

Brief Summary

Cross Strait economic performance in 1Q13 was poor compared to first quarter last year due to slowdown global economic recovery, thus Taiwan and China's gross domestic product (GDP) were 1.54 and 7.7%, respectively, which were lower than those in 4Q12. However, the overall cross strait trade performance was better than same period last year, including increases of 4.9% and 2.4% in Cross-Strait trade value and Taiwan's exports in 1Q13 and so on. 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\$29.9 billion in 1Q13 with a rise of 4.9% Year-On-Year. The value for Taiwan exports to Mainland China has increased by 4.4% Year-On-Year to US\$19.7 billion while the value that imports from Mainland China has also risen by 5.8% Year-On-Year to US\$10.2 billion.
- b. In 1Q13, Taiwan's trade with Mainland China accounted for 21.2% of Taiwan's total foreign trade with a decline of 0.8 percentage points from 22.0% at the end of 2012. Exports to Mainland China accounted for 27.1% of Taiwan's total exports, an increase of 0.1 percentage points from 27.0% at the end of 2012, while imports from Mainland China accounted for 15.0% of Taiwan's total imports with a decrease of 1.1 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 253 cases with the value of US\$3.6 billion, in which US\$2.4 billion was approved to invest in Mainland China in 1Q13. Mainland China has attracted 65.7% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,376 cases from 1991 to the end of February 2013 with a value of US\$126.9 billion, which is 62.7% of Taiwan's total foreign investment. A total of 168 cases for the investment in Mainland China were approved in 1Q13 with a rise of 31.7% Year-On-Year, while the total value of approved investment in Mainland China stands at

US\$2.4 billion with a reduction of 10.0% Year-On-Year. Taiwan's investments mainly located in Jiangsu, Canton, Fukien, Shanghai, and other areas in Mainland China with the investment values of US\$830 million (34.8% of total investments), US\$370 million (15.6%), US\$210 million (8.6%), and US\$190 million (8.0%) respectively. Investments were distributed among computers, electronic and optical products manufacturing with US\$560 million (23.5% of total direct investment), wholesale and retail trade with US\$400 million (16.6%), electronic parts and components manufacturing with investment with US\$330 million (13.6% of total direct investment), and chemical material manufacturing with US\$140 million (6.0%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 29 cases with the amount of US\$140 million in 1Q13. The number of approved Mainland China investment in Taiwan totaled to 371 cases with the amount of US\$640 million from June, 2009 to March, 2013, where mainly distributed in harbor port services, wholesale and retail trade, banking services, and accommodation services. The investment amounts for above industries are US\$140 million (21.6% of total amount), US\$94 million (14.7%), US\$91 million (14.2%), and US\$60 million (10.1%), 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 9.5% Year-On-Year to US\$59.1 billion in January and February 2013. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$30.0 billion with an increase of 3.0 % 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 1Q13 totaled to 1.2 million visitors with a reduction of 1.7% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of March 2013 totaled to 72.9 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 672 thousands Chinese visitors from Mainland China in January-March 2013 with an increase of 22.4%. Among these, 28 thousands visitors to Taiwan for economic and trade related activities with an increase of 11.4%, and 542 thousands visitors to Taiwan for tourism with an increase 23.4% Year-On-Year. In total, there have been 9.7 million Chinese visitors to Taiwan from 1987 to the end of March 2013.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 1,553 trips to Mainland China in J1Q13, which shows a reduction of 9.1% Year-On-Year. Meanwhile, 1,147 trips to Taiwan by the Chinese vessels have shown an increase of 20.6% Year-On-Year. In total, 75.3 thousand trips were made across the Taiwan Strait from 2001 to the end of March 2013.
- b. 159.1 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in 1Q13. And, 159.3 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 9.8 million visitors from 2001 to the end of March 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 768 thousands approved foreign investment projects had been accrued up to March 2013 since Mainland China adapted opening policy in 1979. In 1Q13, there were 4,822 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,306.0 billion from 1979 to the end of March 2013. In 1Q13, realized foreign direct investment reached to US\$30.0 billion. In 2012, Hong Kong & Macao reached to US\$66.1 billion or accounting for 59.1% of total realized foreign direct investments, followed by the British Virgin Islands with US\$7.8 billion or 7.0%, Japan with US\$7.4 billion or 6.6%, and Singapore with US\$6.3 billion or 5.6%.

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

In January and February 2013, U.S. imports from Taiwan and Mainland China respectively accounted for 1.7% and 19.7% of its total imports with unchanged figure from end of 2012. Besides, in the period of January to March 2013, Japan imports from Taiwan and Mainland China respectively accounted for 2.7% and 20.3% of its total imports with a decline of 0.1 and 0.5 percentage points from 2.8% and 20.8% at the end of 2012.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in January-March 2013 totaled to 17,386 cases with the total amount of US\$ 2.8 billion, where 277 cases in agricultural products with the value of US\$7.9 million and 17,109 cases in industrial products with US\$2.8 billion. According to the accumulated statistics to March 2013, Taiwan's Financial Supervisory Commission has approved 13 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 addition, one of the six representative offices was allowed to have its branch 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 representative offices in Taipei. One of the representative offices is allowed to have another branch in Taiwan.