

Brief Summary

1. Leading Cross-Strait Economic Exchange Indicators

(1) Cross-Strait Bilateral Trade

- a. According to the Hong Kong Customs Statistics, the value of Taiwan's trade with Mainland China via Hong Kong totaled US\$11.04 billion over the first eight months of 2004, a gain of 24.59% as compared to the same period of last year. Cross-strait bilateral trade accounted for 4.99%, and 1.53% of Taiwan's and Mainland China's total foreign trade, a loss of 0.15 percentage points from 5.14% at the end of 2003, and a loss of 0.11 percentage points from 1.64% at the end of 2003 respectively. Comparing the first eight months of 2004 with the same period of last year, Taiwan's exports to Mainland China via Hong Kong gain 24.99% to US\$9.4 billion, while imports from Mainland China via Hong Kong gain 22.36% to US\$1.64 billion. Exports to Mainland China accounted for 8.29% of Taiwan's total exports, increasing 0.12 percentage points from 8.18% at the end of 2003, while imports from Mainland China accounted for only 1.52% of Taiwan's total imports, decreasing 0.18 percentage points from 1.70%. Meanwhile, exports to Taiwan accounted for 0.45% of total Mainland China's exports, decreasing 0.04 percentage points from 0.49%, on the other hand, imports from Taiwan accounted for 2.6% of Mainland China's total imports, decreasing 0.26 percentage points from 2.86%.

- b. Comparing the statistical data officially released by Taiwan and Hong Kong, it was apparent that the figure released by the Taiwan Customs Statistics in the value of "Taiwan exports to Hong Kong" is greater than that of "Hong Kong imports from Taiwan" published by Hong Kong Customs Statistics. As a result, if one only considers the figures of Hong Kong Customs Statistics, cross-strait bilateral trade would be underestimated. In addition, Taiwan has changed the policy and strategy for cross-strait bilateral trade since in Feb. 2002, and promoted exporters to be honest to write down China as their export goods' destination. Since the work did effect, in order to estimate cross-strait bilateral trade more precisely, the estimation formula has been changed since 2002, 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 eight months of 2004 is US\$39.65 billion, in which Taiwan's exports to Mainland China amounted to US\$29.31 billion while imports from Mainland China reached US\$10.34 billion. Accordingly, Taiwan's trade with Mainland China

would account for 17.94% of Taiwan's total foreign trade during the first eight months of 2004, with exports to China accounting for 25.86% of Taiwan's total exports and imports from Mainland China accounting for 9.59% of Taiwan's total imports.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first eight months of 2004, the number of approved foreign investment (including investment to Mainland China) totaled 1,912 cases and accrued US\$6.23 billion, in which US\$4.4 billion was approved for investment in Mainland China. Mainland China has attracted 70.63% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 32,625 cases from 1991 to the end of August 2004, which totaled US\$38.71 billion. A total of 1,474 cases of direct investment to Mainland China were approved during the first eight months of 2004, which totaled US\$4.4 billion. Taiwan's investment mainly concentrated in the areas such as Jiangsu, Guangdong, Zhejiang, Fujian, Hubei and etc. The amount of investment in those areas were as in the following sequence: US\$2.44 billion, accounting for 55.42% of total direct investments, US\$877 million for 19.94%, US\$381 million for 8.66%, US\$324 million for 7.37% and US\$91 million for 2.08%. Investment was distributed among Electronic and Electric Appliances, with investment of US\$2.09 billion and accounting for 47.58% of total direct investment, Basic Metals & Metal Products with US\$403 million and for 9.16%, Non-Metallic Minerals with US\$275 million and for 6.25%, Chemicals with US\$204 million and for 4.64%, Plastic Products with US\$204 million and for 4.63%.

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

As compared to the same period of last year, Taiwan indirect individual remittance to Mainland China gaining 45.42% to US\$1.16 billion during the first eight months of 2004, with a total of 210,973 remittance cases. At the same time, mails to Mainland China decreased 18.36% to 5,811,443 while mails from Mainland China increased 11.9% to 4,433,974. Still, mails from Taiwan outnumbered from Mainland China. Telephone calls to Mainland China gaining 30.9% to 185,116,256 calls, with a total of 804,656,583 minutes during the first eight months of 2004, while calls from Mainland China increasing 0.3% to 132,018,182 calls, with a total of 368,543,614 minutes from January to August. The average time per call to and from Mainland China was 4.3 and 2.8 minutes respectively.

(4) Visits of Taiwan people 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 eight months of 2004 totaled 2.39 million, and an increase of 48.08% as compared to the same period of last year. Cumulative figure from 1988 to the end of August 2004 showed that there were 32.59 million persons traveled to Mainland China.

2. Foreign Investment in Mainland China

According to the report by the Ministry of Foreign Trade and Economic Cooperation, Mainland China, 28,748 foreign direct investment projects, totaling US\$93.79 billion, were approved during the first eight months of 2004, a 38.89% increase comparing to last year. Since Mainland China adopted open door policy in 1979, a total of 494,025 contracted foreign investment projects had been accrued up to the end of August 2004, with value reaching US\$1,036.92 billion. From January to June of 2004, investment from Hong Kong & Macao reached US\$25.27 billion, which accounted for 34.76% of total contracted foreign direct investment. Investment from the Virgin Islands and the USA amounted to US\$9.12 billion and US\$5.93 billion respectively, accounting for 12.54% and 8.16% of total contracted foreign direct investment. Following in sequence was investment from Korea, Japan and Taiwan, reaching US\$5.67 billion, US\$4.82 billion and US\$4.66 billion respectively and accounting for 7.80%, 6.62%, and 6.41%. During the first eight months of 2004, realized foreign direct investment reached US\$43.56 billion, an increase of 18.77% compared to the previous year. From 1979 to the end of August 2004, realized investment totaled US\$545.03 billion. From January to June of 2004, realized investment from Hong Kong & Macao reached US\$11.13 billion, accounting for 32.85% of total realized foreign direct investment, followed by the Virgin Islands with US\$3.79 billion or 11.18%, Korea with US\$3.52 billion or 10.37%, Japan with US\$2.95 billion or 8.70%, US with US\$2.43 billion or 7.17%, Taiwan with US\$1.89 billion or 5.59%, and so on.

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

US imports from Taiwan and Mainland China separately accounted for 2.38%, and 12.84% of its total imports during first eight months of 2004, a decrease of 0.13 percentage points from 2.51% at the end of 2003, and a gain of 0.74 percentage points from 12.10% correspondingly. During the same period, Japan imports from Taiwan and Mainland China accounted for 3.76%, and 20.21% of its total imports, a gain of 0.02 percentage points from 3.74% at the end of 2003 and a gain of 0.45 percentage points from 19.76% in correspondence.