

# SOUTH KOREA<sup>1</sup>

## SUMMARY

Korea's<sup>2</sup> experience with multi-party democracy has been brief. The transition from quasi-military authoritarian rule to democratic governance began in 1987. The legacy of the authoritarian era, however, is still reflected in the democratic political party system. Political parties also have not had time to become well-defined, fully democratic institutions. Parties in Korea resemble each other in structure and practice and are characterized by highly centralized leadership and regional bases of political support. Furthermore, an embedded system of patronage and political corruption binds certain political leaders and parties to the captains of the economy.

Money has greatly influenced political competition in Korea. Even before the Asian economic crisis, Korean society recognized the magnitude of the problem of political corruption and its impact on national development. The economic crisis, and the partial collapse of the Korean economy that accompanied it, however, heightened public awareness of the need to strengthen efforts to eradicate corruption. The people of Korea have demanded political and economic reforms.

In response to the challenge of political corruption, Korea has relied almost exclusively on enacting legislation to reform party activities. As a result, an extensive legal framework rigidly governs political party operations, elections, and political finance. Perhaps because of this reliance on legislative remedies, Korean political parties have undertaken very few independent internal reforms. While individual party leaders and reformers have questioned party practices, political parties as a whole have been slow to democratize. The primary political party reform strategy, for all of the nation's parties, has been to promote improvements in the legal framework governing party operations.

## BACKGROUND

### Political Context

#### *Transition to Democracy*

The Republic of Korea was established in 1948, following the end of World War II and the Japanese occupation of the Korean peninsula. Its first decade, however, was dominated by the conflict between the north, supported by the Soviet Union and China, and the south, supported by the United States. The conflict has left the Korean peninsula divided.

In the south, conservative politician Syngman Rhee became the first elected president of Korea. Authoritarianism and corruption were the dominant characteristics of his rule, and he was ultimately forced to resign in 1960 following allegations of ballot tampering and ensuing student demonstrations. The government that succeeded him was administratively weak and, as a result, survived for only a brief period. The failure of the elected government paved the way for a bloodless military coup in 1961, led by General Park Chung Hee. This marked the beginning of three decades of military domination of the political process.

General Park immediately declared a state of emergency, dissolved the elected legislature, suspended the constitution, and disbanded political parties. Although he retired from the military and made efforts to restore indirect civilian rule, Park led Korea in an autocratic manner until 1979. Park's regime made it a crime to criticize the government, imposed martial law, and repressed, harassed, and imprisoned opposition party leaders. During Park's rule, the current president, Kim Dae Jung, was repeatedly imprisoned for political crimes and was at one point sentenced to death. General Park ultimately became a victim of his own authoritarian rule and was assassinated by his security apparatus in 1979.

During Park's rule, however, Korea underwent a tremendous economic transformation. The Korean economy was completely altered from one primarily based on fishing and agriculture to one based on a thriving industrial sector. Economic growth approached 10 percent annually. The state coordinated economic development closely through several massive corporate conglomerations, *chaebols*, which received state subsidies and were allegedly the source of political kickbacks. The conglomerates continue to control much of the Korean economy today.

The end of Park's rule was followed by a short period of democratic liberalization. However, in 1980, another bloodless military coup led by Lt. General Chun Doo Hwan replaced the civilian government. When student protests occurred in the spring of 1980, Chun declared martial law, banned demonstrations, and arrested many opposition politicians and dissidents. Though martial law was rescinded in 1981, the government retained broad political powers. Subsequent elections were closely controlled, political opposition was forced to operate under heavy restrictions, and the military regime utilized the full resources of the state in its campaign. Not surprisingly, Chun Doo Hwan won the presidential election in 1981.

ment, the executive, legislative, and judiciary, with significant political power tilted in favor of the president. The military is charged by Article 5 of the constitution to maintain political neutrality.

Since the 1987 reforms, the president has been directly elected by popular vote, requiring a plurality of votes to secure victory. The president is elected for a five-year term and is limited to serving a single term. The constitution makes no provision for a vice president. The president appoints a prime minister and, based upon the recommendations of the prime minister, appoints a state council of 15 to 30 members, which serves as the national cabinet. Although the constitution grants greater powers to the president over other branches, presidential power is limited to a far greater extent than during the previous authoritarian era and is checked by the legislative branch. The next presidential election is scheduled for December 2007.

The legislative branch is the unicameral National Assembly. The National Assembly approves presidential actions and introduces and passes legislation. The legislature may move to impeach the president and is specifically authorized to investigate government affairs. Members of the National Assembly are directly elected for four-year terms, with no limitation on the number of terms a single legislator may serve. The constitution originally established a National Assembly of 299 members, though that number has since been reduced to 273. In the last National Assembly elections in 2000, the Grand National Party (GNP) won 133 seats, the Millennium Democratic Party (MDP) of Kim Dae Jung won 115 seats, and the United Liberal Democrat Party (ULD) earned 17 seats. In early 1998, the MDP and ULD came together to form a coalition in the Assembly, although this partnership fell apart in September 2001. The next National Assembly election will be held on April 15, 2004.

The electoral system is a mixed system that includes single-member constituencies and proportional representation through party lists. Voters directly elect 227 members in single-member constituencies under the first-past-the-post system, and the remaining 46 seats are filled from nationwide party lists under a proportional allocation of seats. Voters cast a single vote for the local district candidate, with that vote also counting as a vote for the candidate's party list. Although this model is typically candidate-focused, the regional support bases for party politics in Korea make party affiliation extremely important, strengthening the role of parties in the electoral process. Despite a 30 percent quota for women candidates on the party lists for proportional seats in the National Assembly, only five women were elected in the December 2000 election.<sup>3</sup>

## *Current Political Climate*

A critical issue in Korean political debate has for several decades been the relationship between South Korea and North Korea, arguably the world's most repressive country. The stated policy of both the north and the south is a desire for eventual re-unification of the Korean nation. The details and methodology for achieving unification, however, remain unresolved. Global political events, most notably the fall of the Soviet Union, led to a greater push in South Korea for more cordial relations with North. In recent years, the government of Kim Dae Jung has emphasized warmer relations with the north, named the "Sunshine Policy," leading to the historic first meeting between Kim Dae Jung and Kim Jong Il.

The meeting between these heads of state led to international acclaim for Kim Dae Jung, earning him the Nobel Peace Prize. Domestically, however, the Sunshine Policy has been greeted with widespread skepticism and is often viewed as "too soft" on North Korea. Critics, including many opposition leaders, argue that national security must remain the highest priority, and there is still distrust of Kim Jong Il. Despite the south's Sunshine Policy, the north has not reciprocated by offering better cooperation, such as agreeing to a rail linkage or regularizing family reunions. Attempted North Korean infiltrations into the south, including a June 1999 border skirmish caused by two North Korean patrol boats crossing the U.N. declared border in the West Sea and a 1996 incursion into South Korean territorial waters by a North Korean submarine, have fueled suspicions of the north. In addition, critics express concern about the possible ramifications of warmer north-south relations on the struggling South Korean economy. Disagreement over Kim Dae Jung's Sunshine Policy reached a critical juncture in September 2001, when parliament handed a no-confidence vote to Kim's unification minister Lim Dong Won. The ruling coalition collapsed, and the entire cabinet resigned, throwing the government into political disarray.

The economic slowdown is another important topic of political debate. In the three decades following the Park government's First Five-Year Economic Development Plan in 1962, South Korea enjoyed high annual growth rates. This rapid economic development propelled Korea to the rank of the 11th largest economy in the world and secured the country's acceptance into the Organization for Economic Cooperation and Development (OECD) as a "developed" nation. Corrupt ties between the state and corporate conglomerates and the absence of transparency and accountability in economic and political affairs, however, accompanied the period of rapid growth of the Korean economy. The financial crisis of 1997 was seen as a repudiation of the state-sponsored economy, the system of state subsidies, and corruption. The results

have been painful for Korea. Rather than 8 to 10 percent economic growth, in 1997, the Korean economy contracted to 5 percent, leading to unemployment and a general decrease in the standard of living.<sup>5</sup> In 1998, over 1.5 million people were out of work, one in five households had someone unemployed, and suicide rates rose by 50 percent.<sup>6</sup> The poverty rate also rose to an unprecedented 23.5 percent in 1998.<sup>7</sup>

Injected with foreign aid, and subsequent economic restructuring, however, GDP rose again by 10.7 percent in 1999 and unemployment fell below 4 percent. In the first stage of economic reforms: the government tightened financial regulations; financial institutions were consolidated through mergers and acquisitions; accounting practices were reviewed; a Tripartite Commission on labor was established; and several job-training programs were initiated.<sup>8</sup> The government has also pledged to foster a “digital” sector, and has taken on several Internet based programs, such as the city of Seoul’s initiative to post all applications for permits and contracts on-line to allow for monitoring and ensure competitive bidding.<sup>9</sup> Despite these improvements, the economic outlook in Korea remains unpredictable, traditional management practices continue to thrive, and projections now estimate that Korea’s real GDP growth may slow to 2.5 percent.<sup>10</sup> Citizens are demanding further economic reforms.

The issue of political reform also ranks highly on the public agenda. Given the close links between the economic collapse and political corruption, the Korean public, and the international community, laid much of the blame for the financial crisis with politicians. The \$57 billion bailout, to which the IMF, World Bank, the Asian Development Bank, and seven nations contributed, demanded not only economic reforms but also political ones in exchange for the much-needed financial aid. Fierce public demands for political reform also played a major role in the 1997 presidential election victory of Kim Dae Jung, who ran on a reform platform. As promised, Kim Dae Jung’s administration has overseen the successful passage of important anti-corruption provisions, discussed below. Many reforms, however, including changes to the legislative framework governing political competition, have been hindered due to a lack of political support among legislators and scandals involving members of his administration and family.<sup>11</sup> The pace of reforms has not kept up with public demands for a new style of political competition based on transparency, accountability, and democracy.

The current political climate is also marked by partisan struggles and stalemate in the Assembly, hindering reform legislation. When Kim Dae Jung assumed office, the Grand National Party (GNP) held the majority of the seats in the legislature and refused to cooperate with Kim Dae Jung’s ruling party, the National Congress of New Politics (now, Millennium Democratic Party).<sup>12</sup> By

September 1998, some members of the GNP defected, giving the NCNP-ULD coalition a small minority. In the 2000 National assembly elections, however, the GNP earned more seats than the MDP, formerly the NCNP, and the coalition between the ULD and the MDP ultimately fell apart. As a result, there has been a lack of inter-party cooperation and the ruling and opposition parties have clashed on major issues. Many of Kim Dae Jung's promised political reforms also remain gridlocked in the Assembly.

The current deadlock in parliament is accompanied by a crisis of leadership. Kim Dae Jung, who at one point enjoyed approval ratings of 80 percent, is struggling to lead.<sup>13</sup> In an effort to avert political paralysis, in November 2001 Kim resigned as the leader of the MDP and pledged to concentrate on the issues without partisan loyalties. This was followed by a cabinet reshuffle in early 2002. In an attempt to build cross-party support, most new ministers and advisers were drawn from outside the political arena. As President Kim ended his five-year term, he faced low public approval ratings and fierce partisan politics.

### *Corruption and Government Anti-Corruption Efforts*

Corruption ranks as one of the most important public policy issues among the Korean public. In a recent survey, Koreans ranked corruption (21.7%) second only to economic development (22.1%) as "the most important national priority to be addressed in the coming decade."<sup>14</sup>

The most commonly identified form of corruption in Korea is the financing of powerful politicians by corporate conglomerates. One analyst interviewed noted, "Political financing is the root cause of corruption." The absence of transparency in government and business relations has fueled these "collusive connections between politicians, government officials, and businessmen."<sup>15</sup> Korean conglomerates grew through their dependence on government loans, regulatory protections, and contracts. In return, the conglomerates created slush funds to finance political campaigns and bribe government officials for further benefits. It is alleged that these corporations sometimes used borrowed money to fund corrupt activities, and many banks now have extremely high levels of non-performing loans as a result. Investigations into the size of corporate slush funds conducted by the Committee for the Prevention of Corruption in 1996 revealed that the funds varied from .9 percent to 1.25 percent of total revenues.<sup>16</sup>

The "Slush Fund Scandal" of Roh Te Woo's administration is illustrative of the problem, although certainly not unusual. From 1987 to 1992, then-President Roh Te Woo created a slush fund of billions of *won*<sup>17</sup> through

illegal contributions from corporate conglomerates in exchange for political preference in the state-led economic development plan.<sup>18</sup> Each of the major corporate conglomerates reportedly contributed four billion to 25 billion *won* during Roh Te Woo's term. In return, state funds in the form of economic subsidies were channeled to the corporate sector, and then again returned to the ruling party through kickbacks and bribes.<sup>19</sup>

Low salaries of public officials, coupled with unnecessarily cumbersome administrative regulations and procedures contributes to widespread petty corruption in Korea, in which public officials routinely demand bribes from citizens in exchange for performance of basic government services. People also point to cultural factors to explain corruption, such as the gift-giving practice of Korean society, the use of social ties based on nepotism and regionalism, and patriarchal patronage systems.<sup>20</sup>

In his inaugural address, Kim Young Sam stressed the need to eliminate corruption and attempted to introduce meaningful reforms.<sup>21</sup> In addition to vowing not to accept money from businesses while in office and enacting anti-corruption legislation, he required all cabinet members and National Assembly members from the ruling Democratic Liberal Party to declare their assets.<sup>22</sup> The legislature then passed a new Public Servants' Ethics Act, requiring all public servants to register their assets annually and making those asset declarations available to the public. Furthermore, a law prohibiting the use of fictitious names in financial and banking transactions was passed. The government also launched corruption probes into the activities of previous regimes, as described above. These probes resulted in the convictions of former leaders Chun Doo Hwan and Roh Te Woo for corruption during each of their terms as president, although they were later pardoned.

The Kim Dae Jung government, which came into power on a platform of reform, made anti-corruption a centerpiece of its administration. As a precursor to an independent anti-corruption commission, President Kim established and appointed a Presidential Commission on Anti-Corruption (PCAC) as a temporary coordination mechanism for anti-corruption initiatives. The PCAC mission is to advise the president on anti-corruption matters and to recommend reforms to the corporate sector, the public administration, and the political process. The PCAC identified four broad objectives:<sup>23</sup>

- Establish the legal and institutional infrastructure for anti-corruption efforts, including a review of existing legislation (the Freedom of Information Act, the Public Servants' Ethics Law, and the Basic Law of Administrative Regulation) and the development of new legal mechanisms;

- Reform administrative systems (regulatory reform, governmental transparency, and integrity evaluations of the public sector);
- Promote public awareness and education, including strengthening NGO activities and oversight; and,
- Reform the corporate sector (transparency, legal reforms, and transaction regulations).

To further these efforts, the National Assembly passed the much-anticipated comprehensive anti-corruption legislation in July 2001. Key provisions of the legislation include the following:

- The establishment of a fully empowered anti-corruption commission authorized to advise and evaluate every government department on transparency, effectiveness, and public reporting;
- The establishment of a streamlined system for prosecuting corruption offenses. The commission is granted powers to require disclosure of information, although the power to prosecute remains in the hands of the public prosecutor;
- Authorization for the commission to launch education programs, targeting specific government departments and the general public;
- “Whistle-blower” protection and compensation.<sup>24</sup>

As part of the anti-corruption legislation, the National Assembly passed the Anti-Money Laundering Act. The Act establishes a financial investigation unit (FIU), granted with special powers to search all financial accounts, with the notable exception of political party funds.

While the new laws are viewed as positive steps towards combating corruption, some political activists do not believe the anti-corruption legislation went far enough.<sup>25</sup> A leading NGO, which helped develop drafts of the legislation, argued that the new legislative package should have included provisions for a new, more concrete code of conduct for public officials and new financial disclosure mechanisms, as the existing Public Servants’ Ethics Act governing these issues is weak. The current Act identifies 10 broad principles as a code of conduct, but this code is too vague and has not been enforced. Critics argue that the code should be more specific and include restrictions on income from sources other than employment, exclude officials from interest-related positions, describe the types of banned gifts, and restrict the re-employment of corrupt officials. The current Act also requires disclosure of assets and liabilities from public servants, but the implementing agency has not been granted the capacity to conduct investigations based on these declarations. Activists argue that the new anti-corruption legislation should have incorporated and strengthened these aspects of the current Public Servants’ Ethics Act.



Anti-corruption advocates also believe that there must be greater protections for whistle-blowers, and the punishment for the violation of whistle-blower protection should be clarified. In addition, these critics argue that the law should include a “special prosecutor system,” an idea to which the ruling party objected. The current public prosecutor’s office, critics assert, is not independent enough and has failed to investigate big corruption scandals. The public prosecutor’s office has itself been in the spotlight of scandals in recent years. In the so-called “Furgate” scandal, for example, Choi Soon-yong, the owner of Shindongah Group, was arrested for illegal capital flight. His wife gave a fur coat to Prosecutor General Kim Tae-joung’s wife in return, allegedly, for “light” treatment.<sup>26</sup> A special prosecutor system would establish an investigation office separate from the government with the mandate to prosecute senior government officials.

Most notably, activists criticize political parties for excluding political party funds and politicians from scrutiny by the FIU. The unit is authorized to investigate political parties in certain circumstances, but requires court authorizations beforehand. The opposition parties claim that they objected to granting broad powers to the FIU because they feared the law would be applied along partisan lines to oppress the opposition. The final legislation created a FIU that was not as strong and independent as many civic activists had desired. The obvious conclusion is that parties would have supported a stronger bill if they had “no reason to fear financial transparency.” As one professor stated:

The three parties agreed to ignore the political party issue with the FIU. They presented a bill that excluded political parties but went after every other sector. The public perceives that parties are willing to regulate everyone else, but not themselves. People believe politicians are trying to make themselves ‘the untouchables.’

Nevertheless, even the critics agree that the new legislation, namely the establishment of the anti-corruption commission and the FIU, will have an impact on reforming the political process, as well as other sectors. However, public demands for further reforms, particularly of the political finance system, persist.

## **Political Party Environment**

Throughout Korea’s post-war history, the government has regulated political parties through legislation. During the period of military rule, legislation was used to limit the activities of political parties and prevent criticism of the government. In the democratic era, legislation is now seen as a way to protect the rights and freedoms of political parties. In fact, the rights of political parties are enshrined in the first chapter of the constitution.

Legislation is also viewed as the most effective way to monitor political parties and combat the prevalence of money politics. As a result, there is a substantial body of detailed laws regulating political parties.

This tendency to enact legislation to reform the political finance system and internal party practices is accompanied by, and contributes to, very few voluntary political party reforms to their internal operating procedures. Typically, parties have only adopted reforms when legislation requires certain measures. Because of this trend, the legal framework governing parties has much greater significance in Korea than in other countries. In many ways, fulfilling the laws governing party behavior represents the only response of political parties to the problems of political finance and political corruption.

Several specific pieces of legislation form the basic legal framework within which political parties operate and compete:

- The constitution (as amended 1987)
- The Political Parties Act (as amended 2000)
- The Political Fund Act (as amended 2000)
- The Act on the Election of Public Officials and the Prevention of Election Malpractices (as amended 2000)

### *Constitution*

Due to the long history of political repression in Korea, the 1987 constitution strongly protects the establishment and rights of political parties in Chapter I, Article 8. Subsection (1) guarantees the freedom to establish political parties and protects the multi-party system. Subsection (2) requires political parties to be democratic in their objectives, organization, and activities, and requires parties to facilitate citizen participation in “the formation of the political will,” or public policies. Subsection (3) entitles political parties to the protection of the state and provides the state with the option to fund parties. Subsection (4) outlines disciplinary measures if a political party is alleged to have violated the “fundamental democratic order.” The significance of this last provision is that it treats the dissolution of a political party as a matter of constitutional significance, requiring the government to bring its action against a party to the Constitutional Court.

### *Political Parties Act*

The Political Parties Act guarantees the rights of political parties to exist and function and outlines the requirements regarding political party activity. Article 30 of the law protects the freedom of political parties to undertake any and all activities not otherwise proscribed or prohibited by the constitution or by law.

Parties are required to register with the National Election Commission (NEC). According to Article 28, parties must have a party constitution that includes: the party's name and general organization of party structures; method of election, length of term, and rights and duties of party officials; membership regulations; financial regulations; candidate selection regulations; and dissolution and merger procedures. Article 29 requires political parties to have a representative organ, such as a national convention or congress, to represent the party membership, an executive council, and a caucus of National Assembly members.

Registration regulations require a political party to have structures at the central and district levels as well. To address the problem of strong regional ties of parties, Articles 25 and 26 require an applying party to establish district offices in at least one-tenth of the electoral districts in Korea, and at least five of the seven main metropolitan areas to ensure a cross-regional spread. Additionally, no single metropolitan area may account for more than a quarter of the parties' required district offices. District party branches must consist of at least 30 members each and must be approved by the central party headquarters. If at any time a party is unable to maintain the structures required above, its registration may be revoked. A party must also participate in some level of government elections at least once every four years and must win a minimum threshold of seats or vote percentage to remain registered.

