

## Chapter V

### Government organizations

This chapter will analyze how the bureaucracy has influenced the policy-making process and how it has implemented these policies. By bureaucracy, I hereby mean different governmental organizations that are linked to trade policy making and implementation. There are quite a few such organizations, but this paper will only deal with those having the strongest and straightest influence, and power.

The making and implementation of Taiwan's Mainland policy is a complex process. In principle, the MAC is in charge of making and coordinating Taiwan's Mainland policy. However, the growing diversity of contacts between influential people in Taiwan and their PRC counterparts has rapidly complicated the process of decision-making in this area. We have to keep in mind, that during his term as President, Lee Teng-hui played a crucial role in the shaping and implementation of Taiwan's China policy. All decisions had to get their final approval from him.<sup>1</sup> However, several key state agencies have become active in the decision-making process: not only specialized organizations such as the MAC and the SEF, but also some of the security organs, (National Security Council and the Ministry of National Defense), political and propaganda bodies (the Ministry of Foreign Affairs and the Government Information Office), and economic agencies (the Ministry of Economic Affairs and Ministry of Transport and Communications.) Think-tanks such as Chengchi University's Institute of International Relations or the Institute for National Policy Research also have a say, although they are less important.

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<sup>1</sup> Cabestan Jean-Pierre. Dec, 1996. Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later. The China Quarterly, No. 148, Special Issue: Contemporary Taiwan. pp. 1277-1278.

Different formal organizations such as the National Unification Council have played different role during different times. Being quite active in early 90s, later they only endorsed proposals drafted by Lee's close advisers before it “ceased to function.” The roles of the MAC and the SEF have not been as clear as it is officially stated. Before 1995, The Taiwanese public witnessed constant bickering between these two. This problem has never been fully settled, in particular because of the ever-moving division of labor between the two agencies.<sup>2</sup>

This paper, will only analyze the organizations that are relevant to economic decisions, starting with Executive branch that includes Mainland Affairs Council, Strait Exchange Foundation, and Ministry of Economic Affairs.

### **Mainland Affairs Council (MAC)**

Easing restrictions on civilian travel to China in November 1986 for family visits, and the following liberalization caused the need for a governmental organization to handle cross-strait issues. As the situation became increasingly multi-faceted and complex, the Executive Yuan established the “Inter-agency Mainland Affairs Committee” in August 1988. Its official purpose was to coordinate policy matters that were related to China, and it was hoped that it could inject some order into the chaos.

A year later, the amount of work and the complexity of issues became too much for the Committee and its part-time staff. As a result, in April 1990, the government invited academics, specialists, public representatives, as well as media figures to jointly consult on establishing an agency to strengthen the policy making

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<sup>2</sup> Cabestan Jean-Pierre. Dec, 1996. Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later. *The China Quarterly*, No. 148, Special Issue: Contemporary Taiwan. pp. 1277-1278.

process and increase the implementation efficiency. “The Organization Act for the Mainland Affairs Council” was drafted and passed by the Legislative Yuan on January 18, 1991.<sup>3</sup> The promulgation of the Act by the President ten days later led to the establishment of the “Mainland Affairs Council” (MAC) – an authorized agency directly under the Executive Yuan that is responsible for handling China Affairs.

The MAC is headed by a chairman, and three vice-chairmen, of whom the first vice-chairman is politically appointed. In addition to them, there is also a chief secretary, seven departments and three offices. It may have 17 to 27 council members, who are either appointed or selected ex-officio by the Premier. Usually the MAC members may include the secretary-general of the Executive Yuan, ministers without portfolio, the ministers of the Interior, Foreign Affairs, National Defense, Finance, Education, Justice, Economic Affairs, Transportation and Communications, the Government Information Office and the Council for Economic Planning and Development, the National Science Council, the Council of Agriculture, the Department of Health, the Coast Guard Administration, the Council of Labor Affairs, and the National Council on Physical Fitness and Sports, as well as the chairman of the Financial Supervisory Commission, the governor of the Central Bank and the Director General of the National Security Bureau.

The MAC Council Meetings are held on a monthly basis and are convened by the Chairman. An interim meeting might be called, when the necessity arises. The matters for discussion of the Council Meeting are:

1. Matters concerning studies of work plans or work programs on China policy;
2. Matters concerning the reviewing of laws and regulations relating to China affairs;

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<sup>3</sup> [www.mac.gov.tw](http://www.mac.gov.tw)

3. Matters concerning coordination and liaison between the relevant ministries on  
China affairs

4. Handling other matters relating to China affairs.

Matters reviewed or resolved at MAC Council Meetings shall be presented to the Premier for approval. Major issues, bills under review, or laws for revision must be reported to the Executive Yuan and submitted during cabinet meetings.

In terms of Cross-Strait trade and investment, there are two Departments that are more relevant.

The Department of Policy Planning is in charge of:

1. Public opinion surveys, general affairs;
2. Strategic planning
3. Analysis of developments in China;
4. Policy analysis
5. Information and Research Center, China and Cross-Strait information service and publication.

The responsibilities of Department of Economic Affairs are:

1. provide trade, investment, assistance and services to Taiwanese businessmen in  
China;
2. exchange programs of agriculture, forestry, fishery, husbandry, environment  
concerns, international economic affairs
3. Cross-Strait macro-economic trade relations and financial issues, general affairs  
mail, correspondence, shipping, tourism.

The meetings of Inter-Agency Committee on Economic Matters, in charge of trade and investments are held for the purpose of conducting preliminary studies, planning, and coordination with the relevant government agencies and organizations.

The topics include cross-strait trade and investment as well as taxation, finance, transportation, labor, agriculture, forestry, fishing, and farming exchanges. The MAC often invites representatives from relevant government agencies to meet and review major cross-strait economic exchanges.

In addition to all this, on a quarterly basis, the MAC publishes the "Evaluation Report on the Situation in the Mainland." This is a collection of the results of analysis and observations on the developments in China. The report usually covers eight areas: China's political, economic, social, cultural, military, and foreign affairs as well as its policies toward Hong Kong, Macao, and Taiwan. The report is distributed to the relevant agencies and individuals as a reference guide for policy consultation and planning.

When analyzing the documents and policies launched by the MAC, one should start with the formulation of the "Act Governing Relations Between Peoples of the Taiwan Area and Mainland Area." This was first promulgated on September 18, 1992 to regulate cross-strait exchanges. It covers General Provisions, Administrative, Civil, Criminal Matters as well as Penal and Supplementary Provisions.

However, depending on the developments of cross-strait relations and situational changes, the MAC has revised it many times.<sup>4</sup> The last time it was revised

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<sup>4</sup> Amendment of Article 66 was promulgated by Presidential Order on September 16, 1994 and implemented from September 18, 1994 by the Order of the Executive Yuan; Amendment of Article 66 promulgated by Presidential Order on July 19, 1995 and implemented from July 21, 1995 by the Order of the Executive Yuan; Amendment of Article 68 promulgated by Presidential Order on July 30, 1996 and implemented from September 18, 1996 by the Order of the Executive Yuan; Amendment of Articles 5, 10, 11, 15 to 18, 20, 27, 32, 35, 67, 74, 79, 80, 83, 85, 86, 88 and 96, and addition of Articles 26-1, 28-1, 67-1, 75-1 and 95-1 promulgated by Presidential Order on May 14, 1997 and implemented from July 1, 1997 by the Order of the Executive Yuan; Amendment of Articles 2, 16 and 21 and addition of Article 17-1, promulgated by Presidential Order on December 20, 2000 and implemented from February 22, 2001 by the Order of the Executive Yuan; Amendment of Articles 24,

was in 2003, when the MAC, under the Chairwomen at that time Tsai Ing-wen, reviewed and amended the Act to “modernize legal regulations for civilian exchanges between Taiwan and China.”<sup>5</sup> A draft amendment to the Act was thus submitted to the Legislative Yuan for review on October 9, 2003. It was promulgated by the President on October 29, 2003, and implemented on March 1, 2004 by the Executive Yuan. The amendment of the Act revised the frameworks for cross-strait negotiations, personnel exchange, transportation, trade and economic exchanges, as well as cultural and educational exchanges.

After Article 9 of the Act was amended, Taiwanese residents entering the Mainland Area only needed to follow common immigration procedures and didn't need to obtain prior approval before entering China. Since the amendment, the pre-approval system is only applicable to civil servants, intelligence personnel who are not engaged and commissioned in work related to national secrets, and retired personnel of such agencies. At the same time, some regulations were changed to allow more visits to Taiwan by Mainland Area people. The Legislative Yuan also agreed to the MAC's proposal to leave the amount of time Chinese spouses must wait to apply for an ID card at eight years. The amendments also allowed Chinese universities to recruit students in Taiwan and gave the government 18 months to complete negotiations with China on direct cross-strait transportation links. Another important change was that it allowed the government to appoint civilian organizations to negotiate direct links on its behalf.<sup>6</sup>

After Beijing released a White Paper on Taiwan in August 1993, the MAC

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35 and 69 promulgated by Presidential Order on April 24, 2002, and implemented from July 1, 2002 by the Order of the Executive Yuan. <http://english.www.gov.tw>

<sup>5</sup> *Taipei Times*. October 10, 2003. Page 3.

<sup>6</sup> *Ibid.*

presented another important long text entitled "Relations Across the Taiwan Strait" in July 1994. This paper has a useful clarification of the Mainland policy presented in the Guidelines. However, the former tends to go further than the latter. It stresses the interests of Taiwan and the necessity of a gradual normalization of relations between the "Chinese entities."

