

## **29th MAC Council Meeting Approves Draft Amendments to Article 40-1, Article 93-1, and Article 93-2 of the Cross-Strait Act to Maintain the Order and Normal Operation of Taiwan's Economy**

News Reference Material

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The 29th Council Meeting of the Mainland Affairs Council (MAC) deliberated and approved the “Draft Amendments to Article 40-1, Article 93-1, and Article 93-2 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area (hereinafter the “Cross-Strait Act”)” on November 30 this year (2021). The amendments stipulate management mechanisms and related penalties for mainland Chinese enterprises that conduct bypass business operations in Taiwan through a third location and dummy proxies to strengthen and maintain the order and normal operation of Taiwan's economy. The draft amendments will be sent to the Executive Yuan for approval in accordance with administrative procedures and then submitted to the Legislative Yuan.

In recent years, mainland Chinese profit-seeking enterprises often conducted unpermitted business activities in Taiwan “through local Taiwanese collaborators,” “through enterprises they invested in a third place,” “in other people's name,” and by other illegal methods with the intention to poach tech talent from Taiwan's high-tech industry in an attempt to draw away Taiwan's strengths for their own benefit. Such actions have seriously affected Taiwan's economic order and national interests. In fact, to circumvent review procedures for investment in Taiwan, mainland Chinese investors have repeatedly invested in Taiwan illegally under other people's names, and deliberately disguise and hide their identity or funding sources.

The MAC drafted the amendments to Article 40-1 and Article 93-2 of the Cross-Strait Act in deliberation with relevant agencies to effectively deter the aforementioned illegal acts. The amendments regulate against illegal acts by mainland Chinese profit-seeking enterprises bypassing through a third place. The amendments also increase the penalty for such actions from one-year imprisonment to three-year imprisonment to protect industrial development and trading order in Taiwan. In addition, the MAC drafted amendments to Article 93-1 of the Cross-Strait Act to include regulations against providing one's name to mainland Chinese capital to

circumvent the approval process required for mainland Chinese investment in Taiwan. Under the amended rules, the competent authorities may fine violators between NT\$120,000 and NT\$25 million. Violators may be ordered to terminate, withdraw their investment or make corrections within a specified time limit. Shareholder rights may be suspended as needed.

To effectively maintain the steady development of Taiwan's capital market and economic order, and ensure the competitive edge of Taiwan's high-tech industry, the MAC takes into account overall national security and economic interests as it ramps up legislation on the management of mainland Chinese business operation and investment in Taiwan. This will form a complete and pragmatic defense mechanism for the government to effectively prevent the aforementioned illegal acts from sabotaging Taiwan's national security and economic order.