

Brief Summary

1. Leading Cross-Strait Economic Exchange Indicators

(1) Cross-Strait Bilateral Trade

- a. Comparing the statistical data officially released by Taiwan and Hong Kong, in order to improve the accuracies of the cross-strait trade statistics, Taiwan's export estimates have been reappraised, with regard to the formula please refer to the table 6. Therefore, according to the formula, the estimated value of total cross-strait bilateral trade of the first six months of 2009 is US\$36.23 billion (2008: US\$56.76 billion), a decline of 36.17% as compared to the same period of last year, in which Taiwan's exports to Mainland China decrease 35.92% to US\$26.0 billion (2008: US\$40.58 billion) while imports from Mainland China decrease 36.80% to US\$10.23 billion (2008: US\$16.18 billion). (If the trade of Taiwan with Hong Kong is included, The value of Taiwan's trade with Hong Kong and Mainland China totaled US\$45.68 billion over the first six months of 2009, exports to Hong Kong and Mainland China were US\$35.04 billion, while imports from Hong Kong and Mainland China were US\$10.64 billion).
- b. As estimated above, the significant increase is on the total foreign trade of China to Taiwan during 2000-2008. In the first six months of 2009, Taiwan's trade with Mainland China accounted for 22.44% of Taiwan's total foreign trade, an increase of 1.21 percentage points comparing to 21.23% at the end of 2008. Exports to Mainland China accounted for 29.39% of Taiwan's total exports, an increase of 0.45 percentage points from 28.94% at the end of 2008, while imports from Mainland China accounted for 14.02% of Taiwan's total imports, an increase of 0.97 percentage points from 13.05% at the end of 2008. (If the trade of Taiwan with Hong Kong is included, Taiwan's trade with Hong Kong and Mainland China accounted for 28.30% of Taiwan's total foreign trade during the first six months of 2009. Exports to Hong Kong and Mainland China accounted for 39.61% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 14.58% of Taiwan's total imports).
- c. According to the Hong Kong Customs statistics, the value of Taiwan's trade with Mainland China via Hong Kong totaled US\$8.87 billion (2008: US\$11.48 billion) over the first six months of 2009, a loss of 22.76% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong decreased 23.57% to US\$7.68 billion (2008: US\$10.05 billion), while

imports from Mainland China via Hong Kong decreased 17.06% to US\$1.19 billion (2008:US\$1.43 billion). According to Hong Kong Custom statistics, cross-strait bilateral trade accounted for 5.49% of Taiwan's total foreign trade during the first six months of 2009, a gain of 0.86 percentage points from 4.63% at the end of 2008. Exports to Mainland China accounted for 8.68% of Taiwan's total exports, an increase of 0.84 percentage points from 7.84% at the end of 2008, while imports from Mainland China accounted for 1.63% of Taiwan's total imports, an increase of 0.40 percentage points from 1.23% at the end of 2008.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first six months of 2009, the number of approved foreign investment (including investment to Mainland China and the registered number which unregistered previously) totaled 290 cases and accrued US\$3.41 billion, in which US\$2.22 billion was approved for investment in Mainland China. Mainland China has attracted 65.03% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 37,349 cases from 1991 to the end of June 2009, which totaled US\$77.78 billion. A total of 168 cases (including the registered number which unregistered previously) of direct investment to Mainland China were approved during the first six months of 2009, which totaled, with 74.43% decrease over the same period in previous year. Taiwan's investment mainly concentrated in the areas of Mainland China, such as Kiangsu, Canton, Shanghai, Chekiang, Shantung and so on. The amount of investment in those areas were as in the follows respectively: US\$832 million, accounting for 37.48% of total direct investments, US\$428 million for 19.29%, US\$313 million for 14.13%, US\$186 million for 8.37% and US\$84 million for 3.77%. Investment was distributed among electronic parts and components manufacturing with investment of US\$507 million, accounting for 22.84% of total direct investment, computers, electronic and optical products manufacturing with US\$271 million for 12.22%, machinery and equipment manufacturing with US\$258 million for 11.63%, electrical equipment manufacturing with US\$151 million for 6.83%, and wholesale and retail trade with US\$147 million for 6.62%.

(3) Cross-Strait Remittance, Mail Delivery and Telephone Communication

- a.** The banks of Taiwan remittance to and from Mainland China have been on the increase fast. As compared to the same period of last year, remittance to Mainland China decreasing 19.52% to US\$76.42 billion (2008: US\$94.95

billion) during the first six months of 2009. At the same time, remittance from Mainland China to Taiwan totaled US\$48.51 billion (2008: US\$54.30 billion), which is a decrease of 10.68%.

