

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, Taiwanese 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 eleven months of 2004 is US\$56.19 billion, in which Taiwan's exports to Mainland China amounted to US\$41.23 billion while imports from Mainland China reached US\$14.96 billion.
- b. As aforementioned estimate, the significance of China to Taiwan in terms of total foreign trade is on the increase. Taiwan's trade with Mainland China would account for 18.06% of Taiwan's total foreign trade during the first eleven months of 2004, an increase of 0.99 percentage points comparing to last year's growth of 17.07%. With exports to China accounting for 25.9% of Taiwan's total exports and imports from Mainland China accounting for 9.85% of Taiwan's total imports.
- c. According to the Hong Kong Customs Statistics, Taiwanese exports to China via Hong Kong was US\$1.29 billion in November 2004, a decrease of 0.6 percentage points over the previous month, or 21.7% increase over the same period in pervious year. Taiwanese imports from China via Hong Kong during the same period was US\$ 206 million, a decrease of 2.0 percentage points over the previous month, or 1.1% decrease over the same period in pervious year. In November, cross-strait trade saw an 18% increase over the same period in 2003, by US\$ 1.5 billion. The value of Taiwan's trade with Mainland China via Hong Kong totaled US\$15.72 billion over the first eleven months of 2004, a gain of 23.7% as compared to the same period of last year, an increase of 7.7 percentage points over the same period in previous year. Comparing the first eleven months of 2004 with the same period of last year, Taiwan's exports to Mainland China via Hong Kong gain 25.0% to US\$13.46 billion, an increase of 10.6 percentage points over the same period in previous year while imports from Mainland China via Hong Kong gain 16.1% to US\$2.26 billion, an increase of 10.4 percentage points over the same period in previous year
- d. According to Hong Kong Custom Statistics, trade between Taiwan and China via Hong Kong has been on the decrease in recent years. Cross-strait bilateral trade accounted for 5.05% of Taiwan's total foreign trade during the first eleven

months of 2004, a loss of 0.09 percentage points from 5.14% at the end of 2003. Exports to Mainland China accounted for 8.46% of Taiwan's total exports, increasing 0.28 percentage points from 8.18% at the end of 2003, while imports from Mainland China accounted for only 1.49% of Taiwan's total imports, decreasing 0.21 percentage points from 1.70%.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first eleven months of 2004, the number of approved foreign investment (including investment to Mainland China) totaled 2,443 cases and accrued US\$9.2 billion, in which US\$6.16 billion was approved for investment in Mainland China. Mainland China has attracted 67.03% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 32,990 cases from 1991 to the end of November 2004, which totaled US\$40.47 billion. A total of 1,839 cases of direct investment to Mainland China were approved during the first eleven months of 2004, which totaled US\$6.16 billion, with 12% increase over the same period in previous year. Taiwan's investment mainly concentrated in the areas such as Jiangsu, Guangdong, Zhejiang, Fujian, Hebei and etc. The amount of investment in those areas were as in the following sequence: US\$3.32 billion, accounting for 53.89% of total direct investments, US\$1.24 billion for 20.1%, US\$666 million for 10.8%, US\$390 million for 6.32% and US\$131 million for 2.13%. Investment was distributed among Electronic and Electric Appliances, with investment of US\$2.77 billion and accounting for 44.89% of total direct investment, Basic Metals & Metal Products with US\$615 million and for 9.97%, Chemicals with US\$406 million and for 6.59%, Non-Metallic Minerals with US\$382 million and for 6.19% , Plastic Products with US\$251 million and for 4.08%.

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

- a. Remittance from Taiwanese public to China has been on the increase. As compared to the same period of last year, Taiwan indirect individual remittance to Mainland China gaining 37.08% to US\$1.72 billion during the first eleven months of 2004, with a total of 296,297 remittance cases. In November, remittance from Taiwan to China totaled US\$ 241.7 million, an increase of 105.03% over the same period in previous year. Remittance from Taiwan to China from January to November 2004 totaled US\$ 12.32 billion, which is an increase of 140.04% over the same period in previous year, with 150,889 remittance cases. November 2004 alone saw a total of US\$ 1.82 billion transferred from Taiwan to China, an increase of 161.55% over the

same period of previous year.

- b. There have been more letters posted from Taiwan to China than the other way round. However, the strength of the growth has been tailing off. Mails to Mainland China decreased 11.86% to 8,054,640 while mails from Mainland China increased 9.57% to 6,047,305. Still, mails from Taiwan outnumbered from Mainland China. At the same time, the more phone calls were made from Taiwan to China than the other way around. Telephone calls to Mainland China gaining 30.8% to 262,993,271 calls, with a total of 1,171,979,756 minutes during the first eleven months of 2004, while calls from Mainland China increasing 21.1% to 205,445,651 calls, with a total of 577,702,073 minutes from January to November 2004. The average time per call to and from Mainland China was 4.5 and 2.8 minutes respectively.

