

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 six months of 2008 is US\$56.76 billion (2007: US\$46.49 billion), a gain of 22.1% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 21.7% to US\$40.58 billion (2007: US\$33.35 billion) while imports from Mainland China gain 23.1% to US\$16.18 billion (2007: US\$13.14 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\$71.92 billion over the first six months of 2008, exports to Hong Kong and Mainland China were US\$54.9 billion, while imports from Hong Kong and Mainland China were US\$17.02 billion).
- b. As aforementioned estimate, the significance of China to Taiwan in terms of total foreign trade is on the increase during 2000-2007. In the first six months of 2008, Taiwan's trade with Mainland China would account for 21.74% of Taiwan's total foreign trade, a decrease of 0.21 percentage points comparing to 21.95% at the end of 2007. Exports to Mainland China accounted for 30.16% of Taiwan's total exports, an increase of 0.05 percentage points from 30.11% at the end of 2007, while imports from Mainland China accounted for 12.79% of Taiwan's total imports, an increase of 0.02 percentage points from 12.77 % at the end of 2007. (If the trade of Taiwan with Hong Kong is included, Taiwan's trade with Hong Kong and Mainland China accounted for 27.55% of Taiwan's total foreign trade during the first six months of 2008. Exports to Hong Kong and Mainland China accounted for 40.81% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 13.45% 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\$11.48 billion (2007: US\$10.93 billion) over the first six months of 2008, a gain of 5.1% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via

Hong Kong gained 5.5% to US\$10.05 billion (2007: US\$9.53 billion), while imports from Mainland China via Hong Kong increased 2.4% to US\$1.43 billion (2007: US\$1.40 billion).

- d. According to Hong Kong Custom statistics, cross-strait bilateral trade accounted for 4.40% of Taiwan's total foreign trade during the first six months of 2008, a loss of 0.78 percentage points from 5.18% at the end of 2007. Exports to Mainland China accounted for 7.47% of Taiwan's total exports, a decrease of 1.13 percentage points from 8.6% at the end of 2007, while imports from Mainland China accounted for 1.13% of Taiwan's total imports, a decrease of 0.20 percentage points from 1.33% at the end of 2007.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the first six months of 2008, the number of approved foreign investment (including investment to Mainland China) totaled 569 cases and accrued US\$7.36 billion, in which US\$5.09 billion was approved for investment in Mainland China. Mainland China has attracted 69.13% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 36,911 cases from 1991 to the end of June 2008, which totaled US\$69.96 billion. A total of 373 cases of direct investment to Mainland China were approved during the first six months of 2008, which totaled US\$5.09 billion, with 39.52% increase over the same period in previous year. Taiwan's investment mainly concentrated in the areas of Mainland China, such as Kiangsu, Shanghai, Canton, Fukien, Chekiang and etc. The amount of investment in those areas were as in the following sequence: US\$1.79 billion, accounting for 35.15% of total direct investments, US\$1.13 billion for 22.23%, US\$569 million for 11.19%, US\$387 million for 7.61% and US\$336 million for 6.6%. Investment was distributed among electronic parts and components manufacturing with investment of US\$1.05 billion and accounting for 20.59% of total direct investment, computers, electronic and optical products manufacturing with US\$763 million and for 15.0%, machinery and equipment manufacturing with US\$287 million and for 5.64%, plastic products manufacturing with US\$170 million for 3.35%, and fabricated metal products manufacturing with US\$157 million and for 3.08%.

(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 27.48% to US\$94.95 billion (2007: US\$74.48 billion) during the first six months of 2008. At the same time, remittance from Mainland China to Taiwan totaled US\$54.30 billion (2007: US\$40.06 billion), which is an increase of 35.57%.

- b.** There have been more letters posted from Mainland China to Taiwan than the other way round since 2006. In the first six months of 2008, mails to Mainland China decreased 8.69% to 2.32 million (2007: 2.54 million) while mails from Mainland China decreased 14.46% to 2.79 million (2007: 3.26 million). During 2001-2007, the communication time by phone from Taiwan to China were longer than the other way around. Telephone calls to Mainland China gaining 1.7% to 776.14 million minutes (2007: 762.99 million minutes), with a total of 179.81 million calls during the first six months of 2008, while calls from Mainland China decreasing 10.5% to 338.58 million minutes (2007: 378.46 million minutes), with a total of 96.47 million calls. The average time per call to and from Mainland China was 4.3 and 3.5 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 six months of 2008 totaled 2.15 million, and a decrease of 5.78% as compared to the same period of last year (2007: 2.28 million). Cumulative figure from 1987 to the end of June 2008 showed that there were 49.19 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There have been 110.06 thousand (2007: 178.04 thousand) people from China visiting Taiwan for the first six months of 2008, which is a decrease of 38.18% over the same period in previous year. Among these, 14.55 thousand (2007: 18.33 thousand) people were traveling for economics and trade related activities, which represents a 20.64% decrease over the same period in previous year. Number of tourists however, has decreased by 22.43% over the same period in previous year to 28.77 thousand (2007: 37.09 thousand) persons. In total, there has been 1.97 million (1.72 million) Chinese people visiting Taiwan from 1987 to June 2008.

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

- a. Direct transport links' statistics. Taiwanese vessels made 2,181 trips (2007: 1,452 trips) to Mainland China for the first six months of 2008, which marks an increase of 50.21% over the same period of previous year. 1,245 trips (2007: 1,150 trips) were made to Taiwan by the Chinese vessels over the same period, which is an increase of 8.26% over the same period of previous year. In total, 22.70 thousand trips (from 2001 to June 2007: 16.49 thousand trips) were made across the Taiwan Strait from 2001 to June 2008.
- b. Direct personnel links' statistics. 170.02 thousand (2007:171.97 thousand) Taiwanese traveled to Mainland China via Kinmen and Matsu for the first six months of 2008, which is a decrease of 1.14% over the same period in previous year. 18.85 thousand (2007:28.16 thousand) Chinese traveled to Kinmen and Matsu during the same period, which is a decrease of 33.08% over the same period in previous year. A total of 1.54 million (from 2001 to June 2007:1.16 million) travelers from 2001 to June 2008 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 646.84 thousand contracted foreign investment projects had been accrued up to the end of June 2008. During the first six months of 2008, there were 14.54 thousand foreign direct investment projects. For realized foreign direct investment, there were US\$819.05 billion from 1979 to the end of June 2008. For the first six months of 2008, realized foreign direct investment reached US\$52.39 billion, an increase of 45.55% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$23.72 billion, accounting for 45.28% of total realized foreign direct investment, followed by the British Virgin Islands with US\$9.42 billion or 17.99%, Singapore with US\$2.52 billion or 4.81%, Japan with US\$2.17 billion or 4.15%, Korea with US\$1.83 billion or 3.49%, US with US\$1.64 billion or 3.13%, Taiwan with US\$996 million or 1.90% 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 2000-2007. In the first six months of 2008, US imports from Taiwan and Mainland China separately accounted for 1.71%, and 14.61% of its

total imports, a decrease of 0.25 percentage points from 1.96% at the end of 2007, and a decrease of 1.85 percentage points from 16.46% 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 six months of 2008, Japan imports from Taiwan and Mainland China accounted for 2.92%, and 18.46% of its total imports, a decrease of 0.27 percentage points from 3.19% at the end of 2007 and a decrease of 2.09 percentage points from 20.55% in correspondence.