

Brief Summary

According to the National Bureau of Statistics, China GDP slows to 7.4% in first quarter 2014, which is the lowest in a year and a half. U.S. Dangerous cold and treacherous weather and economic slowdown in ASEAN countries make China's major economic index performances were weak, such as fixed investment, industrial added value and purchase managers' index, making cross-strait trade was worse than the same period last year.

1. Major Cross-Strait Economic Exchange Indicators

(1) Overview of Cross-Strait Trade Activities

- a. By referring to Taiwan Customs statistics, the estimated value of total cross-strait bilateral trade is US\$29.6 billion in Jan-Mar 2014 with a decline of 1.0% Year-On-Year. The value for Taiwan exports to Mainland China has decreased by 3.4% Year-On-Year to US\$19.0 billion while the value that imports from Mainland China has increased by 3.6% Year-On-Year to US\$10.6 billion.
- b. In Jan-Mar 2014, Taiwan's trade with Mainland China accounted for 21.1% of Taiwan's total foreign trade with a decline of 0.9 percentage points from 22.0% at the end of 2013. Exports to Mainland China accounted for 25.9% of Taiwan's total exports, a decrease of 1.4 percentage points from 27.3% at the end of 2013, while imports from Mainland China accounted for 15.8% of Taiwan's total imports has also decreased by 0.4 percentage points from 16.2% at the end of 2013.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, the number of approved foreign investment totaled to 232 cases with the value of US\$4.2 billion, in which US\$3.0 billion was approved to invest in Mainland China in Jan-Mar 2014. Mainland China has attracted 70.2% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,872 cases from 1991 to the end of March 2014 with a value of US\$136.6 billion, which is 62.8% of Taiwan's total foreign investment.

A total of 110 cases for the investment in Mainland China covering the post-registration were approved in Jan-Mar 2014 with a reduction of 36.8% (the post-registration is uncovered) Year-On-Year, while the total value of approved investment in Mainland

China covering the post-registration stands at US\$3.0 billion with an expansion of 29.0% (the post-registration is uncovered) Year-On-Year.

Taiwan's investments mainly located in Jiangsu, Guangdong, Fujian, Shanghai and other areas in Mainland China with the investment values of US\$874.1 million (29.6% of total investments), US\$486.2 million (16.5%), US\$405.9 million (13.7%), and US\$330.4 million (11.2%) respectively. Investments were distributed among Chemical Material Manufacturing with US\$543.0 million (18.4%), Non-metallic Mineral Products Manufacturing with US\$ 526.9 million (17.8% of total direct investment), wholesale and retail trade with investment with US\$354.0 million (12.0%), and Financial and Insurance with US\$282.2 million (9.5%).

The proportion of Taiwan's service sector invested in Mainland China would be higher among the increasing effects of The China (Shanghai) Pilot Free Trade Zone and Cross-strait trade in Services Agreement. Furthermore, the deepening reform of major issues proposed by the CPC Central Committee which plans to deregulate the approval of investment in Mainland China, that is expected to gradually increase the proportion of investing service industry in Mainland China by Taiwan's enterprises.

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 34 cases with the amount of US\$12.8 million in Jan-Mar 2014. The number of approved Mainland China investment in Taiwan totaled to 517 cases with the amount of US\$0.88 billion from June, 2009 to March, 2014, where mainly distributed in wholesale and retail trade, harbor port services, banking services, and electronics parts and components manufacturing. The investment amounts for above industries are US\$164 million (18.7% of total amount), US\$139 million (15.9%), US\$138 million (15.8%), and US\$114 million (13.0%), respectively.

(4) Cross-Strait Remittance

All Taiwan's bank remittances to and from Mainland China have shown a persisted growing pattern except for the year of 2009. The remittances to Mainland China have increased by 16.4% Year-On-Year to US\$68.8 billion in Jan-Feb 2014. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$33.4 billion with an increase of 11.1 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China National Tourism Administration, the number of Taiwan tourists to Mainland China in Jan-Mar 2014 totaled to 1.2 million visitors with a reduction of 2.4% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of March 2014 totaled to 78.0 million visitors.

(6) Mainland Chinese Visitors to Taiwan

The poll of Mainland China residents visit to Taiwan for tourism has been more than those visits to Taiwan for economic and trade activities since 2003. According to Taiwan National Immigration Agency statistics, there have been 926.8 thousands Chinese visitors from Mainland China in Jan-Mar 2014 with an increase of 37.9%. Among these, 51.9 thousands visitors to Taiwan for economic and trade related activities with an increase of 86.0%, and 786.4 thousands visitors to Taiwan for tourism with an increase of 45.2% Year-On-Year. In total, there have been 12.8 million Chinese visitors to Taiwan from 1987 to the end of March 2014. In addition, Mainland Chinese visitors to Taiwan could be reduced than before due to the tourism act forcing in October. However, a surprising outcome was found that the Mainland Chinese tourists continued to grow in recent months without influencing by the higher tour prices. In the future, the expected Mainland Chinese visitors would be increased with the relaxation of restrictions for self-guided tourists, thus could help to increase the average consumption amounts for each visitor as well as to improve the quality of Taiwan's local tourism.

(7) The Kinmen and Matsu Mini-Three Links Breakdowns (K-M mini three links)

- a. Direct transport links' statistics. The Taiwanese vessels made 1,548 trips to Mainland China in Jan-Mar 2014, which shows a reduction of 0.3% Year-On-Year. Meanwhile, 1,105 trips to Taiwan by the Chinese vessels have shown an reduction of 3.7% Year-On-Year. In total, 86.9 thousand trips were made across the Taiwan Strait from 2001 to the end of March 2014.
- b. 165 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Mar 2014. And, 167 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 11.3 million visitors from 2001 to the end of March 2014 have arrived and departed from Taiwan and Mainland China via K-M mini three links.

2. Foreign Investment in Mainland China

According to the Ministry of Commerce of Mainland China statistics, the number of approved foreign investment totaled to 791 thousands projects with US\$1,425.2 billion

from 1979 to the end of March 2014. In Jan-Mar 2014, there were 4,787 approved foreign direct investments in Mainland China.

3. Comparison of Taiwan and Mainland China Market Shares in U.S. and Japan

In January to February 2014, U.S. imports from Taiwan accounted for 1.7% which remains the same market share as the end of 2013, and imports from Mainland China accounted for 19.4% which was dropped by 1.2% from end of 2013. Abe's cabinet proposed an economic stimulation plan with value of JPY\$ 20 trillion and further QE policy which brings a positive impact on Japan's economy. In Jan-Feb 2014, Japan imports from Taiwan and Mainland China respectively accounted for 2.9% and 21.1% of its total imports with increase of 0.3% and decrease 0.5% from the end of 2013, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Mar 2014 totaled to 19,863 cases with the total amount of US\$ 2.2 billion. According to the accumulated statistics to March 2014, Taiwan's Financial Supervisory Commission has approved 13 Taiwan's banks open branches in Mainland China, in which 11 branches and 4 sub-branches have started their business and 4 banks established representative offices in Mainland China. In insurance industry, Taiwan's Financial Supervisory Commission has approved 9 Taiwan's insurance companies participate the equity in Mainland China, and 6 insurance companies has started the businesses and established 14 representative offices among these 9 approved Taiwan's insurance companies. Taiwan's Financial Supervisory Commission has also approved the permissions for the Mainland Chinese Bank to set up the 3 branches and a representative office in Taiwan.