

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 month of 2005 is US\$5.82 billion, in which Taiwan's exports to Mainland China amounted to US\$4.13 billion while imports from Mainland China reached US\$1.69 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 18.87% of Taiwan's total foreign trade during the first month of 2005, an increase of 0.84 percentage points comparing to last year's growth of 18.03%. With exports to China accounting for 26.96% of Taiwan's total exports, and imports from Mainland China accounting for 10.89% 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\$1.51 billion over the first month of 2005, a gain of 44.2% as compared to the same period of last year. Comparing the first month of 2005 with last year, Taiwan's exports to Mainland China via Hong Kong gain 49.9% to US\$1.3 billion, while imports from Mainland China via Hong Kong gain 17.1% to US\$214 million.
- 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 4.91% of Taiwan's total foreign trade during the first month of 2005, a loss of 0.13 percentage points from 5.04% at the end of 2004. Exports to Mainland China accounted for 8.48% of Taiwan's total exports, same with the end of 2004, while imports from Mainland China accounted for only 1.38% of Taiwan's total imports, decreasing 0.1 percentage points from 1.48%.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first month of 2005, the number of approved foreign investment (including investment to Mainland China) totaled 166 cases and accrued US\$732 million, in which US\$495 million was approved for investment in Mainland China. Mainland China has

attracted 67.62% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 33,247 cases from 1991 to the end of January 2005, which totaled US\$41.74 billion. A total of 92 cases of direct investment to Mainland China were approved during the first month of 2005, which totaled US\$495 million, with 1.33% decrease 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\$260 million, accounting for 51.59% of total direct investments, US\$132 million for 26.59%, US\$44 million for 8.95%, US\$14 million for 2.9% and US\$14 million for 2.79%. Investment was distributed among Electronic and Electric Appliances, with investment of US\$223 million and accounting for 44.94% of total direct investment, Chemicals with US\$59 million and for 11.81%, Precision Instruments with US\$43 million and for 8.74%, Non-Metallic Minerals with US\$36 million and for 7.3%, Basic Metals & Metal Products with US\$31 million and for 6.29%.

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

- a. Remittance from Taiwan individual to China has been on the increase. As compared to the same period of last year, Taiwan indirect individual remittance to Mainland China gaining 77.04% to US\$229.02 million during the first month of 2005, with a total of 45,805 remittance cases. In January, remittance from Mainland China to Taiwan totaled US\$ 1.74 billion, which is an increase of 168.64% over the same period in previous year, with 16,264 remittance cases.
- b. There have been more letters posted from Taiwan to China than the other way round. Mails to Mainland China increased 91.14% to 1,502,258 while mails from Mainland China increased 13.85 % to 720,841 in January 2005. 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 37.4% to 26,565,222 calls, with a total of 116,773,527 minutes during the first month of 2005, while calls from Mainland China increasing 102.4% to 22,400,130 calls, with a total of 69,110,443 minutes. The average time per call to and from Mainland China was 4.4 and 3.1 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 month of 2005 totaled 269.5 thousand, and an increase of 6.81% as compared to the same period of last year. Cumulative figure from 1989 to the end of January 2005 showed that there were 33.71 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There has been 10,618 people from China visited Taiwan for the first month of 2005, which is a decrease of 32.06% over the same period in previous year. Among these, 1,072 people were traveling for trade related activities, which represents a 320.39% increase over the same period in previous year. Number of tourists however, has decreased by 0.89% over the same period in previous year, to 1,336 persons. In total, there has been 1,137,249 Chinese people visited Taiwan from 1987 to January 2005.

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

- a. Direct transport links' statistics. Taiwanese vessels made 124 trips to China for the first month of 2005, which marks an increase of 16.98% over the same period of previous year. 217 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 100.93% over the same period of previous year. In total, 5,488 trips were made across the Taiwan Strait from 2001 to January 2005.
- b. Direct personnel links' statistics. 18,719 Taiwanese traveled to China via Kimen for the first month of 2005, which is an increase of 51.98% over the same period in previous year. 984 Chinese traveled to Kimen and Matsu during the same period, which is an increase of 114.38% over the same period in previous year. A total of 362,217 travelers from 2001 to January 2005 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, 3,563 foreign direct investment projects, totaling US\$12.84 billion, were approved during the first month of 2005, a 27.69% increase comparing to last year. Since Mainland China adopted open door policy in 1979, a total of 512,504 contracted foreign investment

projects had been accrued up to the end of January 2005, with value reaching US\$1,109.45 billion. From January to December of 2004, investment from Hong Kong & Macao reached US\$52.03 billion, which accounted for 33.9% of total contracted foreign direct investment. Investment from the British Virgin Islands and the Korea amounted to US\$19.4 billion and US\$13.91 billion respectively, accounting for 12.64% and 9.06% of total contracted foreign direct investment. Following in sequence was investment from USA, Taiwan and Japan, reaching US\$12.17 billion, US\$9.31 billion and US\$9.16 billion respectively and accounting for 7.93%, 6.06%, and 5.97%. During the first month of 2005, realized foreign direct investment reached US\$4.1 billion, an increase of 10.72%, and 31.9% were materialized compared to the previous year. From 1979 to the end of January 2005, realized investment totaled US\$566.2 billion. From January to December of 2004, realized investment from Hong Kong & Macao reached US\$19.55 billion, accounting for 32.24% of total realized foreign direct investment, followed by the British Virgin Islands with US\$6.73 billion or 11.1%, Korea with US\$6.25 billion or 10.31%, Japan with US\$5.45 billion or 8.99%, US with US\$3.94 billion or 6.5%, Taiwan with US\$3.12 billion or 5.14%, 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 month of 2005, due to Taiwan exports rising strong, Taiwanese products' market shares in US has been increased a little bit, US imports from Taiwan and Mainland China separately accounted for 2.42%, and 14.55% of its total imports during first month of 2005, an increase of 0.06 percentage points from 2.36% at the end of 2004, and a gain of 1.17 percentage points from 13.38% 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 the first month of 2005, Japan imports from Taiwan and Mainland China accounted for 3.8%, and 22.26% of its total imports, an increase of 0.13 percentage points from 3.67% at the end of 2004 and a gain of 1.52 percentage points from 20.74% in correspondence.