

Brief Summary

Mainland China had experienced declining GDP in 2 consecutive quarters, and its Q3 performance has bounced back by increasing 0.3% to 7.8% from Q2. However, the slow-down economic recovery in global major economies also pulled back the Mainland Chinese trade performance, which could negatively impact on Cross-Strait trade performance as well as Taiwan's export performance. The Mainland Chinese export value in first 3 quarters totals to US\$1,614.9 billion, 2.4% lower than 1st half of 2013, and the growth rate of Cross-Strait trade in first 3 quarters was only 1.8%, a decrease of 1.1% from 2.9% in the first half of 2013. On the other hand, Mainland China will host the Third Plenary Session of the 18th CPC central Committee in November, and the important policy or reform measure would be possibly announced to influence the future Mainland Chinese and global economic outlook. The major cross-strait economic exchange indicators and foreign investment in Mainland China below will 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\$92.1 billion in Jan-Sept 2013 with a rise of 1.8% Year-On-Year. The value for Taiwan exports to Mainland China has increased by 1.4% Year-On-Year to US\$60.6 billion while the value that imports from Mainland China has also risen by 2.5% Year-On-Year to US\$31.5 billion.
- b. In Jan-Sept 2013, Taiwan's trade with Mainland China accounted for 21.5% of Taiwan's total foreign trade with a decline of 0.5 percentage points from 22.0% at the end of 2012. Exports to Mainland China accounted for 26.8% of Taiwan's total exports, a decrease of 0.2 percentage points from 27.0% at the end of 2012, while imports from Mainland China accounted for 15.6% of Taiwan's total imports with a decrease of 0.5 percentage points from 16.1% at the end of 2012.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, the number of approved foreign investment totaled to 687 cases with the value of US\$10.5 billion, in which US\$6.8 billion was approved to invest in Mainland China in Jan-Sept 2013. Mainland

China has attracted 64.5% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,612 cases from 1991 to the end of September 2013 with a value of US\$131.2 billion, which is 62.7% of Taiwan's total foreign investment. A total of 404 cases for the investment in Mainland China covering the post-registration were approved in Jan-Sept 2013 with a reduction of 8.3% (the post-registration is uncovered) Year-On-Year, while the total value of approved investment in Mainland China covering the post-registration stands at US\$6.8 billion with a reduction of 21.4% (the post-registration is uncovered) Year-On-Year. Taiwan's investments mainly located in Shanghai, Jiangsu, Guangdong, Fujian and other areas in Mainland China with the investment values of US\$2.3 billion (33.3% of total investments), US\$1.7 billion (25.2%), US\$0.7 billion (11.0%), and US\$0.4 billion (6.1%) respectively. Investments were distributed among finance and insurance sector with US\$ 1.6 billion (24.1% of total direct investment), computers, electronic and optical products manufacturing with US\$0.83 billion (12.3%), wholesale and retail trade with investment with US\$0.80 billion (11.9%), and electronic parts and components manufacturing with US\$0.78 billion (11.5%). The proportion of Taiwan's service sector invested in Mainland China would be higher among the increasing effects of the Shanghai Free Economic Pilot Zones and Cross-strait trade in Services Agreement.

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 103 cases with the amount of US\$0.33 billion in Jan-Sept 2013. The number of approved Mainland China investment in Taiwan totaled to 445 cases with the amount of US\$0.83 billion from June, 2009 to September, 2013, where mainly distributed in harbor port services, wholesale and retail trade, banking services, and electronics parts and components manufacturing. The investment amounts for above industries are US\$139.1 million (16.7% of total amount), US\$139.0 million (16.7%), US\$138.3 million (16.6%), and US\$99.6 million (11.9%), 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 increased by 9.9% Year-On-Year to US\$235.3 billion in Jan-Aug 2013. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$126.2 billion with an increase of 6.2 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China National Tourism Administration, the number of Taiwan tourists to Mainland China in Jan-Sept 2013 totaled to 3.8 million visitors with a reduction of 4.6% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of September 2013 totaled to 75.5 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 2,158 thousands Chinese visitors from Mainland China in Jan-Sept 2013 with an increase of 16.1%. Among these, 96 thousands visitors to Taiwan for economic and trade related activities with a reduction of 3.2%, and 1,722 thousands visitors to Taiwan for tourism with an increase of 17.1% Year-On-Year. In total, there have been 11.2 million Chinese visitors to Taiwan from 1987 to the end of September 2013. In addition, Mainland Chinese visitors to Taiwan could be reduced than before due to the tourism act forcing in October in the short term. But the tour price would be raised and self-guided Mainland Chinese visitors would also be increased, thus could help to increase the average consumption amounts for each visitor as well as improve the quality of Taiwan's local tourism.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 5,108 trips to Mainland China in Jan-Sept 2013, which shows a reduction of 7.5% Year-On-Year. Meanwhile, 3,432 trips to Taiwan by the Chinese vessels have shown an increase of 11.8% Year-On-Year. In total, 81.2 thousand trips were made across the Taiwan Strait from 2001 to the end of September 2013.
- b. 504 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Sept 2013. And, 513 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 10.6 million visitors from 2001 to the end of September 2013 have arrived and departed from Taiwan and Mainland China via K-M mini three links.

2. Foreign Investment in Mainland China

According to the Ministry of Commerce of Mainland China statistics, a total of 780 thousands approved foreign investment projects had been accrued up to September 2013 since Mainland China adapted opening policy in 1979. In Jan-Sept 2013, there were 16,351 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,364.7 billion from 1979 to the end of September 2013. The China (Shanghai) Pilot Free Trade Zone has taken force in October; thereafter foreign investment would be expected growing up. Furthermore, the scale of Mainland Chinese local businesses goes larger with the encouragement from the national policy to increase its foreign investment.

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

In January to August 2013, U.S. imported from Taiwan accounted for 1.7% which remains the same market share as the end of 2012, and imported from Mainland China accounted for 18.7% which was dropped by 1.0% from end of 2012. Abe's cabinet proposed an economic stimulation plan with value of JPY\$ 20 trillion and further QE policy which brings a positive impact on Japan's economy. On the other hand, the depreciation in JPY affected Taiwan and Mainland China's exports to Japan. In Jan-Sept 2013, Japan imported from Taiwan and Mainland China respectively accounted for 2.9% and 21.4% of its total imports with increases of 0.1% and 0.6% from the end of 2012, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Sept 2013 totaled to 62,072 cases with the total amount of US\$ 8.7 billion with increases of 35.4% and 29.0% Year-On-Year. According to the accumulated statistics to Sept 2013, Taiwan's Financial Supervisory Commission has approved 13 Taiwan's banks open branches in Mainland China, in which 11 banks have started their business and 5 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 to set up the branches and 3 representative offices and a representative office in Taiwan.