- b. There have been more letters posted from Mainland China to Taiwan than the other way round since 2006. In the first six months of 2009, mails to Mainland China decreased 20.01% to 1.86 million (2008:2.32 million) while mails from Mainland China decreased 9.89% to 2.51 million (2008:2.78 million). The communication time by phone from Taiwan to China always are longer than the other way around. Telephone calls to Mainland China decreasing 8.4% to 711.20 million minutes (2008:776.14 million minutes), with a total of 190.31 million calls during the first six months of 2009, while calls from Mainland China decreasing 3.8% to 325.81 million minutes (2008:338.58 million minutes), with a total of 129.79 million calls. The average time per call to and from Mainland China was 3.7 and 2.5 minutes respectively.

(4) Taiwan visitors to Mainland China

According to the China Travel Yearbook and the China Monthly Statistics, the number of Taiwan tourists to Mainland China during the first six months of 2009 totaled 2.11 million (2008:2.15 million), and a decrease of 1.76% as compared to the same period of last year. Cumulative figure from 1987 to the end of June 2009 showed that there were 53.54 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There have been 526.35 thousand (2008:110.06 thousand) people from China visiting Taiwan for the first six months of 2009, which is an increase of 378.23% over the same period in previous year. Among these, 40.47 thousand (2008:14.55 thousand) people were traveling for economics and trade related activities, which represents a 178.19% increase over the same period in previous year. The number of tourists however, has increased by 947.37% over the same period in previous year to 301.35 thousand (2008: 28.77 thousand) persons. In total, there has been 2.68 million (from 1987 to June 2008:1.97 million) Chinese people visiting Taiwan from 1987 to June 2009.

(6) Kinmen's "Mini-Three Links" statistics

- a. Direct transport links' statistics. Taiwanese vessels made 3,576 trips (2008:

2,181 trips) to Mainland China for the first six months of 2009, which marks an increase of 63.96% over the same period of previous year. On the other hand, 1,437 trips (2008: 1,245 trips) were made to Taiwan by the Chinese vessels over the same period, which is an increase of 15.42% over the same period of previous year. In total, 32.29 thousand trips (from 2001 to June 2008: 22.70 thousand trips) were made across the Taiwan Strait from 2001 to June 2009.

- b. Direct personnel links' statistics. There were 279.37 thousand (2008:170.04 thousand) Taiwanese traveled to Mainland China via Kinmen and Matsu for the first six months of 2009, which is an increase of 64.30% over the same period in previous year. On the other hand, 68.60 thousand (2008:18.85 thousand) Chinese traveled to Kinmen and Matsu during the same period, which is an increase of 263.98% over the same period in previous year. A total of 2.22 million (from 2001 to June 2008:1.54 million) travelers from 2001 to June 2009 have traveled between Taiwan and China via Kinmen and Matsu.

2. Foreign Investment in Mainland China

According to Ministry of Commerce of the People's Republic of China statistics, since Mainland China adopted open door policy in 1979, a total of 670.22 thousand contracted foreign investment projects had been accrued up to the end of June 2009. During the first six months of 2009, there were 10.42 thousand foreign direct investment projects. For realized foreign direct investment, there were US\$ 895.62 billion from 1979 to the end of June 2009. For the first six months of 2009, realized foreign direct investment reached US\$43.01 billion, a decrease of 17.90% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$20.31 billion, accounting for 47.22% of total realized foreign direct investment, followed by the British Virgin Islands with US\$5.85 billion or 13.61%, Japan with US\$2.04 billion or 4.73%, Singapore with US\$1.90 billion or 4.43%, Cayman Islands with US\$1.58 billion or 3.67%, USA with US\$1.37 billion or 3.19%, Taiwan with US\$872 million or 2.03% and so on.

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

While the Taiwan manufacturers' investments in Mainland China increased, the market share of Taiwan products in US has declined in recent years. As Mainland China fast becoming the destination of foreign manufacturing investments, the products' market share of Mainland China in the US has been on the upside during 2000-2007. In the first six months of 2009, US imports from Taiwan and

Mainland China respectively accounted for 1.86%, and 18.66% of its total imports, an increase of 0.13 percentage points from 1.73% at the end of 2008, and an increase of 2.58 percentage points from 16.08% correspondingly. On the same token, as the Taiwanese manufacturing base migrated to China, Taiwanese products' market share in Japan declined whereas products made in Mainland China increased during 2000-2005. In the first six months of 2009, Japan imports from Taiwan and Mainland China accounted for 3.21%, and 22.28% of its total imports, an increase of 0.35 percentage points from 2.86% at the end of 2008 and an increase of 3.49 percentage points from 18.79% in correspondence.