The "Guidelines for National Unification" suggest the idea of "one China, two equal political entities" as a way of defining the future development of cross-Strait relations. This idea comprises the following:

1. The existence of the Republic of China is a simple reality that cannot be denied.
2. "One China" refers to China as a historical, geographical, cultural, and racial entity.
3. The division of China under two separate governments on either side of the Taiwan Strait is a temporary, transitional phenomenon in Chinese history, and the joint efforts of the two sides will inevitably put China once again on the road to unification.
4. Room should be left for future political negotiations. It is precisely because China is divided into two political entities that we must bring about its unification through exchanges and negotiations. The "Guidelines for National Unification" clearly stipulate that in the long-term phase of consultation for unification, the two sides will establish a consultative body and complete the plans for unification through negotiation.<sup>7</sup>

It also had some other significant features. For instance, "one China" is for the first time clearly dissociated from the Republic of China. Now, "one China" just "refers to China as a historical, geographical, cultural and racial entity. At the same time, Taipei stayed firm in its advocacy of "one China" and opposed "two Chinas" or "one China, one Taiwan."

In terms of economical relations, it didn't say much. It only stated that:

Peking is attempting to "use trade and investment for political ends and to use the people to

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<sup>7</sup> Mainland Affairs Council, the Executive Yuan, The Republic of China, Important documents on the government's mainland policy Taipei, Taiwan, R.O.C. 2004.

pressure the government" in an effort to expand its influence over Taiwan and force the ROC government to accept its "one country, two systems" arrangement. This combination of persuasion and pressure fails to take into account political and economic development trends in Taiwan in recent years and pays no regard whatsoever to the real wishes and welfare of the people of Taiwan. If it continues, it will inevitably have a negative impact on the unification of China and normal exchanges between the two sides of the Strait.<sup>8</sup>

Based on these documents, however, the MAC has presented its vision about cross-strait trade and economic relations. According to the MAC, one of its roles is to offer assistance and services to Taiwanese businessmen in China. In order to present relevant information, the MAC publishes a series of pamphlets, including the "Practical Handbook for Taiwanese Investors" and the "Handbook on Investment Protection for Taiwanese Businessmen." The MAC also set up a "Taiwanese Businessmen's Global Information Service Network" to provide complete, quick and updated information. There have also been some projects consulting with and handling complaints from Taiwanese investors in China. "Window for Taiwanese Businessmen" and "Teacher Chang for Taiwanese Businessmen," are some of the projects that the MAC provides. The MAC has also organized three get-together symposiums and in-depth talks with 'persons-in-charge' of the Taiwanese Businessmen Associations in China to enhance communication between the government, businesses, and Taiwanese businessmen in China. In order to strengthen on-site services, improve efficiency for Taiwanese investors, and enhance the image of Taiwanese businessmen in China, some on-site services have been strengthened through organizing visits to China to directly gather information on Taiwanese

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<sup>8</sup> Ibid.

businessmen. The MAC also co-sponsors management and training activities jointly organized by non-governmental organizations in Taiwan and Taiwanese business groups in China.

To stay well-informed and to keep ahead of economic developments in the Mainland and Taiwan, the MAC gathers and analyses information collected on economic developments in the Mainland, Hong Kong and Taiwan, as well as the Mainland's trade and economic strategy towards Taiwan. Compilations of statistical data such as "Statistics on Cross-Strait Economic Exchanges," "Monthly Statistics on Cross-Strait Economics," and "Report on the Mainland and Cross-Strait Economic Development" are published on a regular basis.

The MAC is also in charge of formulating plans for cross-strait economic consultations. These include the protection agreement regarding Taiwanese investors' rights and interests, protection of cross-strait intellectual property rights, settlement and arbitration of cross-strait economic disputes, cross-strait agricultural and fishery exchanges, liberalizing visits to Taiwan by Chinese residents, supervision of cross-strait financial exchange, cooperative agreement in fishing industry services, cross-strait tariff-free agreement, and cooperative quarantine. In addition to this, the MAC sponsors and provides guidance to the relevant trade and economic organizations in their hosting of cross-strait economic exchange activities. The MAC also helps these organizations establish a beneficial model of cross-strait exchanges. At the same time, the MAC invites local and international academics and experts on cross-strait economic developments, to supply information or conduct research in order to construct a policy advisory network.<sup>9</sup>

Although the MAC is an indispensable institution, its actual weight varies over

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<sup>9</sup> [www.mac.gov.tw](http://www.mac.gov.tw)

time.<sup>10</sup> It seems to depend heavily on the relationship between the MAC's Chairperson and the President. The MAC has always had more leverage during the periods when the relationship between the Chairperson and the President is close and there is mutual trust between them. Two notable examples could be given here.

The first case is Hsiao Wan-chang (Vincent Siew). He, like President Lee, was Taiwanese-born. Hsiao graduated from the Department of Diplomacy at National Chengchi University in 1961, and received a Master's degree from the Graduate Institute of International Law and Diplomacy at same University in 1965. It is worth remembering that Lee Teng-hui actually taught at the Graduate School of East Asian Studies at National Chengchi University before returning to the United States in the mid-60s. He was named to the Central Committee of the ruling Kuomintang in 1988, Minister of Economic Affairs in 1990 and Chairman of the Council for Economic Planning and Development in 1993.<sup>11</sup> As Chairman for Economic Planning Development, he represented President Lee Teng-hui, who was forbidden to attend personally, at the 1993 and 1994 annual APEC leaders' summits. Before running successfully in a tight race for the legislature in 1995 to represent his hometown, Chiayi, he shortly served as Chairman of the Mainland Affairs Council.

In December 1994, during his term as a the MAC's Chairman, he proposed an idea to transform Taiwan into an Asia-Pacific Regional Operation Centre (APROC). This made President Lee consider the possibility of establishing direct maritime and air links with mainland China for the first time.<sup>12</sup> In early May 1995, Hsiao

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<sup>10</sup> Su Chi. May 23-25, 2002. Domestic Determinants of Taiwan's Mainland Policy. A paper presented at the Peace Across the Taiwan Strait Conference. (Oxford University, UK).

<sup>11</sup> The Asiaweek, November 21, 1997.

<sup>12</sup> Cabestan Jean-Pierre. Dec., 1996. Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later. The China Quarterly, No. 148, Special Issue: Contemporary Taiwan. p. 1265.

unilaterally launched a plan to transform Taiwan, and more precisely Kaohsiung's harbor into a trans-shipment centre for cargo ships sailing to and from Mainland China. Beijing's refusal, for both political reasons (to force Taipei to open the three direct links) and economic reasons (to exclude non-Chinese shipping companies from this trade), apparently surprised the ROC government which had no choice but to put this project on hold. He was also the one who worked through various channels to communicate with Beijing. One month after allowing the MAC and other ministries' senior civil servants to take part in negotiations, he lifted the ban on visits to Taiwan of chiefs of PRC economic organizations, excluding provisionally minister-level cadres. In August 1995, he eased the coming to Taiwan of PRC professionals.<sup>13</sup> A month later, PRC financial experts were allowed to visit the island. In late November, the MAC announced specifically that Beijing government vice-ministers would be authorized to set foot on Taiwan. And in May 1996, in his inaugural address, Lee Teng-hui announced a further relaxation of restrictions on contacts between Taipei and Beijing permitting governors, mayors and county magistrates to visit China as private individuals.

However, the failure of his proposals made him leave the MAC and Executive Yuan and run for a legislative seat in the December 1995 election. He later became the first Taiwanese-born Premier of the Republic of China (1997-2000) and vice-chairman of Kuomintang (2000-2004).

The second remarkable case is Tsai Ing-wen. She obtained a Master's degree in Legal Science from Cornell University Law School (the very same University President Lee got his Ph.D) in 1980 and then a PhD from the London School of Economics in 1984. Upon her return to Taiwan, she held professorial positions at

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<sup>13</sup> Ibid. p.1271

several universities until 1993 before being appointed to a succession of bodies, including the Fair Trade Commission, the Copyright Commission of the Ministry of the Interior, the National Security Council, and as Chief Legal Advisor on International Economic Organizations for the Ministry of Economic Affairs. As a professor of international trade law at National Chengchi University, she was associated with the confidential Select Group on Strengthening the Sovereignty Status of the Republic of China, and was appointed by President Lee Teng-hui to the Presidential Office to be in charge of research on Taiwan's sovereignty and international status. In 2000 Tsai was appointed as Chairwomen of the Mainland Affairs Council.

She immediately started to put President Chen's new approach into practice. Tsai was the one who prepared the opening of the mini-links on January 2, 2001. However, she also stated that to "Keep one's roots in Taiwan" is the Government's goal, and that Taiwan's investment policy for China will be eased step by step.<sup>14</sup> As future Taiwan investors on the Mainland were expected to be mostly large, high-tech, and publicly listed companies, the Council started to study the feasibility of raising the maximum amount of each China-bound investment project. At the same time, it worked on a plan to allow direct cross-strait investment. "With China gradually improving its economic and financial systems, the council has made "direct investment" a key subject for study," Tsai said.<sup>15</sup>

In 2001, after the EDAC had made a huge number of proposals about how to develop cross-strait economic relations, it was the MAC's job to give them the official form. But it took some time of course, as the issue involved several other government agencies, such as the Ministry of Economic Affairs and the Ministry of Finance. At

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<sup>14</sup> *Taipei Times*, December 13, 2000, Page 17.

