

Summary

European debt crisis remains the troubles to cause slowdown in Taiwan and Mainland China's economic growth, and thus Cross-Strait economic performance and trade exchange activities are less compared to those in same period last year. For example, a decline of 8.8% in Cross-Strait trades value as well as a reduction of 5.6% in Taiwan's exports in Jan-August 2012 etc. The major cross-strait economic exchange indicators, foreign investment in Mainland China, and the implementation of ECFA early harvest program below would provide more in details.

1. Major Cross-Strait Economic Exchange Indicators

(1) Overview of Cross-Strait Trade Activities

- a. By referring to Taiwan Customs statistics, the estimated value of total cross-strait bilateral trade is US\$79.7 billion in the period of January to August 2012 with a reduction of 8.8% Year-On-Year. The value for Taiwan exports to Mainland China has contracted by 8.7% Year-On-Year to US\$52.6 billion while the value that imports from Mainland China has also contracted by 8.9% Year-On-Year to US\$27.1 billion.
- b. In the period of January to August 2012, Taiwan's trade with Mainland China accounted for 21.1% of Taiwan's total foreign trade with a decrease of 0.5 percentage points from 21.6% at the end of 2011. Exports to Mainland China accounted for 26.8% of Taiwan's total exports, a reduction of 0.4 percentage points from 27.2% at the end of 2011, while imports from Mainland China accounted for 15.0% of Taiwan's total imports with a decline of 0.5 percentage points from 15.5% at the end of 2011.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, the number of approved foreign investment totaled to 620 cases with the value of US\$15.1 billion, in which US\$8.3 billion was approved to invest in Mainland China from January to August 2012. Mainland China has attracted 55.1% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 39,988 cases from 1991 to the end of August 2012 with a value of US\$120.0 billion. A total of 416 cases for the investment in Mainland China were approved during the period of January to August 2012 with a decline of

28.7% Year-On-Year, while the total value of approved investment in Mainland China stands at US\$8.3 billion with a reduction of 25.1% Year-On-Year. Taiwan's investments mainly located in Jiangsu, Shanghai, Canton, Zhejiang, and other areas in Mainland China with the investment values of US\$2.1 billion (24.9% of total investments), US\$1.2 billion (14.6%), US\$1.0 billion (12.5%), and US\$0.9 billion (11.2%) respectively. Investments were distributed among electronic parts and components manufacturing with investment with US\$1.4 billion (17.0%), computers, electronic and optical products manufacturing with US\$1.3 billion (15.3% of total direct investment), wholesale and retail trade with US\$0.9 billion (10.9%), and financial and insurance with US\$0.8 billion (10.0%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 90 cases with the amount of US\$ 135.5 million from January to August 2012. The number of approved Mainland China investment in Taiwan totaled to 294 cases from June, 2009 to August, 2012 with the amount of US\$311.1 million, where mainly distributed in banking services, wholesale and retail trade, computers, electronic and optical products manufacturing, and information software services. The investment amounts for above industries are US\$91.5 million (29.4% of total amount), US\$ 66.6 million (21.4% of total amount), US\$56.6 million (18.2% of total amount), and US\$39.4 million (12.7%), respectively.

(4) Cross-Strait Remittance

All Taiwan's bank remittances to and from Mainland China have shown a persisted growing pattern except for the year of 2009. The remittances to Mainland China have increasing 6.5% Year-On-Year to US\$187.8 billion during the period of January to July 2012. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$102.5 billion with an increase of 3.1 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China National Tourism Administration, the number of Taiwan tourists to Mainland China during January to August 2012 totaled to 3.6 million with an increase of 1.4% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of August 2012 totaled to 69.9million visitors.

(6) Mainland China Visitors to Taiwan

The poll of Mainland China residents visit to Taiwan for tourism has been more than those visits to Taiwan for economic and trade activities since 2003. According to Taiwan National Immigration Agency statistics, there have been 1.7 million Chinese visitors from Mainland China during January to August 2012 with an increase of 55.0%. Among these, 87.7thousands visitors to Taiwan for economic and trade related activities with a decline of 4.8%, and 1.3 million visitors to Taiwan for tourism with an increase 68.6% Year-On-Year. In total, there have been 8.2 million Chinese visitors to Taiwan from 1987 to the end of August 2012.

(7) The Kinmen and Matsu Mini-Three Links Breakdowns (K-M mini three links)

- a. Direct transport links' statistics. The Taiwanese vessels made 4,867 trips to Mainland China in the period of January to August 2012, which shows a decline of 5.8% Year-On-Year. Meanwhile, 2,723 trips to Taiwan by the Chinese vessels have shown an increase of 2.2% Year-On-Year. In total, 68.5 thousand trips were made across the Taiwan Strait from 2001 to the end of August 2012.
- b. 496.8 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in the period of January to August 2012. And, 509.2 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu during the same period. A total of 9.1 million visitors from 2001 to the end of August 2012 have arrived and departed from Taiwan and Mainland China via K-M mini three links.

2. Foreign Investment in Mainland China

According to Ministry of Commerce of the People's Republic of China statistics, a total of 754 thousands approved foreign investment projects had been accrued up to August 2012 since Mainland China adopted opening policy in 1979. In January to August 2012, there were 15,777 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,239.4 billion from 1979 to the end of August 2012. For the period of January to August 2012, realized foreign direct investment reached to US\$75.0 billion. During the period of January to July 2012, Hong Kong & Macao reached to US\$38.5 billion or accounting for 57.8% of total realized foreign direct investments, followed by the British Virgin Islands with US\$4.9 billion or 7.3%, Japan with US\$4.7 billion or 7.1%, Singapore with US\$4.3 billion or 6.4% and Taiwan with US\$1.9 billion or 2.8%.

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

The total exports of Taiwan and Mainland China to the United States has been declining since beginning of 2012, which is caused by a slowdown U.S. economic recovery. In the period of January to July 2012, U.S. imported from Taiwan and Mainland China respectively accounted for 1.7% and 17.8% of its total imports with the declines of 0.2 and 0.3 percentage points. Japan's economy has been contracted by the 311 earthquake in 2011 and its economy continues an insignificant recovery, which turned into a diminishing demand on imports from Taiwan and Mainland China. In the period of January to August 2012, Japan imported from Taiwan and Mainland China accounted for 2.6% and 20.7% of its total imports with the reductions of 0.1 and 0.8 percentage points.

4. The Implementation of ECFA Early Harvest Program

The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 0.45 billion from January, 2011 to August, 2012. The number of approved certificates of origin from January to September 2012 totaled to 45,841 cases with the total amount of US\$ 6.72 billion, where 882 cases in agricultural products with the value of US\$ 17.66 million and 44,959 cases in industrial products with US\$ 6.71 billion. According to the accumulated statistics to August 2012, Taiwan's Financial Supervisory Commission has approved 11 Taiwan's banks open branches in Mainland China, in which 10 banks have started their business and 6 banks established representative offices in Mainland China. In insurance industry, Taiwan's Financial Supervisory Commission has approved 9 Taiwan's insurance companies participate the equity in Mainland China, and 6 insurance companies has started the businesses and established 15 representative offices among these 9 approved Taiwan's insurance companies. Taiwan's Financial Supervisory Commission has also approved the permissions for the Mainland Chinese Bank, Bank of China and Bank of Communications, to have their Taipei branches, and there are 2 branches and 2 offices in Taiwan.