

Summary

Taiwan and Mainland China growth rates in investment, production, and consumption hit record low since the 2008 financial crisis due to the European sovereign debt crisis and slow Mainland China economy, which cause the decreases in Cross-Strait trade and economic activities. 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\$28.5 billion in the period of January to March 2012 with a reduction of 8.66% Year-On-Year. The value that Taiwan exports to Mainland China has contracted by 9.82% Year-On-Year to US\$18.86 billion while the value that imports from Mainland China has also contracted by 6.32% Year-On-Year to US\$9.64 billion.
- b. In the period of January to March 2012, Taiwan's trade with Mainland China accounted for 20.96% of Taiwan's total foreign trade with a decrease of 0.67 percentage points from 21.63% at the end of 2011. Exports to Mainland China accounted for 26.63% of Taiwan's total exports, a reduction of 0.61 percentage points from 27.24% at the end of 2011, while imports from Mainland China accounted for 14.79% of Taiwan's total imports with an increase of 0.70 percentage points from 15.49% at the end of 2011.
- c. According to the Hong Kong Customs statistics, the value of Taiwan's trade with Mainland China via Hong Kong totaled US\$6.73 billion in the period of January to March 2012 with a decrease of 4.2% Year-On-Year. In which, Taiwan's exports to Mainland China via Hong Kong went down by 0.5% Year-On-Year to US\$5.61 billion as well as the imports from Mainland China via Hong Kong contracted by 19% to US\$1.12 billion.
- d. According to Hong Kong Customs statistics, cross-strait trade accounted for 4.95% of Taiwan's total foreign trade during the period of January to March 2012 with a decline of 0.21 percentage points from 5.16% at the end of 2011. Exports to Mainland China accounted for 7.92% of Taiwan's total exports with a reduction of 0.09 percentage points from 7.83% at the end of 2011, while imports from Mainland China accounted for 1.72% of Taiwan's total imports with a decrease of 0.52

percentage points from 2.24% at the end of 2011.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the period of January to March 2012, the number of approved foreign investment totaled to 226 cases with the value of US\$3.66 billion, in which US\$2.72 billion was approved for investment in Mainland China. Mainland China has attracted 74.14% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 39,725 cases from 1991 to the end of March 2012 with a value of US\$114.41 billion. A total of 153 cases for direct investment to Mainland China were approved during the period of January to March 2012 with a decline of 36.48% Year-On-Year, while the total value of approved direct investment in Mainland China is US\$ 2.72 billion with a decrease of 34.46% Year-On-Year. Taiwan's investment mainly located in Kiangsu, Canton, Shanghai, Sichuan, Fukien, other areas in Mainland China with the investment values of US\$690 million (25.4% of total direct investments), US\$569 million (20.94%), US\$359 million (13.23%), and US\$321 million (11.82%) respectively. Investment was distributed among computers, electronic and optical products manufacturing with US\$335 million (12.34% of total direct investment), electronic parts and components manufacturing with investment with US\$308 million (11.34%), wholesale and retail trade with US\$301 million (11.08%), and financial and insurance with US\$276 billion (10.16%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 33 cases with the amount of US\$ 104 million. The number of approved Mainland China investment in Taiwan totaled to 237 cases from June, 2009 to March, 2012 with the amount of US\$279 million, where mainly distributed in banking services, computers, electronic and optical products manufacturing, wholesale and retail trade, and information software services. The investment amounts for above industries are US\$91 million (32.75% of total amount), US\$ 56 million (20.19% of total amount), US\$53 million (19.1% of total amount), and US\$ 39 million (14.1% of total amount), respectively.

(4) Cross-Strait Remittance

All Taiwan's bank remittances to and from Mainland China have shown an increasing pattern except for year of 2009. The remittances to Mainland China have increasing 10.16% Year-On-Year to US\$80.72 billion during the period of January to March 2012.

Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$44.45 billion with an increase of 7.4 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China Travel Yearbook and the China Monthly Statistics, the number of Taiwan tourists to Mainland China during January to March 2012 totaled to 1.25 million with an increase of 6.42% Year-On-Year. Cumulative figure from 1987 to the end of March 2012 interprets that there were 67.56 million visitors to Mainland China.

(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 815.30 thousands Chinese visitors from Mainland China during January to April 2012 with an increase of 48.24%. Among these, 36.29 thousands visitors to Taiwan for economic and trade related activities with a decline of 8.71%, and 670.53 thousands visitors to Taiwan for tourism with an increase 57.31% Year-On-Year. In total, there have been 7.34 million Chinese visitors to Taiwan from 1987 to the end of April 2012.

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

- a. Direct transport links' statistics. Taiwanese vessels made 1,709 trips to Mainland China in the period of January to March 2012, which shows a decline of 0.93% Year-On-Year. Meanwhile, 951 trips to Taiwan by the Chinese vessels have also decreased by 0.73% Year-On-Year. In total, 63.60 thousand trips were made across the Taiwan Strait from 2001 to the end of March 2012.
- b. 163.60 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in the period of January to March 2012. And, 165.60 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu during the same period. A total of 8.39 million visitors from 2001 to the end of March 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 743.70 thousands approved foreign investment projects had been accrued up in the period of January to March 2012 since Mainland China opening policy in 1979. In January to March 2012, there were 5379 foreign direct investments. For realized foreign direct investment, there were US\$1,182.12 billion from 1979 to the end of February 2012. For the year of 2011, realized foreign direct investment reached to US\$17.72 billion. During the period of January to March 2012, from Hong Kong & Macao reached US\$10.26 billion, accounting for 57.91% of total realized foreign direct investments, followed by the British Virgin Islands with US\$1.46 billion or 8.25%, Japan with US\$1.34 billion or 7.54%, Singapore with US\$944 million or 5.33%, and Taiwan with US\$529 million or 2.98%.

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 in Q1 2012 due to a slow U.S. economic recovery. In the year of 2011, U.S. imports from Taiwan and Mainland China respectively accounted for 1.60% and 18.09% of its total imports. Japan economy has been contracted in 2011 due to the 311 earthquake, and its economy continues an insignificant recovery in Q1 2012, which causes a lower demand on imports from Taiwan and Mainland China. In the period of January to March 2012, Japan imports from Taiwan and Mainland China accounted for 2.47% and 20.21% of its total imports with the reductions of 0.25 and 1.30 percentage points.

4. The Implementation of ECFA Early Harvest Program

The ECFA early harvest program has cumulatively reduced tariffs with a total of US\$ 225 million from January, 2011 to March, 2012, in which US\$123 million has been exempted in 2011 as well as US\$ 102 million in Q1 2012. The reasons could be as follow: (1) the amount of approved certificate of origin in Q1 2012 went up to 83% Year-On-Year as well as the number of firms which has certificate of origin granted is roughly 3 times to same period last year. Furthermore, the early harvest program has a positive benefit to Taiwan's products in Mainland China market and helps stimulate Taiwan domestic investment and employment. More than half of Taiwan's early harvest products (257 products) reach over 10% of market share in Mainland China, and the amount of Taiwan's foreign investment is US\$2.43 billion as well as NTD\$14.50 billion injected into Taiwan comes from Taiwan's firm located in Mainland China.