<sup>15</sup> *Taipei Times*. June 22, 2001, Page. 18.

the same time, the MAC was stepping up its efforts to allow official contacts between local governments on both sides of the Taiwan Strait. "The council is studying legal overhauls to pave the way for city-to-city exchanges across the Strait. The council is working to phase out rules that ban Taiwanese officials from visiting their mainland counterparts." the council's Vice Chairman, Chen Ming-tung said.<sup>16</sup>

It was also under her leadership when the MAC started to offer some support to Taiwanese businessmen in China and their families. The MAC announced a plan to strengthen supplemental education for Taiwanese children of businesspeople working in China in February 2002. The MAC and the Ministry of Education subsequently agreed to carry out the plan to jointly focus on encouraging children of Taiwanese businesspeople in China to return home to attend the supplemental education camp held by the government in the summer. Other measures included helping teachers at Taiwanese schools in China return to Taiwan for further training, establishing scholarships for those students studying in China, and strengthening exchanges between Taiwanese students in China and those at home.<sup>17</sup> At the same time, the MAC also promised to restrict the types of work that former Taiwan government officials who have been out of office for three years or more may accept in China. It also restricted Taiwan's high-tech professionals to work for certain Chinese agencies, such as Chinese government agencies, military institutions, and organizations affiliated with the Chinese Communist Party. They were however, allowed to work in most of China's companies. The MAC also vowed to impose stricter penalties on incumbent government officials who visit China and former officials who crossed the Strait within the three-year period.<sup>18</sup>

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<sup>16</sup> Ibid. March 10, 2001, Page 3.

<sup>17</sup> Ibid. February 26, 2002, Page. 2.

<sup>18</sup> Ibid. March 15, 2002, Page. 3.

The MAC also started negotiating with Beijing to open up direct flights between the two sides. At that time, Taiwanese and Mainland airlines were forbidden to travel into their respective airspaces, forcing passengers to change airlines. These restrictions were first lifted for Chinese New Year in 2003, but those flights still stopped briefly in Hong Kong. Based on the framework of the 2002 Taiwan-Hong Kong Aviation Agreement, the negotiation led to the 2005 Lunar New Year nonstop flights between Mainland China and Taiwan. 48 charter flights were allowed to operate between Taiwan and the Mainland over the three-week Chinese New Year holiday season.

The amendment of the "Act Governing Relations Between Peoples of the Taiwan Area and Mainland Area" in 2003 was another important issue carried out by MAC during Tsai's leadership (see above.)

During Tsai's term, the MAC also had to "explain" President Chen Shui-bian's remarks quite often. After the President's remarked that the government would consider authorizing the private sector to negotiate the opening of direct links with China, the MAC said that the government would not authorize such an action, but would merely seek the private sector's help in such negotiations. After Tsai Ing-wen spoke with the president on the phone, the MAC released news that what the President really meant was not "authorizing" the private sector to negotiate, but to "try to get help from private groups while negotiating with the other side [across the strait] on the issue." As the MAC put it, the President's statements focused on "flexibility of negotiation," but that "the President did not mean to authorize any private group to do so in the future."<sup>19</sup> The same situation happened in August, when the MAC released a position paper to explain President Chen Shui-bian's remarks of Aug. 3, stating that a

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<sup>19</sup> *Taipei Times*. May 11, 2002, Page. 3.

referendum would be merely an option to be held in reserve for use as a defensive measure in the event of China pressing Taiwan to change its current status. It stated that: "President Chen made his remarks about passing a referendum law on the basis that the option to hold a referendum would be held in reserve as a defensive measure to prevent a change to the status quo. Referendums are in line both with human rights and democracy. If, in the future, China presses the Taiwanese people to change the cross-strait status quo, on the basis of self-preservation, Taiwan's people should have the right to express their views via this mechanism."<sup>20</sup>

However, it seems that the post of MAC Chairperson is one of the most unappreciated in the ROC. After Chen`s victory in 2004, Tsai, after President Chen Shui-bian and Premier Yu Shyi-kun failed to persuade her to stay, stepped down. Confirming the widely-held belief that she maintained pan-green sympathies, Tsai left the KMT and joined the Democratic Progressive Party in 2004. Later, on January 26, 2006, she was appointed to the post of Vice President of the Executive Yuan, a position commonly referred to as Vice Premier of the Republic of China.

After Tsai`s leaving, Presidential Office Deputy Secretary-General Joseph Wu took the head of the MAC. This, however, decreased the MAC`s role in cross-strait relations remarkably. Wu was more like an obedient apple polisher. When Tsai had some influence on Chen, Wu just followed the orders from above and the MAC kept a low profile. In September 2004, the Executive Yuan came up with "The Standard Organic Law of Central Government Agencies." This law was supposed to limit the number of Cabinet ministries to 13, the number of commissions to four and independent institutions to five -- a total of 22 agencies. It also proposed the abolishment of the MAC. There was speculation that the Executive Yuan's plan to do

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<sup>20</sup> Ibid Aug 08, 2002, Page 1.

away with the Mainland Affairs Council had a lot to do with the leadership style of former Chairwoman Tsai Ing-wen, who was accused of bypassing her supervisor, Premier Yu Shyi-kun, and reporting directly to President Chen Shui-bian.<sup>21</sup>

After the President's promotion of the "active engagement, effective management", Premier Frank Hsieh asked the MAC to reassess its policies governing Taiwanese investment in China. He also reminded MAC officials to be more careful when the amendment process impacts national security. He said: "The President's policy of "active engagement and effective management" does not mean placing more restrictions on Taiwanese investment in China. On the contrary, the President is trying to provide more help and protection for our Taiwanese businesspeople in China. Our policies are: first, our businesspeople in China should be fully protected by the government; second, industries investing in China must not endanger the development of their counterparts in Taiwan; and third, world-leading industries in Taiwan should remain where they are, instead of being challenged by their counterparts in China, which are based on Taiwanese investments,"<sup>22</sup>

The MAC also kept a low profile during CCP and pan-blue negotiations. However, Chairman Wu warned the KMT that the Mainland Affairs Council will not recognize any conclusions reached in negotiations on issues that involve government authority such as cross-strait charter flights. "Taiwanese officials' participation cannot be ruled out for any negotiations that require governmental authority. Otherwise they [such negotiations] would be illegal and ineffective," Wu said. He said China is using a "carrot and stick" strategy, only it was just paying "lip service" instead of offering carrots. Most of its promises or goodwill attempts are "not true," he said. "But the 'stick part' that China is implementing could not be more genuine," he said. "Its

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<sup>21</sup> *Taipei Times*. September 13 2004, Page. 12.

<sup>22</sup> *Ibid*. July 28, 2005, Page. 3.

suppression of Taiwan's diplomatic space and its military build-up never stop." Wu said that Beijing continues to take advantage of the confrontation between Taiwan's ruling and opposition parties and manipulates the conflicts in order to divide this country and besmirch its sovereignty. "Coupling military threats and sweeteners is China's new strategy for dealing with Taiwan," Wu said.<sup>23</sup>

However, except some comments and criticism, the MAC's role has been relatively small during the standstill in cross-strait relations. It may be said that the MAC, in time of crisis, becomes the lightning rod of the government and the country. During peaceful times, its actual weight varies and greatly depends on the approach of the President. As there have not been any significant changes in President Chen's policy lately, the MAC has also had less work to do.

### **Straits Exchange Foundation (SEF)**

In February 1991, just a month after the establishment of the Mainland Affairs Council, Taipei set up the Straits Exchange Foundation (SEF). This non-governmental organization was founded to "handle practical issues arising from cross-strait relations." After persisting for a few months with its request for CCP-KMT negotiations, Beijing reluctantly decided in November 1991 to set up a sister organization, the Association for Relations Across the Taiwan Strait (ARATS). Since 1992 when they had their first meeting, the SEF and the ARATS have constituted the main channel of communication between Taiwan and China.

On April 4, 1991, then vice chairman and secretary general of SEF, Chen Chang-wen, headed the foundation's first delegation to visit the Mainland. On April 29, during a meeting with Chen Chang-wen, deputy director of the State Council's

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<sup>23</sup> [www.mac.gov.tw](http://www.mac.gov.tw)

Office of Taiwan Affairs, Tang Shubei, was authorized to list five principles that should be observed in the handling of concrete issues arising from contacts between the two sides. The second of these principles stated, “In dealing with affairs relating to contacts between the two sides, we should adhere to the one-China principle and oppose any form of “two Chinas” or “One China, one Taiwan’ and oppose ‘one country , two governments’ and other similar proposals or behavior.”<sup>24</sup>

From November 3 through November 7, Chen Chang-wen again led a delegation to Beijing and entered into procedural talks about cooperation in attacking crimes such as maritime smuggling and robbery in the Taiwan Straits. During the talks, Tang Shubei again expressed the hope that the SEF would adopt an attitude of adhering to the one-China principle and would strive for a consensus. For the first time, both parties discussed adhering to the one-China principle during functional talks, but a consensus was not reached.<sup>25</sup>

On March 22, 1992, after the start of talks between the two organizations in Beijing, the SEF and MAC insisted that the one-China principle was “unrelated to technical issues” under discussion, such as the use of documents.<sup>26</sup> On September 17, 1992, Zou Zhekai, vice-chairman of ARATS, and the SEF’s Secretary General Chen Jung-chie met in Xiamen and unofficially changed views about the “one-China” principle. As a result, a new round of talks was agreed upon in Hong kong.

