

Brief Summary

China is undertaking its structural reform and property downturn weighed on demand, the economy expanded 7.3 percent in the third quarter from 7.5 percent in the second quarter, it was the weakest record since the first quarter of 2009. At the APEC CEO summit, China's President Xi Jinping said "Some worry whether China's growth rate will slow down further, or whether China can overcome the obstacles: Risks are indeed there, but they're not that scary,"

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\$97.3 billion in Jan-Sep 2014 with the increase of 5.6% Year-On-Year. The value for Taiwan exports to Mainland China has increased by 1.4% Year-On-Year to US\$61.5 billion while the value that imports from Mainland China has increased by 13.6% Year-On-Year to US\$35.8 billion.
- b. In Jan-Sep 2014, Taiwan's trade with Mainland China accounted for 22.0% of Taiwan's total foreign trade, equal to the end of 2013. Exports to Mainland China accounted for 26.2% of Taiwan's total exports, a decrease of 1.1 percentage points from 27.3% at the end of 2013, while imports from Mainland China accounted for 17.2% of Taiwan's total imports has increased by 1.0 percentage points from 16.2% at the end of 2013.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, the number of approved foreign investment totaled to 720 cases with the value of US\$14.0 billion, in which US\$7.7 billion was approved to invest in Mainland China in Jan-Sep 2014. Mainland China has attracted 54.7% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 41,129 cases from 1991 to the end of September 2014 with a value of US\$141.4 billion, which is 62.2% 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-Sep 2014 with a reduction of 3.2% (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\$7.7 billion with a increase of 16.1%

(the post-registration is uncovered) Year-On-Year.

Taiwan's investments mainly located in Jiangsu, Fujian, Guangdong, Shanghai and other areas in Mainland China with the investment values of US\$2,030.4 million (26.5% of total investments), US\$1,142.2 million (14.9%), US\$983.0 million (12.8%), and US\$900.9 million (11.7%) respectively. Investments were distributed among financial and insurance with US\$1,389.8 million (18.1% of total direct investment), computers, electronic and optical products Manufacturing with US\$1,143.6 million (14.9%), wholesale and retail trade with investment with US\$883.5 million (11.5%), and electronic parts and components manufacturing with US\$ 774.9 million (10.1%).

The proportion of Taiwan's service sector invested in Mainland China would be higher among the increasing effects of The China (Shanghai) Pilot Free Trade Zone and Cross-strait trade in Services Agreement. Furthermore, the deepening reform of major issues proposed by the CPC Central Committee which plans to deregulate the approval of investment in Mainland China, that is expected to gradually increase the proportion of investing service industry in Mainland China by Taiwan's enterprises.

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 98 cases with the amount of US\$263.9 million in Jan-Sep 2014. The number of approved Mainland China investment in Taiwan totaled to 581 cases with the amount of US\$1.1 billion from June, 2009 to September, 2014, where mainly distributed in wholesale and retail trade, banking services, harbor port services, and electronics parts and components manufacturing. The investment amounts for above industries are US\$271 million (24.0% of total amount), US\$198 million (17.6%), US\$139 million (12.3%), and US\$126 million (11.2%), 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 7.9% Year-On-Year to US\$253.9 billion in Jan-Aug 2014. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$133.8 billion with an increase of 6.0% 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 Jan-Sep 2014 totaled to 4.0 million visitors with an increase of 3.6% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of September 2014 totaled to 80.8 million visitors.

(6) Mainland Chinese 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 2.6 million Chinese visitors from Mainland China in Jan-Aug 2014 with an increase of 37.4%. Among these, 160.8 thousands visitors to Taiwan for economic and trade related activities with an increase of 89.1%, and 2.2 million visitors to Taiwan for tourism with an increase of 45.3% Year-On-Year. In total, there have been 14.5 million Chinese visitors to Taiwan from 1987 to the end of August 2014.

In addition, Mainland Chinese visitors to Taiwan could be reduced than before due to the tourism act forcing in October. However, a surprising outcome was found that the Mainland Chinese tourists continued to grow in recent months without influencing by the higher tour prices. In the future, the expected Mainland Chinese visitors would be increased with the relaxation of restrictions for self-guided tourists, thus could help to increase the average consumption amounts for each visitor as well as to 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 4,775 trips to Mainland China in Jan-Sep 2014, which shows a reduction of 6.5% Year-On-Year. Meanwhile, 3,509 trips to Taiwan by the Chinese vessels have shown an increase of 2.2% Year-On-Year. In total, 92.5 thousand trips were made across the Taiwan Strait from 2001 to the end of September 2014.
- b. 567 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Sep 2014. And 572 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 12.1 million visitors from 2001 to the end of September 2014 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, the number of approved foreign investment totaled to 803 thousands projects with US\$1,481.1 billion from 1979 to the end of September 2014. In Jan-Sep 2014, there were 17,247 approved foreign direct investments in Mainland China.

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

In January to August 2014, U.S. imported from Taiwan accounted for 1.7% which is the same as the end of 2013, and imported from Mainland China accounted for 19.0% which was dropped by 1.6 percentage points from end of 2013. In Jan-Aug 2014, Japan imported from Taiwan and Mainland China respectively accounted for 3.0% and 21.4% of its total imports with increase of 0.4 percentage points and decrease 0.2 percentage points from the end of 2013, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Oct 2014 totaled to 74,246 cases with the total amount of US\$ 7.1 billion. According to the accumulated statistics to September 2014, Taiwan's Financial Supervisory Commission has approved 13 Taiwan's banks open branches in Mainland China, in which 14 branches and 8 sub-branches have started their business and 4 banks established representative offices in Mainland China. In insurance industry, Taiwan's Financial Supervisory Commission has approved 10 Taiwan's insurance companies and 2 insurance broker companies participate the equity in Mainland China, which 6 insurance companies and an insurance broker company has started the businesses and established 14 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 3 branches and a representative office in Taiwan.