The Political Parties Act protects the right of party members to participate in the election of their party leader and to run in party elections, as long as a member pays her or his party membership fees and adheres to the party constitution. Article 31 stipulates that candidate selection must be: (1) democratic (though it does not define the term); (2) reflective of the representative organ of the party (to prevent overly centralized control of party nominations); and (3) determined only by those who pay party membership fees or volunteer for the party. Political parties are also required to open their platforms to the public, as mandated in Article 28.

Article 19 of the party law protects citizens from being forced to join or leave a political party without consent. Individuals are not permitted membership in more than one political party at a time. Article 22 requires political parties to establish and collect membership fees, as described by their party regulations. Parties are also required to maintain membership lists for central and district party branches, although access to these lists may be kept confidential.

A recent amendment to the Political Parties Act restricts the number of salaried staff persons for a political party. A party is only allowed to have 150 salaried employees at the central party level and five salaried staff persons in

each district. Consultants hired to develop policies are excluded from these calculations. A party found to be in violation of this provision will have its government subsidy reduced by the excess salary amounts. This amendment provides an instructive example of how legislation has been used to attempt to address deficiencies in the political process. In recent elections, parties have built massive election machines by hiring a multitude of agents to campaign on behalf of their candidates. This system was seen as excessively expensive and conducive to corruption. The amendment seeks to reduce campaign expenditures, clean up the campaign process, and encourage the use of party volunteers.

Generally, political party leaders are satisfied with the current Political Parties Act. Some political leaders suggest that the law should define more clearly the criteria that would satisfy the requirement of “democratic” candidate selection procedures. Others complain that the recent amendment limiting the number of salaried staff is unrealistic and weakens parties’ ability to function effectively. Party leaders are generally satisfied that the regulations and the law are applied in a fair and non-partisan manner.

### *Political Fund Act*

The Political Fund Act, amended in 2000, governs political finance in Korea. The Act includes provisions on fundraising, including a definition of the legal sources of funds, sets contribution and expenditure limits, and requires party reporting. The law attempts to reconcile the obvious need for funding for political parties with clean politics. According to the Act, its stated purpose is to “contribute to the sound development of democracy by guaranteeing an optimum supply of political funds and making the status of receipts and disbursement of such funds open to the public.”

Article 2 of the law outlines several basic principles that should guide political finance:

- No person should contribute or receive political funds except as described in the law;
- Political funds should be transparent; and
- Political funds should not enrich any individual and should therefore be used only for political activities.

The Party Fund Act identifies three legitimate sources of political funds: (1) party membership fees; (2) individual and corporate contributions; and (3) public funding. The Political Parties Law requires party membership fees, but the amount of the fees and rules regarding the fees are determined by

party regulations. Donors' contributions are channeled through "supporters' associations" in order to "cut off direct contacts between donors and recipients to prevent any incentives for corruption"<sup>27</sup> or through the election management committee of the party. As stated in Article 17, public funding takes the form of state subsidies, determined by the percentage of votes or seats won. The election law, discussed below, further regulates campaign finance.

According to Article 12, political contributions are forbidden from: foreigners or foreign corporations; state or public institutions; enterprises in which the state has a majority of stock; mass media; religious organizations; unit trade unions organized by a businesses; school foundations; or enterprises showing a deficit for three consecutive years. Trade unions are required to establish separate funds for political contributions.

- Supporters' Associations and Election Management Committees

Article 5 of the Act allows for the creation of supporters' associations for political parties at the central party level, branch level, district level, or for individual candidates. The purpose of these associations is to receive money from members of the association or other contributors and to donate that money to the relevant party structure or candidate. Article 6 requires supporters' associations to notify the appropriate election commission whenever it donates or transfers its funds to a party or candidate. Each party office or candidate can only have one supporters' association.

Contributions to supporters' associations are limited for both individuals and corporations. An individual member cannot contribute annually more than a sum total of 120 million *won* to various supporters' associations and is also limited in the amount she or he donates per association. Corporation members are limited to annual contributions of not more than 250 million *won* to supporters' associations and limited to lesser amounts per association. Article 6-2 allows a person who is not a member of the supporters' association to contribute up to one million *won* anonymously. This provision of anonymity applies to each individual contribution, rather than an aggregate total.

Moreover, each association is limited in how much it can legally contribute on an annual basis to a party or candidate. According to Article 6-3, annual contributions are limited to 20 billion *won* to a central party

headquarters, two billion *won* to a city branch, and 200 million *won* to a district branch. These ceilings are doubled in an election year.<sup>28</sup> The law further stipulates the legal methods through which a supporters' association may conduct fundraising and regulates those methods. Supporters' associations must submit to the election commission receipts for all contributions or in-kind assistance provided to the association. Moreover, each supporters' association must be registered with the election commission and must maintain a membership list. As outlined in Articles 9 and 25, the election commission may request the membership list if it deems it necessary for supervision purposes. This list is kept confidential by the election commission.

#### **Annual Ceilings on Support Contributions:**

<b>Association</b>	<b>Individual</b>	<b>Corporate Body</b>
Central Party Supporters' Association	100 million <i>won</i>	200 million <i>won</i>
Shi/Do Branch Office Supporters' Association	100 million <i>won</i>	200 million <i>won</i>
District Party, National Assembly Member, Candidate for National Assembly Member Associations	20 million <i>won</i>	50 million <i>won</i>

National Election Commission, 2001

#### **Ceilings on Contributions and Funds Collected by Supporters' Associations:**

<b>Association</b>	<b>Limit on Funds Raised</b>	<b>Limit on Contributions</b>
Central Party Supporters' Association	30 billion <i>won</i>	20 billion <i>won</i>
Shi/Do Branch Office Supporters' Association	3 billion <i>won</i>	2 billion <i>won</i>
District Party/National Assembly Member Associations	300 million <i>won</i>	300 million <i>won</i>

Source: National Election Commission, 2001

Individuals can also contribute funds to a political party through the party's election management committee at the election commission. Individuals can contribute no more than 100 million *won* or five percent of the individual's income. Organizations and companies can contribute no

more than 500 million won or two percent of total equities. Although no one can contribute to a party anonymously or under a false name, contributors can request that the party not disclose their names to the public.

### Ceilings on Deposits:

Donor Type	One-time Contribution	Ceiling per Year
Individual	10,000 <i>won</i> or more	100 million <i>won</i> or 5/100 of the donor's income in the preceding year, whichever is higher
Corporate body		500 million <i>won</i> or 2/100 of the donor's total capital at the end of the preceding business year, whichever is higher
Organization		500 million <i>won</i>

Source: National Election Commission, 2001

- Government Subsidies

State funding for political parties was initiated by the first revision of the Political Funds Act in 1980. However, as part of his "Clean Politics Campaign," President Kim Young Sam increased public funding by a magnitude of eight through revisions in 1994. The government recognized that the state should help provide required political funds in an effort both to reduce the need of political parties to raise funds independently and to level the playing field for opposition parties, which have greater difficulty in raising corporate contributions.

The political party subsidy is calculated by multiplying the number of total electors (votes earned) for each political party in the most recent National Assembly election by 800 *won* annually. The amount from this subsidy alone accounts for more than 45 billion *won* per year allocated to the three major political parties in proportion to electoral support. According to Article 17 of the Political Fund Act, disbursements of the total subsidy amount are made quarterly to each political party. Subsidies can only be used for certain types of expenses, including personnel, office equipment and supplies,

office establishment, public utilities, policy development, education and training for party members, propaganda, among others. Article 19 of the Act requires that at least 20 percent of the subsidy be used for policy development, in an attempt to encourage a stronger commitment to developing party policy positions. Parties must maintain separate bank accounts for the political party subsidy and also provide receipts for each expense. Additional subsidies are provided directly to members of the National Assembly and to candidates and parties for election campaigns, covered under the election law.

- Reporting Requirements

Each party must report annually on all party income and expenditures to the election commission by February 15 of each year. The report must include dates of transactions, names, amounts, classifications, and receipts for every income or expense. The election commission must notify the public that the reports have been received and allow public inspection of the reports and receipts for three months. Any objections raised by the public are to be investigated by the election commission. Parties are also required to conduct audits of their accounts, and in the case of the ruling party, the report of a certified public accountant must be attached. The party accountant must maintain the account records for at least three years.

### *Election Act*

The Act on the Election of Public Officials and Prevention of Election Malpractices creates the framework for electoral competition in Korea and establishes the National Election Commission (NEC) to oversee and administer all elections. In the wake of the vote-rigging scandal of the 1960 elections, the NEC was given independent status through the 5th Constitutional Amendment in 1963. The NEC's independence was still compromised under military rule, however, until the past decade. The NEC is a nine-member commission, with three members appointed by the president, three by the National Assembly, and three by the Chief Justice. By tradition, a justice of the Supreme Court is the chair of the NEC.<sup>29</sup> No member of the NEC can represent a political party. The NEC is supported in its activities by 16 metropolitan or provincial election commissions; 243 ward, city, or county election commissions; and 13,783 voting district election commissions.

The NEC's mandate includes: overseeing all elections and referenda; creating an atmosphere conducive to clean, fair elections; ensuring fair competition; monitoring and deterring election law violations; responding to violations; determining spending limits on election expenses for each contest; and inspecting account books and resolving financial irregularities. In addition,



as mentioned above, the NEC is responsible for implementing the Political Parties Act and the Political Fund Act. Election commissions at all levels have created special departments to deal with oversight of these laws.

Candidates for president must be citizens 40 years or older. National Assembly candidates must be citizens 25 years or older.<sup>30</sup> Candidate registration takes place for two days prior to the beginning of the campaign period, defined as the 23 days before polling in the presidential election, the 17 days before polling for National Assembly seats and local government heads, and the 14 days before polling for local government seats. As stated in Article 31 of the Political Parties Act and Article 47 of the Election Act, registered parties submit a list of candidates for an elected post, and “the recommendation of candidates for any elected public office by a political party shall be democratic.” Independent candidates are able to register, provided that they gather a certain number of signatures of registered voters supporting their candidacy. Public officials are permitted to run for office if they resign their government positions 60 days before the election, according to Article 53 of the Election Act.

Any person who registers as a candidate must submit documents demonstrating his or her eligibility. The NEC posts information on the candidates’ personal assets, military service, tax payments, and criminal records, if any, on its webpage to help voters in their decision-making.<sup>31</sup> Candidates are also required to pay a deposit to the election commission, which will be held to cover any fines or election violations. This deposit is returned if the candidate receives 20 percent of the valid votes cast in the election or the total number of votes divided by the number of candidates. The deposit for presidential candidates is 500 million *won*; 20 million *won* for National Assembly candidates; 50 million *won* for province or metropolitan area candidates; 15 million *won* for candidates for the head of local government; four million *won* for provincial council candidates; and two million *won* for local council candidates.

Article 87 of the election law prohibits campaigning by organizations, with the exception of trade union activities or “pure” voter education programs. This measure prevents NGOs from campaigning in elections. Article 108 forbids the publication of public opinion poll results during the official election campaign period. The election law takes great pains, in Articles 111 to 118, to identify specific “acts of contribution” by a candidate or elected official that are prohibited during the “contribution restriction period,” defined as the 180 days prior to the election. These provisions prevent candidates or elected officials from offering money, goods, services, or even refreshments to people within their constituency, unless they are logged as official campaign expenses.

Campaign finance is treated distinctly from broader political finance, applying only to the official election campaign period. The controlling election commission sets a maximum expenditure limit for each electoral race, based on factors within each electoral constituency. Legal sources of campaign funding include: the personal property of candidates and loans from friends and relatives; contributions from the candidate's supporters' association; contributions from the central party headquarters; and an additional election campaign subsidy from the state. According to Article 17 of the Political Fund Act, parties are provided with an additional 800 *won* per elector for each level of election being held, unless elections for local government council and heads of local government are taking place concurrently, in which case the subsidy is 600 *won* per election.

Each candidate or election campaign must appoint an accountant to maintain a record of all income and expenditures. According to Article 132, the accountant in charge must submit a report on the revenues and disbursements for election expenses to the election commission within 40 days after a presidential election or election of a proportional representative National Assembly member and within 30 days after election day for other elections. These accounts are available for a period of three months to political parties, candidates, campaign managers, election campaign liaison offices, and electors from the constituency. In the 16th National Assembly election, only two of 1,040 candidates failed to submit a report of their accounts.<sup>32</sup>

According to chapter 15 of the Election Act, parties, candidates, and electors are permitted to file lawsuits with the election commission if they believe there have been election violations. According to Article 222, in the presidential election and the election of a National Assembly member, an elector, a political party that has recommended a candidate, or a candidate may file a lawsuit with the Supreme Court within 30 days of the election. Election violations can be punished with up to seven years in prison or a fine of up to 30 million *won*. The election commission, the Supreme Court, or the appellate court can decide to invalidate election results if it is deemed that a violation affected the election results. Candidates convicted of serious election violations are barred from seeking public office for five to 10 years.

### *Political Competition in Practice*

Despite the rigorous legal framework in Korea regulating political party competition, there is an enormous gap between political competition as defined by the law and political competition in practice. Two academics summarized the problems: spending is out of control; the flow of money is not transparent; and violations of the law are rampant.<sup>33</sup> According to politicians,

government officials, and civic activists alike, breaking the law, rather than adherence to the law, is the norm in Korean politics. Due to lack of transparency in political finance and poor enforcement of existing laws and regulations, money continues to dominate politics. Furthermore, significant amounts of money are necessary to compete effectively and most estimates suggest that the formal reporting of political finance reveals “only the tip of the iceberg,” representing only a fraction of the actual political expenditures.

- Contributions

The Political Fund Act requires political parties to submit a financial report, which includes assets, the receipt and disbursement of funds, and all transaction accounts, to the election commission. According to many analysts, however, in practice, parties do not always report the full extent of their income. Money is contributed every year from a variety of legal and illegal sources, exceeding the legal limits. According to journalistic reports, political contributions from the central party branch to each district branch in the 16th National Assembly elections exceeded several hundred million *won*. Candidates also regularly receive unreported contributions from the leaders of party factions. In 1997, one veteran politician revealed that he routinely gave one million to 50 million *won* to several parliamentary candidates in his faction.<sup>34</sup>

Another problem with political finance in Korea, like in other countries, is that corporate contributions have tended to flow to the governing party. Official figures reveal that in 1996, the Grand National Party, as the governing party, received 25 billion *won* from corporate contributors. In 1999, as the opposition, the GNP, received only 2.7 billion *won*. Similarly, the Millennium Democratic Party received only 5.9 billion *won* from corporations as the opposition in 1996, but the party received 20 billion *won* from corporate contributors as the ruling party in 1999. Of this 20 billion *won*, the nation’s largest 10 corporate conglomerates contributed more than 18.5 billion.<sup>35</sup>

- Expenditures

It is also alleged that reports on political expenditures are inaccurate. Official figures reveal that politicians declare campaign expenditures well below the legal limits. In the 1997 presidential election, for example, Kim Dae Jung reported campaign expenditures of 26 billion *won*, while Lee Hoi Chang reported expenditures of 20 billion *won*, both declarations below the upper ceiling. Civic groups, however, claim that politicians report only a fraction of actual expenses, although there have been few opportunities to observe actual expenditures. In 1992, when the legal spending limit was 36.7 billion *won*, a leaked internal document suggested that President Kim Young Sam spent 317 billion

*won* in the last two months of the campaign alone, revealing a more realistic figure of presidential campaign expenditures. This is the case in National Assembly elections as well. The average campaign spending limit for a constituency in the 16th National Assembly elections was 131 million *won*, with the average reported expenditure totaling 66 million *won*, only half of the allowable amount.<sup>36</sup> Yet, academic and journalistic reports suggest that “it is not uncommon to hear candidates spending up to two to three billion *won*,” particularly in highly competitive districts.

Ironically, even though politicians, according to their records, routinely under-spend, they complain that the campaign expenditure limits set by the election commission are too low, casting further doubt on the accuracy of their reports. Many civic groups agree, claiming that the NEC’s spending limits are based on unrealistic calculations. Some argue that the reason political finance reform has not been more effective in Korea is precisely because regulations are so restrictive that compliance is impossible. Even a newspaper editorial, extolling the virtues of blacklisting corrupt politicians, called the campaign spending limits “inefficient and unrealistic.”<sup>37</sup>

Furthermore, NGOs and election observers allege that some party and candidate expenditures are illegal. In the highly centralized candidate selection processes, for example, several politicians confided that party nominations often require a contribution of several hundred million *won* to the party leadership. In addition, party activists continue to demand payment for campaign organizing and voter mobilization, although this practice was made illegal by the amendment to the Political Party Act allowing only a limited number of paid staff. According to one academic, in the absence of volunteers, candidates require huge sums of money to pay the campaign machinery to mobilize their support base.

Candidates also spend money on vote buying, including meals, gifts, and contributions to various local events. During the authoritarian period, the government coordinated massive voter mobilization programs through outright vote buying – handing out money to voters in exchange for their votes. Today, direct vote buying is reportedly not as common as the demands for the candidate to provide the community with contributions of goods and services, particularly in rural constituencies. Observers point to the fact that Korean society is based upon networks of relationships, and food, beverages, and entertainment are required to tap into and mobilize these networks. Others, however, suggest that such reasoning is condescending to the voting public and that citizens have higher standards than politicians and only accept what politicians offer in the absence of meaningful policy platforms.

- Enforcement

As stated above, the financial reports submitted by political parties and candidates are often inaccurate. A leading government anti-corruption official stated, “The most serious problem in the election process is the absence of transparency in financial reporting. In Korean elections, all financial reports are false – everyone knows this, all people know this, even the NEC.” The NEC believes, however, that its efforts to monitor political contributions and expenditures are becoming more effective. In the 15th National Assembly elections, 39 winning candidates were investigated for irregularities in their financial reports. Of these, four were ultimately disqualified, stripped of their legislative seats, and imprisoned -- the first time in Korea that such a penalty was enforced. In the 16th National Assembly elections, more than 3,700 complaints were received, with 40 percent of these related to illegal campaign spending, and 125 winning candidates came under investigation. Twenty-five legislators still have pending court cases.<sup>38</sup>

Civic groups argue that while the NEC has made some progress, its efforts do not go far enough in monitoring for political finance violations. In an independent analysis of party financial reports on the use of government subsidies, the People’s Solidarity for Participatory Democracy (PSPD), a well-known civic organization, concluded that 75.5 percent of the receipts and evidence submitted by political parties to account for the subsidy are insufficient or deficient in some way.<sup>39</sup> The analysis found violations of the law, including expenses, such as legal fees, not permitted by the Political Fund Act. Although the law establishes a reduction in a party’s subsidy as a penalty, no penalty has ever been imposed, even where undisputable evidence exists. Where evidence of violations is disputed, civic groups allege that sufficient investigation and verification do not take place. In an interesting partnership that seeks to address this problem of monitoring, the city of Seoul entered a special contractual relationship with PSPD to monitor public activities and public officials for corruption. PSPD argues that similar arrangements are required at the national level if monitoring is to be an effective deterrent to corruption.

- The Direction of Reform

Given the shortcomings in the current political finance system, there is significant debate in Korea on how to address the problems and the types of reforms needed. Several critics, both from within and outside parties, argue that the unrealistic expectations of the law damage the credibility of the political process. It has become difficult for the public to distinguish sincere politicians who violate campaign laws by overspending “in good faith” from the seriously corrupt politicians. By “criminalizing” all politicians and, in a sense, removing the stigma of illegality, the laws may actually create more opportuni-

ties for severe violations of the political finance system. Critics also assert that the “absurdly low” expenditure limitations have resulted in universally inaccurate reporting, eliminating any transparency in political finance. The effect of this has been to sacrifice financial transparency for expenditure limitations that are, by all admissions, routinely ignored. One senior government official commented, “More important than setting spending limits is first getting accurate reporting.”

Others, however, have argued that a strict legal framework, even if only partially implemented, is more helpful in reforming the political process than a weaker standard that would be more easily met by political parties. A NEC official noted, “In the five elections since the enactment of the 1994 Election Law, the obvious signs of political corruption and vote-buying have disappeared.” He further states that the law, although it may not be followed in every detail yet, serves as a guide by which to measure progress in political reforms:

Yes, the law sets an exceptionally high, possibly unrealistic, standard. But, step-by-step, practice in reality is being raised up closer to the standard set forth by the law. Parties say that people are no longer willing to volunteer for campaigns, and so they must pay campaign organizers, and the funding levels are too low. But volunteers will return if the right internal processes are put into place. Rather than proposing to change the law, political parties should change their party practices so that they can live up to the expectations of the law.

Supporters of this position contend that political parties must reform in order to meet the requirements of the law, and oppose lowering the legal standard to meet the current practices of political parties, as proposed by others.

### *Media and Civil Society*

The media in Korea today plays a key role in exposing and monitoring corruption in the political process. During the authoritarian era, print and broadcast media were owned by both public and private sources, although they were subject to pervasive government control and regulations. In 1987, the remaining restrictions on the media were eased, and virtually all restrictions were eliminated at the beginning of the Kim Dae Jung administration. The independent media has flourished, and by the late 1980s, South Korea’s four largest daily newspapers had a combined circulation of more than 6.5 million.<sup>40</sup> The media has consistently served as a watchdog, reporting on corruption and exercising oversight of the government. The media’s role in exposing corruption, according to most politicians and civic activists, has resulted in greater transparency.