(4) Visits of Taiwan people to Mainland China

The SARS epidemic in 2003 has seriously affected demand for travel across Taiwan Strait. With this in mind, the lowered base-point of 2003 has translated into rapid travel demand growth from Taiwan to China in 2004. According to the China Travel Yearbook and the China Monthly Statistics, the number of Taiwan tourists to Mainland China during the first eleven months of 2004 totaled 3.39 million, and an increase of 36.64% as compared to the same period of last year. Cumulative figure from 1988 to the end of November 2004 showed that there were 33.59 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan.

128,781 people from China visited Taiwan for the first eleven months of 2004, which is a decrease of 88.2% over the same period in previous year. Among these, 11,896 people were traveling for trade related activities, which represents an 80.4% decrease over the same period in previous year. Number of tourists however, has increased by 62.1% over the same period in previous year, to 16,848 persons. In total, there has been 1,122,351 Taiwanese people visited China for the first eleven months of 2004.

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

- a. Direct transport links' statistics. Taiwanese vessels made 1,112 trips to China for the first eleven months of 2004, which marks an increase of 65.2% over the same period of previous year. 1,597 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 230.6% over the same period of previous year. In total, 4,827 trips were made across the Taiwan Strait from January to November 2004.

- b. Direct personnel links' statistics. 183,548 Taiwanese traveled to China via Kimen for the first eleven months of 2004, which is an increase of 157.2% over the same period in previous year. 11,394 Chinese traveled to Kimen and Matsu during the same period, which is an increase of 252% over the same period in previous year. A total of 322,676 travelers from January to November 2004 have traveled between Taiwan and China via Kimen.

2. Foreign Investment in Mainland China

According to the report by the Ministry of Commerce of the People's Republic of China, The cheap labor cost and its immense domestic market potential has been pulling-in foreign direct investments to China. According to Ministry of Commerce of the People's Republic of China statistics, 39,291 foreign direct investment projects, totaling US\$135.04 billion, were approved during the first eleven months of 2004, a 34.36% increase comparing to last year. Since Mainland China adopted open door policy in 1979, a total of 504,568 contracted foreign investment projects had been accrued up to the end of November 2004, with value reaching US\$1,078.17 billion. From January to September of 2004, investment from Hong Kong & Macao reached US\$36.18 billion, which accounted for 33.68% of total contracted foreign direct investment. Investment from the British Virgin Islands and the Korea amounted to US\$13.34 billion and US\$9.42 billion respectively, accounting for 12.42% and 8.77% of total contracted foreign direct investment. Following in sequence was investment from USA, Japan and Taiwan, reaching US\$8.71 billion, US\$ 6.74 billion and US\$6.59 billion respectively and accounting for 8.1%, 6.27%, and 6.14%. During the first eleven months of 2004, realized foreign direct investment reached US\$58.18 billion, an increase of 23.38%, and 43.08% were materialized compared to the previous year. From 1979 to the end of November 2004, realized investment totaled US\$559.65 billion. From January to September of 2004, realized investment from Hong Kong & Macao reached US\$15.87 billion, accounting for 32.6% of total realized foreign direct investment, followed by the British Virgin Islands with US\$5.62 billion or 11.54%, Korea with US\$5.23 billion or 10.74%, Japan with US\$4.21 billion or 8.65%, US with US\$3.38 billion or 6.95%, Taiwan with US\$2.62 billion or 5.38%, and so on.

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

As the Taiwanese manufacturers' investments in China increases, Taiwanese products' market shares in the US has been on the decline in recent years. As China fast becoming the destination of foreign manufacturing investments, China's products' market shares in the US has been on the upside. For the first eleven months of 2004, US imports from Taiwan and Mainland China separately

accounted for 2.36%, and 13.35% of its total imports during first eleven months of 2004, a decrease of 0.15 percentage points from 2.51% at the end of 2003, and a gain of 1.25 percentage points from 12.10% correspondingly. On the same token, as the Taiwanese manufacturing base migrated to China, Taiwanese products' market shares in Japan has been on the decline whereas products made in China has been on the increase. During first eleven months of 2004, Japan imports from Taiwan and Mainland China accounted for 3.68%, and 20.66% of its total imports, a decrease of 0.06 percentage points from 3.74% at the end of 2003 and a gain of 0.9 percentage points from 19.76% in correspondence.