

Brief Summary

Mainland China recovered from June disappointed trade performance to the positive growth in August, which stimulates cross strait trade and Taiwan's export performance. Cross-Strait trade has increased by 2.9% y.o.y. from Jan-Aug 2013 as well as the growth of 2.5% in Taiwan's export. The September Mid-Autumn festival and Mainland China's national celebrity long holiday would drive up the Mainland China's domestic demands, which would stabilize cross-strait trade. On the other hand, 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. 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\$82.0 billion in Jan-Aug 2013 with a rise of 2.9% Year-On-Year. The value for Taiwan exporting to Mainland China has increased by 3.1% Year-On-Year to US\$54.2 billion while the value that imports from Mainland China has also risen by 2.4% Year-On-Year to US\$27.8 billion.
- b. In Jan-Aug 2013, Taiwan's trade with Mainland China accounted for 21.6% of Taiwan's total foreign trade with a decline of 0.4 percentage points from 22.0% at the end of 2012. Exports to Mainland China accounted for 26.9% of Taiwan's total exports, a decrease of 0.1 percentage points from 27.0% at the end of 2012, while imports from Mainland China accounted for 15.5% of Taiwan's total imports with a decrease of 0.6 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 618 cases with the value of US\$9.1 billion, in which US\$6.1 billion was approved to invest in Mainland China in Jan-Aug 2013. Mainland

China has attracted 66.6% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,575 cases from 1991 to the end of August 2013 with a value of US\$130.6 billion, which is 62.8% of Taiwan's total foreign investment. A total of 367 cases for the investment in Mainland China covering the post-registration were approved in Jan-Aug 2013 with a reduction of 3.1% (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\$6.1 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\$2.2 billion (35.6% of total investments), US\$1.5 billion (25.0%), US\$0.7 billion (11.4%), and US\$0.3 billion (5.5%) respectively. Investments were distributed among finance and insurance sector with US\$ 1.5 billion (24.7% of total direct investment), computers, electronic and optical products manufacturing with US\$0.76 billion (12.5%), electronic parts and components manufacturing with investment with US\$0.75 billion (12.3%), and wholesale and retail trade with US\$0.7 billion (11.2%). The proportion of Taiwan's service sector invested in Mainland China would be higher among the increasing effects of 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 94 cases with the amount of US\$0.3 billion in Jan-Aug 2013. The number of approved Mainland China investment in Taiwan totaled to 436 cases with the amount of US\$0.8 billion from June, 2009 to August, 2013, where mainly distributed in harbor port services, banking services, wholesale and retail trade, and electronics parts and components manufacturing. The investment amounts for above industries are US\$139.1 million (16.9% of total amount), US\$138.3 million (16.8%), US\$128.8 million (15.6%), and US\$99.6 million (12.1%), 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 9.3% Year-On-Year to US\$205.3 billion in Jan-Jul 2013. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$110.7 billion with an increase of 8.1 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China National Tourism Administration, the number of Taiwan tourists to Mainland China in Jan-Aug 2013 totaled to 3.4 million visitors with a reduction of 5.4% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of August 2013 totaled to 75.0 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 1,886 thousands Chinese visitors from Mainland China in Jan-Aug 2013 with an increase of 12.4%. Among these, 85 thousands visitors to Taiwan for economic and trade related activities with a reduction of 3.0%, and 1,512 thousands visitors to Taiwan for tourism with an increase of 12.9% Year-On-Year. In total, there have been 10.9 million Chinese visitors to Taiwan from 1987 to the end of August 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 4,521 trips to Mainland China in Jan-Aug 2013, which shows a reduction of 7.1% Year-On-Year. Meanwhile, 3,037 trips to Taiwan by the Chinese vessels have shown an increase of 11.5% Year-On-Year. In total, 80.2 thousand trips were made across the Taiwan Strait from 2001 to the end of August 2013.
- b. 446 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Aug 2013. And, 459 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 10.5 million visitors from 2001 to the end of August 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 778 thousands approved foreign investment projects had been accrued up to August 2013 since Mainland China adapted opening policy in 1979. In Jan-Aug 2013, there were 14,480 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,355.9 billion from 1979 to the end of August 2013. In Jan-Aug 2013, realized foreign direct investment reached to US\$79.8 billion. The August approved foreign direct investment has an increase of 0.6% y.o.y. China (Shanghai) Pilot Free Trade Zone has taken force in October, thereafter foreign investment would be expected growing up.

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

In January to June 2013, U.S. imported from Taiwan accounted for 1.7% which remains the same as the end of 2012, and imported from Mainland China accounted for 18.3% which is dropped by 1.4% from end of 2012. Abe's cabinet proposed an economic stimulation plan with value of JPY\$ 20 trillion and further QE policy in January 2013; this led to a positive impact to Japan's economy. On the other hand, the depreciation in JPY affected Taiwan and Mainland China's exports to Japan. In Jan-Aug 2013, Japan imported from Taiwan and Mainland China respectively accounted for 2.8% and 21.0% of its total imports remaining the same as the end of 2012, and with a rise of 0.2%, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Aug 2013 totaled to 55,480 cases with the total amount of US\$ 7.7 billion. The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 1.1 billion from January, 2011 to Jul, 2013, and the import value from Taiwan to Mainland China in Jan-Jul was US\$11.7 billion with an increase of 9.2% year-on-year by referring to Mainland China Customs statistics. According to the accumulated statistics to Aug 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 1 representative offices in Taiwan.