Recently, however, the government launched a crackdown on major media institutions for failure to pay taxes. The media and opposition parties allege that these efforts represent government attempts to silence criticism. The government states, however, that it is simply trying to apply tax laws fairly across all sectors.

Civic activism in Korea is strong, and the country has a long history of people's movements, proving instrumental in creating the public pressure that led to the transition from authoritarian rule to multi-party democracy. Particularly on the issues of corruption and political reform, civic groups are extremely vibrant and play an active role in monitoring the political process, promoting public education activities, and advocating reform.

Several NGOs have been engaged in a dialogue with the government on reforms needed to reduce corruption and participated in the drafting of recent anti-corruption legislation.<sup>41</sup> Other organizations are monitoring the asset declarations of public officials and initiating investigations when violations are suspected. One such group, the People's Solidarity for Participatory Democracy (PSPD), maintains a "Democracy Wall," which contains copies of all asset declarations for leading government officials, judges, and National Assembly members. PSPD also monitors key state institutions, such as the National Assembly, and issues reports of its findings to the public. PSPD is now preparing scorecards for politicians based on their performance in the National Assembly in terms of voting on pro-reform measures and participating in floor debates. Other groups, such as the Citizen Coalition for Economic Justice (CCEJ), are monitoring political party funding records, focusing in particular on the use of state subsidy money. These groups all rely upon the transparency created by the Political Fund Act and the Freedom of Information Act.

In January 2001, a coalition of more than 400 civic associations formed the Citizens' Alliance for the 2000 General Elections (CAGE) to build public pressure for a clean political campaign.<sup>42</sup> Initially, these groups had tried to work with politicians to promote a clean campaign. They, however, grew frustrated with the lack of action from political leaders. The groups identified corrupt politicians as the major obstacle to reform and, unable to participate in the candidate selection processes, sought to influence candidate selection through popular campaigns. The leader of the coalition summarized the rationale of the campaign: "Korea's number one vice is corruption. Corrupt politicians are unable to present solutions, so they themselves must become the target of reform."

In the first phase of what became known as the “Blacklisting” campaign, the coalition sought to prevent the nomination of proposed candidates whom it deemed “unfit to hold public office.” The civic groups released a list of these blacklisted candidates, hoping to influence party bosses not to nominate politicians of questionable reputation. The indicators for blacklisting included: attendance in the National Assembly; opposition to democratic reforms; allegations of corruption, vote buying, patronage, bribes, or other illegal activity; and problems with asset declarations. Reactions from the parties to this campaign were mixed: the opposition claimed political partisanship, asserting that the NGOs were colluding with the ruling party; the ruling party promised to consider the list; the smaller United Liberal Democrats (ULD) claimed that the campaign was illegal, pointing to Article 87 of the election law that prohibits campaigning by outside groups. According to one civic leader, political party leaders did, in some cases, use the list as justification for rebalancing political power within their parties or for settling political grudges. In the end, approximately 50 percent of the targeted candidates received their party’s nomination.

In the second phase of the campaign, the NGOs targeted those blacklisted candidates who had received nominations, taking to the streets to campaign actively against them. According to the coalition, of the 86-targeted politicians, 59 (or 70 percent) lost their elections. The campaign sent major shockwaves through the Korean political system. In metropolitan areas, representing one-third of all constituencies, the campaign was 90 percent effective. The message from civil society was that democracy, corruption, and reform were now issues on the political agenda, and that political parties needed to consider these factors when determining candidates or be prepared to pay the consequences at the polls. Politicians have been forewarned that civil society is watching and reporting and that their record on democracy issues can be exposed to the public. The campaign seeks to transform the traditional voting patterns of Korea based on regional identity or personal ties to voting behavior based on useful information regarding candidate qualifications.

### External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		The Political Parties Act of Korea governs parties.
2	Are there laws regulating party finance?	Y		Political Fund Act regulates political finance, defining the terms for state subsidies, legal sources of funding, contribution limits, spending limitations in terms of both amount and type,



				and reporting requirements.
2a	Contribution limits?	Y		Individual party members can contribute up to 120 million <i>won</i> (\$91,883) per year to a supporters' association, not to exceed the following totals in each category: 100 million <i>won</i> (\$76,570) per year to the central party headquarters; 100 million <i>won</i> per year to a party branch, and 20 million <i>won</i> (\$15,314) per year to a district, parliamentary members, and candidates. Corporations are able to contribute up to 250 million <i>won</i> (\$191,424) per year, not to exceed the following totals in each category: 200 million <i>won</i> (\$153,140) per year to the central party headquarters; 200 million <i>won</i> per year to the district branch, and 50 million <i>won</i> per year to a district, parliamentary members and candidates. Deposits to political parties not going through supporters' associations, cannot exceed 100 million on per individual and 500 million <i>won</i> per corporation.
2b	Spending limits?	Y		Party expenditures by the central party headquarters are limited to 20 billion <i>won</i> (\$15,313,936) per non-election year. Party branches are limited to two billion <i>won</i> per non-election year. District parties, parliamentary members, and candidates are limited to 200 million <i>won</i> per non-election year.
3	Are there campaign finance regulations?	Y		Campaign finance is covered under the Act on the Election of Public Officials and the Prevention of Election Malpractice, Chapter VIII, and the Political Fund Act.
3a	Contribution limits?	Y		The contribution limits described above by the Political

				Fund Act are doubled in an election year.
3b	Spending limits?	Y		The NEC limits party expenditures by the central party headquarters to 40 billion <i>won</i> (\$30,627,870) per election year. Party branches are limited to four billion <i>won</i> per election year. District parties, parliamentary members, and candidates are limited to 400 million <i>won</i> per election year.
3c	Filing financial returns?	Y		Accurate contribution and expenditure accounts, accompanied by receipts, are required to be submitted within 30 days of the election, except in the case of presidential or national list candidates, in which case financial reports and receipts must be submitted within 40 days of the election date.
3d	Returns made public?	Y		Financial reports are available for public inspection for three months.
4	Can political parties accept contributions from:			Article 12 of the Political Fund Act stipulates legal and illegal sources of funding. The law identifies three sources of legitimate funding: public funding; individual and corporate donations; or membership dues.
4a	Businesses?	Y		Corporations are permitted to contribute directly to political parties according to the limitations outlined above. Corporations showing deficits for three consecutive years are not permitted to contribute to a political fund.
4b	Unions?	Y		Unions are not permitted to donate directly to political parties, but are permitted to establish a separate fund for further contribution to a political party fund. Trade unions organized by businesses are prohibited from contributing

				political funds.
4c	Foreign sources?		N	Foreign contributions are not permitted, except for contributions from foreign corporations under the control of Korean nationals.
4d	Can parties own businesses?		N	
5	Do parties have to reveal the sources of their funding?		N	The laws are somewhat unclear on this point. Supporters' associations may be called upon to reveal their membership lists to the election commission, but these lists are kept confidential. The Political Fund Act Article 11 forbids anonymous direct donations to a political party but allows the donor to request that his/her name not be revealed in the public notice. Article 129 Subsection (1)-2 of Election Law requires the party accountant to keep records of contributors.
6	Does the state provide public funding to political parties?	Y		Political Fund Act provides funding for parties. Amounts are determined by multiplying total number of electors for each party by a fixed amount of 800 won (\$.61). Article 19 specifies the legal uses of this particular source of money.
7	Are annual financial audits of party accounts required?	Y		The NEC is charged with auditing party accounts.
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	Party officials do not have to disclose their assets and liabilities. However, elected government officials are required to do so, including parliamentarians. This has the effect of covering many party officials.
8a	Are these declarations made public?		N	Elected officials' declarations are made public.
9	Is there an Anti-Corruption Commission?	Y		The National Assembly recently passed comprehensive anti-corruption legislation. It upgrades a Presidential Commission Against

				Corruption to an independent anti-corruption commission.
10	Is there an independent Election Commission?		N	The NEC is independent from the government.

## POLITICAL PARTY EXPERIENCES

Political parties in Korea have developed few strategies to combat corruption through internal party reform. Efforts to reform political party practices have emphasized legislative remedies rather than internal party policies. Prevalent among political parties is the belief that internal party reforms will impede a party's ability to compete on a level playing field with other parties rather than provide the party an opportunity to distinguish itself from others and increase electoral support. One former politician explained the hesitation of political parties to reform:

In the 1994 local elections, Kim Young Sam adopted an internal party policy that his party would not participate in any vote buying. He was committed to a clean election process, so he did not use the political money that had traditionally been part of election campaigns. When voters asked for money, he told them no. The party was routed in the elections – totally defeated. At the next presidential election, he did not make the same mistake twice. All parties learned this lesson. This is why they are afraid of unilateral reforms. Voters did not vote based on clean politics, and so parties see clean politics as an obstacle to political survival.

While political parties wish to appear reform-minded and democratic, they have only been willing to accept reforms through a legislative mandate, requiring all political parties to adopt similar reforms. As a result, political parties in Korea appear strikingly similar, in terms of leadership style, party structure, and party decision-making.

There are currently three major political parties in Korea: the Millennium Democratic Party (MDP), which was reelected in elections in December 2002; the Grand National Party (GNP), which is the largest single party in the National Assembly; and the United Liberal Democrats (ULD). Although much smaller in terms of representation in the National assembly, the ULD often wields significant power in helping to create a ruling majority in the legislature. Each of these parties was founded as recently as 1995 and represents a reshuffling of political forces that have existed since the beginning of the authoritarian era.

For four decades, party politics in Korea has been dominated by “the three Kim’s”: Kim Dae Jung, leader of the MDP; Kim Young Sam, former leader of the GNP; and Kim Jong Pil, leader of the ULD. After concluding his presidential term, Kim Young Sam stepped down from active politics, though his legacy still looms large over the GNP. Political parties have tended to revolve around these three central figures.<sup>43</sup>

Leadership in each party is highly centralized, dominated by the personalities of each of these leaders. A report of The Asia Society noted: “It would be no exaggeration to say that the fate of a party, including a split or formation of a new party, hinges on decisions made by its leader.” Traditionally, the party leader has played a dominant and decisive role in the process of candidate selection, personally determining the party’s nominees with the advice of a small circle of senior advisors. This highly centralized leadership style has contributed to low levels of internal party democracy. Party members are dependent on the party leader for political advancement, and opposition or criticism of the party leadership is tantamount to political suicide. Loyalty to the party leader is often rewarded with “safe” electoral districts.<sup>44</sup>

Similarly, because political parties in Korea have been in part founded on the personalities of their leaders, they tend not to be strongly based on a distinct party ideology. During the authoritarian era, political parties were distinguishable by their stances on political reform: parties stood either for or against enhanced democracy, with some degree of variation in terms of strategy. In the multi-party democratic era, although parties have separate party platforms and stated objectives, all three parties share similar agendas.<sup>45</sup> However, this trend appears to be changing particularly with regard to relations with North Korea.

Although Korean parties may not have very distinct policy agendas, historically they have differentiated themselves based on regional loyalties.<sup>46</sup> Kim Dae Jung and the MDP have traditional support based in the southwestern provinces (Cholla), while the GNP has garnered support from the southeastern provinces (Kyongsang), and the ULD’s supporters tend to hail from the central provinces (Chungchong), though to a lesser extent. While all parties claim to be national parties, these regional bases continue to prevail in current politics. For instance, in 1997, Kim Dae Jung won 90 percent of the votes cast in Cholla districts, but only 10 percent of the votes cast in Kyongsang. One civic activist called regionalism “the single biggest problem with Korean politics, and the reason Korean politics is not renewed.” He stated, “No one dares leave the fold of the three regional powers – they know they will need the regional vote to win in an election.” Intense regionalism has fostered the lack of policy-based platforms and hindered the development of concrete solutions to nationwide concerns.<sup>47</sup> Despite the importance of regional relationships, in recent years national elections have been largely decided in Seoul, where 40 percent of the population resides and regional ties have diminished.

An additional characteristic of traditional party politics in Korea is the hierarchal exchange of money and loyalty through an embedded patronage system. Observers allege that money flows to party bosses in exchange for nominations and leadership positions within the party, and then flows from faction leaders to party members in exchange for political support. Party leaders have traditionally had a high degree of power to control, distribute, and collect party funds. A civic leader noted, "Money is the channel through which party bosses keep candidates subordinate."

A final characteristic of political parties in Korea is the contrast between "old" and "new" style politics, reflected by a generational divide within the parties. In recent years, a younger, more progressive generation of party leaders has begun to emerge, asserting greater influence over party structures. Many analysts believe that meaningful political reform will only really take place through this generational transition.

These factors contribute to a relatively unstable political party system, in which political parties are extremely fluid, and parties emerge, merge, change names, and dissolve in a constant rebalancing of political power. Individual party members tend to follow the key central leaders. Members of the National Assembly change party affiliation as required based on their relationships with key political leaders and, at times, political convenience.

Currently, political parties and political leaders are held in low public esteem, and there is a serious crisis of credibility of politicians in Korea. A recent survey of Korean citizens on political values found that 69 percent of respondents believed that politicians tended to serve the interests of their parties rather than the citizenry.<sup>48</sup> Political parties have lost popular support by enacting reforms to the political process through legislation but failing to adhere to the spirit of the laws they themselves have passed. A senior MDP legislator noted, "The perception among the Korean people is that those members of the National Assembly who are found guilty of corruption are above the law. In the reforms, the public perceives ordinary people as the losers, bearing the weight of reform, while politicians are still winning." Two recent cases illustrate this point. In the recent debate over the Anti-Money Laundering Act, as mentioned above, political parties agreed to exclude political funds from the power of the Financial Investigative Unit to conduct unauthorized searches. The rationale applied was that the opposition feared the legislation would be used as a political tool to harass opposition parties. Outsiders viewed this maneuver as a flagrant attempt by politicians to impose reform on society at large but grant themselves immunity.

A second case relates to the use of state subsidies to political parties. As previously mentioned, the legislature recently amended the Political Party Act to limit the number of salaried staff persons a party could employ. The Party Fund Act was also amended to require that 20 percent of the government subsidy be used for policy development. These amendments aimed to reduce party expenditures by trimming down party staff and to encourage parties to commit greater resources to policy development. In response, however, political parties across the board took advantage of their subsidies to thwart the reform intent of both amendments. In one case, a party re-classified its executive salaries as “policy development,” claiming that the party leadership was tasked with developing policy. These salaries had previously been classified as general party activities. Another party re-classified 49 employees as “policy researchers,” without altering their job descriptions. These employees had, the year before, been classified as secretaries and basic administrative support staff. However, by calling them “policy researchers,” they are excluded from the calculation of the party’s salaried employees.<sup>49</sup> One analyst commented, “Parties frequently operate incorrectly to avoid regulations instead of first thinking about the purpose of the law. While the lack of law-abiding spirit is problematic, arbitrary interpretation of the law is a more serious problem.”

## **Millennium Democratic Party (MDP)**

### *Background*

The Millennium Democratic Party (MDP) was launched in January 2000 in advance of the 16th National Assembly elections. The president of the party, until November 2001, was Kim Dae Jung, the long-time opposition leader who earned his national status campaigning against the authoritarian governments on a platform of political reform. Kim Dae Jung resigned as president of the party in order to focus his energies on his last year as president of the country. The current chairman of the party is Dr. Chyung, Dai-chul.

The MDP considers itself “an orthodox democratic party, progressively proceeding from the National Congress for New Politics (NCNP) Party.”<sup>50</sup> When Kim Dae Jung won the 1997 presidential election on the NCNP ticket, the party occupied only one-third of the legislative seats, hindering President Kim Dae Jung’s ability to enact promised reforms. In October 1999, President Kim announced the need for a new, reform-oriented people’s party to fulfill the aspirations of middle-class and low-income people, and proposed the launching of the MDP. The MDP is also known in Korean as “Minjoo.”

The MDP platform is based on the principles of national unification and reform. Although its platform is similar to those of the other Korean parties, the MDP is perceived as the most liberal of the three major parties. Specifically, the platform includes the following objectives:

- Expand parliamentary democracy, democratic participation, and basic human rights;
- Implement administrative reform towards a more efficient, transparent, and accountable government;
- Revitalize the economy based on a “knowledge-based” economic system and high technology industries;
- Guarantee social justice and welfare to ensure basic living standards; and
- Develop foreign policy based on National Unification through the “Sunshine Policy” with North Korea and a more activist role in regional political affairs.

The regional strength of the MDP, and the preceding NCNP, lies in the southwestern Cholla districts. However, in recent national elections, the MDP improved its performance in other parts of the country. In the 16th National Assembly elections, the MDP gained 115 seats out of 273 in the National Assembly. The MDP formed a coalition with the ULD to gain a majority in the Assembly.

Currently, the party faces plummeting support. The ULD left the coalition in September 2001 due to fierce disagreement over Kim Dae Jung’s policies on North Korea, and Kim’s entire cabinet resigned. The MDP has lost its majority control of parliament and is now threatened by an emerging alliance between the ULD and the GNP. The party is also struggling to groom a new leadership now that Kim Dae Jung has resigned, and there have been several important changes in the party.

### *Party Perceptions of the External Environment and Corruption*

The MDP describes itself as a party of reform. The MDP attributes Kim Dae Jung’s presidential victory in part to the party’s platform of cleaning up political and business relationships in Korea. The party points to its lead role in drafting and passing the Anti-Corruption Law and the Anti-Money Laundering Act as evidence of its commitment to reform. Party officials assert they also have made serious efforts to solicit and incorporate public opinion in legislative efforts, and included several provisions recommended by the public, such as the citizen audit and whistle-blower protection and compensation, in the new laws.



Despite these efforts, party leaders recognize that the public does not believe that politicians are always sincere about their intent to fight corruption. They are aware, for example, that the public is unhappy that political funds were excluded from the mandate of the Financial Investigation Unit (FIU), although the party maintains that this will not be detrimental to the effectiveness of the law. MDP leaders have stated that one of the party's central aims is to rebuild the trust of people in the political process, and they recognize that primary responsibility for repairing the public image of politicians rests with the political parties.

Several politicians believe that the legal framework governing parties, as it currently stands, is impractical and does not encourage transparency. One party official summarized, "You can't win if you play by the rules, and everyone knows this." Party leaders explain that the election law in particular is unrealistic, and readily concede that all politicians, including themselves, violate campaign finance laws. In addition, several party officials argue that it is impossible to comply with the restriction limiting the number of salaried party employees if the party and its candidates wish to be successful in election campaigns. Party leaders explain that given the absence of unpaid volunteers in Korea, party canvassers must be paid to ensure success. The MDP, however, respects the integrity of the National Election Commission (NEC) and believes that it conducts its work in a neutral and non-partisan way.

Party leaders believe that legislative reform is the most effective avenue for political finance reform. One leader suggested that the government should consider fully funded election campaigns and that the NEC should conduct the election process in its entirety, including candidate nomination. Others, however, argue that the generational change and the emergence of a new breed of younger, reform-minded politicians within the party will ultimately lead to change.

The MDP strongly defends media freedom, and Kim Dae Jung's government abolished the Ministry of Information, which previously regulated and controlled the media. The government, however, re-established a smaller, "streamlined" ministry with the new mandate "to articulate government positions to the public." Although MDP leaders recognize that the media is essential in creating a more transparent political environment several party leaders complain that media outlets must exercise greater responsibility in reporting on the political process. As mentioned above, the Kim Dae Jung government is under criticism from the media for enforcing tax laws on various newspapers.

MDP leaders also assert they are committed to supporting a vigilant civil society. The party claims to have demonstrated its support for an active civil society by enacting reforms under President Kim Dae Jung that protect basic liberties. President Kim Dae Jung was the only party leader who expressed

initial support for the civil society blacklisting campaign described above. This endorsement, in fact, led to suspicions that the MDP was somehow involved in the civic effort, despite the fact that MDP candidates were targeted along with opposition candidates. Party leaders concede, however, that the party has not been particularly successful in responding to all the demands of civic groups. At the same time, several MDP politicians believe that civic groups, like the media, need to act with greater responsibility. They accuse civil society activists of destroying the image of politicians without offering a replacement image or helping to re-build a new style of politics.

### *Party Structure and Decision-Making*

The MDP has a formal organizational structure as required by the constitution, including a national congress comprising 10,000 delegates, which is the most powerful party organ, a central committee, a supreme council, and various policy-making and disciplinary bodies. A party caucus within the National Assembly provides guidance to elected representatives on party voting positions. The party has a decentralized structure with district branches throughout most of the country. In reality, however, like other political parties in Korea, real political power is centralized in the hands of the party president. Key decision-making in the party usually flows from the top-down, with informal systems of authority admittedly replacing the formal mechanisms. One party leader stated, “Democracy within the party only exists in theory; in practice, it is a one-man show.”

