

Summary

2012 unsolved European debt crisis caused slowdowns in Taiwan and Mainland China's economic growths, and thus Cross-Strait economic performance and trade exchange activities are less compared to those in the same period last year. For example, a decline of 5.9% in Cross-Strait trades value as well as a reduction of 3.3% in Taiwan's exports in Jan-November 2012 and so on. The major cross-strait economic exchange indicators, foreign investment in Mainland China, and the implementation of ECFA early harvest program 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\$111.1 billion in the period of January to November 2012 with a reduction of 5.9% Year-On-Year. The value for Taiwan exports to Mainland China has contracted by 5.2% Year-On-Year to US\$73.7 billion while the value that imports from Mainland China has also contracted by 7.5% Year-On-Year to US\$37.4 billion.
- b. In the period of January to November 2012, Taiwan's trade with Mainland China accounted for 21.2% of Taiwan's total foreign trade with a decrease of 0.4 percentage points from 21.6% at the end of 2011. Exports to Mainland China accounted for 26.8% of Taiwan's total exports, a reduction of 0.4 percentage points from 27.2% at the end of 2011, while imports from Mainland China accounted for 15.0% of Taiwan's total imports with a decline of 0.5 percentage points from 15.5% 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 891 cases with the value of US\$19.5 billion, in which US\$11.6 billion was approved to invest in Mainland China from January to November 2012. Mainland China has attracted 59.7% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,173 cases from 1991 to the end of November 2012 with a value of US\$123.3 billion, which is 62.5% of Taiwan's total foreign investment. A total of 601 cases for the investment in Mainland China were approved during the period

of January to November 2012 with a decline of 19.3% Year-On-Year, while the total value of approved investment in Mainland China stands at US\$11.6 billion with a reduction of 20.8% Year-On-Year. Taiwan's investments mainly located in Jiangsu, Shanghai, Canton, Fukien, and other areas in Mainland China with the investment values of US\$2.7 billion (23.4% of total investments), US\$2.0 billion (17.3%), US\$1.3 billion (11.5%), and US\$1.1 billion (9.3%) respectively. Investments were distributed among electronic parts and components manufacturing with investment with US\$1.9 billion (16.4% of total direct investment), computers, electronic and optical products manufacturing with US\$1.5 billion (12.8%), finance and insurance with US\$1.3 billion (11.3%), and wholesale and retail trade with US\$1.2 billion (10.5%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 126 cases with the amount of US\$ 175 million from January to November 2012. The number of approved Mainland China investment in Taiwan totaled to 330 cases with the amount of US\$351 million from June, 2009 to November, 2012, 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\$91.5 million (26.1% of total amount), US\$ 74.8 million (21.3%), US\$56.7 million (16.2%), and US\$39.5 million (11.3%), 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 increasing 3.8% Year-On-Year to US\$266.9 billion during the period of January to October 2012. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$154.5 billion with an increase of 5.1 % Year-On-Year.

(5) Taiwan Visitors to Mainland China

According to the China National Tourism Administration, the number of Taiwan tourists to Mainland China during January to November 2012 totaled to 4.9 million with an increase of 1.2% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of November 2012 totaled to 71.3 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 2.3 million Chinese visitors from Mainland China during January to November 2012 with an increase of 48.8%. Among these, 127 thousands visitors to Taiwan for economic and trade related activities with a decline of 4.6%, and 1.8 million visitors to Taiwan for tourism with an increase 58.8% Year-On-Year. In total, there have been 8.8 million Chinese visitors to Taiwan from 1987 to the end of November 2012.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 6,190 trips to Mainland China in the period of January to October 2012, which shows a decline of 4.8% Year-On-Year. Meanwhile, 3,444 trips to Taiwan by the Chinese vessels have shown an increase of 2.5% Year-On-Year. In total, 70.6 thousand trips were made across the Taiwan Strait from 2001 to the end of October 2012.
- b. 683 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in the period of January to November 2012. And, 697 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu during the same period. A total of 9.4 million visitors from 2001 to the end of November 2012 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 761 thousands approved foreign investment projects had been accrued up to November 2012 since Mainland China adapted opening policy in 1979. In January to November 2012, there were 22,503 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,264.4 billion from 1979 to the end of November 2012. In the period of January to November 2012, realized foreign direct investment reached to US\$100.0 billion. During the period of January to September 2012, Hong Kong & Macao reached to US\$48.2 billion or accounting for 57.8% of total realized foreign direct investments, followed by the British Virgin Islands with US\$6.0 billion or 7.1%, Japan with US\$5.6 billion or 6.7%, Singapore with US\$5.1 billion or 6.1% and South Korea with US\$2.2 billion or 2.6%.

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 weak economic recovery in the U.S.. In the period of January to October 2012, U.S. imported from Taiwan and Mainland China respectively accounted for 1.7% and 18.4% of its total imports with a decline of 0.2 and an increase of 0.3 percentage points. Japan's economy has been contracted by the 311 earthquake in 2011 and its economy continues an insignificant recovery in 2012, which turned into the lower import demands in Japan. Therefore, Japan remained 2.7% of its total imports that imported from Taiwan in the period of January to October 2012. Meanwhile, 21.1% of Japan's total imports that imported from Mainland China has been reduced by 0.4 percentage points.

4. The Implementation of ECFA Early Harvest Program

The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 0.6 billion from January, 2011 to October, 2012. The number of approved certificates of origin from January to November 2012 totaled to 59,124 cases with the total amount of US\$ 8.5 billion, where 1,105 cases in agricultural products with the value of US\$ 25.0 million and 58,019 cases in industrial products with US\$ 8.5 billion. According to the accumulated statistics to November 2012, Taiwan's Financial Supervisory Commission has approved 12 Taiwan's banks open branches in Mainland China, in which 10 banks have started their business and 6 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 2 offices in Taipei.