

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 2007 is US\$21.82 billion, a gain of 12.3% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 11.7% to US\$15.76 billion while imports from Mainland China gain 13.8% to US\$6.06 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\$27.69 billion over the first three months of 2007, exports to Hong Kong and Mainland China were US\$21.17 billion, while imports from Hong Kong and Mainland China were US\$6.53 billion).
- b. As aforementioned estimate, the significance of China to Taiwan in terms of total foreign trade is on the increase during 2000-2006. In the first three months of 2007, Taiwan's trade with Mainland China would account for 21.26% of Taiwan's total foreign trade, an increase of 0.61 percentage points comparing to 20.65% at the end of 2006. Exports to Mainland China accounted for 28.94% of Taiwan's total exports, an increase of 0.67 percentage points from 28.27% at the end of 2006, while imports from Mainland China accounted for 12.58% of Taiwan's total imports, an increase of 0.35 percentage points from 12.23% at the end of 2006. (If the trade of Taiwan with Hong Kong is included, Taiwan's trade with Hong Kong and Mainland China accounted for 26.99% of Taiwan's total foreign trade during the first three months of 2007. Exports to Hong Kong and Mainland China accounted for 38.87% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 13.55% 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\$5.08 billion over the first three months of 2007, a gain of 5.6% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong gained 7.6% to US\$ 4.42 billion, while imports from Mainland China via Hong Kong decreased 6.0% to US\$658 million.
- d. According to Hong Kong Custom statistics, Cross-strait bilateral trade accounted

for 4.94% of Taiwan's total foreign trade during the first three months of 2007, a loss of 0.13 percentage points from 5.07% at the end of 2006. Exports to Mainland China accounted for 8.11% of Taiwan's total exports, a loss of 0.24 percentage points from 8.35% at the end of 2006, while imports from Mainland China accounted for 1.37% of Taiwan's total imports, a decrease of 0.07 percentage points at the end of 2006.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first three months of 2007, the number of approved foreign investment (including investment to Mainland China) totaled 377 cases and accrued US\$2.59 billion, in which US\$2.08 billion was approved for investment in Mainland China. Mainland China has attracted 80.37% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 35,800 cases from 1991 to the end of March 2007, which totaled US\$56.98 billion. A total of 258 cases of direct investment to Mainland China were approved during the first three months of 2007, which totaled US\$2.08 billion, with 8.4% 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\$773 million, accounting for 37.14% of total direct investments, US\$507 million for 24.36%, US\$192 million for 9.22%, US\$177 million for 8.51% and US\$99 million for 4.75%. Investment was distributed among electronic parts and components manufacturing, with investment of US\$498.7 million and accounting for 23.97% of total direct investment, computers, electronic and optical products manufacturing with US\$276.2 million and for 13.28%, non-metallic mineral products manufacturing with US\$123 million and for 5.91%, plastic products manufacturing with US\$70.9 million for 3.41%, and fabricated metal products manufacturing with US\$64.3 million and for 3.09%.

(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 26.43% to US\$35.59 billion during the first three months of 2007. At the same time, remittance from Mainland China to Taiwan totaled US\$18.67 billion, which is an increase of 23.67%.
- b. There have been more letters posted from Taiwan to Mainland China than the

other way round during 2002-2005. In the first three months of 2007, mails to Mainland China decreased 17.98% to 1.33 million while mails from Mainland China decreased 4.5% to 1.79 million. During 2001-2006, the more phone calls were made from Taiwan to China than the other way around. Telephone calls to Mainland China gaining 1.6% to 376.35 million minutes, with a total of 83.75 million calls during the first three months of 2007, while calls from Mainland China decreasing 14.6% to 184.51 million minutes, with a total of 69.05 million calls. The average time per call to and from Mainland China was 4.5 and 2.7 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 2007 totaled 1.06 million, and an increase of 7.12% as compared to the same period of last year. Cumulative figure from 1987 to the end of March 2007 showed that there were 43.47 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There has been 51.18 thousand people from China visited Taiwan for the first three months of 2007, which is an increase of 0.99% over the same period in previous year. Among these, 6.4 thousand people were traveling for economics and trade related activities, which represents a 39.28% increase over the same period in previous year. Number of tourists however, has decreased by 15.57% over the same period in previous year to 15.8 thousand persons. In total, there has been 1.6 million Chinese people visited Taiwan from 1987 to March 2007.

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

- a. Direct transport links' statistics. Taiwanese vessels made 728 trips to Mainland China for the first three months of 2007, which marks an increase of 89.09% over the same period of previous year. 572 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 19.42% over the same period of previous year. In total, 15.18 thousand trips were made across the Taiwan Strait from 2001 to March 2007.
- b. Direct personnel links' statistics. 84.35 thousand Taiwanese traveled to Mainland China via Kinmen and Matsu for the first three months of 2007, which is an increase of 22.93% over the same period in previous year. 13.29

thousand Chinese traveled to Kinmen and Matsu during the same period, which is an increase of 47.75% over the same period in previous year. A total of 1.05 million travelers from 2001 to March 2007 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 603,724 contracted foreign investment projects had been accrued up to the end of March 2007. During the first three months of 2007, there were 9,297 foreign direct investment projects. During 2005, 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\$707.79 billion from 1979 to the end of March 2007. For the first three months of 2007, realized foreign direct investment reached US\$15.89 billion, an increase of 11.06% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$ 5.13 billion, accounting for 32.27% of total realized foreign direct investment, followed by the British Virgin Islands with US\$3.59 billion or 22.56%, Japan with US\$1.12 billion or 7.02%, Korea with US\$909 million or 5.72%, Singapore with US\$758 million or 4.77%, US with US\$692 million or 4.35%, 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 2000-2006. In the first three months of 2007, US imports from Taiwan and Mainland China separately accounted for 1.98%, and 15.84% of its total imports, a decrease of 0.08 percentage points from 2.06% at the end of 2006, and an increase of 0.33 percentage points from 15.51% 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 first three

months of 2007, Japan imports from Taiwan and Mainland China accounted for 3.53%, and 20.62% of its total imports, an increase of 0.01 percentage points from 3.52% at the end of 2006 and an increase of 0.11 percentage points from 20.51% in correspondence.