During the Hong Kong talks, the SEF’s Shi Hwei-yow, with formal

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<sup>24</sup> Xu Shiquan. 2003. *The 1992 Consensus: A Review and Assessment of Consultations between the Association for Relations Across the Taiwan Strait and the Straits Exchange Foundation* in Zagoria, Donald S, (ed.) *Breaking the China-Taiwan impasse.* (Westport, Conn. : Praeger).

<sup>25</sup> Cabestan Jean-Pierre. Dec 1996. *Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later.* *The China Quarterly*, No. 148, Special Issue: Contemporary Taiwan. p 126.

<sup>26</sup> Xu Shiquan. 2003. *The 1992 Consensus: A Review and Assessment of Consultations between the Association for Relations Across the Taiwan Strait and the Straits Exchange Foundation* in Zagoria, Donald S, (ed.) *Breaking the China-Taiwan impasse.* (Westport, Conn. : Praeger), p. 84.

authorization from the MAC, proposed five written formulas and three oral ones. The five written formulas he proposed are these:

1. Both sides shall proceed from the principle of one China, two equal political entities.
2. Both sides shall proceed from the principle of seeking a democratic, free, equally wealthy, and unified China; cross-strait affairs are the affairs of the people of China.
3. Given that both sides of the straits have been in prolonged state of separation and in recognition of the fact that both are seeking to unify the country through their common efforts, they feel it necessary to resolve the verification of documents (or other matters under discussion) in a suitable way.
4. Both sides shall proceed from the principle of seeking a peacefully and democratically unified China.
5. Both sides shall proceed from the principle of seeking the peaceful and democratic unification of the two sides of the Taiwan Straits.<sup>27</sup>

No formula was agreed to after both sides proposed their five written formulas. Based on authorization from the MAC, SEF proposed three oral formulas:

Given that China is still in a temporary state of division, both sides are seeking to unify the country through their common efforts, and unofficial cross-strait contacts have been steadily increasing; in order to protect the interests of the people on both sides of the straits, the verification of documents should be suitably resolved.

1. The verification of documents on both sides of the Taiwan Straits is a matter between the Chinese people on both sides of the straits.
2. Although both sides seek to unify the country through their common efforts and adhere

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<sup>27</sup> Xu Shiquan. 2003. The 1992 Consensus p.87.

to the one-China principle, they acknowledge that they differ over the meaning of one China. In light of steadily increasing unofficial cross-strait contacts, however, and in order to protect the interests of the people on both sides of the straits, the verification of documents should be suitably resolved.<sup>28</sup>

In an exchange of views, although their positions had drawn closer, the two sides did not reach any agreement. At the request of the SEF and ARATS agreed to extend the talks by a half day until October 30, but they were still unable to reach agreement. However, soon after, the ARATS examined the third oral proposal and said that it expressed the SEF's attitude of seeking unification and adhering to the "one China" principle. It also stated that, "in discussions of routine affairs, as long as the position is stated, the political meaning of one China need not be discussed."<sup>29</sup> The ARATS also proposed using a method in which each side would make its own oral statement about the "one China" principle. On November 3, the SEF wrote to the ARATS, formally, notifying it that it was "using the format of an oral statement to express the "one China" principle. The foundation's letter to the ARATS and Sun Yafu's phone call on the same day to Chen Jung-chie led to a "breakthrough development" in the talks between the two organizations on document usage and the tracing of, and compensation for, lost registered mail. The letter formally notified the SEF that the key points of the association's oral statement would be that "both sides of the Taiwan Straits adhere to the one-China principle and are making efforts toward national reunification. However, the political meaning of 'one China' will not be involved in the discussions of functional affairs between the two sides." The content of the oral declaration contained in the letter to the SEF was the third formula for oral

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<sup>28</sup> Ibid. p.89.

<sup>29</sup> Ibid.

declarations proposed by the SEF in Hong Kong on the afternoon of October 30. That is, “As both sides seek to unify the country through their common efforts, although they both adhere to the one-China principle, [they acknowledge] that they differ over the meaning of one China.”<sup>30</sup> On the same day, the SEF’s deputy secretary general Sun Yafu notified Secretary General Chen Jung-chie that the Hong Kong talks had been concluded.

This change opened the way for the organization of a summit meeting between the SEF and the ARATS. Originally planned for October 1992, the SEF-ARATS summit meeting could not take place before April 1993. The SEF, although invited to Beijing, preferred Singapore for this first historic encounter between unofficial representatives of the two Chinas.

Before an SEF negotiation team went to Beijing from April 7 - 11, 1993 to finalize the details for the forthcoming first meeting between Wang Daohan and Koo Chen-fu, the Taiwan government, through the MAC, announced in April a five-point instruction (actually five Noes) to limit the function of the negotiation team, namely: (1) no political issues were to be involved; (2) no contact or meetings with Mainland government high officials; (3) no discussion on direct two-way investment; (4) no discussion on what the SEF was not authorized to do; and (5) no formal signature of any agreements. In the early morning of 11 April, when the SEF team had finished its negotiations with the Mainland side and was ready for a farewell meeting with their host Wang Daohan, the MAC telephoned the team at their hotel ordering it to withdraw one agreement, which had already been agreed upon and duly recorded in the meeting’s minutes. The MAC stated that the Wang-Koo meeting should be held regularly once a year. The MAC even stated that if China did not agree to this,

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<sup>30</sup> Xu Shiquan. 2003. *The 1992 Consensus*. p.90

Taiwan would rather cancel the forthcoming Wang-Koo meeting.<sup>31</sup>

Annoyed as he was, Wang Daohan still accepted this sudden change of mind and attended the first round of the Wang-Koo meeting in Singapore on 27 April 1993. There, Koo Chen-fu and Wang Daohan, the ARATS chairman and a retired Shanghai mayor, met and signed four documents: the "Joint Agreement of the Koo-Wang Talks," the "Agreement on Document Authentication," the "Agreement on Tracing of and Compensation for Lost Registered Mail," the "Agreement on the Establishment of Systematic Liaison and Communication Channels between the SEF and ARATS." These documents were signed twice, once in original Chinese characters for Taipei, once in simplified characters for Beijing.<sup>32</sup>

These talks, and the agreements, laid a foundation for future talks on routine matters and systematic interaction between the two sides of the Strait. They also showed the world that Taipei and Beijing were actually negotiating, able to reach and sign accords and to institutionalize the relations between these two unofficial organizations.

The contacts between two organizations continued in February 1994 in Beijing, when Chiao Jen-ho and Tang Shubei, the ARATS secretary general, reached a "consensus" on the three main issues under discussion: the resolution of fishing disputes, the repatriation of illegal immigrants and the return of hijackers. However, in spring 1994, the SEF-ARATS talks encountered difficulties. In March 1994, the Qiandao lake incident (see Chapter III) froze the SEF-ARATS talks for four months, which started again in late July in a much less relaxed atmosphere. At the same time,

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<sup>31</sup> Sheng Lijun. 2002. *China and Taiwan : cross-strait relations under Chen Sui-bian*. (Singapore : Institute of Southeast Asian Studies : Palgrave), p.25.

<sup>32</sup> Cabestan Jean-Pierre. Dec 1996. *Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later*. p 1268.

conflicting views appeared in Taiwan among the different organizations responsible for Mainland China policy. The then MAC chairman Huang Kun-huei disapproved of the SEF's ambition to speed up negotiations with Beijing. Forced to adopt a firmer attitude, Chiu Ching-yi, the then SEF secretary general, preferred to resign and was replaced by Chiao Jen-ho, a former MAC vice-chairman.<sup>33</sup>

In May 1995, the SEF and the ARATS held the first preparatory consultations for the second round of Koo-Wang talks to be held in Beijing. They planned the second round consultations for the period between June 27 and July 1, and intended to hold the talks around July 20, 1995.<sup>34</sup> It was hoped that during the second round, both chairmen could privately discuss certain sensitive issues, e.g. beginning of negotiations for the cessation of hostilities, and Taiwan's participation in certain international organizations and conferences. There was also hope that three documents under discussion for nearly two years could be signed and talks on an agreement for the protection of Taiwanese investments in mainland China could be initiated. At that time, all the ways seemed to be open. But as we know, Lee's trip to the US and his speech at Cornell University changed the situation dramatically. Lee's speech drew sharp criticism from the Chinese Communist media, which claimed that Taiwan was a local government with no sovereignty and that Lee's view promoted "two Chinas" or a "one China, one Taiwan" policy. However, even during those days the exchange of visits between the SEF and ARATS continued. It was only on June 16, 1995, when ARATS wrote to the SEF, stating that: "In view of a series of actions taken recently by Taiwan which have damaged cross-strait relations, and which have seriously affected the convocation of the second Wang-Koo meeting, as well as the

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<sup>33</sup> Ibid.

<sup>34</sup> Chiu Hungdah. June 10-11, 1996. Recent Cross-Strait Relations and the United States, Revised version of a paper delivered at the 25<sup>th</sup> Sino-American Conference on Contemporary China, Taipei. p.6.

atmosphere of the preparatory consultations, the meeting will have to be postponed.”<sup>35</sup>

Indeed, twice in the summer of 1995 (21-26 July and 15-25 August), the People's Liberation Army tested guided missiles some 140 km north of Taiwan and approximately 55 km from Pengjiayu island. Moreover, Beijing's propaganda apparatus launched an unprecedented attack on Lee Teng-hui and asked Taiwanese society to sweep their president "into the historical garbage dump."<sup>36</sup> In the following months up to March 1996, Beijing increased substantially its military pressure on Taiwan, both to influence the result of the legislative and presidential elections, and to force the Taipei government to adopt a more conciliatory Mainland policy. Several military maneuvers took place in October and in February-March in Fujian province.