The selection process for candidates for both public office and party positions is a top priority for party reform. As one leader stated, “There is as much corruption in the primaries within the party as there is between political parties.” The party has taken some steps to address this problem and established an exploration committee of candidates to introduce greater transparency into the nomination process. However, it is reported that candidates must still use money in order to win internal support. One party contender for the party’s ticket for president claimed that astronomical sums of money would be required, far exceeding the party’s regulations, “if he wished to be competitive.” In fact, he claims that others had already begun raising money purportedly on his behalf.

Leaders within the party also recognize the importance of cleaning up the internal election process for party positions. In order to address this, the party established an oversight body when the national congress elected the supreme council in August 2000. Although party officials believe that this mechanism indicates a step in the right direction, they allege that money still played a role in this election and no one was punished for violations. Some leaders believe that changes in the party’s by-laws are needed to reform the internal election process.

A promising informal structure within the MDP is a newly formed caucus of progressive party leaders called the “committee on solutions and implementation.” The central aims of the committee are to identify reform needs, develop solutions, and transform the solutions into reality through internal party advocacy. The committee consists of 10 members of the National Assembly, many of whom have backgrounds in civil society organizations and have demonstrated a long-standing commitment to democratic reform and anti-corruption. While the committee is not an official part of the party structure, mainstream party leaders are extremely responsive to its opinions. According to one party official, “Wherever there are obvious problems, the party leaders want to know what the caucus is saying.” This committee, though composed of only a small number of pro-reform politicians, has become an effective instrument for democratic reform within the party.

The first significant task of the committee was the promotion of the recent anti-corruption legislation, and a member of the committee served as the primary drafter of the legislation in the National Assembly. The caucus reports that its success lies in its methodology: working through party structures, rather than outside of them. In the past, noted the committee chair, party reformers sought to work through the media, rather than through the party. The committee is extremely cautious and tactical, however, to ensure that the mainstream of the party is engaged in its efforts. In the past, when an issue has not had the support of the party, the committee members have not pursued it and have focused on other issues, allowing time to build broader consensus.

The party recently proposed significant changes to its structure and organization. On January 7, 2002 at the party’s convention, there was unanimous agreement on party reform, particularly in the wake of President Kim Dae Jung’s resignation as president of the party and a series of corruption scandals. MDP members agreed to establish a special committee to implement several reforms. Unlike the caucus described above, this committee would be an official part of the party structure. One of the main changes made at the convention was the elimination of the position of party president in order to protect against one person dominating the party. Instead, the supreme council and a chairperson elected by party members will run the party. In addition, the leadership of the party and the candidate for president will be separate in order to ensure smooth management of the party in the future. Finally, the candidate selection process will be radically changed. The MDP will hold primaries open to average citizens to help determine candidates. In calculating a candidate’s score, the result from the primaries will count for 50 percent, the vote from all party members will count for 30 percent, and the vote from party delegates will count for 20 percent.

## *Fundraising and Money Management*

As required by law, the MDP has a central fundraising account for political party funds and a separate party account for funds received through the state subsidy. A central finance committee manages funds and oversees fundraising. Fundraising takes place at both the national and branch levels, although the branch offices must report all funds to the party's central headquarters. The MDP headquarters also provides 2.5 million won per year in support to local district branches. Money primarily comes from membership dues, the government subsidy, and private and corporate donations.

During his election campaign, President Kim Dae Jung pledged not to seek any corporate contributions. Reports indicate, however, that other leaders in the party continued to fundraise from corporations, and Kim's strong stance on this issue apparently softened. The party (as the NCNP) received 5.9 billion won in corporate contributions in 1996 as an opposition party. As the governing party in 1999, the MDP received 20 billion won from corporate donors. Of this amount, 18.5 billion was raised from the nation's 10 largest conglomerates.<sup>51</sup> Opposition leaders have remarked that the MDP has adopted all of the fundraising practices that it fought against as the opposition. The MDP has attempted to clarify the party's position on corporate contributions by arguing that although it is not aggressively pushing for corporate contributions, as a matter of political survival, the party will accept such contributions. MDP officials admit that problems arise when accepting these donations but that in order to be competitive, the party must accept the needed funding.

Korean law requires all parties to disclose their financial records, and the party has regular audits and inspections of its financial accounts. However, MDP leaders, including members of the supreme council, acknowledge that the use of party funds is not always transparent. According to one leader, the accounting system is not detailed enough to expose how party money is really spent.

## *Ethical Criteria and Discipline*

The party constitution, like other parties in Korea, includes general provisions guiding the behavior of party members. Party leaders elected to government office are required by the Public Servants' Ethics Act to declare their assets and liabilities, the party does not require any additional asset declarations for party officials.

## Grand National Party (GNP)

### *Background*

The Grand National Party (GNP) was established in 1997, prior to the 15th presidential election. The GNP originated from the ruling Democratic Liberal Party (DLP), which was formed in 1990 as the result of a three-way party merger. At the time of the DLP's establishment, party president Roh Te Woo was serving as president of country. In 1992, party president Kim Young Sam was elected the 14th president of Korea, the first non-military leader since the 1961 coup. In 1996, the party's name was changed to New Korea Party. When Kim Young Sam retired from politics in 1997, the party merged with the smaller Democratic Party to create the Grand National Party, led by the new party president Lee Hoi Chang. The GNP is referred to as "Hannara."

The GNP party platform emphasizes the national identity of the party, the principles of freedom and democracy, and the eradication of collusion between businesses and politicians. GNP believes that it serves as "a valuable defender of democracy" by placing a check on the policies of the current administration and "minimizing the mistakes of Kim Dae Jung's government."<sup>52</sup> The GNP platform distinguishes itself from other parties through its emphasis on national security and its opposition to demilitarization. Specifically, the party's platform includes the following broad objectives:

- Guarantee the freedom and rights of the people;
- Realize economic justice and social stability;
- Promote economic development to be competitive in a global economy;
- Promote the development of science and technology;
- Build an affluent welfare society in which peaceful labor-management relations are maintained;
- Guarantee equal opportunity to education;
- Build an environment-friendly and resource-saving society;
- Expand women's economic, social, and political participation;
- Strengthen national security and national defense; and
- Accomplish a peaceful national reunification.

The GNP's parent parties were in government from 1990 to 1997. In 1997, GNP president Lee Hoi Chang lost the 15th presidential election by 1.6 percent of the vote to Kim Dae Jung. In the 16th National Assembly elections, the GNP won 133 out of 273 seats, maintaining its position as the party with the largest single representation in the National Assembly. Following the break up of the ULD and MDP, the GNP now controls parliament, and there are rumors of an ULD-GNP alliance.

## *Party Perceptions of the External Environment and Corruption*

GNP leaders point to the anti-corruption efforts of the Kim Young Sam as a demonstration of their party's commitment to reform. In particular, party leaders tout the political finance reforms initiated under Kim Young Sam, whose administration multiplied party subsidies by eight and strengthened limitations on private contributions. As one party official stated:

We gave up our established right when we initiated these reforms. Before, the conglomerates actually sat on the party's finance committee. Money was contributed to the NEC, but it was well known that the money was finding its way back to the ruling party. This was not fair, so we decided to level the playing field. We may have lost the 1997 elections, but we made a significant contribution to democracy and clean politics in Korea.

Today, GNP leaders state that, generally, the legal framework governing political parties is applied fairly. They are concerned, however, that certain provisions are not implemented in a neutral manner. With respect to the anti-corruption law, for example, the GNP would have preferred further guarantees of the independence of the anti-corruption commission and the establishment of a special prosecutor system. Party officials have also expressed concern about the neutrality of the NEC in auditing political party accounts. One party leader suggested that irregularities in the accounts of the ruling party were overlooked, while smaller problems with the opposition reports received disproportionate attention. In addition, during the drafting of the Anti Money-Laundering legislation, the GNP expressed concern that opposition parties would be disproportionately targeted if the proposed FIU were empowered to conduct unauthorized searches of political funds.

The GNP also has indicated dissatisfaction with the enforcement of existing laws. GNP party officials believe that although the act requiring public officials to declare their assets publicly has likely deterred some questionable behavior, the mechanism lacks adequate enforcement provisions. According to GNP officials, the committee that receives the reports does not necessarily investigate financial gains made while in office, but only records them. With respect to the regulations governing disclosure of political party funds, one senior GNP official reported that they are sufficient, although, enforcement could be strengthened. In his opinion, better enforcement of these regulations requires bureaucratic, rather than political, reform.

Another critical point of concern for the GNP is the issue of corporate funding. There remains significant disparity in the amounts of corporate contributions to the ruling and opposition parties. One leader suggested that 80 to 90 percent of private and corporate contributions are donated to the ruling party of the day, regardless of ideology. In order to control the influence of corporate money, some GNP party leaders have proposed that the NEC establish a system that would tax corporations one percent on their profits over a certain amount and use the money as a common campaign fund. The funds would be distributed proportionally to political parties, and corporations would be barred from other political contributions. They contend that the ruling party opposes this measure because it would lose a significant source of political funding. While describing the proposal, one leader stated:

We know that such a system would not be entirely democratic, that it would infringe on free speech. We also know that it is we who would be disadvantaged if we return to power. But it is the system that is important. The party would increase its credibility if it were to fulfill promises like this.

In addition, the party believes that the government should provide greater public funding to parties in order to cover costs such as television commercials, seminars, debates, and printed materials. The public subsidy money is currently the only source of funding with a considerable degree of transparency, and increasing the percentage of party funding that comes from the government would therefore enhance transparency.

One party leader believes the onus is on the ruling party to reform the system through legislation. He stated, "Politicians in general are not very popular right now. But raising the credibility of the political process is the job of the governing party – they have the power to pass the necessary legislation." The party prides itself on serving as a watchdog on the current administration. The party publishes the bi-weekly *Democratic Journal*, in which it claims to expose "unreported" scandals involving government officials.

With respect to the impact of civil society and the media on the political party environment, party leaders report that they can play a positive role by monitoring the political process. In the words of one party official, "We cannot be what we used to be; the situation has changed." The GNP has, however, alleged partisan bias in the NGO blacklisting campaign and also contends that the government crackdown on the media is based on political motivations.

## **Party Structure and Decision-Making**

According to party regulations, the national convention is the top decision-making authority of the party. The convention, which comprises 8,000 to 9,000 party members, is held every two years. The national convention

has the authority to adopt and amend the party platform and party constitution, to elect the party president and nominate the presidential candidate of the party, to confirm the appointments of the party president, and to determine party dissolution or mergers.

The party also holds conventions at the metropolitan city/provincial level. These conventions include 150 to 300 members and are responsible for electing representatives to the national convention, submitting recommendations to the central party headquarters, and choosing the chairs of city and provincial chapters. District conventions, with 100 to 150 members, choose the chairs of district chapters, elect representatives for the national convention, and submit recommendations to the party. The party maintains 16 city and provincial chapters and 253 district branches. The total party membership is approximately three million.

At the party headquarters, the “presidential group meeting” consists of the party president and vice presidents, as well as party executives such as the secretary general, deputy secretary general, the chair of the policy committee, and the floor leader of the National Assembly. The presidential group meeting meets weekly to consult on major party affairs and policy decisions. The policy committee conducts research and development on party policies and includes 19 sub-committees. The GNP also has a central executive council, consisting of 80 members, and holds regular party office-holder meetings, which include key local and national party officials, to deal with matters referred by the central executive council. A caucus within the National Assembly provides guidance to elected representatives on party voting positions. The party’s Yoido Institute is responsible for research and investigation.

Despite this formal structure, which includes multiple committees and positions, decision-making in the GNP remains, as in other parties in Korea, highly centralized and leader-centric. One senior party leader noted that, aside from the party president, meaningful power is held by the secretary general, the floor leader, and the chair of the policy committee.

A special committee within the party selects candidates for public office. Nominations are determined based on the results of public opinion polls and the preferences of party leaders. The party runs its own polling institute to solicit public opinion about the selection of candidates. Despite its efforts to solicit public opinion, one leader admitted that the nomination process for the 16th National Assembly elections largely ignored the suggestions of the NGO blacklist campaign described above. The GNP does not use a primary system, and party members do not select candidates; however, district chapters are required to provide a secondary endorsement of candidates from their district. For local offices, local chapters select candidates, who are then approved by the city chapter and central headquarters.



The party recently created the reform committee, chaired by a party vice president, to develop and propose reform legislation. The current vice president contends that because the proper groundwork was not completed, the 1994 political reforms were only mildly successful. The party is using its time as the opposition to develop reform policies that it plans to implement when it returns to government. One challenge, he says, is to maintain party consensus on the need for political reform. Some of the “older-generation leaders,” for example, believe that the 1994 reforms led to the defeat of the party. He described the nature of this challenge:

Yes, there are those who resist the reforms. With reform, the question is always, ‘Will this give us an advantage or not?’ There are those who, somewhat rightly, see the reforms as ‘stepping on our own toes.’ But the Korean people have a high standard; they know what politicians are up to. We must act in the people’s interest: this will gain the support of the people and help us to increase our electoral appeal if we are sincere. People will recognize genuine reforms and say, ‘The party is doing this even though it will be disadvantaged, but the party must clearly care about the Korean people as a whole.’

Because of these challenges, the party encourages extensive discussion on proposed reforms at all levels of the party in order to solicit feedback, build popular support, and maintain consensus within the party.

### *Money Management and Party Fundraising*

The party’s central finance committee spearheads fundraising efforts and manages the party’s finances. Previously, representatives of the largest corporate conglomerates actually sat on this committee, although this practice has been abolished. Each local chapter is permitted to raise funds independently, although local funds must be reported to the central headquarters. Party leaders do not believe that political contributions impact the party platform or party policies.

Party leaders admit that it is only through receipts that one can track contributions to the party. Despite the limit on individual and corporate contributions, these receipts are, according to one senior party leader, only required if the contributor seeks tax exemption. Otherwise, no receipt is prepared and the contribution goes unreported. He acknowledged that unrecorded contributions occur in all parties, including the GNP, hindering transparency in the political finance process.

Since becoming the opposition, the GNP has relied much more extensively on the government subsidy for political finance, as corporate donations have shifted to the ruling MDP. Currently, approximately 50 percent of reported party funds are provided by the subsidy, which totaled 21 billion won in 2000. Party leaders argue that potential private donors are deterred from contributing to the opposition out of fear that they will be the subjects of partial investigations by the government. The party also raises money through the donations of party leaders. According to party representatives, there is a traditional expectation that party leaders should contribute financially to the party in exchange for leadership positions. As one party official stated, "This concept of 'a clean party is a strong party' is a new idea; there is still the belief that leaders must show their loyalty and duty to the party by contributing."

On the whole, leaders report that, like in other Korean parties, there are low levels of transparency in party finances. Official party funds are audited as required by the law, but party representatives voice little faith in these audits. In 1997, the GNP finances were the source of a major political scandal involving Kim Young Sam's son, who at the time was in charge of party finances. The son was indicted on charges of bribery related to his party responsibilities.

### *Ethical Standards and Discipline*

GNP party leaders sign contracts with the party specifying conduct and terms of service. These contracts include a leadership code. The bureau of general affairs/planning deals with the implementation of the code, alleged violations, and discipline. Although some party officials report that the code is an effective deterrent, others have alleged that the party uses the code only when it provides an effective remedy to deal with political opponents.

## **United Liberal Democrats (ULD)**

### *Background*

Kim Jong Pil, a long-time politician who had previously served as prime minister, founded the United Liberal Democrats (ULD) in 1995. Kim Jong Pil is now the honorary party president, and Lee Han-dong is the new party leader. The ULD formed out of a succession of parties, all of which frequently played the role of junior coalition partner in governing majorities. In 1990, for example, the ULD, under a different name, was one of three parties to merge into the governing Democratic Liberal Party.

A central component of the ULD manifesto is the party's commitment to more "conservative politics," which is how the party often distinguishes itself from other parties. The party platform sets forth the following objectives:

- Promote economic development based on a free-market system with self-regulation led by the private sector;
- Encourage technology industries;
- Advocate responsible politics through a true parliamentary system, limited presidential powers, a smaller central government, and political decentralization;
- Guarantee economic justice and social welfare;
- Balance development among Korea's regions;
- Promote peaceful national unification based on the democratic system; and
- Strengthen national security.

The ULD is the smallest of the three major parties, with its regional support in the central Choungchong provinces. In the 2000 National Assembly elections, the ULD won 17 seats out of 273. Despite its small size, the ULD wields significant power as a governing coalition partner in an otherwise divided parliament and government. Recently, the ULD left the ruling coalition in parliament, upsetting MDP's control of the Assembly.

### *Party Perceptions of the External Environment and Corruption*

The ULD has proposed several fundamental reforms to the governance system in Korea in order to promote clean politics. Foremost among these is the establishment of a true parliamentary system, with limited presidential powers and state decentralization. In addition, the ULD supports the creation of multi-member parliamentary districts, arguing that this will help to reduce the role of money in politics. The ULD has also proposed complete government funding of the political process for party activities and campaigns. Nevertheless, party leaders believe that the current legal and electoral frameworks are becoming effective in countering corruption. ULD leaders also believe that the new anti-corruption commission will operate independently and effectively. However, like the GNP, ULD officials are concerned that the government may use the FIU to target the opposition.

### *Party Structure and Decision-Making*

Like the other political parties, the ULD has an extensive formal organizational structure that includes numerous committees and local bodies. Per the regulations of the Political Party Act, the party has a national

convention of delegates as the supreme decision-making authority, a central council, and a 20-member board of executive members to manage party affairs on a regular basis. Other important structures include the policy committee, the party officials' meeting, the floor committee, city/provincial and district chapter conventions, the party secretariat, and a series of standing committees. These structures mirror the structures of the other political parties, granted similar mandates by the party constitution. In reality, the decision-making process is similarly centralized and dominated by the party leadership.

### *Money Management and Party Fundraising*

A central finance committee oversees fundraising and the finances of the party. When part of the opposition, the ULD relied more heavily on its government subsidy to fund party activities, accounting for approximately 40 percent of party funds. However, when it became a coalition partner, the ULD had better success than the GNP in raising private contributions. According to an interview with the party leadership, in 1999 the ULD raised an additional 7.8 billion won in reported private contributions.

### *Ethical Standards and Discipline*

The ULD regulations include a code of conduct for party leaders, monitored and implemented by the committee on the code of conduct. The party also has a standing party discipline committee. ULD leaders report, however, that the code is not particularly strong, nor is it implemented rigorously. ULD leaders did not point to any other specific reform initiatives within the party to promote ethical behavior, as party leaders assert that corruption in the party is not a serious problem.

### **Internal Party Anti-Corruption Strategies**

		Yes	No	Comments
1	Do party members elect national officials?			The party leader has not typically been challenged, except when the post has been vacated. Otherwise, delegates to national congress vote on mid-level and senior leadership offices.
	MDP	Y		
	GNP	Y		

	ULD	Y		
2	Do local party branches participate in candidate selection?			Candidates from all parties have in the past been selected by a small committee of top national leaders, based in part on the results of public opinion polls. Many party reformers have targeted this area for reform.
	MDP		N	The MDP has proposed full membership elections and open public primaries to determine candidates in the future.
	GNP		N	The GNP consults public opinion polls when determining nominations.
	ULD		N	
3	Are there regularly scheduled party congresses or conventions?			All parties hold regular conventions.
	MDP	Y		
	GNP	Y		
	ULD	Y		
4	Can all members participate in selection of delegates to the national party congress?			There are no primaries involving all members. However, indirectly, through various levels of party structure, such as the city and district conventions, members can participate in selection of delegates to national congress.
	MDP	Y		
	GNP	Y		
	ULD	Y		
5	Are local party offices elected?			The parties all have formal procedures for electing the chairs of the city, provincial, and district chapters. However, the party leadership reportedly influences the decision, and local branches are most often headed by the leadership's candidate choice for the national assembly.
	MDP	Y		
	GNP	Y		
	ULD	Y		
6	Are there term limits for party officials?			Although there are no term limits for party officials in any party, term limits were implemented for Korea's president. Typically, the party leader retires

				from party leadership after having served as the country's president.
	MDP		N	
	GNP		N	
	ULD		N	
7	Does the party own businesses?			The Political Funds Act prohibits this; although certainly close associations between the chaebols (conglomerates) and the major parties are alleged
	MDP		N	
	GNP		N	
	ULD		N	
8	Does the party refuse political contributions from certain sources?			Parties abide by the standards of the law, which prohibits certain sources. No party says they refuse legal donations.
	MDP		N	
	GNP		N	
	ULD		N	
9	Do party MPs have to donate part of their salary to the party?			
	MDP	Y		
	GNP	Y		
	ULD	Y		
10	Does the party employ professional accountants to manage party funds?			
	MDP	Y		
	GNP	Y		
	ULD	Y		
11	Does the party conduct an annual audit of its accounts?			By law, all parties audit, but none take additional voluntary steps.
	MDP	Y		
	GNP	Y		
	ULD	Y		
12	Does the party disclose the sources of its funds and expenditures to members of the party?			By law, all parties are required to keep public accounts. However, there are opportunities in the laws that allow donors to maintain anonymity.
	MDP	Y		
	GNP	Y		
	ULD	Y		
13	Does the party disclose the sources of its funds and expenditures to members of the public?			By law, parties must report sources of funds and expenditures in accounts that are made

				public. However, there are provisions in the law that allow for donor anonymity, so not all sources of funding are known.
	MDP	Y		
	GNP	Y		
	ULD	Y		
14	Are party leaders required to disclose their personal assets?			No party requires its leaders to disclose their personal assets; however, elected government officials, including members of the national assembly, are required to do so by the Public Service Ethics Act.
	MDP		N	
	GNP		N	
	ULD		N	
15	Are party leaders required to sign a party code of conduct?			All parties have provisions in their regulations to agree to abide by the principles of the party.
	MDP		N	
	GNP	Y		GNP party leaders sign contracts with the party specifying conduct and terms of service, and these contracts include a leadership code.
	ULD	Y		The ULD regulations include a code of conduct for party leaders, monitored and implemented by the committee on the code of conduct.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			While all parties have formal disciplinary procedures and structures, most party leaders report that party practice is more personalized and less institutionalized.
	MDP	Y		
	GNP	Y		
	ULD	Y		

## CONCLUSION

An extensive legal framework governs political competition and political finance in Korea. Despite the strict provisions of the law, political corruption and money politics continue to prevail. Some argue that the

problem is one of implementation: over time, the regulatory framework has begun to demonstrate a positive impact on the political process in Korea. Others contend that the regulations are unrealistic and routinely un-enforced, engendering systemic disregard for the law.

