list-style-type: none"> ● Trading cargoes approved by the Taiwan government. ● These cargoes can be sold only on offshore islands (Kinmen and Matsu local markets) and are not allowed to move onto the main island of Taiwan.
People	<ul style="list-style-type: none"> ● The following people of the Taiwan Area are allowed to enter or exit China via Kinmen or Matsu: <ol style="list-style-type: none"> (1) those who have had a household registration in Kinmen or Matsu for more than six months; (2) employees or representatives of an enterprise allowed to invest in mainland China;

	<ul style="list-style-type: none">(3) the spouse or children of employees or representatives of an enterprise investing in mainland China;(4) people born in 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, and collateral blood relatives within the second degree. <ul style="list-style-type: none">● Under the circumstances listed below, certain groups of people of the Mainland Area may apply for permission to enter and exit Kinmen or Matsu:<ul style="list-style-type: none">(1) Visiting relatives: for those whose parents, spouse or children have household registrations in Kinmen or Matsu;(2) Illness/funeral visits: blood relatives within the second degree, stepparents, parents-in-law, spouses, sons-in-law, or daughters-in-law of people who have household registrations in Kinmen or Matsu;(3) Homecoming visit: for those born in Kinmen or Matsu, and their accompanying spouse or children;(4) Business activities: for officials representatives of a company in Fujian of the Mainland Area;(5) Academic activities: for faculty or staff of a school at any level in Fujian of the Mainland Area;(6) Religious, cultural and sporting activities: for professionals and those with professional capabilities in the chosen field and based in Fujian of the Mainland Area;(7) Exchange activities: being permitted as a special case by the Taiwan Ministry of the Interior's Bureau of Immigration, in conjunction with related competent authorities;
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	<p>(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"> ● Government-appointed ports. ● Taiwan has appoints ports in Kinmen and Matsu, while China allows Xiamen and Fuzhou as the access points. ● The shipping routes are: Kinmen-Xiamen, Matsu-Fuzhou.
Operating ships	<ul style="list-style-type: none"> ● Ships registered in Taiwan or China that have received approval from the government. ● Foreign ships received approval by the government. ● Fishing vessels: <ol style="list-style-type: none"> (1) Those registered at Kinmen or Matsu before the regulations took effect may apply to the local county government for permission; (2) They can carry only aquatic products between Kinmen/Matsu and the Mainland Area; (3) They must file an application to change the intended use of the vessel in accordance with the Law of Ships and have their fishing license revoked; (4) The conditions for granting permission to transport aquatic products shall be prescribed by the local county government.
Approval procedure	<ul style="list-style-type: none"> ● Shipping operators operating regularly scheduled shipping services shall file an application with local maritime authorities and get approval from Ministry of Transportation and Communications (MOTC). ● 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. ● Shipping operators operating non-regular shipping services shall, for each vessel and voyage, apply separately to the local maritime authorities for a navigating permit.

3.2 The Actual Operational Performance

The Taiwan government's "offshore shipping center" program began operations in April 1997. The two shipping routes, as mentioned previously, are Kaohsiung-Xiamen and Kaohsiung-Fuzhou (as illustrated in Figure 1). For political reasons, both sides are unwilling to open more access ports for the operation. The container throughput in Kaohsiung port, as shown in Table 4, increased from only 127,509 TEUs in 1997 to a peak of 674,774 TEUs in 2004; it slightly declined to 616,145 TEUs in 2006. 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. Taiwan carriers' major concern to lose the opportunity to carry seaborne cargoes from China if direct cross-strait shipping operations are delayed or remained largely forbidden.

In 2004, Taiwan government allowed ports of Keelung and Taichung to operate the offshore shipping center's business. Nevertheless, the two ports have not started trying to search access ports in mainland China and begin the operations. In view of the decline of Kaohsiung port's offshore shipping throughput, there is seemingly an urgent need to promote offshore shipping center's operation in ports of Keelung and Taichung to attract more transshipment cargoes into Taiwan to help shipping development.

