

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 year of 2006 is US\$88.12 billion, a gain of 15.4% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 12.5% to US\$63.33 billion while imports from Mainland China gain 23.3% to US\$24.79 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\$115.86 billion over the year of 2006, exports to Hong Kong and Mainland China were US\$89.19 billion, while imports from Hong Kong and Mainland China were US\$26.67 billion).
- b. As aforementioned estimate, the significance of China to Taiwan in terms of total foreign trade is on the increase during 2000-2005. In the year of 2006, Taiwan's trade with Mainland China would account for 20.65% of Taiwan's total foreign trade, an increase of 0.61 percentage points comparing to 20.04% at the end of last year. Exports to Mainland China accounted for 28.27% of Taiwan's total exports, a decrease of 0.09 percentage points from 28.36% at the end of 2005, while imports from Mainland China accounted for 12.23% of Taiwan's total imports, an increase of 1.23 percentage points from 11.0% at the end of 2005. (If the trade of Taiwan with Hong Kong is included, Taiwan's trade with Hong Kong and Mainland China accounted for 27.15% of Taiwan's total foreign trade during the year of 2006. Exports to Hong Kong and Mainland China accounted for 39.82% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 13.15% 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\$21.62 billion over the year of 2006, a gain of 9.8% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong gained 9.7% to US\$ 18.71 billion, while imports from Mainland China via Hong Kong increased 10.5% to US\$2.91 billion.
- d. According to Hong Kong Custom statistics, Cross-strait bilateral trade accounted for 5.07% of Taiwan's total foreign trade during the year of 2006, a loss of 0.1

percentage points from 5.17% at the end of 2005. Exports to Mainland China accounted for 8.35% of Taiwan's total exports, a loss of 0.25 percentage points from 8.6% at the end of 2005, while imports from Mainland China accounted for 1.44% of Taiwan's total imports, it is as same as the end of 2005.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the year of 2006, the number of approved foreign investment (including investment to Mainland China) totaled 1,568 cases and accrued US\$11.96 billion, in which US\$7.64 billion was approved for investment in Mainland China. Mainland China has attracted 63.91% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 35,542 cases from 1991 to the end of December 2006, which totaled US\$54.9 billion. A total of 1,090 cases of direct investment to Mainland China were approved during the year of 2006, which totaled US\$7.64 billion, with 27.22% increase over the same period in previous year. Taiwan's investment mainly concentrated in the areas of Mainland China, such as Kiangsu, Canton, Shanghai, Chekiang, Fukien, and etc. The amount of investment in those areas were as in the following sequence: US\$2.88 billion, accounting for 37.73% of total direct investments, US\$1.42 billion for 18.52%, US\$1.04 billion for 13.63%, US\$591 million for 7.73% and US\$520 million for 6.8%. Investment was distributed among computer, communications, and AV (audio and video) electronic products manufacturing, with investment of US\$1.14 billion and accounting for 14.92% of total direct investment, chemicals with US\$548 million and for 7.17%, basic metal industries and fabricated metal products manufacturing with US\$447 million and for 5.84%, precision, optical, medical equipment, watches and clocks manufacturing with US\$423.0 million for 5.54%, machinery and equipment manufacturing and repairing with US\$389.0 million and for 5.08%.

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

- a. The banks of Taiwan remittance to and from Mainland China has been on the increase fast. As compared to the same period of last year, remittance to Mainland China gaining 31.31% to US\$128.94 billion during the year of 2006. At the same time, remittance from Mainland China to Taiwan totaled US\$72.57 billion, which is an increase of 55.13%.
- b. There have been more letters posted from Taiwan to Mainland China than the other way round during 2002-2005. In the year of 2006, mails to Mainland

China decreased 36.32% to 5,985,106 while mails from Mainland China decreased 3.96% to 6,501,617. 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 10.0% to 1,505,975,668 minutes, with a total of 350,297,538 calls during the year of 2006, while calls from Mainland China increasing 10.8% to 875,980,140 minutes, with a total of 358,902,498 calls. The average time per call to and from Mainland China was 4.3 and 2.4 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 year of 2006 totaled 4.41 million, and an increase of 7.4% as compared to the same period of last year. Cumulative figure from 1987 to the end of December 2006 showed that there were 42.41 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There has been 243.2 thousand people from China visited Taiwan for the year of 2006, which is an increase of 40.58% over the same period in previous year. Among these, 26.4 thousand people were traveling for economics and trade related activities, which represents a 51.8% increase over the same period in previous year. Number of tourists however, has increased by 81.75% over the same period in previous year to 98.6 thousand persons. In total, there has been 1.54 million Chinese people visited Taiwan from 1987 to December 2006.

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

- a. Direct transport links' statistics. Taiwanese vessels made 2,253 trips to Mainland China for the year of 2006, which marks an increase of 41.25% over the same period of previous year. 2,207 trips were made to Taiwan by the Chinese vessels over the same period, which is a decrease of 17.68% over the same period of previous year. In total, 13,883 trips were made across the Taiwan Strait from 2001 to December 2006.
- b. Direct personnel links' statistics. 294.8 thousand Taiwanese traveled to Mainland China via Kinmen and Matsu for the year of 2006, which is an increase of 14.14% over the same period in previous year. 41.93 thousand Chinese traveled to Kinmen and Matsu during the same period, which is an

increase of 125.34% over the same period in previous year. A total of 956.1 thousand travelers from 2001 to December 2006 have traveled between Taiwan and China via Kinmen and Matsu.

2. Foreign Investment in 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 594,445 contracted foreign investment projects had been accrued up to the end of December 2006 (including the area of finance-banking, insurance and security). During the year of 2005, there were 44,019 foreign direct investment projects, US\$189.06 billion of contracted foreign direct investment, which was a gain of 23.19% as compared to 2004. During the year of 2006, there were 41,485 foreign direct investment projects (including the area of finance), In which, investment from Hong Kong & Macao reached US\$64.99 billion, which accounted for 34.37% of total contracted foreign direct investment. Investment from the British Virgin Islands and the Korea amounted to US\$22.03 billion and US\$19.76 billion respectively, accounting for 11.65% and 10.45% of total contracted foreign direct investment. Following in sequence was investment from USA, Japan and Taiwan, reaching US\$13.51 billion, US\$11.92 billion and US\$10.36 billion respectively and accounting for 7.15%, 6.3%, and 5.48%. For realized foreign direct investment, there were US\$697.53 billion from 1979 to the end of December 2006. For the year of 2006, realized foreign direct investment reached US\$63.02 billion (the area of non-finance), a decrease of 12.96% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$ 20.84 billion, accounting for 33.06% of total realized foreign direct investment, followed by the British Virgin Islands with US\$11.25 billion or 17.85%, Japan with US\$4.60 billion or 7.3%, Korea with US\$3.9 billion or 6.18%, US with US\$2.87 billion or 4.55%, Singapore with US\$2.26 billion or 3.59%, 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 shares of Mainland China in the US has been on the upside during 2000-2005. In the year of 2006, US imports from Taiwan and Mainland China separately accounted for 2.06%, and 15.51% of its total imports, a decrease of 0.02 percentage points from 2.08% at the end of 2005, and an increase of 0.94 percentage points from 14.57% 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 2000-2005. In the year of 2006, Japan imports from Taiwan and Mainland China accounted for 3.52%, and 20.51% of its total imports, an increase of 0.02 percentage points from 3.5% at the end of 2005 and a loss of 0.53 percentage points from 21.04% in correspondence.