

Summary

Endless European debt troubles hold back Taiwan and Mainland China's economic growth in 2Q12, 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 8.23% in Cross-Strait trade value as well as a reduction of 4.73% in Taiwan's exports 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\$59.49 billion in the period of January to June 2012 with a reduction of 8.23% Year-On-Year. The value for Taiwan exports to Mainland China has contracted by 8.58% Year-On-Year to US\$39.13 billion while the value that imports from Mainland China has also contracted by 7.55% Year-On-Year to US\$20.35 billion.
- b. In the period of January to June 2012, Taiwan's trade with Mainland China accounted for 21.06% of Taiwan's total foreign trade with a decrease of 0.57 percentage points from 21.63% at the end of 2011. Exports to Mainland China accounted for 26.66% of Taiwan's total exports, a reduction of 0.58 percentage points from 27.24% at the end of 2011, while imports from Mainland China accounted for 15.01% of Taiwan's total imports with a decline of 0.48 percentage points from 15.49% 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 472 cases with the value of US\$8.28 billion, in which US\$5.75 billion was approved to invest in Mainland China from January to June 2012. Mainland China has attracted 69.48% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 39,891 cases from 1991 to the end of June 2012 with a value of US\$117.45 billion. A total of 319 cases for the investment in Mainland China were approved during the period of January to June 2012 with a decline of 28.1% Year-On-Year, while the total value of approved investment in Mainland China stands at

US\$5.75 billion with a reduction of 26.52% 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\$1,441 million (25.06% of total investments), US\$1,065million (18.52%), US\$766 million (13.33%), and US\$511 million (8.88%) respectively. Investment was distributed among electronic parts and components manufacturing with investment with US\$998 million (17.36%), financial and insurance with US\$753 million (13.09%), wholesale and retail trade with US\$701 million (12.20%), and computers, electronic and optical products manufacturing with US\$681 million (11.85% of total direct investment).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 63 cases with the amount of US\$ 122 million from January to June 2012. The number of approved Mainland China investment in Taiwan totaled to 267 cases from June, 2009 to June, 2012 with the amount of US\$298 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\$92 million (30.73% of total amount), US\$ 57 million (19.21% of total amount), US\$57 million (19.00% of total amount), and US\$ 39 million (13.23% 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 the 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 June 2012 totaled to 2.62 million with an increase of 2.22% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of June 2012 totaled to 68.93 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 1.23 million Chinese visitors from Mainland China during January to June 2012 with an increase of 52.75%. Among these, 66.4 thousands visitors to Taiwan for economic and trade related activities with a decline of 4.3%, and 1,000.3 thousands visitors to Taiwan for tourism with an increase 63.87% Year-On-Year. In total, there have been 7.75 million Chinese visitors to Taiwan from 1987 to the end of June 2012.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 3,587 trips to Mainland China in the period of January to June 2012, which shows a decline of 4.60% Year-On-Year. Meanwhile, 1,994 trips to Taiwan by the Chinese vessels have shown an increase of 1.53% Year-On-Year. In total, 66.52 thousand trips were made across the Taiwan Strait from 2001 to the end of June 2012.
- b. 369.41 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in the period of January to June 2012. And, 378.36 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu during the same period. A total of 8.80 million visitors from 2001 to the end of June 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 750.1 thousands approved foreign investment projects had been accrued up to June 2012 since Mainland China adopted opening policy in 1979. In January to June 2012, there were 11,705 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,223.48 billion from 1979 to the end of June 2012. For the period of January to June 2012, realized foreign direct investment reached to US\$59.09 billion. During the period of January to May 2012, Hong Kong & Macao reached to US\$27.25 billion or accounting for 57.85% of total realized foreign direct investments, followed by the British Virgin Islands with US\$3.69billion or 7.84%, Japan with US\$3.20 billion or 6.78%, Singapore with US\$3.02 billion or 6.40% and Taiwan with US\$1.31 billion or 2.78%.

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 May 2012, U.S. imports from Taiwan and Mainland China respectively accounted for 1.65% and 17.22% of its total imports with the declines of 0.22 and 0.87 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 June 2012, Japan imports from Taiwan and Mainland China accounted for 2.58% and 20.49% of its total imports with the reductions of 0.14 and 1.02 percentage points.

4. The Implementation of ECFA Early Harvest Program

The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 317 million from January, 2011 to May, 2012. The number of approved certificates of origin from January 1st 2011 to end of June 2012 totaled to 67,021 cases with the total amount of US\$ 9.68 billion, where 1,552 cases approved to agricultural products (US\$34.47 million) and 65,469 cases to industrial products (US\$9.64 billion). In banking industry, Taiwan's Financial Supervisory Commission has approved 11 Taiwan's banks open branched in Mainland China, in which 9 banks have opened branches and 7 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 14 representative offices among these 9 approved Taiwan's insurance companies.