

Brief Summary

Mainland China contains the spatial arbitrage to Hong Kong which forces the trading figure back to the fair market value. Even U.S. economy and Euro Fiscal problem are both under control perhaps get better than before. Mainland China's May export growth rate was only 1.0% and June PMI decreased 0.7 percentage points from that in May, which led to a poor Taiwan's export to Mainland China with a growth rate of 2.3% from Jan-May 2013. 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\$50.6 billion in Jan-May 2013 with a rise of 1.9% Year-On-Year. The value for Taiwan exporting to Mainland China has increased by 2.3% Year-On-Year to US\$33.4 billion while the value that imports from Mainland China has also risen by 1.0% Year-On-Year to US\$17.2 billion.
- b. In Jan-May 2013, Taiwan's trade with Mainland China accounted for 21.4% of Taiwan's total foreign trade with a decline of 0.6 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 15.3% of Taiwan's total imports with a decrease of 0.8 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 404 cases with the value of US\$6.9 billion, in which US\$4.7 billion was approved to invest in Mainland China in Jan-May 2013. Mainland China has attracted 68.1% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,452 cases from 1991 to the end of May 2013 with a value of US\$129.2 billion, which is 62.8% of Taiwan's total foreign investment. A total of 244 cases for the investment in Mainland China were approved in Jan-May 2013 with a reduction of 1.6% Year-On-Year, while the total value of approved investment in

Mainland China stands at US\$4.7 billion with a rise of 2.9% 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\$1.9 billion (40.3% of total investments), US\$1.1 billion (23.8%), US\$0.5 billion (10.6%), and US\$0.3 billion (5.3%) respectively. Investments were distributed among finance and insurance sector with US\$ 1.4 billion (29.6% of total direct investment), computers, electronic and optical products manufacturing with US\$0.7 billion (14.9%), electronic parts and components manufacturing with investment with US\$0.52 billion (11.2%), and wholesale and retail trade with US\$0.47 billion (10.0%).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 56 cases with the amount of US\$0.2 billion in Jan-May 2013. The number of approved Mainland China investment in Taiwan totaled to 398 cases with the amount of US\$0.7 billion from Jun, 2009 to May, 2013, where mainly distributed in harbor port services, banking services, wholesale and retail trade, and accommodation services. The investment amounts for above industries are US\$139.1 million (19.5% of total amount), US\$138.3 million (19.4%), US\$106.9 million (15.0%), and US\$64.9 million (9.1%), 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 10.9% Year-On-Year to US\$119.7 billion in Jan-Apr 2013. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$62.9 billion with an increase of 9.7 % 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-May 2013 totaled to 2.0 million visitors with a reduction of 6.0% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of May 2013 totaled to 73.37million 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 1198 thousands Chinese visitors from Mainland China in Jan-May 2013 with an increase of 14.3%. Among these, 51 thousands visitors to Taiwan for economic and trade related activities with an increase of 2.4%, and 969 thousands visitors to Taiwan for tourism with an increase 14.0% Year-On-Year. In total, there have been 10.3 million Chinese visitors to Taiwan from 1987 to the end of May 2013.

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

- a. Direct transport links' statistics. The Taiwanese vessels made 2,749 trips to Mainland China in Jan-May 2013, which shows a reduction of 8.0% Year-On-Year. Meanwhile, 1,888 trips to Taiwan by the Chinese vessels have shown an increase of 14.2% Year-On-Year. In total, 77.3 thousand trips were made across the Taiwan Strait from 2001 to the end of May 2013.
- b. 273 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-May 2013. And, 281 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 10.1 million visitors from 2001 to the end of May 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 772 thousands approved foreign investment projects had been accrued up to May 2013 since Mainland China adapted opening policy in 1979. In Jan-May 2013, there were 8,609 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,323.7 billion from 1979 to the end of May 2013. In Jan-May 2013, realized foreign direct investment reached to US\$47.6 billion. In Jan-March 2013, Hong Kong & Macao reached to US\$17.7 billion or accounting for 59.3% of total realized foreign direct investments, followed by Japan with US\$2.3 billion or 7.7%, the British Virgin Islands with US\$1.7 billion or 5.7%, and Singapore with US\$1.5 billion or 5.0%.

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

In January to April 2013, U.S. imported from Taiwan and Mainland China respectively accounted for 1.6% and 17.9% of its total imports with declines of 0.1% and 1.8% 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-May 2013, Japan imported from Taiwan and Mainland China respectively accounted for 2.7% and 20.8% of its total imports with a decline of 0.1 and 0.0 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-May 2013 totaled to 32,711 cases with the total amount of US\$ 4.8 billion. The ECFA early harvest program has accumulatively reduced tariffs with a total of US\$ 0.8 billion from January, 2011 to April, 2013, and the import value from Taiwan to Mainland China in Jan-April was US\$7.3 billion with an increase of 15.7% year-on-year by referring to Mainland China Customs statistics. According to the accumulated statistics to April 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.