

Brief Summary

In mid-August, People's Bank of China adjusted the yuan quotations without warning as well as the global trade demand weakened, triggering Asian currency devaluation race. Despite Mainland China Prime Minister Li Keqiang's saying that RMB would not possibly depreciate in long term and this led yuan going up slightly, but other countries did hope devaluation to boost their exports, thus the depreciation of New Taiwanese Dollar and South Korea Dollar were 0.96% and 1.06% respectively in September 2015.

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 was US\$77.9 billion in Jan-Aug 2015 with the decrease of 9.7% Year-On-Year. The value for Taiwan exports to Mainland China has decreased by 11.3% Year-On-Year to US\$48.6 billion while the value that imports from Mainland China has decreased by 7.1% Year-On-Year to US\$29.3 billion.
- b. In Jan-Aug 2015, Taiwan's trade with Mainland China accounted for 22.5% of Taiwan's total foreign trade, a decrease of 0.3 percentage points from 22.8% at the end of 2014. Exports to Mainland China accounted for 25.6% of Taiwan's total exports, a decrease of 0.5 percentage points from 26.1% at the end of 2014, while imports from Mainland China accounted for 18.7% of Taiwan's total imports, a decrease of 0.1 percentage points from 18.8% at the end of 2014.

(2) Taiwan Investment in Mainland China

According to the Investment Commission, MOEA, Taiwan, the number of approved foreign investment totaled to 597 cases with the value of US\$15.4 billion, in which US\$6.8 billion was approved to invest in Mainland China in Jan-Aug 2015. Mainland China has attracted 43.8% of Taiwan's total foreign investment where it became the foremost destination for Taiwan's foreign investment. Approved investment to Mainland China accumulated to 41,554 cases from 1991 to the end of August 2015 with a value of US\$150.7 billion, which is 61.2% of Taiwan's total foreign investment.

A total of 295 cases for the investment in Mainland China covering the post-registration were approved in Jan-Aug 2015 with a decrease of 16.2% (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\$6.8 billion with a increase of 2.8% (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\$1,799.9 million (26.6% of total investments), US\$1,289.6 million (19.1%), US\$770.5 million (11.4%), and US\$698.3 million (10.3%) respectively. Investments were distributed among Financial and Insurance with US\$ 1,686.1 million (25.0%), electronic parts and components manufacturing with US\$748.4 million (11.1% of total direct investment), Pulp, Paper and Paper Products Manufacturing with US\$555.3 million (8.2% of total direct investment) and Computers, Electronic and Optical Products Manufacturing with US\$ 500.7 million (7.4 % of total direct investment).

(3) Mainland China Investment in Taiwan

According to the Investment Commission, MOEA, Taiwan, the number of approved Mainland China investment in Taiwan totaled to 91 cases with the amount of US\$79.2 million in Jan-Aug 2015. The number of approved Mainland China investment in Taiwan totaled to 710 cases with the amount of US\$1.3 billion from June, 2009 to August, 2015, where mainly distributed in wholesale and retail trade, banking services, electronics parts and components manufacturing, and harbor port services. The investment amounts for above industries are US\$325.0 million (25.4% of total amount), US\$201.4 million (15.8 %), US\$145.5 million (11.4%), and US\$139.1 million (10.9%), 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 3.3% Year-On-Year to US\$233.1 billion in Jan-Jul 2015. Meanwhile, the remittances from Mainland China to Taiwan totaled to US\$142.3 billion with an increase of 20.4% 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-Aug 2015 totaled to 3.6 million visitors with an increase of 3.1% Year-On-Year. The number of Taiwan tourists to Mainland China from 1987 to the end of August 2015 totaled to 85.8 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 2.7 million Chinese visitors from Mainland China in Jan-Aug 2015 with an increase of 5.7%. Among these, 183.5 thousands visitors to Taiwan for economic and trade related activities with an increase of 14.1%, and 2.2 million visitors to Taiwan for tourism with an increase of 0.9%. In total, there have been 18.6 million Chinese visitors to Taiwan from 1987 to the end of August 2015.

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 3,804 trips to Mainland China in Jan-Aug 2015, which shows a reduction of 10.9% Year-On-Year. Meanwhile, 3,176 trips to Taiwan by the Chinese vessels have shown an increase of 2.4% Year-On-Year. In total, 102.3 thousand trips were made across the Taiwan Strait from 2001 to the end of August 2015.
- b. 572 thousands visitors (including residents of Taiwan and Mainland China) arrived to Kinmen and Matsu in Jan-Aug 2015. And 580 thousands visitors (including residents of Taiwan and Mainland China) departed from Kinmen and Matsu in the same period. A total of 13.5 million visitors from 2001 to the end of August 2015 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 826.7 thousands projects with US\$1,598.6 billion from 1979 to the end of August 2015. In Jan-Aug 2015, there were 16,827 approved foreign direct investments in Mainland China.

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

In Jan-Jul 2015, U.S. imported from Taiwan accounted for 1.8% which rose 0.2% from the end of 2014, and imported from Mainland China accounted for 20.6% which decrease by 0.1 percentage points from end of 2014. In Jan-Aug 2015, Japan imported from Taiwan and Mainland China respectively accounted for 3.6% and 23.9% of its total imports with increase of 0.7 percentage points and 1.3 percentage points from the end of 2014, respectively.

4. The Implementation of ECFA Early Harvest Program

The number of approved certificates of origin in Jan-Aug 2015 total to 68,734 cases with the total amount of US\$ 6.3 billion. According to the accumulated statistics to August 2015, Taiwan's Financial Supervisory Commission has approved 13 Taiwan's banks open branches in Mainland China, in which 24 branches and 11 sub-branches have started their business and 3 banks established representative offices in Mainland China. In insurance industry, Taiwan's Financial Supervisory Commission has approved 12 Taiwan's insurance companies and 3 insurance broker companies participating the equity in Mainland China which 6 insurance companies and 2 insurance broker companies has started the businesses and established 14 representative offices among these 12 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.