Despite this debate, it seems evident that political parties have been extremely reluctant to enact voluntarily internal party strategies to reform political practices. Instead, they prefer to rely on legislative remedies to clean up the political process. At the same time, however, practice suggests that parties have often not shown good faith in adhering to the legislative reforms upon which they rely. Indeed, this perception has led to a crisis of credibility within the Korean political system, and public distrust of politicians continues to grow.

Several factors, however, contribute to a more optimistic outlook in Korea. First and foremost, the multi-party system in Korea is young, and the democratic progress made in a short period of time has been significant. Second, political parties are in transition. Present-day parties arose in opposition to authoritarian rule and, with that objective achieved, parties are still struggling to adapt to a new and different political environment. Change is underway in political parties in Korea, with “old-style” politicians being replaced by an emerging breed of progressive political newcomers. Third, an active civil society has aggressively stepped forward to demand that politicians be held accountable to the public. As the political culture transforms in Korea, political practice will likely begin to resemble more closely the political ideals set forth in the ambitious legislative framework. One political party official commented, “To clean up politics, three foundations are required: political legitimacy, legal reform, and a new political culture. Korea now has two of these three.”

As Korean parties move forward, analysts have suggested several courses for further reforms. One common theme among these proposals is the need for transparency in the system of political finance. Whether by more effective implementation of the existing laws, or through legal revisions, the prevalence of “informal” political financing must be addressed. A second common prescription is the need to democratize the internal operations of political parties. Many analysts and politicians have identified the candidate selection process as the single greatest obstacle to more open and democratic parties. In response, parties are starting to implement measures, such as GNP’s use of public opinion polls to determine party candidates and the MDP’s proposal to conduct open public primaries. Korean parties have also taken the positive step of forming various committees, such as the MDP’s committee on solutions and implementation and the GNP’s reform committee, to examine broader reform needs and explore solutions.



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- <sup>1</sup> This chapter is based on interviews with South Korean political party leaders conducted in Seoul June 23 to July 1, 2001. In many cases, party representatives spoke on the condition of anonymity and the researchers have complied with this request.
- <sup>2</sup> For the purposes of this chapter, “Korea” refers to South Korea.
- <sup>3</sup> Interview with Dr. Wonhong Kim, Korean Women’s Development Institute, March 2002, website: [www2.kwdi.re.kr:8090/ucgi-bin/webdriver?Mlval=eng\\_home](http://www2.kwdi.re.kr:8090/ucgi-bin/webdriver?Mlval=eng_home).
- <sup>4</sup> Park, Tong Whan, “South Korea in 1997,” Vol. 38, No. 1, January 1998, p. 3.
- <sup>5</sup> South Korea Country Profile, [www.economist.com](http://www.economist.com).
- <sup>6</sup> Park, Tong Whan, “South Korea in 1998,” Vol 39, No. 1, January/February 1999, p. 136.
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# TAIWAN<sup>1</sup>

## SUMMARY

Four decades of martial law and one-party rule facilitated political corruption—commonly referred to in Taiwan as “black-gold politics”—by providing one party with monopolistic control of state resources. The advent of multi-party political competition in the late 1980s was marked by three relevant features: (1) a system of money-politics embedded in political practices; (2) an economic boom providing tremendous wealth to political competitors; and (3) a legal framework, designed during the one-party era, ill-equipped to regulate the complex challenges of political finance.

In the absence of rigorous laws and rules regulating political competition, political parties of Taiwan have largely been left to their own devices to address the problems of political finance and political misconduct. While in many other countries political parties have been relatively hesitant to take pro-active, self-regulating measures, Taiwan’s relatively brief experience with multi-party democratic competition is rich with political party reform strategies. Public opinion in Taiwan, demonstrated in part by the results of the 2000 presidential election, have forced “clean politics” onto the national agenda. In response, political parties have distanced themselves from the “black-gold” practices of the past by implementing concrete reforms, transparency, and accountability in party practices. While the sincerity or effectiveness of many of these measures may be open to debate, the experiences of Taiwanese political parties offer several interesting strategies in response to the problem of money politics.

## BACKGROUND

### Political Context

#### *Country Background and Transition to Democracy*

Taiwan, a small island neighbored by global powers China and Japan, has long been a site of geopolitical strategic importance and controversy. More than 300 years ago, Taiwan came under Chinese influence during the Ming Dynasty when China occupied Taiwan and annexed the island. Taiwan was the eastern outpost of the vast Chinese empire, left largely to its own development. Seized by the Japanese in 1895, Taiwan became a Japanese colony until 1945, when it reverted back to Chinese rule.

In 1945, when Taiwan was returned to China, the Nationalist Party (Kuomintang or KMT), led by Chiang Kai-shek, and the Chinese Communist Party (CCP), led by Mao Ze-dong, were engaged in a civil war. Losing to the CCP, in 1947, the KMT government was forced to flee the mainland to the island province of Taiwan. Until 1991, the KMT continued to consider itself the legitimate government of China, although the entire mainland was occupied and controlled by the Communist Party. The KMT viewed its relocation to Taiwan as a temporary tactical move, from where the KMT would continue to wage the struggle against the Communist Party and regain control of the mainland. Indeed, most of the international community recognized the KMT government as the legitimate government of China into the 1970s.

Upon its arrival in Taiwan, the KMT government suspended the nation's existing constitution and declared martial law, which lasted until 1987. Full constitutional rule was not restored until 1991. During the period of martial law, elections were not held (except supplementary and some local level elections) and political dissent was not tolerated. Opposition political parties were banned, and the government actively repressed the development of any unified opposition political movements. The KMT's authoritarian governing style and repression of local Taiwanese culture and identity, including making Mandarin Chinese the official language and discouraging the use of the Taiwanese dialect, precipitated conflict with the Taiwanese. More than 18 million of Taiwan's population of 22.2 million are "native Taiwanese," whose ancestors migrated from Fujian and Guangdong provinces in the 18th and 19th centuries.<sup>2</sup> Though both the earlier immigrants and the post-1945 immigrants are ethnic Han Chinese, local Taiwanese viewed the two to three million "mainlanders" who arrived with the KMT after 1945 as unwelcome "intruders." Tensions led to the "228 Uprising" on February 28, 1947, in which Taiwanese protested *en masse* against KMT rule. The government responded harshly, resulting in the deaths of an estimated 15,000 to 60,000 Taiwanese activists.

Following the uprising, the KMT government undertook several significant reforms to build local and international support for its rule. Land reform, for example, provided greater economic opportunity to Taiwanese and had the added benefit, in the eyes of the Nationalist government and its international allies, of reducing the island's vulnerability to communism. In addition, the KMT government spearheaded an economic transformation that resulted in 30 years of growth rates above 8 percent annually, making Taiwan one of Asia's most dynamic economies.<sup>3</sup> The KMT also allowed local government elections to take place beginning in the early 1950s. Although local polls provided some limited space for the development and expression of political opposition, the government actively intervened to ensure that the opposition remained local-

ized and isolated. As part of this effort, the KMT government encouraged the development of local political factions, which competed among themselves for power, allowing the KMT to play the role of power broker. Limited, localized political opposition functioned sporadically, commonly referred to as simply the *Tangwai* or “outside the party.”<sup>4</sup>

In 1972, Taiwan’s external political environment changed dramatically. After President Nixon’s historic trip to China, the U.S., the KMT’s strongest ally, began scaling back its military presence in Taiwan and started the process of rapprochement with the mainland government. The U.S. change in policy was accompanied by a decline in Taiwan’s international status, as much of the international community switched diplomatic relations to Beijing and the United Nations withdrew its recognition of the KMT government, offering its seat on the Security Council to the Communist government. These changes forced a radical re-examination of Taiwan’s national status and the domestic political situation. Domestic politics became more contentious, with some segments of the population pushing for independence and others advocating reunification with the mainland. Facing an uncertain international environment and domestic divisions, the government clamped down further on internal dissent, claiming that it was crucial to maintain domestic stability.<sup>5</sup>

At the same time, the KMT government was in transition internally. With the death of Chiang Kai-shek, who had ruled since the 1930s, his son Chiang Ching-kuo assumed the leadership of the party and the government. In the absence of elections, leadership had remained stagnant for more than 25 years, and Chiang Ching-kuo’s ascension to power brought with it several changes. He began to liberalize Taiwan’s political system and opened 10 of the 600 legislative seats for political competition. In order to rejuvenate the party and gain support among Taiwanese, the KMT initiated a policy of “Taiwanization.” Previously, both the party and the government had been closed to the native Taiwanese majority. Under the new system, the party provided training and political opportunity to local Taiwanese, and by 1994, 19 of the 31 members of the KMT central standing committee were Taiwanese.<sup>6</sup>

As Taiwan gradually moved toward greater democratic participation and the opposition became more united, international politics again became a distraction when the US announced its intention to establish diplomatic relations with mainland China. Questions of national identity and national sovereignty were once again in the forefront of public discourse and continued to challenge the legitimacy and authority of the KMT regime’s rule, presenting the opposition with an opportunity to address public concerns regarding Taiwan’s future.



In response, the KMT government called off the 1978 elections and restricted domestic political opposition. With the exception of 1978, supplementary elections for the National Assembly, Legislative Yuan, and Control Yuan had been held since 1969.<sup>7</sup> Opposition leaders were forced to rely on political periodicals, including the *Taiwan Political Review* and *Formosa*, to present their views and rally public support for political reform. The government's response, which included censorship by the Taiwan Garrison Command and the trial of some of the leading editors and publishers of the journals for libel, proved both ineffective and costly in terms of helping the public image of the KMT.<sup>8</sup> On December 10, 1979, a *Formosa* sponsored protest led to the "Kaohsiung Incident," during which violence broke out and 183 police officers were injured. The government imprisoned over 100 opposition leaders, with sentences varying from several years to life. The government's harsh reaction generated much sympathy and support for the opposition. The opposition was able to capitalize on this sympathy during elections in 1980 and the *Tangwai* made a strong showing.<sup>9</sup>

Following the death of Chiang Ching-kuo, vice president Lee Teng-hui succeeded him as president of Taiwan and the chairperson of the KMT, becoming the first Taiwanese to lead the party and the country. Lee sought a new popular legitimacy based on two distinct strategies: democratic reforms to the political process and the systemization of "black-gold politics," manipulating access to state resources in return for political loyalty. Lee's rule was marked by the mushrooming of political corruption coupled with a transition to democratic competition.

The transition to democracy advanced quickly. In 1986, the opposition movement announced the official formation of the Democratic Progressive Party (DPP), the first opposition political party in Taiwan. Although at the time opposition parties were still officially banned, the government did not prohibit the DPP from operating. In 1987, martial law was lifted; political parties were legalized in 1989; and full constitutional rule was restored in 1991. In 1992, for the first time, all seats in the legislature were opened for election, and in 1996, the president was elected by direct popular vote. In 2000, the opposition DPP won the presidential election, and the KMT, which had ruled Taiwan for 50 years, peacefully ceded executive control, marking the first transfer of power in Taiwan. This unique historical path has had significant implications on both the problem of political finance in Taiwan and the development of political party responses to this problem.

## *Governance and Election System*

During the period of martial law, from 1947 to 1987, Taiwan operated as a one-party state. KMT rule was characterized by strict authoritarianism, with the KMT monopolizing political power and little distinction between the party and the state. The military was essentially an arm of the KMT. Power within the government mirrored the power relationships within the political party. All state organs were subordinate to the party, which was in turn subordinate to the party chairperson. Although formal processes and structures existed, most government decisions were made through informal channels and the party hierarchy. The KMT central standing committee, rather than the government cabinet, *de facto* ran the daily affairs of the state. During the 1980s, however, the KMT leadership began to reduce party domination over administrative and legislative matters.

The constitution of Taiwan (officially the Republic of China) established five separate branches of government: executive, legislative, judiciary, control, and examinations. The control and examinations branches are largely responsible for auditing government performance and for oversight of the extensive administrative bureaucracy. The executive branch consists of a president and vice-president, popularly elected on a single ticket since 1996, and a cabinet appointed by the president. The executive serves for a four-year term, although the public is provided with the “right of recall.” Taiwan’s current president is Chen Shui-bian of the DPP party.

The legislative branch in Taiwan, until recently, consisted of two separate chambers: the National Assembly of Representatives and the Legislative Yuan. In April 2000, however, following the presidential election, the constitution was amended and the functions of the National Assembly were limited to amending the constitution and altering the national territory, if first proposed by the Legislative Yuan. The National Assembly is now a non-standing body, whose 300 delegates are selected by proportional representation of the political parties in the Legislative Yuan.<sup>10</sup>

The Legislative Yuan (LY) is comprised of 225 members, all popularly elected since 1992, who serve three-year terms. In the 1998 legislative elections, the KMT held on to its majority in the LY with 123 representatives, the DPP earned 70 seats, and the New Party won 11 seats. A fourth party, the People First Party (PFP), was formed after the 2000 presidential election, but it gained 19 seats when members of the legislature, elected as representatives of other parties, crossed the floor. In the recent December 2001 legislative elections, the DPP earned 87 seats and the KMT dropped to 68 seats. The Taiwan Solidarity Union won 13 seats, the new People First Party won a startling 46 seats, the New Party won 10 seats, and one seat went to an independent. For the first time in Taiwan’s history a party other than the KMT holds the most seats in the Yuan.

Though the DPP is the largest party in the LY, it does not command a majority. To date, cooperation among parties has been on an ad hoc, or issue-by-issue, basis, without firm coalitions taking hold.<sup>11</sup>

Of the 225 members of the Legislative Yuan, 168 are elected from 21 multi-member districts under the single non-transferable vote (SNTV) system, eight are elected by popular vote by the aboriginal population, and eight are elected by overseas Chinese constituencies on the basis of the proportion of nationwide votes received by political parties. The remaining 41 are determined by proportional representation under a closed party list system. Under the SNTV system, multiple candidates run in each of the 21 districts, with the number of seats dependent on the local population. Each voter casts a single vote for a single candidate. Candidates are ranked according to the number of votes received and fill in the available seats accordingly.

Political parties that captured at least 5 percent of the total votes nationwide submit two party candidate lists in advance of the election, one for the national constituency and one for the overseas Chinese communities, from which its proportional seats will be filled.<sup>12</sup> The law does not provide voters with any opportunity to influence the composition or ranking of candidates on the party lists. The allocation of party list seats is determined by a national aggregation of the votes under the SNTV system. The individual candidate selected by the voter represents a political party, and the vote will count once for the individual under the SNTV system and once for the political party. If the candidate selected by the voter is an independent, then the vote will only count for the district race, and no political party will be credited with the vote. Party votes are aggregated nationally, determining their national percentage.

Many political leaders and observers in Taiwan have criticized the current SNTV multi-member district electoral system. Candidates in the SNTV system do not require a majority of votes to gain election in their district. Because of this, parties do not require “consensus” candidates, but rather, candidates that appeal to a small percentage of voters. Electoral outcomes in Taiwan are determined to a large extent by party strategies determining which and how many candidates to field in each district. Such decisions attempt to predict public support in advance in order to maximize the number of seats a party can win without risking a “split” of the party’s support. Based on this electoral system, elections in Taiwan tend to be more “candidate-centered” than “party-centered,” because each candidate is individually motivated to ensure that he or she achieves the minimum number of votes needed for election.<sup>13</sup> Many analysts also contend that this aspect of the electoral system has helped to fuel the influence of money in political campaigns and the excessively high cost of campaigns.

Legislative elections in Taiwan, based on estimated spending per candidate, are reportedly the most costly legislative competitions in the world. Election costs skyrocketed in the late 1980s with increased political competition. Candidates spend money on advertising, parties, and other campaign activities, including vote buying. In the 1989 legislative election, it is reported that candidates spent as much as \$3.2 million on a single campaign. According to one account, “The staggering amount of money involved apparently horrified some American election observers who had good reason to be shocked: in 1988, average campaign expenditures for candidates to the US House of Representatives averaged only \$274,000 and for the Senate \$2.8 million.”<sup>14</sup>

There have been calls recently from many quarters to reform the electoral system. However, as one scholar notes, reform is highly unlikely in the current polarized political environment. “It is a hard enough task to reach consensus on the need for electoral reform in Taiwan, but reaching agreement on the particular model for reform, where so many options exist, is near impossible at the moment.”

### *Corruption in Taiwan*

Corruption in Taiwan is an impediment to economic recovery and is one of the public’s most serious concerns. Reforming the public sector is a cornerstone of the new administration. The effects of the Asian financial crisis, particularly in Korea, Thailand, and Indonesia, remain a stark reminder in Taiwan of the threat posed by corruption to sustainable economic development. Several recent high-profile corruption scandals highlight areas of major concern regarding corruption in Taiwan. These include the public administration, public procurement, and the financial sector.<sup>15</sup> Irregularities in the financial sector, in particular, have prompted fears of national economic instability.

In all of the areas needing reform, there are direct links to the political process and, specifically, to the discretionary power of public officials. One leading politician defined “black-gold politics,” which captures these corrupt dealings, as follows: “black is the link to illegal activities, gangsters, and organized crime; gold is linked to profit by politicians and their associates. Black-gold is the connection between corruption, money, and power.” Black-gold politics was historically considered a trademark of the former ruling KMT party, primarily because the KMT was the only political party with access to significant resources.<sup>16</sup> One KMT politician acknowledged that, in the past, KMT candidates regularly used financial rewards to win elections. However, many analysts assert that all political parties have now been infiltrated to some degree by the problems of money politics, vote buying, and influence peddling.<sup>17</sup>

Electoral corruption and vote buying have long been considered part of elections in Taiwan. In addition to buying the support of local elites, some politicians have engaged in corrupt relationships with local farmers associations or fisherman's associations, particularly their credit unions. These local banks offer loans to local politicians for which they would otherwise not qualify, in exchange for political influence.<sup>18</sup> Moreover, candidates and parties allegedly buy support from average voters, and many voters take money during the elections. Politicians and analysts, however, believe that the effectiveness of vote buying has decreased. As in other countries, the prevalent belief is that vote buying will cease if it is no longer an effective campaign method and does not help candidates win elections. With the public's rising concerns about policy and candidates' platforms, the influence of political money is expected to decrease.

The issue of political corruption and "black-gold politics" was a factor in the 2000 presidential election. As a candidate, Chen campaigned on his "no compromise" approach to eliminating political misconduct, promising that he would encourage all government officials to adopt a "do more and talk less" attitude in combating corruption.<sup>19</sup> This campaign resonated with voters. After winning the presidency, the Chen administration quickly established a national "anti-black-gold action center," laying the groundwork for greater cooperation among various government departments. President Chen charged the Ministry of Justice, headed by minister Chen Ding-nan, a politician highly regarded in Taiwan for his integrity, to spearhead anti-corruption efforts. Many analysts interpreted this appointment as a demonstration of the sincerity of the government's efforts. Minister Chen has made the campaign to eliminate black-gold politics his foremost priority.<sup>20</sup> In his first 15 months in office, while President Chen's overall approval ratings have dropped, approval ratings on his anti-corruption efforts remain at 70 percent.<sup>21</sup>

The government's anti-corruption drive is housed in the Department of Government Ethics and the Bureau of Investigation, both within the Ministry of Justice. There is, however, no centralized agency dedicated to the anti-corruption cause, although the government has introduced anti-corruption legislation, which, if passed, would establish a comprehensive, independent counter corruption agency. At the time of this writing, this legislation is pending in the Legislative Yuan.

The legislature has adopted several other initial pieces of anti-corruption legislation. The Administrative Procedure Act came into effect on January 1, 2001 to promote greater transparency in the tendering and procurement process. The law attempts to limit the discretionary powers of the extensive administrative bureaucracy in the public service by mandating that all contracts

over NT\$1 million (NT\$35 = US\$1) be advertised publicly on the internet and discussed in meetings open to the public. In June 2000, the legislature passed “conflict of interest” legislation to prevent political and public officials or their close relatives or associates from benefiting from government tenders or decision-making.<sup>22</sup> The legislature also approved mandatory asset declarations for public officials, although many question whether these measures have been effectively implemented. Several political and civic leaders, for example, point to a case in which a police chief purchased a new mansion, while his asset declarations clearly showed that he would be unable to pay for such a house.