Among all this hostility, Lee Ching-ping, an SEF deputy secretary general, was barred from traveling to Beijing to attend an art exhibition in September. Lower-level visits, however, took place, in particular before the end of 1995. For instance, in October, Ou-yang Shen-en, director of SEF cultural affairs, accompanied Cheng Liang-jen, the MAC cultural and educational affairs director, to China on a tour of national museums organized by China's National Bureau of Cultural and Historical Museums. During this trip, Cheng met Sun Xiaoyu, deputy director of the PRC's Taiwan Affairs Office. In December, Wu Shu, another SEF director, was invited by the ARATS to travel to Beijing for an art event.<sup>37</sup>

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<sup>35</sup> Chiu Hungdah. June 10-11, 1996. Recent Cross-Strait Relations and the United States, Revised version of a paper delivered at the 25<sup>th</sup> Sino-American Conference on Contemporary China, Taipei. p.7.

<sup>36</sup> Cabestan Jean-Pierre. Dec 1996. Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later. p 1269.

<sup>37</sup> Cabestan Jean-Pierre. Dec 1996. Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later. p.1270.

The talks however, were not resumed before 1998, three years after the PRC suspended negotiations with Taiwan. After the 1995-96 missile crisis, China had put three conditions on the resumption of ARATS-SEF talks: Taiwan should (1) accept the PRC's definition of the "one China" principle and so be reduced to the status of a province of the PRC, (2) abandon its pragmatic diplomacy, and (3) drop its goal of rejoining the United Nations.<sup>38</sup> These conditions were unacceptable to Taipei. Finally, in late 1997 the PRC quietly dropped these conditions, allowing both sides to resume formal contacts. According to Cabestan, three factors played a crucial role in this change: US.-China "re-normalization", the DPP electoral success in the November 1997 local elections, and the Asian financial crisis.<sup>39</sup>

China's economic difficulties also contributed to a softening of its stance on Taiwan. While foreign direct investment in China was diminishing, the PRC authorities hoped that any renewal of talks with Taiwan, and in particular the negotiation of a bilateral protection agreement for Taiwanese investment, could produce a swell of financial outflow which the Taipei government discouraged openly. Taiwanese contractual investments diminished by 40% in 1997 and by 3.6% to US\$1.21 billion in the first six months of 1998.<sup>40</sup>

Finally, after lengthy bargaining, the SEF and ARATS officially reinstated their contacts with the April 22-24, 1998 meeting of Deputy Secretaries-General Jan Jyh-horng and Li Yafei in Beijing. This first encounter, and two subsequent ones, paved the way to the second summit in five years between Chairmen Koo Chen-fu and Wang Daohan, who were once again empowered to negotiate in the name of their

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<sup>38</sup>Cabestan Jean-Pierre. Jan. - Feb., 1999. Taiwan in 1998: An Auspicious Year for the Kuomintang. Asian Survey, Vol. 39, No. 1, A Survey of Asia in 1998. p. 141.

<sup>39</sup> Ibid. p.141-142.

<sup>40</sup> Ibid. p.143.

governments. Li and Jan met again in Taipei on July 24-27, and after some hesitation China allowed Shi Hwei-you, the SEF vice-chairman and secretary-general, to travel to Beijing on September 22-24. The goal of this visit was to arrange with his counterpart Tang Shubei, Koo's visit to the PRC, which took place less than a month later on October 14-19.

Koo Cheng-fu's visit to China was approved of by the majority of Taiwanese society. It was also acclaimed by the U.S. and all the governments in the region. Regarded as a clear success by the PRC authorities, the visit also gave the ROC a chance to make its stance better known around the world. Koo not only met with Wang Daohan in Shanghai on October 14-15, but he also traveled to Beijing where, on October 18, he met PRC Vice-Premier and ex-Foreign Minister Qian Qichen and President Jiang Zemin, the latter acting in his capacity as CCP general secretary.<sup>41</sup> This visit underlined the "huge differences" separating the two Chinese governments both on the reunification issue and the negotiation process.<sup>42</sup> While Beijing wanted to start political negotiations as soon as possible, Taipei preferred to resume the dialogue on civil affairs broken in July 1995. Koo had cordial talks with Wang and Jiang but his meeting with Qian was more candid: Qian reminded the Taiwanese delegation that the PRC's ambition to suppress completely the very existence of the ROC remained unchanged.

But these talks actually had some results. Koo and Wang reached an unwritten consensus on the following four points: (1) Wang will visit Taiwan "at an appropriate time," probably in spring 1999; (2) the SEF and the ARATS will resume dialogue on political, economic, and other matters of mutual concern; (3) SEF and ARATS will

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<sup>41</sup> Cabestan Jean-Pierre. Jan. - Feb., 1999. Taiwan in 1998: An Auspicious Year for the Kuomintang. *Asian Survey*, Vol. 39, No. 1, A Survey of Asia in 1998. p. 143

<sup>42</sup> Shi Hwei-you. October 19, 1998. *China Post*, Page. 20.

reinforce bilateral exchanges at various levels, including exchanges of visits by staff members of the two organizations; and (4) SEF and ARATS will improve cooperation and mutual assistance in incidents involving the personal safety and property of Taiwan people visiting the mainland, and vice versa.<sup>43</sup> As Koo stated, "the ice is now broken, but it still requires a great number of contacts before mutual understanding can be achieved."<sup>44</sup>

Wang and Koo agreed to meet again in Taiwan in the autumn of 1999. However, after President Lee Teng-hui proposed his "two-states theory", the meeting was called off by the Mainland side. This was also the last time the SEF had an important role in cross-strait relations. After it became clear, that Beijing was not willing to negotiate with Chen Shui-bian's administration, the SEF lost its important role as a main negotiator. Chairman Koo Chen-fu took sick leave from his post for two months soon after Chen's victory in 2000 to recover from an upcoming operation on his remaining kidney. Secretary General Shi Hwei-yow took over for Koo's. Some political analysts believed the sick leave period could have been the first move toward stepping down from his post.<sup>45</sup> It was believed, that Siew's "common market" group would take over from the SEF in the handling of cross-strait matters. This speculation led Tsai Ing-wen, the MAC's chairwoman, to say, "The Straits Exchange Foundation will continue to act as the government's only official avenue of communication with China."<sup>46</sup> The same idea was once more repeated by President Chen, when he said his

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<sup>43</sup> Cabestan Jean-Pierre. Jan. - Feb., 1999. Taiwan in 1998: An Auspicious Year for the Kuomintang. Asian Survey, Vol. 39, No. 1, A Survey of Asia in 1998. p. 143-144.

<sup>44</sup> Koo Chen-fu. October 19, 1998. Press Conference. Beijing.

<sup>45</sup> *Taipei Times*, April 13, 2000, Page. 4.

<sup>46</sup> *Ibid*, March 28, 2001, Page.3.

words that the SEF had "accomplished its current mission," did not mean that its work was finished, but rather that its role was in transition.<sup>47</sup>

However, the SEF's role since 1999 has only been to deal with minor problems. When two leaders of a Taiwanese tour group were being held hostage in China over a financial dispute, it was the SEF who did the talking and brought them home in March 2002. In July 2002, when a Matsu-based army private Liu Chin-hung was rescued by a Chinese fishing boat, the SEF faxed its Chinese counterpart for help in returning him to Taiwan. The SEF also asked ARATS to ensure the safety of a Taiwanese fishing boat and its crew that was detained by Chinese authorities in February 2003 and hunt down the killers of a Taiwanese family in Shanghai in June of the same year. In January 2004, when eight China-based Taiwanese businesspeople were arrested for espionage, the SEF recruited six local lawyers to help them. However, in serious business, the SEF did not have any role. It was left out of negotiations on many important cross-strait affairs. During the negotiations for cross-strait charter flights during the Lunar New Year holidays, the "official" negotiators were members of the aviation industry from the two sides. In reality, the attending government aviation bureaucrats did the real work.<sup>48</sup>

When Koo died in 2005, a DPP lawmaker, Chang Chun-hsiung, was named the next chairman of the SEF. After Koo's death, many commentators predicted that the significance of the SEF would be permanently diminished. The appointment of a DPP heavyweight to the post of the chairman was a new hope for the SEF. This, however, did not happen. As Beijing still refuses to have direct negotiations with Taipei, the SEF has no way to play the important role in cross-strait relations it played ten years ago.

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<sup>47</sup> Ibid, July 07, 2002, Page.4.

<sup>48</sup> Ibid, June 5, 2005, Page. 8.

At this point it can't be forgotten that the relations between the MAC and SEF have not always been clear. There have been quite a few problems between these two organizations. We have already seen that even during the Koo–Wang talks, the MAC used its power to change the rules of the negotiations held by the SEF. That was not the only time something like that has happened.

In December 2000, KMT lawmaker Chen Ken-teh proposed a trial voyage to China to test the "small three links." His trip, however, was cancelled by the MAC Chairwoman Tsai Ing-wen.

