

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 eleven months of 2007 is US\$92.68 billion (2006: US\$80.4 billion), a gain of 15.3% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 16.5% to US\$67.29 billion (2006: US\$57.74 billion) while imports from Mainland China gain 12.1% to US\$25.39 billion (2006: US\$22.66 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\$117.90 billion over the first eleven months of 2007, exports to Hong Kong and Mainland China were US\$90.82 billion, while imports from Hong Kong and Mainland China were US\$27.08 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 eleven months of 2007, Taiwan's trade with Mainland China would account for 22.0% of Taiwan's total foreign trade, an increase of 1.35 percentage points comparing to 20.65% at the end of 2006. Exports to Mainland China accounted for 30.14% of Taiwan's total exports, an increase of 1.87 percentage points from 28.27% at the end of 2006, while imports from Mainland China accounted for 12.82% of Taiwan's total imports, an increase of 0.59 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 27.98% of Taiwan's total foreign trade during the first eleven months of 2007. Exports to Hong Kong and Mainland China accounted for 40.68% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 13.67% 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\$22.11 billion (2006: US\$19.80 billion) over the first eleven months of 2007, a gain of 11.7% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong gained 13.3% to US\$ 19.44 billion (2006: US\$17.16 billion), while imports from Mainland China via Hong Kong increased 1.2% to US\$2.68 billion

(2006: US\$2.65 billion).

- d. According to Hong Kong Custom statistics, Cross-strait bilateral trade accounted for 5.25% of Taiwan's total foreign trade during the first eleven months of 2007, a gain of 0.18 percentage points from 5.07% at the end of 2006. Exports to Mainland China accounted for 8.71% of Taiwan's total exports, an increase of 0.36 percentage points from 8.35% at the end of 2006, while imports from Mainland China accounted for 1.35% of Taiwan's total imports, a decrease of 0.09 percentage points from 1.44% at the end of 2006.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first eleven months of 2007, the number of approved foreign investment (including investment to Mainland China) totaled 1,352 cases and accrued US\$13.58 billion, in which US\$8.45 billion was approved for investment in Mainland China. Mainland China has attracted 62.24% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 36,459 cases from 1991 to the end of November 2007, which totaled US\$63.35 billion. A total of 917 cases of direct investment to Mainland China were approved during the first eleven months of 2007, which totaled US\$8.45 billion, with 31.99% 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\$3.32 billion, accounting for 39.30% of total direct investments, US\$1.62 billion for 19.22%, US\$1.37 billion for 16.26%, US\$560 million for 6.63% and US\$346 million for 4.10%. Investment was distributed among electronic parts and components manufacturing, with investment of US\$2.07 billion and accounting for 24.52% of total direct investment, computers, electronic and optical products manufacturing with US\$1.36 billion and for 16.08%, plastic products manufacturing with US\$460 million and for 5.45%, machinery and equipment manufacturing with US\$381 million and for 4.51%, and fabricated metal products manufacturing with US\$275 million and for 3.25%.

(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 29.18% to US\$148.45 billion (2006: US\$114.91 billion) during the first eleven months of 2007. At the same time, remittance

from Mainland China to Taiwan totaled US\$80.66 billion (2006: US\$64.43 billion), which is an increase of 25.18%.

- b. There have been more letters posted from Taiwan to Mainland China than the other way round during 2002-2005. In the first eleven months of 2007, mails to Mainland China decreased 11.96% to 4.64 million (2006:5.27 million) while mails from Mainland China decreased 2.74% to 5.64 million (2006:5.80 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 3.5% to 1.42 billion minutes (2006: 1.38 billion minutes), with a total of 320.86 million calls during the first eleven months of 2007, while calls from Mainland China decreasing 11.3% to 718.43 million minutes (2006: 809.74 million minutes), with a total of 263.79 million calls. The average time per call to and from Mainland China was 4.4 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 eleven months of 2007 totaled 4.28 million, and an increase of 4.83% as compared to the same period of last year (2006: 4.08 million). Cumulative figure from 1987 to the end of November 2007 showed that there were 46.69 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There have been 296.58 thousand people from China visiting Taiwan for the first eleven months of 2007, which is an increase of 33.92% over the same period in previous year. Among these, 32.83 thousand people were traveling for economics and trade related activities, which represents a 38.88% increase over the same period in previous year. Number of tourists however, has decreased by 19.52% over the same period in previous year to 72.53 thousand persons. In total, there has been 1.84 million Chinese people visiting Taiwan from 1987 to November 2007.

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

- a. Direct transport links' statistics. Taiwanese vessels made 2,727 trips to Mainland China for the first eleven months of 2007, which marks an increase

of 36.35% over the same period of previous year. 2,137 trips were made to Taiwan by the Chinese vessels over the same period, which is an increase of 5.69% over the same period of previous year. In total, 18.75 thousand trips were made across the Taiwan Strait from 2001 to November 2007. Direct personnel links' statistics. 313.47 thousand Taiwanese traveled to Mainland China via Kinmen and Matsu for the first eleven months of 2007, which is an increase of 16.61% over the same period in previous year. 50.52 thousand Chinese traveled to Kinmen and Matsu during the same period, which is an increase of 35.33% over the same period in previous year. A total of 1.32 million travelers from 2001 to November 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 628.85 thousand contracted foreign investment projects had been accrued up to the end of November 2007. During the first eleven months of 2007, there were 34.42 thousand foreign direct investment projects. For realized foreign direct investment, there were US\$753.57 billion from 1979 to the end of November 2007. For the first eleven months of 2007, realized foreign direct investment reached US\$61.67 billion, an increase of 13.66% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$22.99 billion, accounting for 37.27% of total realized foreign direct investment, followed by the British Virgin Islands with US\$14.17 billion or 22.97%, Korea with US\$3.23 billion or 5.24%, Japan with US\$2.99 billion or 4.85% , Singapore with US\$2.46 billion or 4.0%, US with US\$2.22 billion or 3.60%, 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 eleven months of 2007, US imports from Taiwan and Mainland China separately accounted for 1.96%, and 16.51% of its total imports, a decrease of 0.10 percentage points from 2.06% at the end of 2006, and an increase of 1.0 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 eleven months of 2007, Japan imports from Taiwan and Mainland China accounted for 3.21%, and 20.68% of its total imports, a decrease of 0.31 percentage points from 3.52% at the end of 2006 and an increase of 0.17 percentage points from 20.51% in correspondence.