The government has already taken action against corrupt officials. In October 2001, for example, 33 former senior government officials, educators, business executives, and a former legislator were indicted for their alleged involvement in an extensive corruption case concerning schools run by the Jin Wen Group, a real estate company. In one of the biggest corruption cases in recent years, the prosecutor sought a life sentence for Lin Chao-shien, a former vice minister of education, and a 15-year jail term for former Minister of Education Yang Chaur-shin, and 12 years for former cabinet minister and secretary general Chang Yu-huei.<sup>23</sup>

### *Current Political Climate*

There are several policy issues that currently dominate political discourse in Taiwan: reform and anti-corruption; Taiwan’s national status and relationship with mainland China; national identity (e.g. the distinction between “mainlanders” and Taiwanese); and economic recovery and development. Political party positions on these major issues will be discussed later in this chapter.

Although, as discussed above, corruption is an important issue in Taiwanese politics, the most critical question facing Taiwan is its national status and relationship with mainland China. The spectrum of debate includes three primary options: reunification with China under a variety of governance schemes; national independence; or maintaining the status quo, an undefined limbo in which Taiwan enjoys *de facto* national sovereignty but lacks general international recognition. There is concern that a declaration of or a significant move toward independence would trigger an attack by China. Taiwanese, however, are equally concerned about the ramifications of reunification. Hong Kong’s reunification with the mainland under the ‘one country, two systems’ formula has not been viewed as a success in Taiwan. Broad public opinion polls show much greater domestic support for independence than for reunification, although overwhelming support exists for maintaining the undefined status quo over either of the other two options. Taiwan’s fragile relationship with the

mainland was put to the test when, leading up to the March 2000 elections, Chinese Premier Zhu Rongji warned Taiwanese voters that if Taiwanese independence forces came to power, it could instigate a war.<sup>24</sup>

The issue of national identity is another important topic of debate. The population is approximately 85 percent Taiwanese, while only 15 percent are mainland Chinese.<sup>25</sup> Mainland Chinese tend to support reunification, while Taiwanese most often support independence. However, although political parties in Taiwan tend to be either Taiwanese or mainlander parties, people do not vote strictly along those lines. Furthermore, the issue of national identity is not a defining issue for younger generations in Taiwan.

The economic downturn, and sharp decline in the stock market -- brought on in part by the Asian financial crisis, government policies, and long-standing structural issues -- is a more common focus of political debate. During Chen's first several months in office, Taiwan's stock market fell by more than 50 percent. In response, consumer confidence and business expectations fell to record lows.<sup>26</sup> Private investment in Taiwan has stagnated, while the mainland continues to attract investors, fuelling a fear of a "hollowing out" of Taiwan's economy as investors shift to China. Although Taiwan's economy appears to have bottomed out and is expected to exceed an annual growth rate of two percent in 2002, the economy is just beginning to recover.<sup>27</sup> The public is growing impatient with the inability of government policies to stimulate economic growth.

Despite these pressing issues, the political situation in Taiwan has been defined by stalemate and inaction. Following the DPP's presidential victory, the executive faced a Legislative Yuan under KMT control, and polarization, political bickering, and paralysis characterized the relationship between the two branches. When Chen came into office he tightly controlled the formation of government and did not reach out to the KMT when he determined his cabinet, even though the KMT held 115 of the Legislative Yuan's 225 seats. The KMT responded by refusing to cooperate with Chen. For example, when the Chen government announced the cancellation of the Fourth Nuclear Power Plant, a pet KMT project, the KMT considered moving to impeach him. Faced with the possibility of impeachment, Chen was forced to backtrack and apologize to the KMT.

Now that the KMT no longer dominates the LY, it is unclear if the tensions between the president and the legislature will be eased. To date, however, the DPP has not been able to form a solid coalition, although it cooperates with the Taiwan Solidarity Union (TSU). Together the two parties control 100 votes, 13 seats shy of a majority. On the other hand, the KMT and

PPF together control 114 seats and have cooperated on several important issues, including the election for the deputy speaker of the LY and the budget.<sup>28</sup> In March 2002, the political parties could not even agree to a TSU proposal to invite the president to deliver a state of the union report in the legislature. The KMT and PFP criticized the proposal as an opportunity for Chen to promote himself and receive positive attention in front of the nation. When KMT and PFP legislators later agreed to support the TSU proposal under the condition that the president could be questioned after the speech, DPP lawmakers opposed the idea, fearing that Chen would be greeted with hostility. Therefore, despite the DPP's victory in the LY, it is possible that the stalemate between the two branches will continue, resulting in little progress in number of public policy issues.

## **Political Party Environment**

From 1947 to 1987, opposition political parties were legally banned. Efforts to unify opposition movements at the grassroots level were aggressively disrupted by the government, and opposition leaders were routinely imprisoned. The state administration, including the civil service, the education system, and the military, was dominated by the KMT. Even in the private sector, economic decision-making and development were similarly influenced by the ruling party, with the advantages of state support allegedly offered as a political reward to those loyal to the government.

Even in 1986, when the first opposition movement was formally launched, people remained hesitant to associate with the opposition due to the KMT's continued influence over all facets of the state. Being perceived as an opponent of the government could mean economic and social disadvantage. Since the DPP has become an established party, and particularly since the 2000 presidential election, this stigma has been removed. Following its victory in the presidential election, the DPP's membership doubled, rising literally in a matter of months from 200,000 to 400,000 members.

While the history of opposition politics is brief, political reform has been more rapid than in many other countries. Several factors have contributed to this rapid transformation. Taiwan achieved significant economic growth under KMT rule, allowing the development of a wealthy and educated society that could promote democratic reforms. In addition, Taiwan's unique international status has encouraged a more "outward-looking society."<sup>29</sup> Taiwan has been more sensitive to international pressure and, at the same time, has sought to differentiate its style of governance from the more authoritarian rule of mainland China. In addition, an independent media emerged quickly after formal government controls were removed, and the Taiwanese military has



refrained from interfering in civilian politics. Perhaps most important, the KMT government allowed the transition to democracy to take place, suffering significant losses as a result.

### *Legal Framework for Political Parties*

One scholar referred to the existing legal framework for political parties as, more appropriately, the *absence* of a legal framework. According to a government minister, “Taiwan does not really have a legal framework for political parties to speak of.” National laws in Taiwan provide minimal guidelines and regulations for political party operations. This is due in part to the brief history of multi-party democracy and in part to the conscious effort on the part of the Taiwanese government not to over-legislate political party activity. Political parties are allowed significant autonomy in their internal operations and are hesitant about efforts to mandate specific styles of party operation. Even the legislation currently pending in the LY would not, if adopted, impose particularly stringent requirements.

The legislative framework that does exist was not designed for multi-party political competition. The Civic Associations Law was amended only minimally upon the implementation of constitutional rule. The Presidential and Vice Presidential Election and Recall Law (PVPERL) and the Public Officials Election and Recall Law (POERL), which govern electoral competition, were adopted only in 1995. Thus many of the holes in the legal framework have only recently been exposed. More comprehensive legislation to regulate political competition is still under debate within the various branches of government.

- The Civic Associations Law<sup>30</sup>

Taiwan has not yet enacted a comprehensive political party law to govern the registration, structure, or operations of political parties. Provisions for political party registration were first provided by the “Organization Law for People’s Groups at an Extra-ordinary Period of Time” in 1987 and then replaced by the “Law for People’s Groups at Mobilization and Communist Rebellion Suppression” in 1989. In 1992, following the restoration of constitutional rule, the law was amended and renamed the Law for People’s Groups (also translated as the Civic Associations Law). Responsibility for the enforcement of this law rests with the Department of Civil Affairs in the Ministry of Interior. According to most political parties, the Civic Associations Law is not used by the government to interfere with party operations or party competition, nor have the requirements been applied in a partisan manner.

The Civic Associations Law is extremely broad, covering registration for all types of civic groups. The law was recently amended to include a chapter entitled “Political Groups,” to allow for the organization of political organizations and parties. According to a current vice-minister with responsibility for these matters, however, political parties were included under this law “almost as an afterthought.” As a result, the law places few requirements on political parties. An aspiring political party must submit its constitution, its structures and operations, its leadership roster, and registration forms to the ministry. The current law does not prevent political parties from owning and managing financial enterprises, nor does it place any requirements on political party financial practices, such as audits of party financial accounts or declarations of party assets. As a government minister stated, “There are very low standards to be a party in Taiwan.”

- Election and Recall Laws: for Public Officials, President, and Vice President

In 1995, two pieces of legislation were adopted to govern elections in the multi-party environment: The Public Officials Election and Recall Law (POERL) and the President and Vice President Election and Recall Law (PVPERL). The laws establish similar procedures for elections, describe the administration of the elections, and place certain requirements on candidates and political parties during the period of electoral campaigns.

According to Article 6 of the PVPERL, responsibility for elections in Taiwan is vested in the Central Election Commission (CEC), which operates under the oversight of the Ministry of Interior. Article 7 sets forth the responsibilities of the CEC, including: the proclamation of elections and results; preparation and administration of elections; candidate screening and registration; election publicity and candidate debates; inspection and examination of all election and recall activities; and other affairs related to elections and recall.

The election law sets forth minimal criteria for candidate eligibility. Section 3 outlines the candidate eligibility requirements and the candidate application process. Candidates from political parties that received five percent of the national votes in the last election are considered duly nominated with the submission of a letter of recommendation from that party. The law places no stipulations on the process by which parties select their candidates. Candidates from other political parties who do not meet this criteria, or independent candidates, must submit the signatures of registered voters totaling 1.5 percent of the number of voters in the previous election.

The PVPERL also provides regulations on campaign finance, including contribution and expenditure guidelines for candidates. Article 35 prohibits campaign donations from foreign groups, groups based in mainland China, another party or candidate in the same election category, or any public enterprise. According to Article 38, campaign contributions to candidates are legally limited to NT \$20,000 (NT\$35 = US\$1) per individual or NT \$300,000 per profit-seeking enterprise. The POERL limits campaign contributions to political parties from individuals to 20 percent of personal income, but no more than NT \$200,000 per individual, and from businesses to 10 percent of total business income but no more than NT \$3 million. These contributions are tax-deductible, as are contributions made by candidates to their own campaign, as long as the party previously earned 5 percent of the national vote or, in the case of a new party, earns 5 percent in the coming election.<sup>31</sup>

#### **Ceilings on Contributions to Presidential Political Campaigns:**

<b>Donor Type</b>	<b>Ceiling per Campaign</b>
Individual	NT \$20,000
Corporate body	NT \$300,000

Source: The President and Vice President Election Recall Law

#### **Ceilings on Contributions to Political Parties:**

<b>Donor Type</b>	<b>Ceiling per Year</b>
Individual	20% of personal income, but no more than NT \$200,000
Corporate body	10% of total business income but no more than NT \$3 million

Source: The Public Officials Election and Recall Law

The PVPERL also limits campaign expenditures. As outlined in Article 36, the limitation for campaign expenditure by each candidate is calculated at 70 percent of the total population of registered voters, multiplied by NT \$15 per voter, plus a base amount of NT \$80 million. According to Article 31, candidates are required to pay a deposit of 50 percent of this maximum amount, which is refunded if the candidate wins at least 5 percent of the vote.

Article 37 requires each candidate to prepare an account book of campaign expenditures, audited by a certified public accountant, and to make this account book available for inspection and reference. Candidates are not

required to reveal the sources of funding. This account book must be submitted to the CEC within 30 days after the election. The CEC is empowered to seek verification of income or expenditures if it suspects the information reported to be untrue or inaccurate. The reports filed by candidates for president and vice president are printed in the bulletin of the Executive Yuan and available for public review. For other candidates, the public can apply to the CEC to access the records in full. Failure to report in a timely or accurate fashion is penalized by fines ranging from NT \$500,000 to NT \$2.5 million. There is no penalty of imprisonment or nullification of election results for these offenses.

Article 78 of the PVPERL makes vote buying a criminal offense and describes possible punishment for vote buying, including a penalty of imprisonment up to five years, fines up to NT \$4 million, and, per Article 94, nullification of the election results if the outcome of the election was deemed affected.

Chapter 4 of the PVPERL also outlines provisions for the recall of the president and vice president. A motion for recall must be initiated by one-quarter and approved by two-thirds of the legislature. A recall referendum would then be held, in which 50 percent of eligible voters must participate, and 50 percent of those votes must support the recall motion if the recalled official is to be removed from office.

Contribution and expenditure regulations for political parties apply only to the official electoral campaign period, identified as the 28 days preceding the polling day (Article 34). Neither of the election laws, nor any other current legislation, regulates political finance outside of this 28-day defined campaign period. There are no expense or contribution limits for political parties. There are similarly no requirements on political parties to account for party finances or to audit or disclose party financial information.

- Public Financing of Political Parties

The state provides financial subsidies to political parties and candidates based on electoral performance. One form of state subsidy involves reimbursement for campaign expenditures. According to Article 39 of the PVPERL, in the presidential election, candidates receive from the state NT \$30 per vote for each vote obtained above the threshold of one-third of the votes required for election. The total amount subsidized cannot exceed the maximum contribution limit. If the candidate runs as a representative of a political party, the subsidy is paid directly to the political party. In the legislative elections, candidates are subsidized at NT \$10 per vote for each vote obtained above the threshold of three-quarters of the votes required for election.<sup>32</sup>

In addition, political parties are subsidized based on the national performance of their legislative candidates. Parties that surpass the threshold of 5 percent of the national votes receive an annual subsidy of NT\$50 per vote. Since the annual subsidy to parties was adopted, the amount of public funding to political parties has increased by more than 15-fold. Annually, this has amounted to public subsidies of NT \$217.5 million per year for the KMT, NT \$156.6 million per year for the DPP, and NT \$61.1 million per year for the New Party.<sup>33</sup>

The Ministry of Interior is responsible for managing subsidies to political parties. Currently, there are few regulations governing the use of the subsidy. Once the subsidy has been disbursed, parties have no obligation to report or provide accounts on how the subsidy was spent.

- Effectiveness of Legislation

Politicians from both the ruling and opposition parties state that the campaign expenditure limits set forth in the law are absurdly low. Elections in Taiwan for a legislative seat are recognized as some of the most expensive elections in the world. One government minister claimed that “even to cover basic campaign expenditures,” one must spend several times more money than the legal campaign limits allow. Recently, a handful of politicians have sought to expose the absurdity of the legal expenditure limits by accurately declaring campaign expenditures, far exceeding the legal limits, despite the fine imposed.

It is widely recognized and acknowledged that nearly all politicians submit false reports of their campaign expenditures to the Central Election Commission.<sup>34</sup> It is expected and accepted that every candidate will file a report that shows both the amount of total campaign contributions and the amount of total campaign expenditures to be equal to the legal limit. The CEC is not able to provide effective oversight or verification, primarily because it is unable to track the accurate amount of campaign contributions. When asked if candidates report honestly, a CEC official could only reply that he “hopes so.” In addition, the financial accounting forms required for submission to the CEC are not detailed enough to be useful, according to this official.

In addition, critics point to the absence of legal guidance on how to dispose of unspent campaign contributions. Politicians cannot declare leftover money or they will face difficulties raising funds for the next election. As a result, unspent campaign funds essentially become the personal property of the candidate. Many politicians allegedly establish personal foundations and not-for-profit enterprises to funnel money and other resources to their campaigns.

Another major loophole in the current legislation is the definition of the campaign period as only the 28 days prior to the election. Fundraising is not regulated outside of this 28-day period, nor is campaigning necessarily restricted to these 28 days. The current electoral legislation is also criticized for its very limited criteria for the disqualification of electoral candidates. Taiwan has a three-step legal appeals process, and current legislation only bars a candidate from running if *all* appeals have been exhausted. These appeals, however, take time.

Parties have also recently raised concerns about the neutrality of the Election Commission. In October 2001, the Election Commission rejected a joint-nomination for Taipei county commissioner from the KMT and the New Party, stating that the candidate can only represent one party. According to the Public Officials Election and Recall Law, a party can only nominate its own members and two parties cannot nominate the same candidate. The PFP, New Party, and KMT held a press conference protesting what they viewed as DPP obstruction of a possible alliance between the three parties, and the parties plan to take the case to court.<sup>35</sup>

### *Pending Legislative Reforms*

Legislators and government officials in Taiwan generally argue that many countries have a tendency to over-legislate the regulation of political competition. The prevailing philosophy in Taiwan is instead to allow political parties greater autonomy rather than to interfere with internal party operations. Taiwanese leaders hope that positive peer pressure (from other parties) and electoral pressure (from the public) will create a political party environment conducive to internal democracy, transparency, and accountability. Although the government does believe it is important to regulate party finances, in order to prevent corruption and protect the integrity of the political system, in other regards, the multi-party system is compared to a free-market system: the voters should decide the type of party practices they want to support. Government leaders express that public oversight, rather than legislation, is the appropriate strategy to influence internal political party operations. This philosophy stands in stark contrast to the prevailing philosophies in countries such as Korea and Thailand, where legislation is seen as the appropriate, and often the only strategy to regulate political party practices.

However, parties and government officials do recognize the inadequacies of the current legal framework for political parties, elections, and political finance in Taiwan and acknowledge that some legislative reforms are needed. Government ministers, as well as individual legislators, have proposed several key legislative reforms in the past year. These include a new Political Parties Law, a new Political Contributions Law, and further amendments to the Election and Recall Laws. All of these proposed pieces of legislation, however, remain pending.

- Amendments to the Election and Recall Laws

The Ministry of the Interior has proposed an amendment to the Election and Recall Laws that would strengthen the eligibility requirements for candidates. Currently, convicted candidates are excluded from seeking political office for 10 years only after all appeals have been exhausted. The proposed change would bar candidates who have been found guilty at the first stage of the legal process, and have pending appeals, from seeking political office, unless and until an appeal were to overturn the ruling. Currently, all political parties are claiming to have voluntarily implemented this type of provision. The amendment to the law, however, would also apply to independent candidates. Some political parties have been accused of colluding with “friendly independents”: convicted candidates who have been excluded from running on behalf of the party, instead contest as independents, and the party promises not to field party candidates in those constituencies.

A second amendment to the election law seeks to repeal the penalties for declaring campaign contributions or expenses in excess of the legal limitations. According to one government minister:

In the past, we had our legal limits, but they were treated as a joke. Everyone was violating the law, even to campaign legally. The laws are outdated and the limits are unrealistically low. Every candidate spends above the legal limits. This proposal would see the penalty removed in order to encourage more transparency in the reporting of campaign finance. Candidates would only be prosecuted if they were to fail to provide an accounting of expenses, to falsify their declarations, or could not justify or verify certain expenses.

The government’s philosophy is that the problems of political finance cannot be addressed until: (1) the law is respected and (2) an accurate assessment of campaign contributions and expenditures can be made. For these prerequisite conditions, many political analysts agree that greater transparency is the first step. The proposed amendment would seek to promote transparency by only punishing false reports. The pending legislation would then raise the campaign finance limits to more realistic amounts, after ascertaining accurate costs and expenditures.

- Political Contributions Law

A pending Political Contributions Law would close one of the main loopholes in current finance legislation by, for the first time, regulating political finances *outside* of the campaign period. Political parties would have to keep

detailed and accurate financial records, which would be audited by certified public accountants and made available for public inspection. The draft law proposes certain limitations on the amount of political contributions by individual and corporate donors. The objective of the legislation is consistent with the electoral amendment mentioned above: to first introduce transparency into the political funding process before assessing further areas requiring reform.

- Political Party Law

The government has also proposed the enactment of a Political Party Law to regulate the registration and operation of political parties. The proposed requirements are not particularly rigorous, as the government does not wish to interfere too extensively in internal party operations. The major change to the existing framework would be to ban political parties from managing their own profit-making enterprises.<sup>36</sup> The law would require that profit-making enterprises owned by political parties be managed by professional financial managers. All party assets would be made completely transparent, open for audit and public inspection. The draft version of the law also requires political parties to be democratic in both their organization and operations. For example, the highest party leaders would have to be democratically elected to four-year terms.<sup>37</sup> Government proponents and civic supporters believe that civil society and the media could then play a more active oversight and monitoring role.

- Open Primary Proposal

Another more controversial reform proposed by some sectors in Taiwan is to establish a system of government-funded open party primaries. Such primaries would be open for participation by all members of the voting public, regardless of party membership. Proponents of this proposal believe that it would help clean up the problem of corruption in the party nomination processes. Opponents note that open primaries are accompanied by their own set of problems, including the possibility of cross voting, the problem of voter fatigue (the open primary is essentially a second election), and the sizeable cost of the primary process. One scholar estimates that the cost of the open primary would be NT \$1.5 billion. The government has not yet taken a position on this proposed reform.

