

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 three months of 2005 is US\$15.82 billion, in which Taiwan's exports to Mainland China amounted to US\$11.35 billion while imports from Mainland China reached US\$4.48 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 18.52% of Taiwan's total foreign trade during the first three months of 2005, an increase of 0.49 percentage points comparing to last year's growth of 18.03%. With exports to China accounting for 26.47% of Taiwan's total exports, and imports from Mainland China accounting for 10.52% 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\$4.15 billion over the first three months of 2005, a gain of 15.5% as compared to the same period of last year. Comparing the first three months of 2005 with last year, Taiwan's exports to Mainland China via Hong Kong gain 19.7% to US\$3.59 billion, while imports from Mainland China via Hong Kong decrease 5.5% to US\$560 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 4.85% of Taiwan's total foreign trade during the first three months of 2005, a loss of 0.19 percentage points from 5.04% at the end of 2004. Exports to Mainland China accounted for 8.37% of Taiwan's total exports, a loss of 0.11 percentage points from 8.48% at the end of 2004, while imports from Mainland China accounted for only 1.32% of Taiwan's total imports, decreasing 0.16 percentage points from 1.48% at the end of 2004.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first three months of 2005, the number of approved foreign investment (including investment

to Mainland China) totaled 442 cases and accrued US\$1.73 billion, in which US\$1.21 billion was approved for investment in Mainland China. Mainland China has attracted 69.96% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 33,444 cases from 1991 to the end of March 2005, which totaled US\$42.46 billion. A total of 289 cases of direct investment to Mainland China were approved during the first three months of 2005, which totaled US\$1.21 billion, with 6.57% 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\$673 million, accounting for 55.73% of total direct investments, US\$269 million for 22.32%, US\$100 million for 8.26%, US\$49 million for 4.06% and US\$42 million for 3.48%. Investment was distributed among Electronic and Electric Appliances, with investment of US\$483 million and accounting for 40.0% of total direct investment, Chemicals with US\$128 million and for 10.63%, Basic Metals & Metal Products with US\$116 million and for 9.64%, Precision Instruments with US\$71 million and for 5.87%, Textile with US\$65 million and for 5.42%.

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

- a. Taiwan remittance to and from Mainland China has been on the increase. As compared to the same period of last year, Taiwan remittance to Mainland China gaining 75.88% to US\$3.29 billion during the first three months of 2005, with a total of 156,271 remittance cases. From January to March, remittance from Mainland China to Taiwan totaled US\$5.07 billion, which is an increase of 116.35% over the same period in previous year, with 48,617 remittance cases.
- b. There have been more letters posted from Taiwan to China than the other way round. Mails to Mainland China increased 49.42% to 3,288,418 while mails from Mainland China increased 8.57 % to 1,815,043 during the first three months of 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 35.4% to 77,573,945 calls, with a total of 351,617,592 minutes during the first three months of 2005, while calls from Mainland China increasing 82.0% to 68,095,761 calls, with a total of 220,863,937 minutes. The average time per call to and from Mainland China was 4.5 and 3.2 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 three months of 2005 totaled 932.6 thousand, and an increase of 18.19% as compared to the same period of last year. Cumulative figure from 1988 to the end of March 2005 showed that there were 34.81 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There has been 35,649 people from China visited Taiwan for the first three months of 2005, which is a decrease of 7.24% over the same period in previous year. Among these, 2,799 people were traveling for trade related activities, which represents a 12.27% increase over the same period in previous year. Number of tourists however, has increased by 34.39% over the same period in previous year, to 4,654 persons. In total, there has been 1,162,280 Chinese people visited Taiwan from 1987 to March 2005.

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

- a. Direct transport links' statistics. Taiwanese vessels made 344 trips to China for the first three months of 2005, which marks an increase of 4.56% over the same period of previous year. 604 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 58.95% over the same period of previous year. In total, 6,095 trips were made across the Taiwan Strait from 2001 to March 2005.
- b. Direct personnel links' statistics. 62,248 Taiwanese traveled to China via Kimen for the first three months of 2005, which is an increase of 72.0% over the same period in previous year. 4,650 Chinese traveled to Kimen and Matsu during the same period, which is an increase of 43.3% over the same period in previous year. A total of 409,412 travelers from 2001 to March 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, 9,305 foreign direct investment projects, totaling US\$35.22 billion, were approved during the first three months of 2005, a 4.50% increase comparing to last year. Since Mainland China

adopted open door policy in 1979, a total of 518,246 contracted foreign investment projects had been accrued up to the end of March 2005, with value reaching US\$ 1,131.83 billion. From January to March of 2005, investment from Hong Kong & Macao reached US\$12.68 billion, which accounted for 36.0% of total contracted foreign direct investment. Investment from the British Virgin Islands and the Korea amounted to US\$4.05 billion and US\$3.05 billion respectively, accounting for 11.5% and 8.65% of total contracted foreign direct investment. Following in sequence was investment from USA, Japan and Taiwan, reaching US\$2.75 billion, US\$2.08 billion and US\$1.93 billion respectively and accounting for 7.82%, 5.9%, and 5.48%. During the first three months of 2005, realized foreign direct investment reached US\$13.39 billion, an increase of 9.48%, and 38.0% were materialized compared to the previous year. From 1979 to the end of March 2005, realized investment totaled US\$575.49 billion. From January to March of 2005, realized investment from Hong Kong & Macao reached US\$3.71 billion, accounting for 27.69% of total realized foreign direct investment, followed by the British Virgin Islands with US\$1.72 billion or 12.82%, Korea with US\$1.58 billion or 11.79%, Japan with US\$1.57 billion or 11.75%, US with US\$780 million or 5.83%, Taiwan with US\$719 million or 5.37%, 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 three months of 2005, US imports from Taiwan and Mainland China separately accounted for 2.18%, and 13.4% of its total imports during the first three month of 2005, a decrease of 0.18 percentage points from 2.36% at the end of 2004, and a gain of 0.02 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 three months of 2005, Japan imports from Taiwan and Mainland China accounted for 3.63%, and 21.51% of its total imports, a decrease of 0.04 percentage points from 3.67% at the end of 2004 and a gain of 0.77 percentage points from 20.74% in correspondence.