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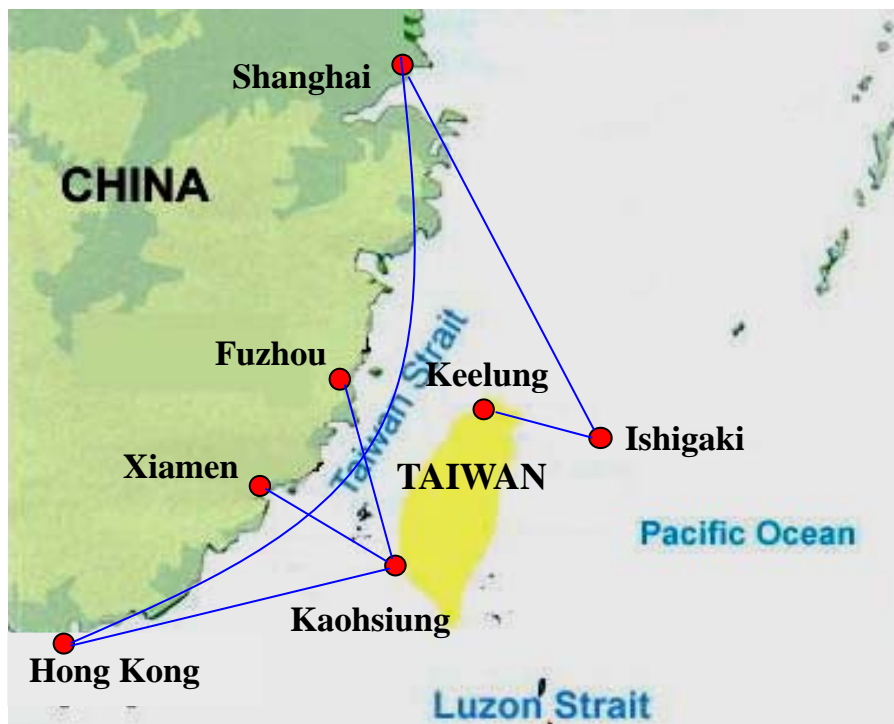


Figure 1 Shipping Routes across the Taiwan Strait

Source: Adapted from Chang, C.C., *et al.* (2006) “Developing Direct Shipping across the Taiwan Straits”, *Marine Policy*, Vol. 30, Issue 4, July 2006, p. 393.

Table 4. Container Throughput of the Offshore Shipping Center in Kaohsiung Port

Unit: TEU

Year	Grand total	Unloading	Loading
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
2006	616,145	345,308	270,837

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

Source: Ministry of Transportation and Communications, *Monthly Statistics of Transportation and Communications*, various issues, Taipei, Taiwan.

As shown in Table 5, the number of cross-strait via the Mini Three Links has been increasing steadily. In 2005, 1,595 ships sailed from Kinmen and Matsu to Xiamen and Fuzhou; during the same year, 2,681 ships navigated from China to Taiwan's outlying islands of Kinmen and Matsu. The Mini Three Links are for more than just goods. As indicated in Table 6, in 2005 ships carried more than 276,000 passengers between Taiwan and mainland China. The number of passengers from Taiwan to China is far greater than that from China to Taiwan. Possible reasons for the imbalanced transport volume include that Taiwan still strictly restricts passengers (including tourists) traveling from China to Taiwan and that more and more Taiwan businesspeople are choosing to take ships to China via Kinmen or Matsu instead of traveling by air via Hong Kong or Macau.

Table 5. 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 6. 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.

IV. Prospective for Developing Short Sea Shipping between Taiwan and Mainland China

Due to political difficulties, person-to-person contact and direct links via mail, transport, and trade between Taiwan and mainland China were suspended for some forty years beginning in 1949. Since the late 1980s, however, when the Taiwan government started to allow its people to visit their relatives and friends in China, as well as to invest and engage in various economic and trade activities there, commercial activities and personal interaction between the two sides have grown quickly. During this period, goods moving across the Taiwan Strait had to be transshipped via a third place, e.g. Hong Kong. Currently, direct short sea shipping across the Taiwan Strait is still prohibited, although some loosened measures have been adopted to allow partial direct or indirect shipping links. Nevertheless, as discussed in Section 3.1, most people in Taiwan believe the government will allow the operation of full-scale direct transport services soon because of the continuing growth of trade and other interaction between Taiwan and China. Consequently, there is a great potential for developing the direct short sea shipping businesses across the Taiwan Strait in the near future.

