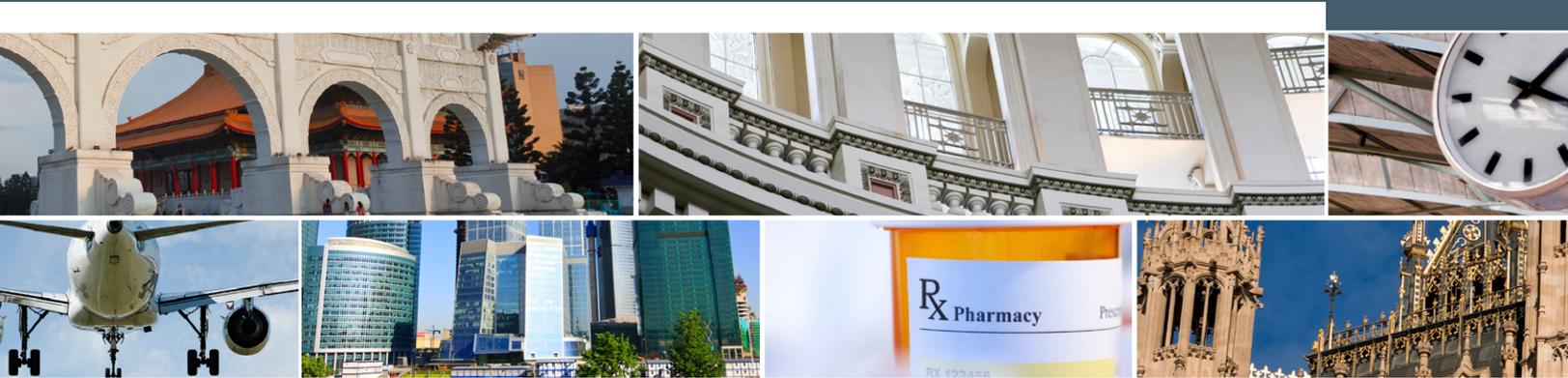


An Excerpt From:

K&L Gates Global Government SolutionsSM 2011: Annual Outlook



January 2011

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Introduction to New Rules for Mainland Investment in Taiwan

Recently, with the increasingly closer economic and trade exchanges between Mainland China and Taiwan, more and more mainland enterprises have chosen to make direct investments in Taiwan. In June 2010, the Economic Cooperation Framework Agreement (the "ECFA") between the two sides of the Taiwan Strait was successfully executed. As a result, the PRC National Development and Reform Commission (the "NDRC"), the Ministry of Commerce (the "MOFCOM") and the Taiwan Affairs Office of the State Council (the "Taiwan Affairs Office") jointly released the Measures for Administration of Investment in Taiwan by Mainland Enterprises (the "New Measures") on November 23, 2010. The New Measures, with the purpose of further encouraging, guiding and regulating mainland investments and improving the prosperous economic relations between the two sides of the Taiwan Strait, effectively integrate previous regulations and rules, minimize their discrepancies, and enhance the governmental support of mainland investments in Taiwan.

Requirements for the Mainland Investor

Under the New Measures, the requirements for mainland investors to invest in Taiwan are:

1. Be an enterprise legally registered and operating on the mainland;
2. Have enough capital, technical, and management capabilities in the relevant industry; and
3. Promote the peaceful development of cross-strait relations and impose no threat to national security and reunification.

Examination and Approval of Mainland Investment in Taiwan

The New Measures require that all investment projects in Taiwan

be examined and approved by the NDRC in accordance with the Interim Administrative Measures for the Examination and Approval of Overseas Investment Projects (2004) (the "Examination and Approval Measures").

Local enterprises will have to file applications with the NDRC's offices at the provincial level. After a preliminary examination, NDRC's local offices shall submit the proposed projects to the NDRC for approval based on a number of criteria, including the capability of the investor and the impact of the investment on national security.

State-owned enterprises directly managed by the central government ("central enterprises") are required to apply to the NDRC for their proposed

projects to be examined and approved by the NDRC directly. The NDRC will consult with the Taiwan Affairs Office during the course of the examination.

For those enterprises that intend to establish a for-profit enterprise or a non-profit entity in Taiwan, approval from the MOFCOM is required pursuant to the Administrative Measures for Overseas Investment (2009) (the "Administrative Measures").

Local enterprises are required to submit to preliminary examinations at a local department of the MOFCOM before they can obtain final approval from the MOFCOM itself. Central enterprises are required to apply to the MOFCOM directly. In the course of examination, the MOFCOM will consult with the Taiwan Affairs Office. However, for those projects that have already been reviewed by the Taiwan Affairs Office through the NDRC process, the MOFCOM will make decisions directly. Upon approval, a Certificate of Overseas Investment will be issued.

Preference Policies

The New Measures explicitly indicate that mainland enterprises, which qualify for certain conditions in accordance with the ECFA (effective on Sept. 12, 2010) and its appendices, will enjoy the benefits of the preference policies under the ECFA. The primary elements of these policies include commitments to open areas for investment such as conference

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and exhibition services, special commodity design services, movie reproduction services, broker services, sports and entertainment, computerized aerial positioning systems, and banking and other financial services (except for securities, futures and insurance) in Taiwan.

Governmental Support

The New Measures also emphasize the role of the NDRC, the MOFCOM and the Taiwan Affairs Office in supporting mainland investment in Taiwan. The three regulatory bodies will provide guidance to enterprises through various channels, including overseas investment consulting service systems and investment guidelines. The New Measures also provide for enhanced training regarding Taiwan investments for mainland investors, which will be provided by government agencies and industry associations.

Overview of Relevant Regulations on the Taiwan Side

In addition to the New Measures, Taiwan has been drafting and amending

related rules since 2003 in order to respond to the closer economic and trade ties between the two sides of the Taiwan Strait. Taiwan has issued regulations to specify industry categories in which mainland enterprises are permitted to invest, as well as approval procedures for setting up a subsidiary, branch or representative office in Taiwan. The competent approving authority is the Investment Examining Commission under the Department of Economic Affairs of Taiwan (the "Investment Commission").

If mainland investments fall within any industry category permitted by the Department of Economic Affairs of Taiwan, a letter of approval will be granted by the Investment Commission. The mainland investor will be permitted to proceed to the registration procedures with the Department of Commerce under the Department of Economic Affairs or the local authority governing commercial matters with the Letter of Permission. (The permitted categories are defined in the Listing of Mainland Residents' Permitted Investment in Taiwan. Please visit the website

<http://www.moeaic.gov.tw/> for information regarding the Listing. The Listing is in Chinese only; no English version is available.) The industries which mainland enterprises are permitted to invest in include: (i) the manufacturing industry, for example, the textile industry and the manufacturing of electronic parts; (ii) the service industry, for example, the restaurant industry, e-commerce and web portal sites; and (iii) public infrastructure projects in which investment is permitted, for example, designated civilian airport terminal projects and designated tourism and recreation facilities. With the development of cross-strait trade and the effectiveness of the ECFA, the list of categories is expected to be extended soon.

Yujing Shu (Beijing)
yujing.shu@klgates.com

James Jeng-Yang Chen (Taipei)
james.chen@klgates.com

Iris He (Beijing)
iris.he@klgates.com

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