The interesting thing is that after Taiwan had announced on December 13 plans to open direct postal, transportation, and trade links between the island groups of Kinmen and Matsu and China's Xiamen and Fuzhou cities, two groups of lawmakers proposed trial voyages to ease public concern about unpredictable responses from China resulting from Taiwan's decision. Both groups were set to depart on December 28. A group led by KMT lawmaker Chen Ching-pao, who directly contacted Xiamen authorities, encountered no obstacles. By comparison, the trip organized by Chen Ken-teh, a member of the legislature's Committee of Transportation and Communications, stalled because Chen sought assistance from the SEF. Chen had first exchanged opinions on the issue with both Premier Chang Chun-hsiung and Legislative Yuan speaker Wang Jin-pyng and had reached an implicit agreement. As a result, Chen began making preparations for the trip with the help of the SEF. But after Tsai called the SEF to tell it to put Chen's documents aside temporarily, the SEF had to admit that he could not send the relevant papers to China without an approval from the MAC.<sup>49</sup> Although the MAC said later that there was a misunderstanding, it gives a clue that there were some problems between the two organizations.

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<sup>49</sup> *TaipeiTimes* December 21, 2000, Page 3

## **Ministry of Economic Affairs (MOEA)**

The Ministry of Economic Affairs, the agency in charge of administering the national economy, currently consists of 16 staff units, 14 administrative agencies, 6 national corporations, and 64 overseas commercial offices. According to the MOEA, it “serves as a guiding role for the business sector, develops active partnership with private businesses, optimizes the utilization and effectiveness of the nation's overall resources, enhances administrative efficiency, improves the domestic investment environment, and leads the economy through fair competition towards liberalization and internationalization, nourishing a vigorous private sector.”<sup>50</sup> In terms of cross-strait trade and investment however, its main role is to follow the government’s official Mainland policy by legalizing it. As an example, the MOEA launched “The Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China.” The Regulations were promulgated March 1, 1993 by order of the Ministry of Economic Affairs and its articles 4, 5, 6, 8, 9, 10, 11 and 14 were amended on July 31, 2002. Some of the articles are worthy of attention.

Article 4 of the Regulations states:

“... the term “investment in the Mainland Area” shall denote any of the following activities by any nationals, legal entity, organization or other institution in Taiwan Area:

1. Establishing a company or business entity;
2. Increasing the capital of an existing local company or business entity;
3. Acquiring the equity of, and operating, an existing local company or business entity, but excluding the purchase of stock of a listed company; or

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<sup>50</sup> <http://www.moea.gov.tw>

4. Establishing or expanding the business of a branch company or business entity.

Article 6 adds:

For the purpose of investing in the Mainland Area, the capital carried out by the nationals, legal entities, organizations or other institutions of the Taiwan Area shall be in the form of:

1. Cash;
2. Machinery, equipment and spare parts;
3. Raw materials, semi-finished products or finished products;
4. Technical know-how, patent, trademark right or economic right; or
5. Other property in which an investor may invest under the Competent Authority's approval.

Article 8 says:

For the purposes of these Regulations, any national, legal entity, organization or other institution in Taiwan Area shall submit an application form to the Commission for approval prior to investing or engaging in technical cooperation in the Mainland Area. The application form mentioned above and other relevant documentation shall be prescribed by the Commission.

And finally article 14:

The Commission may revoke the approval and request to withdraw capital for investment or technical cooperation in the Mainland Area carried out against paragraph 1 2 or 4 of Article 9, Articles 10 and paragraph 1 of Article 11 of these Regulations.<sup>51</sup>

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<sup>51</sup> <http://www.moea.gov.tw>

In addition to these regulations, the MOEA has launched quite a few laws and regulations. To name just a few of them: Directions Governing the Review and Supervision of Investment in an IC Foundries in Mainland China, Regulations Governing The Permission of Commercial Behavior in Mainland China, Regulations for Licensing Investment or Technical Cooperation in Hong Kong or Macao etc.

The MOEA has also been looking for the ways to bring back some of the Taiwanese companies that have invested in Mainland China. In the 2003 proposal, the government created a channel to provide overseas Taiwanese investors an easy way to cut through the red tape of applications and certificates in Taiwan. However, there are no reliable statistics on how many investors took advantage of it. But according to a survey conducted by the MOEA's Industrial Development Bureau, of the 748 companies enjoying the preferential land treatment, only 48 had invested in Mainland China. Another figure indicated 82 companies had followed the government policy to set up their R&D centers in Taiwan from 2002 to 2004.<sup>52</sup> After the statistics were released, the MOEA's Department of Investment Services planned to initiate a survey among Taiwanese investors to better comprehend their demands and intentions on investment. Also based on this report, spokesman Cheng Wen-tsan for the Executive Yuan, Taiwan's cabinet, announced that it would again initiate a "big investment" policy with lower prices for land leases to encourage mainland-based Taiwanese investors to put money back in Taiwan.<sup>53</sup>

Among the MOEA's sub-organizations, the most important one in terms of cross-strait trade and investment is the Investment Commission. The primary responsibilities of the Commission are to set standards for, and examine, investments by foreign nationals, overseas Chinese in the Republic of China, as well as outward

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<sup>52</sup> *AsiaTimes* August 23, 2006

<sup>53</sup> *Ibid.*

investments and technical cooperation by ROC enterprises in foreign countries and Mainland China. It also maintains an understanding of the movement of industrial capital to assure the continued development of the nation's economy and stability of its society. The Investment Commission also publishes the following materials on a regular basis for the reference of domestic and foreign agencies, academic institutions, industry groups, and individuals:

1. Monthly and Annual Statistical Reports of overseas Chinese and Foreign Investment in the ROC, Outward Investment and Technical Cooperation from the ROC, and Indirect Investment in Mainland China
2. Operating Status of Overseas Chinese-and Foreign-invested Enterprises, and Their Contributions to the ROC's Economic Development (Annual Report)
3. Operating Status of ROC-invested Enterprises Abroad (Annual Report)
4. Analysis of Overseas Chinese and Foreign Investment in the ROC, and Investment by ROC Companies in Foreign Countries and Mainland China (Annual Report)<sup>54</sup>

The Investment Commission has sometimes played a crucial role in Taiwanese investment on the Mainland as every Taiwanese company needs its approval before the actual investment can be made. The commission has sometimes used its power to change the way investments have been made. The Formosa Plastics Group, for example, had a plan to invest around US\$127 million in a PVC factory in the port city of Ningbo, Fujian Province in 2001. Of that total investment amount, only US\$43 million – due to the government cap on China-bound investment of US\$50 million in a single project - was going to be taken from the company's capital with the remainder

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<sup>54</sup> <http://www.moeaic.gov.tw>

coming from overseas syndicated loans. Another unit of the Formosa Group, Formosa Chemicals and Fiber, was also planning to invest around US\$293 million in an ABS plant and a co-generator in the Ningbo complex. However, they only got the approval of proposed investments in China due to plans to increase its investments at home. "There is a direct relationship between a firm's domestic investment and the willingness of the government to approve investments in China. If we stopped investing in Taiwan, the government might not approve our plans to invest in China," a senior executive from the Formosa Plastics Corp said.<sup>55</sup>

Although officials from the Investment Commission and the Mainland Affairs Council refused to comment on the correlation between domestic investment and approval of investment projects in China, the Formosa Group revealed its plans to sink an additional NT\$19.1 billion into facilities at the nearly completed Sixth Naphtha Cracker Project in Mailiao Yunlin County, and an additional NT\$15.1 billion on additional co-generating power units at the complex.

In terms of cross-strait trade and investment policy-making, however, the MOEA's role is not a crucial one. As mentioned before, its main role is to launch laws and regulations based on the government's general approach. It could be said that it is working on the details behind the scenes after the President or the MAC has introduced a new approach.

As an example, soon after President Lee's announcement of "no haste, be patient" policy, the MOEA released the revised "Review Guidelines for Investment and Technological Cooperation in the Mainland Area," on July 15, 1997. These guidelines went into effect immediately and stipulated that each individual instance of investment in China must be reported to the relevant authorities. Furthermore, such

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<sup>55</sup> Dobson, Richard *Playing both sides Taipei Times* July 12, 2001, Page 17

investments could not exceed US\$50 million without first obtaining special approval from the appropriate government agencies. The MOEA also widened the scope of prohibited investments, preventing Taiwanese businesses from investing in major infrastructure projects on the Chinese mainland, including such projects as railways, highways, harbors, airports, mass transit systems, incineration projects and power plants.

To implement President Chen Shui-bian's "active management, effective opening" China policy, introduced during his 2006 New-Year speech, the MOEA started thinking of imposing an extra policy review on China-bound investments exceeding US\$100 million as well as those involved in sensitive technology. This was also described by MOEA officials as part of the government's bid to tighten investment in China.<sup>56</sup> Later that year, the revised "Directions Governing the Review and Supervision of Investment in IC Foundries in Mainland China" were promulgated by the MOEA on December 29, 2006, and the "Directions Governing Policy Review and Coordination for Major China-bound Investment Projects" were announced by the MOEA on December 14, 2006. A cross-ministry inspection and supervision team was formed by the heads of relevant agencies to handle review, inspection and supervision of such cases before and after the investment was made. The new rules define "major investments" as any investment over US\$100 million, or accumulated investments over US\$200 million with any single increment greater than US\$60 million, by Taiwanese individuals, corporations or groups. The companies that apply to make major investments in China are also required to make commitments to ensure the interests of Taiwan's economy. They include pledges to return a percentage of profits back to Taiwan, and the submission of details on technology transfer, in which

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<sup>56</sup> *Taipei Times*, March 30, 2006, Page 11

companies need to demonstrate how they will safeguard against the transfer of sensitive technology and protect intellectual property rights. The companies also need to list equipment they plan to export to China, their planned investments in Taiwan over the next three years, their level of investment in foreign countries other than China, the proportion of world-to-China investment and the impact on employment that will occur in Taiwan as a result of the project, the statement said.