- Electoral System Reform

Many political actors would like to see reforms to the multi-member district, SNTV electoral system in Taiwan. Supporters of these reforms note that Japan and Korea, upon whose electoral systems the Taiwanese system is



based, have already reformed their own electoral processes. Election experts express a preference for a proportional representation system that places more emphasis on party identity, forcing political parties to strengthen their images as institutions rather than focusing on individual candidates. Others have suggested a mixed system, such as the electoral model used in Germany, which combines party votes and candidate votes, or any number of other possibilities. However, as noted earlier, it is this very diversity of possibilities that make consensus on this type of reform particularly unlikely in the near future.<sup>38</sup>

### *Media, Civil Society, and Voter Behavior*

Until the 1980s, the state controlled media in Taiwan.<sup>39</sup> Under martial law, the media was not free to investigate and report on matters of corruption or government malpractice. However, in the late 1980s, during the transition to constitutional rule, the media was freed from government control and quickly adapted and responded to market conditions. In recent years, the media has become quite active and aggressive in pursuing issues of corruption and now serves as an effective oversight and government watchdog body. Most media outlets pursue a political agenda to some extent; however, analysts believe that the market economy and the diversity of media sources have resulted in a media that broadly represents the interests of society. Many political party leaders would like to see news sources implement more stringent ethical standards and practice more “responsible” journalism, but all recognize the importance of the media in monitoring and exposing corruption.

Civil society, on the other hand, is considered rather passive in Taiwan, particularly on the issue of political corruption. One scholar attributes this to “activist fatigue.” Taiwan experienced an exhausting period of massive street demonstrations and protests during the transition to multi-party competition. Others attribute the lack of civic activism to cultural factors, while still others point to the economic recession. Many political analysts believe that civil society needs to become more involved in monitoring political parties and the government for corruption. Indeed, the government’s push for greater transparency is premised on the notion that civic participation will increase and develop the required oversight capacity. Government leaders recognize that the government is not best suited to play this monitoring role.

Although civic monitoring between elections may be weak, voter behavior has been an extremely effective check on political parties. Over the past several years, corruption has become one of the highest priority issues for the public. According to public opinion polls, voters are dissatisfied with the excessive cost of political campaigns and are questioning the sources of this

money, how money is spent during campaigns, and the price of politics in terms of political influence and kickbacks.<sup>40</sup> Political leaders from outside the DPP concede that the DPP’s “clean politics” campaign contributed to the party’s victory in the 2000 presidential election. Candidates perceived by voters to be “pro-reform” polled on average better than those associated with black-gold politics. The goal is now to encourage voters to express actively their intolerance for corruption outside the election period.

### External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?		N	There is a reference to political organizations in the Law on Civic Associations. Government legislation on specific political party legislation is pending.
2	Are there laws regulating party finance?		N	The civic associations law does not regulate party finance in any way. See comment above.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The Election and Recall Laws for both Public Officials and President/Vice-President set spending and contribution limitations. The laws require financial reporting and make these reports public.
3a	Contribution limits?	Y		Campaign contributions to candidates are legally limited to NT \$20,000 (NT\$35 = US\$1) per individual or NT \$300,000 per profit-seeking enterprise. Campaign contributions to political parties are legally limited to 20% of personal income but no more than NT \$200,000 per individual, or 10% of total business income but no more than NT \$3 million.
3b	Spending limits?	Y		The limitation for campaign expenditure is calculated at 70% of the total population of registered voters, multiplied by NT \$15 per voter (NT\$35 = US\$1), plus a base amount of NT \$80 million.

3c	Filing financial returns?	Y		An audited account book must be submitted to the Election Commission within 30 days after the election.
3d	Returns made public?	Y		The account books are published in a government proclamation.
4	Can political parties accept contributions from:			Party finance is only regulated during election periods, defined as the 28 days prior to polling. During all other times of the year, there are no regulations or restrictions on party finance, except regarding foreign funding. The law is silent on whether parties can own business enterprises, although pending legislation may change this.
4a	Businesses?	Y		
4b	Unions?	Y		
4c	Foreign sources?		N	
4d	Can parties own businesses?	Y		
5	Do parties have to reveal the sources of their funding?		N	There is no law requiring the disclosure of sources.
6	Does the state provide public funding to political parties?	Y		The state provides public subsidies to political parties based on the electoral support achieved. This operates as a reimbursement for campaign expenses.
7	Are annual financial audits of party accounts required?		N	There is no law requiring financial audits of parties
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	There are no asset declaration laws for party officials in Taiwan.
8a	Are these declarations made public?		N	
9	Is there an Anti-Corruption Commission?		N	The Ministry of Justice currently spearheads anti-corruption efforts. Several initiatives have proposed the establishment of a Hong Kong-style anti-corruption commission.
10	Is there an independent Election Commission?		N	The Central Election Commission operates under the Ministry of Interior.

## POLITICAL PARTY EXPERIENCES

Despite the brief history of multi-party politics and the absence of a rigorous legal framework, political parties in Taiwan have undertaken significant initiatives to combat political corruption and promote democratic,

transparent, and accountable party operations. The Kuomintang Party (KMT), which ruled Taiwan for more than 50 years, recently developed and began to implement a massive party reform program. The reforms are revolutionizing party structures and party operations as the KMT attempts to reinvent and rejuvenate itself. The Democratic Progressive Party (DPP) is a unique political party in Asia. In large part, its political identity is founded upon its commitment to internal party democracy and transparency. The DPP has implemented various mechanisms to realize its commitment to internal good governance. Nevertheless, the DPP now faces the challenge of being the ruling party and must manage its growth and adjust to its new position of power. The People First Party (PFP) is a newly established party, and its recent electoral success may also provide instructive examples for other parties in the region.

## **Kuomintang (KMT)**

### *Background*

The Kuomintang Party (KMT), or the Chinese Nationalist Party, was established in 1894 by Founding Leader Sun Yat Sen. The party was launched during the Sino-Japanese War, with the purpose of revitalizing and uniting a divided China. The KMT ruled mainland China for several decades, until giving way to the Communist Party in 1947, when the party leadership retreated to the island of Taiwan.

Since its inception, the KMT platform has been based on the ideal of national re-unification under the Three Principles developed by Sun Yat Sen: “Nationalism, Democracy, and the People’s Well-Being.”<sup>41</sup> Although theoretically still committed to “one China,” the KMT position on the issue of national identity has moderated to some extent. Recognizing that re-unification is not a popular position in Taiwan, the KMT supports maintaining the status quo, nebulous although largely satisfactory, in which Taiwan’s national status is undefined. The KMT contends that promoting an independent Taiwan risks inciting conflict with China.

Under martial law from 1949 to 1989, aside from supplementary elections for the National Assembly and the Legislative Yuan, the KMT was not held accountable for its rule through regular national elections. The absence of political competition coupled with a lack of internal dynamism, engendered public dissatisfaction, particularly among indigenous Taiwanese. Confronted with this challenge, aging leadership, and fading international support, in 1972 the KMT implemented its first reforms by seeking the support of indigenous elites through a party revitalization program of “Taiwanization.” Training and advancement opportunities were made available to Taiwanese, and the KMT

implemented land reform, which benefited many Taiwanese. Moreover, the KMT government is credited with engineering an economic transformation in Taiwan, achieving unprecedented levels of economic development and growth.

Although traditionally viewed as an exclusively mainland Chinese party, the emergence of ethnic Taiwanese Lee Teng-hui as the party chairperson and president of Taiwan demonstrated a shift in the party's approach. As chairperson, Lee could not rely exclusively on the loyalties of the primarily mainland Chinese party structures. The party had a monopoly on state resources, and in seeking a new base of support, Lee utilized the vast riches of the party to build an extensive patronage network, which became known as black-gold politics.

At the same time, President Lee oversaw several important democratic reforms, both within the party and in the government, to build popular legitimacy. In 1987, he lifted martial law and restored full constitutional rule by 1991. In 1992, the entire legislature was opened for multi-party electoral competition, and in 1996 people elected their president for the first time. Lee also implemented changes within the party. Since 1993, the national congress of the party has elected the party chairperson. In addition, Lee mandated that the central committee elect half of the membership of the central standing committee, previously appointed in full by the party chairperson.

In 2000, Lee decided not to run again for another term as president of Taiwan. His deputy, Lien Chan, was selected as the KMT presidential candidate. The popular governor of Taiwan province, James Soong, however, also sought the KMT nomination. Frustrated by the personalized party nomination process, Soong left the KMT and ran as an independent candidate for president, splitting the KMT's support. In the ensuing presidential race, Lien Chan received only 21 percent of the vote, being outpolled by both Chen Shui-bian of the DPP (38%) and James Soong (35%). The KMT's public approval ratings had dropped to an all-time low. For the first time in more than 100 years, and for the first time since arriving in Taiwan 50 years earlier, the KMT found itself outside of the executive branch of government, a situation thought unlikely only a few years earlier.

Many senior party leaders blamed KMT chairperson Lee Teng-hui for the election defeat. They contended that he did not campaign earnestly enough for Lien Chan and that he secretly supported the DPP candidate Chen Shui-bian. He was ousted as party chairperson and replaced by Lien Chan, although he still remains a member of the party. The initial reaction of party leaders to the astonishing election loss was to revert back to more centralized authority and decision-making in the party. Similarly, the party sought to reverse the ideological shift towards the moderate political center and reclaim the core

ideology of the party. The party has tried to recall images of its past greatness, epitomized by two giant banners of Sun Yat Sen hanging on the party headquarters across from the presidential office, with the words “I’ll be back.”

Public opinion polling, however, has quickly revealed to party leaders that their initial instinct to revert back to the old ways is a mistake. The rules of politics in Taiwan have changed, and the KMT requires comprehensive reforms to adapt itself to the new political playing field. According to party officials, if the KMT does not reform itself thoroughly, the party risks its survival. Responding to this alarming feedback, the party has commissioned a massive restructuring exercise, hoping to reform and revitalize the party.

### *The KMT Reform Program*

The defeat of the KMT in the 2000 presidential elections revealed several fundamental problems within the party that required reform in order to recover the party’s popular appeal. Most observers contend that the KMT lost for two primary reasons. First, corruption became a major election issue. The KMT was perceived as the party of black-gold politics and political corruption, while the DPP promoted itself successfully as the party of clean politics and reform. Second, the KMT split its support. Lien Chan ran as the official KMT candidate, while former KMT leader and the popular James Soong ran as an independent candidate.

Even more troubling to KMT leaders was the fact that Soong outpolled Lien Chan 35 percent to 21 percent. In the words of one senior KMT leader:

Losing the election hurt, but what hurt even more was the way it happened – James Soong used to be a member of the KMT, and together we would have polled 60 percent of the vote. So we learned our lesson. Next time around, the party rank and file will determine our candidate. Last time, it was the party delegates (to the party’s national assembly) who determined the candidate, but these delegates were themselves chosen by the central committee. Next time we will trust the wisdom of the party masses. March 18th (the date of the election) was like our physical check-up. We diagnosed our problems: our heart and our eyes were failing us. Now we need to address these problems one by one.

The KMT acknowledges the need for reform of party structures, operations, and nomination procedures. In particular, the party has recognized the gap that had developed between the KMT leaders and the party rank and file. Additionally, the KMT learned that it must deal genuinely with the problem of corruption and shake the label of the “black-gold party” in order to win back popular support. As one KMT leader stated:

It is often said that power begets corruption – this phrase applies equally to politics in Taiwan. It [the election defeat] was a good thing for us – we have been forced to make some changes and bring about some serious reforms. The corruption was beginning to destroy the party.

The first step for the KMT reform process was to convene a special party reform task force, made up of 40 to 60 party leaders from various levels of the party hierarchy and with diverse backgrounds and disciplines. Members included local party leaders, national party leaders, scholars, and representatives of the party youth. Although the reform committee membership had to be approved by the KMT central standing committee, according to leaders of the reform effort, the committee operated with a great degree of autonomy.

As a first initiative, the reform committee held hundreds of meetings across Taiwan with party members at all levels of the party hierarchy. The meetings sought the input of party members in developing a comprehensive reform package to improve the image of the party. Following these internal party consultations, the KMT convened a meeting of outside scholars, who were not members of the KMT, and asked them for reform suggestions. The reform committee made a report of its recommendations to the central standing committee (CSC). The CSC discussed the recommendations, adopted them, and developed a plan for their immediate implementation.

The fundamental message of the reform package is to transform the KMT into a more democratic, transparent, and accountable political party. The specific reforms being implemented by the KMT will be discussed in the sections of the report below; however, the basic elements of the reform program are:

- Greater accountability of party leadership structures;
- Increased participation in the selection of party leaders;
- Enhanced transparency and professionalism in the management of party assets;
- Eradication of the party’s “black-gold” image;
- Greater transparency in the nomination of party candidates for public office;
- Clearer guidance to party leaders on ethical conduct;
- More efficient party structures;
- Rejuvenation of the party’s grassroots structures and membership.

To promote the entire KMT reform package, the party appointed a separate promotion committee to deal exclusively with public relations on the reforms. This committee has printed copies of the new revised party regulations and distributed them through the 400 local branches of the party. In addition, the party has attempted to generate as much media attention as possible around the reform process.

### *Party Structure and Decision-Making*

The supreme party organ is the national assembly of party delegates, which comprises 1500 party members. The central committee of 210 party leaders meets on a quarterly basis and is responsible for implementing the policies adopted by the party's assembly. The Central Standing Committee (CSC), which consists of 31 leaders, manages the day-to-day affairs of the party and meets on a weekly basis. The top position in the party is that of the party chairperson. At the grassroots level, party members are organized into cells based on district and county demarcations.

The KMT has traditionally operated according to a top-down "Leninist hierarchy,"<sup>42</sup> in which near absolute political power was centralized in the hands of the party chairperson. The KMT has been largely defined by its previous chairpersons: Sun Yat Sen, Chiang Kai-shek, Chiang Ching-kuo, Lee Teng-hui, and the current chairperson, Lien Chan. The chairperson enjoyed extensive powers, including the appointment of the members of the central standing committee, which was the most powerful organ within the party. Under the CSC was the central committee, which appointed the delegates to the national assembly. Power in the KMT flowed from the top-down, with the higher bodies appointing those beneath them and all power originating from the chairperson.

The KMT's structure and decision-making processes, however, are being reformed. The essence of the reform process has been to invert the hierarchy of the KMT by reversing the flow of power from bottom to top.

As mentioned above, in 1993, chairperson Lee Teng-hui implemented the first significant reform in the internal election process by requiring the party chairperson to be elected by the national assembly. This reform was implemented as a way to hold the party leadership more accountable to the party membership. In 2001, the entire party membership, almost one million members, was eligible to participate in the first real direct election of the party chairperson. More than 60 percent of the party's members participated, and they overwhelmingly elected Lien Chan. Analysts note that the direct election has given chairperson Lien the legitimacy needed to steer the party through the transition process and has provided him with a mandate to pursue reform.



A second significant reform implemented under Chairperson Lee involved the way the central standing committee members were selected. The central standing committee, composed of 31 members, holds significant power. When the KMT was in power, the CSC would meet each Wednesday, the day before the government cabinet meeting, and decide on government policy. The chairperson had appointed all members of the CSC, until Lee's reforms. Now half of the CSC is elected by party members. Nevertheless, the chairperson could still influence a majority of the CSC members. Having been appointed by the chairperson, CSC members were thus unable to be critical of the chairperson or to serve as an effective check on the chairperson's power.

As part of the recent reform process, the KMT central committee will elect all 31 members of the central standing committee. Party leaders believe that this change will empower CSC members to speak out and serve as an effective check on the influence and power of party leaders. CSC members will no longer owe their positions to the party chairperson, but to the central committee. As a result, the chairperson will no longer be able to control the CSC or stifle political debate.

A third reform to the party's organizational structure involves the relationship between the party's central committee and the national assembly of party delegates. Previously, the central committee selected the delegates to attend the national assembly. These delegates then had the responsibility of electing members to the central committee. This circular relationship prevented dynamism within the membership of the central committee. Beginning in 2001, party members at the local level directly elect 900 of the 1500 delegates to represent them at the national assembly. The remaining 600 delegates are drawn from elected leaders who represent the KMT in government and party officials, such as committee and branch chairpersons. These 1500 delegates continue to elect the 210 members of the central committee.

A fourth reform to the party structure reassesses party support by undertaking a complete re-registration of party members. Prior to the presidential election, the KMT's official party membership was approximately two million members. These figures, however, were based on outdated records that included many people who had died, changed residence, or shifted party loyalties. Members are not required to pay membership fees or dues, so the party had difficulty maintaining accurate records. The KMT's election performance in the 2000 presidential election also revealed a lack of party loyalty and a disconnect between the party leadership and its members. Additionally, the New Party and the recently launched People First Party have been drawing support from KMT members.

The re-registration of party members resulted in a membership of 900,000. As one party official stated, “Now we have their names, addresses, phone numbers, etc. We can hold primaries and internal party elections, and we have a more accurate assessment of the party’s real support.” The party has also sought to recruit younger people to support the KMT and to revitalize party branches and grassroots structures.

All of these reforms point to a commitment within the party to greater democracy and popular participation in the party’s structures and decision-making. In the past, party officials filled party positions through appointment, based on the wishes of the chairperson. Now, internal elections are supposed to be held at all levels of the party hierarchy for party committees, local level positions, and party leadership posts. Additionally, specialized committees have been formed to monitor and review party policies and officials, to discipline party members and officials, and to oversee the financial management of the party. The KMT also established a think tank staffed by former cabinet ministers to help formulate party policies.

### *Candidate Selection Process*

Previously, the KMT candidate selection process for legislative elections was, like the determination of internal party posts, primarily a decision made by the party leadership. According to party members, party nominations were a traditional favor used by the party to control local political factions and maintain support for the national leadership. In the past, the KMT had a special nomination committee of senior party leaders, which would select the party’s candidates. This process was later revised so local chapters could play a role in nominating the candidates, but the ultimate decision still remained with the party headquarters.

Through the reform exercise, the party identified two major weaknesses with the candidate selection process. First, a wide gap had developed between the party’s members, who form part of the voting public, and the party’s leaders, who selected the candidates. The party rank and file had no role to play in the selection of local candidates, which resulted in the KMT’s poor showing in the 2000 presidential election. Second, the party was nominating some unpopular candidates, many of whom were associated with black-gold politics. This problem will be addressed under the section on Ethical Standards and Discipline.

A major component of the KMT reform program is a participatory candidate selection process. Starting in 2001, responsibility for selecting the KMT’s legislative candidates shifted from party leaders to the party members

and the voting public. Adopting a system similar to that used by the DPP, the KMT now uses a combination of party primary elections and public opinion surveys of the general voting public to determine candidates. The results of these two processes are weighted equally. The party nominates the candidates with the highest scores in each constituency. Only registered, card-carrying members of the KMT are allowed to participate in the party primaries. The public opinion surveys are used to determine if the candidate is able to attract support from the voting public.

The party list continues to be determined by the central party leadership but has to be approved by the newly elected central committee. As one leader said, “If it is a decision by party headquarters, and it has made a poor decision, then the central committee will certainly not approve the nominees.”

Party leaders expect several positive outcomes from the more democratic candidate selection process. First, the process is expected to reduce the ability of party leaders to control, manipulate, or influence candidate selection within the party. Party leaders can no longer doll out nominations as favors. Second, the new process should help bridge the gap between the party leaders and the party rank and file. Third, the active participation of KMT party members should help to rejuvenate the KMT and its structures by providing a greater role for party members in party decision-making. Finally, it is expected that higher quality candidates will be chosen – people who represent the party and the interests of the voting public.

### *Money Management and Party Financing*

The KMT is widely considered to be one of the wealthiest political parties in the world. Estimates suggest that the KMT’s accumulated assets are worth as much as NT \$80 billion. This wealth includes numerous and diverse party-owned enterprises, including construction companies, buildings, financial institutions, computer companies, appliance companies, newspapers, and television stations. This wealth was accumulated during the 50 years of KMT rule in Taiwan through extensive state and party intervention in the economy.<sup>45</sup> One political observer referred to the party as “KMT Incorporated,” which may accurately reflect the manner in which the party was run, as a profit-making enterprise. In fact, with this massive war chest at its disposal, the KMT claims it does not need to engage in traditional fundraising activities.

Party leaders recognize that there is a negative public reaction to their wealth. Although KMT officials insist that the party’s wealth has been accumulated through legal means, there has been very little transparency in this accumulation and the management of party resources. According to one

government official, before 1994, all party assets were held in accounts under the names of individual party leaders. After the party took control of the assets, a centralized finance committee was established to supervise party finances, and party regulations were developed to restrict the buying and selling of party assets. However, these assets have never been disclosed to the public or even to party members. In the absence of information from the party, the public and party members have been left to speculate as to the true sources and amounts of the party's wealth. Some allege that the KMT's assets were earned through corruption and economic manipulation. Moreover, on occasion, party members have accused the party leadership of using these resources improperly to support political campaigns.

