

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 seven months of 2005 is US\$39.52 billion, a gain of 14.9% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 11.4% to US\$28.36 billion while imports from Mainland China gain 24.8% to US\$11.16 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\$51.22 billion over the first seven months of 2005, exports to Hong Kong and Mainland China is US\$38.96 billion, while imports from Hong Kong and Mainland China is US\$12.26 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 seven months of 2005, an increase of 0.84 percentage points comparing to 18.03% at the end of last year. Exports to Mainland China accounted for 26.98% of Taiwan's total exports, a gain of 1.15 percentage points from 25.83% at the end of 2004, while imports from Mainland China accounted for 10.69% of Taiwan's total imports, increasing 0.76 percentage points from 9.93% at the end of 2004. (If the trade of Taiwan with Hong Kong is included, Taiwan's trade with Hong Kong and Mainland China accounted for 24.45% of Taiwan's total foreign trade during the first seven months of 2005. Exports to Hong Kong and Mainland China accounted for 37.07% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 11.74% 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\$10.7 billion over the first seven months of 2005, a gain of 12.5% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong gain 14.8% to US\$9.27 billion, while imports from Mainland China via Hong Kong decrease 0.5% to US\$1.43 billion.
- d. According to Hong Kong Custom Statistics, Cross-strait bilateral trade accounted for 5.11% of Taiwan's total foreign trade during the first seven months of 2005, a

gain of 0.07 percentage points from 5.04% at the end of 2004. Exports to Mainland China accounted for 8.82% of Taiwan's total exports, a gain of 0.34 percentage points from 8.48% at the end of 2004, while imports from Mainland China accounted for only 1.37% of Taiwan's total imports, decreasing 0.11 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 seven months of 2005, the number of approved foreign investment (including investment to Mainland China) totaled 1,077 cases and accrued US\$4.61 billion, in which US\$3.0 billion was approved for investment in Mainland China. Mainland China has attracted 65.1% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 33,902 cases from 1991 to the end of July 2005, which totaled US\$44.25 billion. A total of 747 cases of direct investment to Mainland China were approved during the first seven months of 2005, which totaled US\$3.0 billion, with 20.36% decrease over the same period in previous year. Taiwan's investment mainly concentrated in the areas of Mainland China, such as Jiangsu, Guangdong, Zhejiang, Fujian, Shandong and etc. The amount of investment in those areas were as in the following sequence: US\$1.6 billion, accounting for 53.17% of total direct investments, US\$653 million for 21.75%, US\$260 million for 8.65%, US\$167 million for 5.55% and US\$87 million for 2.89%. Investment was distributed among Electronic and Electric Appliances, with investment of US\$1.29 billion and accounting for 43.03% of total direct investment, Basic Metals & Metal Products with US\$315 million and for 10.49%, Chemicals with US\$208 million and for 6.93%, Precision Instruments with US\$ 178 million and for 5.94%, Services with US\$ 124 million and for 4.14%.

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

- a. Taiwan remittance to and from Mainland China has been on the increase fast. As compared to the same period of last year, Taiwan remittance to Mainland China gaining 67.69% to US\$8.68 billion during the first seven months of 2005, with a total of 364,405 remittance cases. At the same time, remittance from Mainland China to Taiwan totaled US\$12.0 billion, which is an increase of 78.33%, with 122,241 remittance cases.
- b. There have been more letters posted from Taiwan to Mainland China than the other way round. Mails to Mainland China increased 19.83% to 6,167,406 while mails from Mainland China decreased 2.98 % to 3,801,006 during the

first seven 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 14.8% to 789,764,379 minutes, with a total of 183,631,670 calls during the first seven months of 2005, while calls from Mainland China increasing 54.7% to 461,810,763 minutes, with a total of 166,285,523 calls. 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 seven months of 2005 totaled 2.41 million, and an increase of 17.36% as compared to the same period of last year. Cumulative figure from 1987 to the end of July 2005 showed that there were 36.29 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There has been 94,025 people from China visited Taiwan for the first seven months of 2005, which is an increase of 11.47% over the same period in previous year. Among these, 8,350 people were traveling for economics and trade related activities, which represents a 33.66% increase over the same period in previous year. Number of tourists however, has increased by 83.9% over the same period in previous year, to 18,155 persons. In total, there has been 1,220,656 Chinese people visited Taiwan from 1987 to July 2005.

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

- a. Direct transport links' statistics. Taiwanese vessels made 888 trips to Mainland China for the first seven months of 2005, which marks an increase of 25.78% over the same period of previous year. 1,679 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 79.0% over the same period of previous year. In total, 7,714 trips were made across the Taiwan Strait from 2001 to July 2005.
- b. Direct personnel links' statistics. 153,447 Taiwanese traveled to Mainland China via Kinmen and Matsu for the first seven months of 2005, which is an increase of 41.68% over the same period in previous year. 10,291 Chinese traveled to Kinmen and Matsu during the same period, which is an increase of 40.78% over the same period in previous year. A total of 506,252 travelers from 2001 to July 2005 have traveled between Taiwan and China via Kinmen

and Matsu.

2. Foreign Investment in Mainland China

The cheap labor cost and its immense domestic market potential has been pulling-in foreign direct investments to 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 533,593 contracted foreign investment projects had been accrued up to the end of July 2005, with value reaching US\$ 1,195.25 billion. During the first seven months of 2005, there are 24,652 foreign direct investment projects, US\$98.64 billion of contracted foreign direct investment, which was a gain of 19.23% as compared to the same period of last year. In which, investment from Hong Kong & Macao reached US\$32.59 billion, which accounted for 33.04% of total contracted foreign direct investment. Investment from the Korea and the British Virgin Islands amounted to US\$11.23 billion and US\$11.05 billion respectively, accounting for 11.39% and 11.20% of total contracted foreign direct investment. Following in sequence was investment from USA, Japan and Taiwan, reaching US\$7.40 billion, US\$6.08 billion and US\$5.50 billion respectively and accounting for 7.50%, 6.16%, and 5.57%. For realized foreign direct investment, there are US\$595.19 billion from 1979 to the end of July 2005. During the first seven months of 2005, realized foreign direct investment reached US\$33.09 billion, a decrease of 3.42% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$ 9.48 billion, accounting for 28.64% of total realized foreign direct investment, followed by the British Virgin Islands with US\$ 5.66 billion or 17.09%, Japan with US\$3.73 billion or 11.27%, Korea with US\$ 3.04 billion or 9.20%, US with US\$1.66 billion or 5.02%, Taiwan with US\$ 1.33 billion or 4.02%, and so on.

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

As the Taiwanese manufacturers' investments in Mainland China increases, Taiwanese products' market shares in the US has been on the decline in recent years. As Mainland China fast becoming the destination of foreign manufacturing investments, the products' market of Mainland China shares in the US has been on the upside. For the first seven months of 2005, US imports from Taiwan and Mainland China separately accounted for 2.13%, and 14.04% of its total imports during the first seven months of 2005, a decrease of 0.23 percentage points from 2.36% at the end of 2004, and a gain of 0.66 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 Mainland China has been on the increase. During the first seven months of 2005, Japan imports from Taiwan and Mainland China accounted for 3.59%, and 21.17% of its total imports, a decrease of 0.08 percentage points from 3.67% at the end of 2004 and a gain of 0.43 percentage points from 20.74% in correspondence.