## **Legislative Yuan**

The role of the Legislative Yuan in Taiwan's Mainland trade and investment policies is minor. Individual legislators may carry some weight owing to his or her expertise and experience. But the Legislative Yuan as a whole does not command the services of a large professional staff or a well-stocked library. As the Legislators move from one committee to another each session (six months), it becomes extremely difficult to accumulate institutional, or even individual, memories of any policy. Furthermore, as vital a policy area as the Mainland policy is, the Legislative Yuan thus far has no corresponding committee that solely interacts with the executive branch. Since the Mainland policy is being dealt with mainly but not exclusively by its Interior Committee, most of the Committee members may take some interest in Mainland affairs, while their expertise most likely lie elsewhere - land, water, police work, immigration, and so on.

In a move to increase its leverage over cross-strait policy, the Legislative Yuan launched a plan to set up a special task force in the legislature to deal with cross-strait relations in November 2000. It was decided that the task force would be convened by the speaker himself and consist of representatives from all parties based on their representation in the legislature.

The plan was passed with strong support from opposition lawmakers. Declining to endorse the establishment of such a task force, DPP lawmakers staged a walkout to protest what they said was the legislature's "infringement on administrative powers"<sup>57</sup>, and did not participate in the task force even though six seats are reserved for them. Later, it became a kind of a fashion to establish different cross-strait trade associations. In July 2001, New Party Legislator Chang Shih-liang and 12 of his colleagues established the "Cross-Strait Cooperation and Development Foundation." New Party Legislator Cheng Long-shui and the KMT's Hwang Mu-tien, along with three other legislators, formed three other cross-strait groups. In August, nearly 30 lawmakers established the "Cross-Strait Economy and Trade Association", which was hoped would help Taiwanese businesspeople in China. Many high ranking officials joined the opening ceremony, including Premier Chang Chun-hsiung and the chairwoman of the MAC, Tsai Ing-wen. This group was even given an official blessing by the ARATS as Lee Ya-fei, the deputy president of the ARATS, sent flowers and a congratulatory letter.<sup>58</sup>

However, the Taiwanese businessmen were not as hopeful as the legislators, and official. Ho Hsi-hao, president of the Taiwan Merchant Investment Association in Zhangzhou, said that these organizations' involvement in cross-strait issues was making matters more complicated. Shu Chun-ta, president of the Taiwan Merchant Investment Association in Fuzhou added, "There are too many associations like this, and I don't know whether they really want to help us or just to use us as a political bargaining chip." Jiang Yen-hsiung, president of the Taiwan Merchant Investment Association in Shengzhen, even said he hoped that Taiwanese businessmen's interests

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<sup>57</sup> *Taipei Times*, November 15, 2000, Page 3

<sup>58</sup> *Ibid*, August 14, 2001, Page 3.

wouldn't be affected by these new groups.<sup>59</sup>

Hence, collectively, the Legislative Yuan is no match for the power of the executive branch. It has to satisfy itself with news making, often with the gracious presence of the administration officials.<sup>60</sup>

## **National Unification Council**

The National Unification Council was established in 1990 by Lee Teng-hui (see also chapter III) as an ad hoc agency under the president, and was entrusted with duties of offering advice and carrying out research on the concept of national unification. It was composed of representatives from the Presidential Office (such as the secretary general to the president), Executive Yuan (cabinet, the premier, the chairman of the MAC), the chairman of the SEF, the president of the Legislative Yuan, mayors and city council speakers of Taipei and Kaohsiung cities, leaders of political parties, and opinion leaders at home and abroad. The NUC had a research arm composed of front-line officials (such as the deputy secretary general of the Presidential Office, the vice chairman, and spokesman of MAC), scholars, and specialists. Originally, it met once every season.

As its main aim was to promote unification with Mainland China, at the third meeting of the council in February 1991, the Guidelines for National Unification were passed and later adopted by the Executive Yuan Council on February 23, 1991.

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<sup>59</sup> Ibid.

<sup>60</sup> In one typical episode during Su's tenure as MAC chairman, he was invited by some DPP LY members to their press conference. When he left at the end of remark and QA and before the DPP LY members were to speak, the entire press corps vacated the conference room. As he describes, he felt so embarrassed as to return to the room immediately. Needless to say, the room was once again filled with reporters. (see also **Su**, *Chi Driving Forces Behind Taiwan's Mainland Policy* in Tsang, Steve, (ed.) *Peace and Security Across the Taiwan Strait*, Palgrave Macmillan Ltd. 2004

Thereafter, they became the guiding principle of the KMT government's China policy. These Guidelines for National Unification declared both sides of the Taiwan Strait to be Chinese territory, which paved the groundwork for the so-called "1992 Consensus" and the Koo-Wang Talks between the two sides. Guidelines also stated NUC's idea of three stages to reach the goal of unification:

**1. Short term -- A phase of exchanges and reciprocity.**

(1) To enhance understanding through exchanges between the two sides of the Straits and eliminate hostility through reciprocity; and to establish a mutually benign relationship by not endangering each other's security and stability while in the midst of exchanges and not denying the other's existence as a political entity while in the midst of effecting reciprocity.

(2) To set up an order for exchanges across the Straits, to draw up regulations for such exchanges, and to establish intermediary organizations so as to protect people's rights and interest on both sides of the Straits; to gradually ease various restrictions and expand people-to-people contacts so as to promote the social prosperity of both sides.

(3) In order to improve the people's welfare on both sides of the Straits with the ultimate objective of unifying the nation, in the mainland area economic reform should be carried out forthrightly, the expression of public opinion there should gradually be allowed, and both democracy and the rule of law should be implemented; while in the Taiwan area efforts should be made to accelerate constitutional reform and promote national development to establish a society of equitable prosperity.

(4) The two sides of the Straits should end the state of hostility and, under the principle of one China, solve all disputes through peaceful means, and furthermore respect -- not reject -- each other in the international community, so as to move toward a phase of mutual trust and cooperation.

**2. Medium Term -- A phase of mutual trust and cooperation.**

(1) Both sides of the Straits should establish official communication channels on equal footing.

(2) Direct postal, transport and commercial links should be allowed, and both sides should jointly develop the southeastern coastal area of Chinese mainland and then gradually extend this development to other areas of the mainland in order to narrow the gap in living standards between the two sides.

(3) Both sides of the Straits should work together and assist each other in taking part in international organizations and activities.

(4) Mutual visits by high-ranking officials on both sides should be promoted to create favorable

conditions for consultation and unification.

### **3. Long term -- A phase of consultation and unification.**

A consultative organization for unification should be established through which both sides, in accordance with the will of the people in both the mainland and Taiwan areas, and while adhering to the goals of democracy, economic freedom, social justice and nationalization of the armed forces, jointly discuss the grand task of unification and map out a constitutional system to establish a democratic, free, and equitably prosperous China.<sup>61</sup>

Although China did not give any positive reply to the guidelines except for expressing affirmation for the expression "together build a unified China" as used in the guidelines, this document became one part of Chen Shui-bian's inauguration speech and his "Five Noes" policy. To express continuity in Taiwan's general Mainland policy, President Chen Shui-bian promised not to abolish the Guidelines for National Unification or the National Unification Council despite his party's supportive stance on Taiwanese independence.

The NUC was once again used by the government during SEF - ARATS talks in 1992. In a situation when the "one China" principle was blocking the negotiations, Taiwanese authorities decided to act through it and propose a policy interpretation of the concrete definition of "one China" in a new and complete way, and to use this as the basis for the arguments of the Taiwanese representatives at the cross-strait negotiation table. On August 1, 1992, the NUC adopted a conclusions document entitled 'On the Meaning of "One China."' In that document the meaning of one China was expressed as follows:

Both sides of the Taiwan Straits adhere to the principle of "One China," but the two sides attach different meanings to this. The Chinese Communist authorities regard "one China" to be "The

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<sup>61</sup> Mainland Affairs Council, the Executive Yuan, The Republic of China, Important documents on the government's mainland policy Taipei, Taiwan, R.O.C. 2004.

People's Republic of China," and after unification, Taiwan would become a "Special Administrative Region" under its jurisdiction. Our side feels that "one China" should refer to the Republic of China, which was founded in 1912 and has continued to exist to the present; its sovereignty extends to the whole of China, but at present its governing power only extends to Taiwan, the Penghu Islands, Quemoy and Matsu. Taiwan is indeed part of China, but the mainland is also part of China.<sup>62</sup>

However, this was the last time the NUC had serious influence on cross-strait relations. Since 2000 the frequency of NUC meetings decreased to once a year at most. This obviously reflected the stalemate in cross-strait relations. Finally, as a result of Chen's frequent changes of course, in his Chinese New Year address on January 29, 2006, he proposed abolishing the Guidelines for National Unification and the National Unification Council. On February 27, 2006, Chen formally announced that the guideline would "cease to apply" and the council would "cease to function" after chairing a National Security Council meeting. Later he defended his actions to an audience commemorating the 228 Incident, calling the council and guidelines "products of absurdity" that were "created in a police state."<sup>63</sup>

The United States initially warned Chen not to abolish either the council or the guidelines, but later refused to condemn him because it believed the absence of the term "abolish" was not a breach of the status quo. However, Chen was widely condemned by the PRC, which warned that Chen "would bring disaster to Taiwan society."<sup>64</sup> The pan-blue coalition also condemned the move as unnecessarily

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<sup>62</sup> Xu Shiquan. *The 1992 Consensus: A Review and Assessment of Consultations between the Association for Relations Across the Taiwan Strait and the Straits Exchange Foundation in Zagoria*, Donald S, (ed.) *Breaking the China-Taiwan impasse*. , 2003. (Westport, Conn. : Praeger). p. 86.

