

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, Taiwan's 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 2008 is US\$100.32 billion (2007: US\$92.64 billion), a gain of 8.30% as compared to the same period of last year, in which Taiwan's exports to Mainland China gain 5.10% to US\$70.70 billion (2007: US\$67.25 billion) while imports from Mainland China gain 16.60% to US\$29.62 billion (2007: US\$25.39 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\$126.21 billion over the first eleven months of 2008, exports to Hong Kong and Mainland China were US\$95.16 billion, while imports from Hong Kong and Mainland China were US\$31.05 billion).
- b. As estimated above, the significant increase is on the total foreign trade of China to Taiwan during 2000-2007. In the first eleven months of 2008, Taiwan's trade with Mainland China accounted for 21.30% of Taiwan's total foreign trade, a decrease of 0.65 percentage points comparing to 21.95% at the end of 2007. Exports to Mainland China accounted for 29.21% of Taiwan's total exports, a decrease of 0.90 percentage points from 30.11% at the end of 2007, while imports from Mainland China accounted for 12.93% of Taiwan's total imports, an increase of 0.16 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 26.79% of Taiwan's total foreign trade during the first eleven months of 2008. Exports to Hong Kong and Mainland China accounted for 39.32% of Taiwan's total exports, while imports from Hong Kong and Mainland China accounted for 13.56% 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\$21.65 billion (2007: US\$22.11 billion) over the first eleven months of 2008, a loss of 2.07% as compared to the same period of last year. In which, Taiwan's exports to Mainland China via Hong Kong decreased 2.62% to US\$18.93 billion (2007: US\$19.44 billion),

while imports from Mainland China via Hong Kong increased 1.91% to US\$2.73 billion (2007: US\$2.68 billion). According to Hong Kong Custom statistics, cross-strait bilateral trade accounted for 4.60% of Taiwan's total foreign trade during the first eleven months of 2008, a loss of 0.58 percentage points from 5.18% at the end of 2007. Exports to Mainland China accounted for 7.82% of Taiwan's total exports, a decrease of 0.78 percentage points from 8.60% at the end of 2007, while imports from Mainland China accounted for 1.19% of Taiwan's total imports, a decrease of 0.14 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 eleven months of 2008, the number of approved foreign investment (including investment to Mainland China and the registered number which unregistered previously) totaled 963 cases and accrued US\$13.66 billion, in which US\$9.56 billion was approved for investment in Mainland China. Mainland China has attracted 70.03% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated 37,144 cases from 1991 to the end of November 2008, which totaled US\$74.43 billion. A total of 606 cases (including the registered number which unregistered previously) of direct investment to Mainland China were approved during the first eleven months of 2008, which totaled US\$9.56 billion, with 4.62% 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 so on. The amount of investment in those areas were as in the follows respectively: US\$3.82 billion, accounting for 39.90% of total direct investments, US\$1.60 billion for 16.72%, US\$1.26 billion for 13.18%, US\$784 million for 8.20% and US\$548 million for 5.73%. Investment was distributed among electronic parts and components manufacturing with investment of US\$1.83 billion and accounting for 19.14% of total direct investment, computers, electronic and optical products manufacturing with US\$1.50 billion and for 15.63%, electrical equipment manufacturing with US\$937 million and for 9.79%, basic metal manufacturing with US\$659 million for 6.89%, and wholesale and retail trade with US\$484 million and for 5.06%.

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

- a. The banks of Taiwan remittance to and from Mainland China have been on the increase fast. As compared to the same period of last year, remittance to

Mainland China gaining 22.2% to US\$181.40 billion (2007: US\$148.45 billion) during the first eleven months of 2008. At the same time, remittance from Mainland China to Taiwan totaled US\$107.71 billion (2007: US\$80.66 billion), which is an increase of 33.54%.

