

Summary

China's economy remains weak due to the European debt crisis and a slowdown in US economic recovery, therefore Cross-Strait economic performance and trade exchange activities are fewer than same period last year. For example, a decline of 8.85% in Cross-Strait trade as well as a reduction of 21.52% in Taiwan's investments in China 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\$49.68 billion in the period of January to May 2012 with a reduction of 8.85% Year-On-Year. The value for Taiwan exports to Mainland China has contracted by 9.78% Year-On-Year to US\$32.61 billion while the value that imports from Mainland China has also contracted by 7.02% Year-On-Year to US\$17.07 billion.
- b. In the period of January to May 2012, Taiwan's trade with Mainland China accounted for 21.02% of Taiwan's total foreign trade with a decrease of 0.61 percentage points from 21.63% at the end of 2011. Exports to Mainland China accounted for 26.62% of Taiwan's total exports, a reduction of 0.62 percentage points from 27.24% at the end of 2011, while imports from Mainland China accounted for 14.99% of Taiwan's total imports with a decline of 0.50 percentage points from 15.49% at the end of 2011.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, during the period of January to May 2012, the number of approved foreign investment totaled to 403 cases with the value of US\$6.04 billion, in which US\$4.73 billion was approved for investment in Mainland China. Mainland China has attracted 78.19% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 39,847 cases from 1991 to the end of May 2012 with a value of US\$116.42 billion. A total of 275 cases for the investment in Mainland China were approved during the period of January to May 2012

with a decline of 26.10% Year-On-Year, while the total value of approved investment in Mainland China is US\$4.73 billion with a reduction of 21.52% Year-On-Year. Taiwan's investments mainly located in Jiangsu, Canton, Shanghai, Sichuan, and other areas in Mainland China with the investment values of US\$1.17 billion (24.68% of total investments), US\$639 million (13.53%), US\$936 million (19.81%), and US\$450 million (9.52%) respectively. Investment was distributed among computers, electronic and optical products manufacturing with US\$614 million (12.99% of total direct investment), electronic parts and components manufacturing with investment with US\$868 million (18.38%), wholesale and retail trade with US\$379 million (8.03%), and financial and insurance with US\$588 billion (12.45%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 51 cases with the amount of US\$ 116 million. The number of approved Mainland China investment in Taiwan totaled to 255 cases from June, 2009 to May, 2012 with the amount of US\$291 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 (31.39% of total amount), US\$ 56 million (19.35% of total amount), US\$56 million (19.27% of total amount), and US\$ 39 million (13.52% 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 10.79% Year-On-Year to US\$135.97 billion during the period of January to May 2012. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$72.15 billion with an increase of 5.17 % 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 May 2012 totaled to 2.17 million with an increase of 3.22% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of May 2012 totaled to 68.48 million 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 1.04 million Chinese visitors from Mainland China during January to May 2012 with an increase of 48.94%. Among these, 50.3 thousands visitors to Taiwan for economic and trade related activities with a decline of 8.35%, and 849.6 thousands visitors to Taiwan for tourism with an increase 58.26% Year-On-Year. In total, there have been 7.56 million Chinese visitors to Taiwan from 1987 to the end of May 2012.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 2,989 trips to Mainland China in the period of January to May 2012, which shows a decline of 3.21% Year-On-Year. Meanwhile, 1,653 trips to Taiwan by the Chinese vessels have shown an increase of 1.22% Year-On-Year. In total, 65.6 thousand trips were made across the Taiwan Strait from 2001 to the end of May 2012.
- b. 309.4 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in the period of January to May 2012. And, 316.2 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu during the same period. A total of 8.68 million visitors from 2001 to the end of May 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 747.6 thousands approved foreign investment projects had been accrued up to May 2012 since Mainland China opening policy in 1979. In January to May 2012, there were 9,261 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,211.50 billion from 1979 to the end of May 2012. For the period of January to May 2012, realized foreign direct investment reached to US\$47.11 billion. During the period of January to March 2012, Hong Kong & Macao reached to US\$17.38 billion or accounting for 58.96% of total realized foreign direct investments, followed by the British Virgin Islands with US\$2.52billion or 8.54%, Japan with US\$2.05 billion or 6.95%, Singapore with US\$1.84 billion or 6.24%, U.S. with US\$759 million or 2.58% and Taiwan with US\$752 million or 2.55%.

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 slowdown U.S. economic recovery. In the period of January to April 2012, U.S. imports from Taiwan and Mainland China respectively accounted for 1.64% and 17.12% of its total imports with the declines of 0.23 and 0.97 percentage points. Japan's economy has been contracted in 2011 due to the 311 earthquake, and its economy continues an insignificant recovery in Q1 2012, which causes a diminishing demand on imports from Taiwan and Mainland China. In the period of January to May 2012, Japan imports from Taiwan and Mainland China accounted for 2.55% and 20.44% of its total imports with the reductions of 0.17 and 1.07 percentage points.

4. The Implementation of ECFA Early Harvest Program

The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 293 million from January, 2011 to April, 2012. The number of approved certificates of origin from January 1st 2011 to end of May 2012 totaled to 61,925 cases with the total amount of US\$ 9.03 billion, where 1,458 cases approved to agricultural products (US\$31.83 million) and 60,467 cases to industrial products (US\$9.00 billion). In banking industry, Taiwan's Financial Supervisory Commission has approved 11 Taiwan's banks open branched in Mainland China, in which 7 banks has opened branches and 9 banks established representative offices in Mainland China. In insurance industry, Taiwan's Financial Supervisory Commission 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.