From the economic and personal-interaction viewpoints, there is an urgent need for both sides to operate direct shipping services. The volume of trade across the Taiwan Strait has soared. As shown in Table 7, Taiwan's Mainland Affairs Council estimated that the cross-strait trade reached US\$3,908 million in 1989; the figure quickly increased to over US\$76,396 million in 2005. Over the seventeen-year period, the volume of cross-strait trade by value has grown nineteenfold.

Table 7. 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's Cabinet-level 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 8, the number of

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Taiwan tourists traveling to mainland China exceeded 4 million in 2005; the number of PRC citizens traveling to Taiwan has also increased steadily. Although the number of people traveling between Taiwan and mainland China is expected to continue growing, most tourists will arrive by airplane. Nonetheless, research by Wang *et al.* concluded that operating passenger-ferry services on shipping routes between Taiwan and the ports of Fuzhou, Xiamen and Shanghai would be highly feasible. (Wang *et al.*, 1999, p. 94)

Table 8. Number of People Traveling between Taiwan and Mainland China

Unit: Persons

Year	Taiwan tourists to mainland China	PRC citizens 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

* Includes visits to Taiwan with different purposes: economic and trade activity, tourism, academic activity, etc.

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

In August 2003, Taiwan's Mainland Affairs Council released the "Assessment of the Impact of Direct Cross-Strait Transportation". The report estimated that the opening of direct sea transport would result in a reduction of shipping costs amounting to around NT\$820 million (US\$25 million) per year and cut shipping time by about one half (e.g., bypassing Ishigaki Island could save a ship an estimated 16 to 27 hours per voyage). The report listed several points regarding allowing direct short sea shipping between Taiwan and mainland China, including (1) for individual enterprises, direct sea and air transport would reduce shipping costs by an estimated 15 percent to 30 percent; (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 could be that, through cost and time savings, this would 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. (MAC, 2003)

The government's assessment report, however, also pointed out that direct transport could have a 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 study by Chang *et al.*, the two sides of the Taiwan Strait still have different opinions on some aspects of operating direct shipping businesses; these include:

- (1) whether to define the shipping route as international or domestic
- (2) if foreign shipping companies should be allowed to participate in direct shipping links
- (3) which ports would be opened to the shipping links
- (4) which flags vessels could flying
- (5) inspection and recognition of ship and crew certificates
- (6) methods of opening up direct shipping links (including whether the priority would be opening up to passengers or cargo, which ports would be opened for direct

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shipping, the number of participators, the qualification of ships, etc.)

(7) avoidance of double taxation

(8) establishment of subsidiary companies on the other side (Chang *et al.*, 2006, p. 395)

There are indeed difficulties in normalizing direct shipping operations, especially given the mix of economic affairs and political conflict. Nevertheless, many believe some results will be achieved if both sides willingly launch negotiation. As shown in Table 9, progress has been made in the past, with Taipei and Beijing maritime authorities successfully resolving some cross-strait shipping problems through negotiation. According to research by Chang *et al.*, six possible modes could be employed to conduct the negotiation; they are: Government-to-government mode, WTO mode, SEF and ARATS mode, Hong Kong shipping consultation mode, Offshore shipping mode, and Non-governmental mode. (Chang *et al.*, 2006, p. 398) It seems to be necessary for the government authorities to make further studies on those negotiation modes and to be well prepared for the future talks.