- b. There have been more letters posted from Mainland China to Taiwan than the other way round since 2006. In the first eleven months of 2008, mails to Mainland China decreased 12.25% to 4.07 million (2007: 4.64 million) while mails from Mainland China decreased 14.19% to 4.84 million (2007: 5.64 million). The communication time by phone from Taiwan to China always are longer than the other way around. Telephone calls to Mainland China decreasing 0.5% to 1.42 billion minutes (2007: 1.42 billion minutes), with a total of 340.0 million calls during the first eleven months of 2008, while calls from Mainland China decreasing 10.0% to 646.72 million minutes (2007: 718.43 million minutes), with a total of 208.42 million calls. The average time per call to and from Mainland China was 4.2 and 3.1 minutes respectively.

(4) Taiwan visitors 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 2008 totaled 4.05 million, and a decrease of 5.31% as compared to the same period of last year (2007: 4.28 million). Cumulative figure from 1987 to the end of November 2008 showed that there were 51.09 million persons traveled to Mainland China.

(5) Chinese visitors to Taiwan

There have been 258.20 thousand (2007: 296.58 thousand) people from China visiting Taiwan for the first eleven months of 2008, which is a decrease of 12.94% over the same period in previous year. Among these, 37.12 thousand (2007: 32.83 thousand) people were traveling for economics and trade related activities, which represents a 13.08% increase over the same period in previous year. The number of tourists however, has increased by 8.62% over the same period in previous year to 78.78 thousand (2007: 72.53 thousand) persons. In total, there has been 2.12 million (from 1987 to November 2007: 1.84 million) Chinese people visiting Taiwan from 1987 to November 2008.

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

- a. Direct transport links' statistics. Taiwanese vessels made 4,769 trips (2007: 2,727 trips) to Mainland China for the first eleven months of 2008, which marks an increase of 74.88% over the same period of previous year. On the other hand, 2,356 trips (2007: 2,137 trips) were made to Taiwan by the Chinese vessels over the same period, which is an increase of 10.25% over the same period of previous year. In total, 26.40 thousand trips (from 2001 to November 2007: 18.75 thousand trips) were made across the Taiwan Strait from 2001 to November 2008.
- b. Direct personnel links' statistics. There were 437.62 thousand (2007: 313.47 thousand) Taiwanese traveled to Mainland China via Kinmen and Matsu for the first eleven months of 2008, which is an increase of 39.60% over the same period in previous year. On the other hand, 39.16 thousand (2007: 50.52 thousand) Chinese traveled to Kinmen and Matsu during the same period, which is a decrease of 22.48% over the same period in previous year. A total of 1.82 million (from 2001 to November 2007: 1.32 million) travelers from 2001 to November 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 657.24 thousand contracted foreign investment projects had been accrued up to the end of November 2008. During the first eleven months of 2008, there were 24.95 thousand foreign direct investment projects. For realized foreign direct investment, there were US\$846.64 billion from 1979 to the end of November 2008. For the first eleven months of 2008, realized foreign direct investment reached US\$86.42 billion, an increase of 26.29% comparing to the same period of last year. In which, from Hong Kong & Macao reached US\$38.88 billion, accounting for 44.99% of total realized foreign direct investment, followed by the British Virgin Islands with US\$15.29 billion or 17.70%, Singapore with US\$3.90 billion or 4.51%, Japan with US\$3.34 billion or 3.87%, Korea with US\$2.98 billion or 3.45%, Cayman Islands with US\$2.95 billion or 3.41%, Taiwan with US\$1.71 billion or 1.98% and so on.

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

While the Taiwan manufacturers' investments in Mainland China increased, the market share of Taiwan products in US has declined in recent years. As Mainland China fast becoming the destination of foreign manufacturing investments, the

products' market share of Mainland China in the US has been on the upside during 2000-2007. In the first eleven months of 2008, US imports from Taiwan and Mainland China respectively accounted for 1.72%, and 15.94% of its total imports, a decrease of 0.24 percentage points from 1.96% at the end of 2007, and a decrease of 0.52 percentage points from 16.46% correspondingly. On the same token, as the Taiwanese manufacturing base migrated to China, Taiwanese products' market share in Japan declined whereas products made in Mainland China increased during 2000-2005. In the first eleven months of 2008, Japan imports from Taiwan and Mainland China accounted for 2.86%, and 18.60% of its total imports, a decrease of 0.33 percentage points from 3.19% at the end of 2007 and a decrease of 1.95 percentage points from 20.55% in correspondence.