

Brief Summary

In January-February 2014, the economic recovery in Europe and America drove the growth of Taiwan's exports, but China's major economic index performances were weak over the same period, such as fixed investment, industrial added value and purchase managers' index, making cross-strait trade was worse than the same period last year.

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\$18.1 billion in Jan-Feb 2014 with a decline of 2.9% Year-On-Year. The value for Taiwan exports to Mainland China has decreased by 3.2% Year-On-Year to US\$11.8 billion while the value that imports from Mainland China has also decreased by 2.4% Year-On-Year to US\$6.3 billion.
- b. In Jan-Feb 2014, Taiwan's trade with Mainland China accounted for 20.9% of Taiwan's total foreign trade with a decline of 1.1 percentage points from 22.0% at the end of 2013. Exports to Mainland China accounted for 25.8% of Taiwan's total exports, a decrease of 1.5 percentage points from 27.3% at the end of 2013, while imports from Mainland China accounted for 15.4% of Taiwan's total imports has also decreased by 1.8 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 149 cases with the value of US\$3.0 billion, in which US\$2.4 billion was approved to invest in Mainland China in Jan-Feb 2014. Mainland China has attracted 79.1% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 40,830 cases from 1991 to the end of February 2014 with a value of US\$136.0 billion, which is 63.0% of Taiwan's total foreign investment. A total of 68 cases for the investment in Mainland China covering the post-registration were approved in Jan 2014 with a reduction of 46.1% (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\$2.4 billion with an expansion of 67.9% (the post-registration is uncovered) Year-On-Year. Taiwan's investments mainly located in

Jiangsu, Guangdong, Fujian, Shanghai and other areas in Mainland China with the investment values of US\$561.0 million (23.7% of total investments), US\$418.0 million (17.7%), US\$324.0 million (13.7%), and US\$311.0 million (13.2%) respectively. Investments were distributed among Non-metallic Mineral Products Manufacturing with US\$ 513.0 million (21.7% of total direct investment), Chemical Material Manufacturing with US\$345.0 million (14.6%), wholesale and retail trade with investment with US\$309.0 million (13.1%), and Financial and Insurance with US\$240.0 million (10.2%). 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 21 cases with the amount of US\$7.1 million in Jan-Feb 2014. The number of approved Mainland China investment in Taiwan totaled to 504 cases with the amount of US\$0.87 billion from June, 2009 to February, 2014, where mainly distributed in wholesale and retail trade, harbor port services, banking services, and electronics parts and components manufacturing. The investment amounts for above industries are US\$160 million (18.3% of total amount), US\$139 million (16.0 %), US\$138 million (15.9%), and US\$114 million (13.1%), 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 11.5% Year-On-Year to US\$38.9 billion in Jan 2014. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$19.6 billion with an increase of 6.4 % 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-Feb 2014 totaled to 801 thousands visitors with a reduction of 1.0% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of February 2014 totaled to 77.6 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 265.9 thousands Chinese visitors from Mainland China in Jan 2014 with an increase of 35.7%. Among these, 13.5 thousands visitors to Taiwan for economic and trade related activities with an increase of 13.5%, and 221.2 thousands visitors to Taiwan for tourism with an increase of 44.8% Year-On-Year. In total, there have been 12.2 million Chinese visitors to Taiwan from 1987 to the end of January 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 521 trips to Mainland China in Jan 2014, which shows a reduction of 7.8% Year-On-Year. Meanwhile, 392 trips to Taiwan by the Chinese vessels have shown a reduction of 4.4% Year-On-Year. In total, 85.2 thousand trips were made across the Taiwan Strait from 2001 to the end of January 2014.
- b. 103 thousands visitors (including foreigners, residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Feb 2014. And, 111 thousands visitors (including foreigners, residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 11.2 million visitors from 2001 to the end of February 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, a total of 788 thousands approved foreign investment projects had been accrued up to February 2014 since Mainland China adapted opening policy in 1979. In Jan-Feb 2014, there were 2,764 approved foreign direct investments in Mainland China. For realized foreign direct investment, there were US\$1,404.4 billion from 1979 to the end of February 2014.

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

In January to December 2013, U.S. imported from Taiwan accounted for 1.7% which remains the same market share as the end of 2012, and imported from Mainland China accounted for 19.4% which was dropped by 0.3% from end of 2012. Abe's cabinet proposed an economic stimulation plan with value of JPY\$ 20 trillion and further QE policy which brings a positive impact on Japan's economy. On the other hand, the depreciation in JPY affected Taiwan and Mainland China's exports to Japan. In Jan-Feb 2014, Japan imported from Taiwan and Mainland China respectively accounted for 2.9% and 21.1% of its total imports with increases of 0.3% and decrease 0.5% from the end of 2012, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Feb 2014 totaled to 12,022 cases with the total amount of US\$ 1.6 billion. According to the accumulated statistics to Feb 2014, Taiwan's Financial Supervisory Commission has approved 13 Taiwan's banks open branches in Mainland China, in which 11 branches and 3 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 9 Taiwan's insurance companies participate the equity in Mainland China, and 6 insurance companies 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.