Table 9. Negotiations on Cross-Strait Shipping Issues

Time; Venue	Issues and Outcome
January 22, 1997; Hong Kong	<ol style="list-style-type: none"> 1. How to launch cross-strait shipping business; 2. How many companies and what kind of ships to operate these routes; 3. Almost three months later, the cross-strait shipping business was realized on April 19, 1997.
May 2, 1997; Hong Kong	<ol style="list-style-type: none"> 1. The first meeting to discuss Taiwan-Hong Kong shipping operations after July 1, 1997 when Hong Kong was handed over to Chinese rule; 2. The main issue is which flags vessels should fly when entering each other's ports; 3. Viewpoints were exchanged, but no final results emerged.
May 24, 1997; Taipei	<ol style="list-style-type: none"> 1. The second meeting to discuss Taiwan-Hong Kong shipping operations after July 1, 1997;

	<ol style="list-style-type: none"> 2. Both sides sign a document called the “Memorandum on Taiwan-Hong Kong Shipping Negotiation”; 3. To solve the flagging problem for entering Taiwan and Hong Kong territory after July 1, 1997; 4. The principle of negotiation and flexibility is adopted for handling the flagging problem;
<p>February 19, 1998; Bangkok</p>	<ol style="list-style-type: none"> 1. A secret meeting called a “social get-together” takes place; 2. The main purpose was to exchange views; 3. It is believed that the major issues discussed were how to approve both sides’ carriers to operate a cross-strait route via a third port and how to establish branch offices within each others’ territory; 4. “Reciprocity” emerged as the principle to handle the issue.

Source: Rong-Her Chiu, “A Pause in Cross Straits Shipping”, *Lloyd’s List Maritime Asia*, May 1998, p. 14.

V. Conclusion

Direct short sea shipping between Taiwan and mainland China has been suspended since 1949. Along with the growing economic interaction between two sides across the Taiwan Strait, there has been growing demand for direct cross-strait shipping services, which hold great potential for developing short sea shipping businesses. Responding to the demand, the Taiwan government first suggested to restore the services and instituted the so-called indirect offshore shipping center operations in 1995, followed in 2001 by the Mini Three Links. Unfortunately, direct short sea shipping services across the Taiwan Strait are still forbidden by the Taiwan government due to political contentions.

To exploit more potential for developing short sea shipping businesses, some conclusions and suggestions are presented as the following.

1. To lift the ban on the full-scale direct cross-strait shipping services is necessary:

In view of the enormous demand for cross-strait transport services resulting from

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the fast-growing trade between Taiwan and mainland China and the number of people going back and forth (as indicated in the tables 5, 6, 7 and 8), there is great potential for developing cross-strait short sea shipping businesses by offering freight and passenger sea transport services. Besides, speeding up cross-strait business normalization and lifting the ban on direct cross-strait transportation and commerce would not only attract global manufacturers who plan to expand business in China to set up regional operations centers in Taiwan, but also help the development of local economies on both sides of the Taiwan Strait.

2. To launch negotiations between the two sides across the Taiwan Strait is urgently needed:

Based on the experience of initiating the operation of an “offshore shipping center” and the problem-solving on the Taiwan-Hong Kong shipping operations after July 1, 1997 (as presented in Table 9), negotiations are the inevitable way to resolve the problem. Taiwan government authorities are advised to conduct further study and make well-prepared negotiation alternative schemes. The six possible negotiation modes (i.e. Government-to-government mode, WTO mode, SEF and ARATS mode, Hong Kong shipping consultation mode, Offshore shipping mode, and Non-governmental mode) suggested by academics could be the good elements for preparing the future negotiation plan.

3. Ports of Keelung and Taichung should make efforts to initiate their operation of “offshore shipping center”:

The container throughput in the Offshore Shipping Center in Kaohsiung port has been slightly declined since 2005 (as indicated in Table 4). Due to the many ports in China have been well developed and the direct cross-strait shipping operations are delayed or remained largely forbidden, it seems to be hard to attract more transshipment cargoes from Mainland area to Kaohsiung port. In 2004, Taiwan government allowed ports of Keelung and Taichung to operate their offshore shipping center’s business. Nevertheless, the two ports have not started trying to search access ports in mainland China and begin the operations. In view of the decline of Kaohsiung port’s offshore shipping throughput, there is seemingly an urgent need to promote offshore shipping center’s operation in ports of Keelung and Taichung to attract more transshipment cargoes into Taiwan to help shipping development.

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