<sup>63</sup> *Taipei Times*, February 27, 2006, Page.1

<sup>64</sup> *Xinhua News Agency* February 27, 2006.

provocative, arguing that Chen needed to focus on economic issues in the face of a growing unemployment and suicide rate, and some legislators started a petition to have Chen impeached.<sup>65</sup> However, this was the end of the National Unification Council and its guidelines.

## **National Security Council**

The National Security Council (NSC) was set up in 1967 to replace the National Defense Council. According to the NSC Organizational Law which took effect in 1994, the National Security Council is an advisory body that reports directly to the President on matters relating to national security.

It is a well-known fact that the National Security Council played little or no policy-making role during the Chiang Kai-shek and Chiang Ching-kuo years.<sup>66</sup> After assuming the Presidency, Lee Teng-hui began to expand its role at the expense of others. During the last four years of his 12-year presidency, he relied on the NSC to such a high degree that the advice and dissent of other institutions were largely neglected. The disclosure of the existence of an illegitimate secret fund (since 1994) apparently enabled the President to conduct his own preferred foreign and Mainland policies. As is now known, the Lee-Tsai study that suggested the "special state-to-state relationship" in July 1999 was one of many projects run by the fund.<sup>67</sup>

The NSC has been very powerful among all the institutions. First, as with national security councils in some other countries, it enjoys ready access to the

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<sup>65</sup> *Taipei Times*, March 01, 2006, Page 1

<sup>66</sup> Su Chi. 2004. Driving Forces Behind Taiwan's Mainland Policy in Tsang, Steve, (ed.) *Peace and Security Across the Taiwan Strait*. (Palgrave Macmillan Ltd). p. 64.

<sup>67</sup> *Ibid.*

President. Secondly, the size of the secret fund that was used for it equals the total annual budget of at least three ministries. Third, the NSC as a staff institution of the President's Office, rarely has to face the press or Legislative Yuan Oversight. It does not even have a spokesman. So its officials conduct operations only under the instructions of the President or the NSC Secretary General. As such, absolute secrecy and total top-down control can be maintained. It can do a lot of good for the country which has to operate without diplomatic recognition by most countries. But as with the case elsewhere, an institution allowed to exercise power without checks and balances often ends up abusing such power without the public knowing.<sup>68</sup>

The sub-organization of the NSC, the National Security Bureau (NSB) was officially established on January 1, 1994, shortly after the respective organic laws of the NSC and NSB were promulgated by the order of the ROC President on December 30, 1993. The NSB Organic Law is based on the principle of "separating intelligence functions from law enforcement." It authorizes the NSB to integrate and coordinate matters concerning national security intelligence work, set up a viable framework for national intelligence operations, as well as compile and evaluate strategic information that has a direct bearing on national security. As result of institutionalizing operations, the NSB now has six intelligence-related divisions:

- 1.international intelligence,
- 2.intelligence within the area of People's Republic of China,
- 3.intelligence within the area of Taiwan,
- 4.analysis of the nation's strategic intelligence,

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<sup>68</sup> A former chief cashier of NSB, Liu Kuan-chun, was suspected of embezzling more than NT\$192 million (US\$5.65 million) from a batch of money returned from Ministry of Foreign Affairs on 4 April 1999. According to the National Bureau of Investigation, Ministry of Justice, Liu left the country on 3 September 2000, for Shanghai, PRC. He reappeared in Bangkok in January 2002 and then went to North America. Liu is still on the run. *Taipei Times*, Tuesday, September 28, 2004, Page.1.

5. scientific and technological intelligence and telecommunications security,
6. control and development of secret codes and facilities.

In view of the unique features and actual requirements of intelligence work, several articles are stipulated in the NSB's Organic Law:

- The NSB is empowered to coordinate with competent authorities about providing needed cover to assist certain intelligence operations.
- Intelligence information and its sources shall be kept confidential, unless otherwise authorized by the NSB.
- The NSB's annual budget estimates shall be treated confidentially. In the wake of closed-door screening by legislators, the budget in question shall be concealed in those of other government agencies.<sup>69</sup>

This institution is important for the information it provides. Roughly equivalent to the Central Intelligence Agency in the U.S., but reinforced by having some of the functions of the Federal Bureau of Investigation, the NSB collects, processes, and disseminates information on the world, the PRC and the ROC itself. Even among the government agencies, information distribution is uneven. First and foremost the NSB serves the President. The NSC comes a close second in receiving information, whereas the rest, including the MAC, lag far behind. This practice, rooted in long-standing Chinese tradition, reinforces presidential power vis-à-vis any other institutions and players beyond the constitutional provisions. For example in early July, 2000, one month before Frank Hsieh, the Mayor of Kaohsiung, was to take over the DPP Chairmanship, he was planning a trip to Xiamen. He was, however, astounded that President Chen confronted him with his itinerary and other details. Hsieh joked to his friends later that he would have to be more cautious because the

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<sup>69</sup> <http://www.fas.org/irp/world/taiwan/nsb.htm>

President seemed to know everything. Needless to say, his Xiamen trip was cancelled.<sup>70</sup>

The shadow may of the NSC can perhaps be seen behind every important decision. When the EDAC considered lifting the bans on Mainland investment and establishing three links, they could not do it without approval from the NSC. National Security Bureau Director Ting Yu-chou was invited to the EDAC meeting to speak on the potential impact that opening three direct links with China might have on national security.

According to Ting, China is now considering the use of a "one country, four areas" formula to handle the sovereignty issue involving the Mainland, Taiwan, Hong Kong and Macau.

"The "one country, four areas" formula is aimed at squeezing Taiwan's space in the international community following Taiwan's entry into the WTO. With the "one country, four areas" formula, China seeks to prevent Taiwan from making its sovereignty an issue following its entry into the WTO. The Beijing leadership has now assigned officials and scholars specializing in Taiwan affairs to work on new regulations regarding the rule of Taiwan [following unification with China.] The regulations will be modeled on Hong Kong's Basic Law. Beijing leaders hope to impose the regulations upon Taiwan as they do with Hong Kong .<sup>71</sup>

Ting, who later became the National Security Council's secretary-general, said the opening of three direct links with China will surely affect the security of the country if it was a large-scale opening.

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<sup>70</sup> *United Evening News*, September 10, 2002, Page. 2.

<sup>71</sup> *Taipei Times* August 13, 2001, Page 3

"Our observation is that Beijing is now seeking to achieve its political purposes through economic means. As we open direct links with China, we must make sure that we have clear and definite rules to manage these links. Beijing has adjusted its strategy toward Taiwan. It used to focus its efforts on intimidating Taiwan with military force and squeezing Taiwan's space in the international community. It now intends to exert influence over Taiwan through economic means. China's threat to Taiwan in the future will be concentrated on the high-tech industry and finance sector. The Chinese leadership thinks that a next wave of investment by Taiwan businessmen in China will be mainly from the finance, information and service sectors after both Taiwan and China enter the WTO," Ting said.<sup>72</sup>

He added that China has adopted six principles to guide its new strategy, including enlarging investment from Taiwan and encouraging Taiwanese investors to set up research centers in China. Additionally, Beijing plans to attract Taiwan's middle managers and senior technicians to work in China; strengthen Shanghai as an international finance center, challenge Taiwan's "no haste, be patient" policy on investment in China and take advantage of WTO entry to explore and occupy Taiwan's markets.

Another example of the importance of the security organs is the Ta Shee meeting. On Aug. 25, 2002, Chen invited policymakers from the National Security Council, the Cabinet and the DPP headquarters to draw up strategies to help the government cope with the development of international relations. Three days after the high-profile meeting, Premier Yu Shyi-kun asked related Cabinet departments to start drawing up plans to help bring the meeting's 10 conclusions to fruition. Five days

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<sup>72</sup> Ibid.

after the Ta Shee meeting, Yu called a meeting in the Executive Yuan to discuss the "go south" investment policy, rekindled by Chen to accelerate Taiwan's business, trade, and investment activities in Southeast Asian countries.<sup>73</sup>

The government offered appropriate assistance, such as government-to-government negotiations, loans, or financial aid to local businesses after careful analysis on the investment environment in various countries. The security organs encouraged Taiwanese companies to build closer trade ties with Southeast Asia to counter China's growing economic clout. Chiou I-jen, secretary-general at the National Security Council, proposed that Taiwan should cooperate with Japan and focus on Southeast Asian countries, which also offer cheap land and labor. He said a closer economic partnership between Taiwan and Japan could help counterbalance the tilt in Asia caused by China's mounting economic power.<sup>74</sup>

As a conclusion to the part that public organizations play, it may be said that the making and implementation of Taiwan's mainland policy is a complex process. Different formal organizations have played different roles during different times. However, they have never been able to implement laws that contradict the attitude of the President. Only security organizations have been able to confront the President in terms of national security and by doing so, shaped the cross-strait economic policies.

The MAC, as the one among these organizations responsible for policy-making, has sometimes shaped the opinion of the President, but nothing more. Other organizations have played their roles but it has been strictly under the general picture given by the President and their role has been mainly the implementation of the policies made by the leadership. Furthermore, they all need final approval from

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<sup>73</sup> *Taipei Times*, September 2, 2002 Page 3

<sup>74</sup> *Taipei Times* July 01, 2002, Page 1

the National Security Council and MAC in order to further loosen restrictions on investment in China by Taiwanese firms.