An essential objective of the KMT's reform program is to change the image of the party's financial dealings. One of the most significant reforms, which has been approved but not yet implemented, is to transfer all KMT assets into a trust managed by a private professional financial management company. The party itself would cease to engage in profit-seeking activities. The party accounts would be opened for investigation and audit, and certified financial reports would be made available to the public. Party leaders believe that transparent party finances would improve the party's public image.

The party would continue to benefit from the revenue generated by their assets through the profit-seeking activities of professional financial managers. Profits would be used in two primary ways. First, they would continue to support normal party operations and activities. Second, party resources would be used to fund activities for "the public good and other charitable works." To assist in this, the party established four foundations in 2000. Under the new system, the use of all party resources would be recorded and reported to the public.

For such a wealthy party with a history of being accused of problems with money politics, the proposed party finance reforms represent a major shift in party practice. Still, at the time of this writing, the KMT has not yet implemented these proposals. Party leaders claim to be waiting for the passage of national legislation on party assets. Political opponents, however, accuse the KMT of delaying the passage of that very legislation, in order to be able to sell off the majority of the assets, particularly those that might cause public embarrassment. Nevertheless, even opponents of the KMT recognize the significance of this proposal. The KMT will no longer be able to apply its massive wealth to election campaigns without public oversight, and in the future the party will be held accountable for the use of its wealth.

## *Ethical Standards and Discipline*

The KMT's evaluation and discipline committee is responsible for monitoring three types of party members for corruption: (1) governmental members (party members employed in the public service); (2) KMT representatives holding elected office; and (3) company or corporate members. The committee reports to the party's central committee.

The evaluation and discipline committee, comprising primarily lawyers and judges, is responsible for investigating allegations about the behavior of these three categories of members, deciding upon the merits of the allegations, and determining punishment. Primarily, the committee is tasked with ensuring that these three groups of party members abide by the party's constitution and regulations as well as any relevant national legislation, such as asset declarations or conflict of interest contracts. Investigations are conducted when allegations are brought to the attention of the committee, often through the media. Wherever possible, cases are handled by the local branches of the evaluation and discipline committees, which exist at all levels of the party.

As part of the recent reform process, the KMT revised its party regulations, providing much greater detail on the criteria and disqualification guidelines for party candidates for public office. An approximate translation of the amended version of the party statutes follows below:

Disqualification categories for the party include: violating organized crime prevention laws, gangster laws, drugs and weapon regulations, money-laundering laws; violating public service election laws, such as stirring violent emotions in a rally, buying votes, threatening voters, killing, serious assault, invasion of property, robbery, or kidnapping; or violating bribery regulations.

If a member is found guilty by a court of any act that fits the categories above, no matter if the actor is convicted or not (meaning there are pending appeals), he/she is disqualified as a primary election candidate and will not be nominated for election by the party. The person will not be able to attend any committees in the party. Actors found not guilty before the nomination process or before primary elections are excluded.

Therefore, if a potential candidate is found guilty of corruption at his or her first trial, but not yet convicted through the trial appeals process, the potential nominee will not be allowed to represent the KMT in electoral competition, unless and until the guilty verdict is overturned by a subsequent ruling. This provision goes beyond the current national law on the matter. A special

election committee within the party conducts the screening process to determine the eligibility of party candidates. One party leader stated that the message within the party is clear and unmistakable:

The party regulations now have very strict guidelines about whom the party wants and whom it does not want. Everyone in the party knows why we are not picking certain candidates. No matter how much you may have done for the party in the past, no matter how much you may have helped the party, no matter how certain it is that you would win the election, we are not going to take you if you are corrupt.

One purpose of these revisions was to enable the party to disqualify the most notorious black-gold politicians, many of whom previously held positions of leadership in the KMT. Party leaders state that they have already disqualified people under the new eligibility requirements. A senior KMT politician stated candidly:

In the past, the party's interest was always in winning. We sometimes used dirty tactics, so long as we won. We used dirty people as our candidates, as well. Now, to create a new image, we are using younger, cleaner people. For example, in this year's election, we were going to nominate a current incumbent legislator in Nantou Province. But he got into trouble with the law, and so we have stopped supporting him.

Similarly, the party has attempted to clean up the image of its internal office-holders by applying the same criteria to candidates for party offices as those for national offices. In addition, the amended by-laws state:

Party members whose membership rights have been taken away for more than one year, or whose membership has been revoked, are not eligible to be elected as a member of the central committee or as chairperson of the party.

Another reform implemented by the KMT is the establishment of a committee to monitor the internal party election processes. The central election monitoring committee consists of well-respected party members, many of whom have legal backgrounds, and is responsible for preventing corruption in the party election processes. Specifically, the central election monitoring committee ensures adherence to the KMT constitution and regulations, including regulations prohibiting certain campaign activities, such as the exchange of political favors, bribery, and gift giving. A party leader summarized the impact of the new regulations as follows: "Those politicians who violate the KMT constitution or regulations, or who hurt the party's image in any way, are now being forced to leave the party."

## Democratic Progressive Party (DPP)

### *Background*

Despite the government ban on opposition parties, the Democratic Progressive Party (DPP) was officially launched on September 28, 1986. According to DPP leaders, however, the establishment of the DPP only formalized the convergence of the Tangwai, the various opposition forces that had been cooperating for many decades. The DPP was born from the diverse, mostly native Taiwanese political movements that emerged in the 1950s. The resulting party included local opposition politicians, the independent legislators of the 1970s and the political prisoners of the pro-democracy movements.

A former DPP party chairperson observed that, in the beginning, the DPP behaved less like a political party and more like a civic association through which activists could continue to promote democratic causes. Therefore, rather than building electoral strategies, the DPP initially focused on creating an environment in which meaningful elections could take place. The original DPP platform included: the abolition of martial law; the restoration of constitutional rule; the promotion and protection of civil liberties and human rights; and direct elections of legislative and executive leaders. In addition, central to the DPP platform was support for Taiwanese independence, in contrast with the one-China position of the KMT.

After the implementation of constitutional reform in Taiwan, the focus of the DPP shifted to electoral competition. The DPP platform embodies the principles of: political and social justice, including a clean and transparent democratic process; balanced economic and financial administration; social welfare; educational and cultural reforms; and an outward-looking foreign policy. In recent years, the party has moderated its position on independence. Rather than pressing for a declaration of independence, the DPP supports the status quo, arguing that Taiwan already enjoys *de facto* independence. The DPP differentiates itself from the KMT by emphasizing its commitment to practicing the same democracy within the party that it proposes for the country as a whole.

In the past, most of the party's electoral successes were at the local level. In 1994, Chen Shui-bian, the DPP candidate, won the Taipei mayoral election. This was followed by victory in the Kaohsiung mayoral election. The DPP's most stunning upset occurred, however, when Chen Shui-bian won the 2000 presidential election. The DPP attributes its presidential victory to the party's clean image and its promises of governmental reform, although many DPP officials acknowledge that division within the KMT was critical to the DPP's victory. The DPP's strength has been further enhanced by its victory in the 2001 legislative elections, although the party faces the challenge of forming a coalition government and managing its new role as ruling party.

## *Party Perceptions of the External Party Environment and Legislative Framework*

The DPP believes that legislation is not the most appropriate way to solve the problems of political finance in Taiwan. The party argues that political party practice should not be heavily regulated and parties should independently determine their practices and procedures. The DPP, however, stresses the importance of transparency and disclosure. The public then can make an informed decision about the type of political party it chooses to support and can hold parties accountable for their actions.

DPP officials also support certain basic revisions to the regulatory framework for political parties and have proposed several political finance laws, as discussed in detail above. Primarily, the DPP argues that transparent and accurate reporting of political finances should be required. The current expenditure limits for political campaigns are, according to the DPP, absurdly low. Unrealistic legislation, DPP officials argue, gives politicians and citizens little incentive to abide by the law. Similarly, party leaders point out that there has never been a case in which individuals who contributed above the legal limit were investigated or prosecuted. Therefore, in order to encourage accurate reporting, party officials believe that more realistic campaign contribution and expenditure limits should be established and that the penalties for spending above the limit in campaigns should be repealed.

The DPP also supports adopting a comprehensive political party law regulating political finance beyond the narrowly defined election period of 28 days before an election. In addition, the DPP advocates for wholesale electoral reform. The party recognizes, however, that this legislation will be difficult to pass until a new coalition in the legislature is formed.

Until the proposed reforms are implemented, party officials advocate for stricter enforcement of existing laws and empowerment of current institutions. DPP leaders argue that, in the past, government institutions were sometimes restricted from performing their duties, casting doubt on the integrity of the electoral process. In the 2001 legislative elections, the DPP government pledged to unleash the full investigative and regulatory force of the election commission and the justice ministry to pursue election violations and prosecute those who broke the law.

## *Party Structure and Decision-Making*

The creation of the DPP unified disparate groups seeking an alternative to the KMT, resulting in several factions within one party. As one leader stated, "The DPP was born of factional politics, and we did not altogether trust



each other or each other's approaches." The division initially was described as one between "pragmatic politicians" and "idealistic intellectuals." Even today, the DPP remains a conglomeration of various interests, with factions represented at all levels of the party structure. Party leaders see these divisions as a way of preventing overly concentrated political power.

Because of the initial lack of trust among its various constituencies, the DPP needed to develop and rely upon strong, well-defined party regulations and procedures in order to ensure survival. Many DPP leaders identify the party rules as the most important element in the DPP decision-making process. The rules govern the selection of leaders, the formation of party policies, and disciplinary procedures. The rules also control factional politics, uniting the party once a decision has been made according to party regulations.

One of the more striking features of the DPP is the absence of a powerful leader. Because party factions did not feel comfortable giving significant authority to a single person, political power is decentralized. All party members directly elect the party chairperson, who reports to the central standing committee. The party also implemented term limits, and the chairperson is limited to serving a maximum of two two-year terms. Since its formation, the DPP has had four party chairpersons and two of the major factions have been represented.

The supreme decision-making body of the party is the national congress, which comprises 300 members. Local party members directly elect more than half of the congress. Other congress members include nationally elected leaders, such as party and government officials. The national congress meets annually, and its members serve for a term of two years.

The national congress elects a 31-member central executive committee. The central executive committee elects 10 of its members to serve on the central standing committee. No more than three-quarters of the members of both committees can be of the same gender. Members of both committees serve two-year terms, with a maximum of two terms. The central executive committee meets at least once every three months, while the central standing committee meets at least once a week. These committees implement the decisions of the national congress, formulate and execute the policy plans of the party, set the internal party regulations, and manage party finances.

In addition, the party has a central review committee comprising 11 members to supervise the implementation of party policies, oversee the party budget and financial accounts, and monitor adherence to party regulations.

The national congress elects the committee, and committee members can serve a maximum of two two-year terms. No more than three-quarters of the committee members can be of the same gender.

A separate arbitration committee settles disputes between the party's central structures, local branches, and party members. The arbitration committee also interprets the party charter when required. Members of the arbitration committee are recommended by the central executive committee and approved by the national congress, and members also serve a maximum of two two-year terms. The party also has party caucuses that gather elected party representatives at each level of government. Party caucuses have the freedom to undertake their own activities, as long as these do not violate the party charter.

The DPP membership is 400,000. The party's membership was only 200,000 before the DPP victory in the presidential election. DPP leaders believe that the increase in membership demonstrates that fears of persecution based on political affiliation still existed until the DPP victory in the presidential poll. The party also claims many loyal supporters who are not official party members. In 1996, the DPP gained two million votes, despite having only 100,000 registered members.

Party members are required to pay dues of NT\$100 annually and promptly. Failure to pay membership dues on time results in a suspension of membership rights and privileges. These rights include the right to run for elected office and for party leadership positions after two years of dues-paying membership, and the right to vote in party primaries and elections for party leaders after one year of membership.

Political power within the DPP flows from the bottom-up, and the party has implemented checks and balances between the party structures, preventing power from resting with one body or leader. Observers point out, however, that the absence of a strong central leader creates challenges of its own with regard to the coordination of party policies, particularly now that the party is in power.

### *Candidate Selection Process*

The DPP attributes its electoral successes to the fact that the party nominates strong candidates, and the party's democratic and transparent nomination procedures increase the likelihood that strong candidates will emerge. The DPP's candidate nomination process has been amended eight times in the past 15 years of elections. The party has revised the procedures

frequently in order to ensure that there is no manipulation or corruption in the process. The nomination process, however, is amended only after careful deliberation, and the national congress -- not the central standing committee -- must approve any changes.

Because of the constant revisions, the DPP nomination process has experienced everything from centralized control to open public primary elections. In 1996, the party experimented with a primary open to the public to select its presidential candidate. However, because only the DPP used this system, it was vulnerable to manipulation by opposing political parties. The current nomination process combines closed party primaries, in which only party members are eligible to vote, and public opinion polls, which survey the general voting public's views on the various candidates. The public opinion polls are conducted by five separate professional polling firms, with the high and low scores for each individual disregarded and the remaining three scores averaged. Thus, successful candidates need to be both popular with the public at large and respected and known by party members.

Originally, candidates' scores were based equally on performance in the primaries and on the public opinion polls, but party leaders worried that the primaries were vulnerable to political corruption and vote buying. Therefore, in the most recent elections, candidates' scores were based 30 percent on performance in the primaries and 70 percent on performance in the public opinion polls.

The nomination process is extremely strict, leaving little room for party leaders to manipulate the outcome. In fact, some party leaders complain that with so little control over the candidate selection process it is difficult to have a coherent party strategy. The most the central executive committee can do to try to manage the process is to decide that certain districts are not yet ready to hold party primaries, in which case the party hierarchy appoints certain candidates. However, the national congress must ultimately grant the committee this authority to appoint, rather than elect, candidates. Because the members of the committee are elected by the national congress, members know that they will be held accountable for their actions and act cautiously. The congress also has the power to veto certain candidacies with a vote of at least two-thirds of members; however, this provision has never been used. In sum, the party has installed numerous checks to prevent manipulation of the nomination process.

Until recently, candidates for the party lists were determined entirely through a party primary in which all party members voted nationwide. For the 2001 elections, the national congress amended the party list regulations.

Candidates for the party lists are now determined equally by public opinion polls and party primaries. Candidates for the party lists fall into four categories: scholars and experts, who require certain advanced degrees; representatives of disadvantaged groups, including the handicapped, farmers, women, and workers; international representatives, candidates who have lived abroad for a minimum of eight years; and an open category, which typically includes former politicians. A committee within the party determines an individual's eligibility for each classification.

Despite the constant revision and scrutiny of the candidate selection process, the DPP is still concerned about political corruption and vote buying, particularly within the primary process. Therefore, the party places significant emphasis on public opinion polls. Party officials report that voting frequently takes place through the "head system," a system of election agents who represent a certain number of registered party members. Each agent controls a certain number of "heads," or members, by paying their membership dues, holding their membership cards, and hoping they will vote as advised by the agent. Even the addresses of these members are listed as the address of the agent. Candidates, therefore, need to campaign through these agents, who promise to deliver a certain number of votes. In some instances, these agents will seek financial compensation from candidates, either to hold events for party members they control or to keep as their own payment. In other cases, the agent might offer support without expecting anything in return or trade the support of his or her members for the support of another agent's members.

Rather than seeking to eliminate this process immediately, which seems unrealistic, the party has sought to at least decentralize it. Party membership fees were previously NT\$1,000 per year, restricting the practice of the "head system" to wealthy agents who could afford to pay the membership fees of many members. The party reduced the membership fee to NT\$100 to create multiple centers of power. Importantly, party leaders point out, in the end, each member must cast his or her own vote. Therefore, the agents have the responsibility of "managing their heads" and are only able feasibly to control a small number of people. For example, it is more difficult for an agent with 1,000 members to deliver all of those votes than an agent with only 200 members. A candidate can seek to gain support in a variety of ways, either through a few large agents, or through many smaller agents. Agents are required to deliver constituency services, to be in touch with their communities, and to provide other services that would strengthen the relationship with his or her members. Although not considered an ideal method of securing support, this system has the effect of preventing one individual or faction from controlling too many votes or dominating the electoral process.

Another method employed to reduce corruption in the primary process is the creation of the position of independent supervisor for the party nomination process. The central executive committee appointed the deputy secretary general to monitor corruption in the primary process. One of the deputy secretary general's first steps was to establish a telephone hotline to receive complaints and allegations of corruption in the primaries. Only the deputy secretary general can answer the phone, and all incoming calls are automatically tape-recorded. The deputy secretary general investigates any substantive allegations. The current deputy secretary general cited three significant court cases in the last several years involving corruption in the primaries. In each of the three cases, the country's courts found the accused innocent, but the party still revoked the memberships of the accused individuals and barred them from representing the DPP in future elections for public office. According to the deputy secretary general, "The DPP operates on higher moral ground than the law."

Despite these significant efforts, DPP leaders remain concerned about the growing influence of money in the political process, specifically in internal party elections. Party leaders recognize that the quality of the party's candidates influences the public image of the party. One senior leader stated "Once we lose our clean spirit, we cannot survive." The DPP, therefore, continues to refine the party nomination process in order to maximize public input and minimize the opportunity for manipulation. The DPP is also continually seeking new ways to regulate the use of money within party competitions to preserve the integrity of party primaries.

### *Money Management and Party Financing*

Unlike the KMT, the DPP is considered a relatively poor political party. While a lack of significant financial resources has aided the party in its efforts to prevent corruption internally, it presents a challenge to covering the costs for required party operations. This challenge is magnified by the candidate-centered electoral system in Taiwan, in which individual candidates find it easier than political parties to raise funds.

The DPP raises its funds from four primary sources: government subsidies; mandatory contributions from elected political leaders; membership dues; and private, including corporate, contributions. Contributions raised locally by party branch offices are maintained locally by the branch. Although the law does not prohibit parties from owning businesses, party regulations forbid the DPP from owning any profit-making enterprises. Party leaders believe this helps to promote the party's clean image. Additionally, through the

mandatory personal contributions of elected leaders, the party aims to decrease its dependence on corporate contributions.

The primary source of DPP funding is its annual government subsidy, which was discussed earlier. In addition, now that the party has won control of the executive branch and a majority in the LY, a significant amount of party funding comes from the salaries of elected party representatives. Each elected representative from the party must contribute a portion of his or her salary, often as high as one-third of the total salary, to the party. The national president must contribute NT\$8 million, the vice president NT\$5 million, the party chairperson NT\$5 million, committee members NT\$500,000, national legislators NT\$300,000, Central Review and Standing Committee members NT\$200,000, local representatives NT\$200,000, and party list legislators, NT\$100,000. Seventy percent of the total amount collected from party and government leaders is directed to local branches, and thirty percent is allocated to the national headquarters. Ninety percent of membership dues are allocated to local branches, and the remaining ten percent to the national headquarters.

In the interest of transparency, the party publishes its scale of contributions from elected representatives in the media. In addition, all party funds are audited by professional accountants and made available to the public. The entire party budget is published in the media and open to public scrutiny, with income broken down by the source of funding and expenses broken down by line items.

### *Ethical Standards and Discipline*

The DPP has no specific criteria for party membership. When the party was first formed, it implemented a strict screening process for members. However, the criteria were often applied with political bias. As a result, the party eliminated party membership criteria.

The DPP claims to set standards for party members through its party regulations, which are well publicized throughout the party. The party also has a training program that includes presentations by senior party leaders on party ideals, the importance of protecting the image of the party, and the need for further legal reforms. Party members are also educated on the party regulations, the party platform, and the procedures for nomination. Presentations are made on the problem of corruption and the party's efforts to fight corruption. According to party leaders, the culture of the DPP serves to promote the party's commitment to good governance among rank and file party members.

Candidate eligibility requirements have been enhanced to protect the integrity of the party. As a prerequisite, candidates must have been dues-paying members for at least two years. In addition, the DPP regulations have been amended to exclude anyone with a criminal record from being nominated for public office by the DPP. Candidates must also sign various party contracts, promising not to take bribes, buy votes, or engage in other specified corrupt activities. The party does not require declarations of assets from elected party officials.

Discipline of publicly elected representatives is enforced through formal party caucuses that operate at all levels of government. The caucus has the power to fine violators, to eject them from the party caucus, and to withhold certain positions, such as committee chairpersonships. Other disciplinary bodies, such as the central review committee can penalize members for campaigning as a DPP candidate despite having failed to earn the party nomination, for assisting members of other parties in their campaigns, or for falsifying facts in party matters. Additionally, party officials state that party discipline is, in part, maintained by the factional nature of the DPP. The DPP continues to be an amalgamation of factions. Separately, these factions are not strong enough to wield significant political power. Therefore, the factions within the DPP have an incentive to work together and promote their common interests.

DPP leaders have expressed concern about protecting and maintaining the public image of the party. Many newer members may engage in activities or lifestyles that, although not corrupt per se, create a “negative image” for the party. Party officials explain that once elected, some members choose to spend their money on expensive automobiles, clothes and new homes. The party worries that this type of behavior may cause voters to question the source of the newfound wealth and accuse the party of black-gold politics. Other leaders state that although the image may still be intact, corruption within the party is increasing. As the party grows beyond its current size of 400,000 members, 25 local chapters, a central headquarters, and many salaried employees, the party will be under greater strain to remain free of corruption. Party leaders express the need for constant vigilance, for strengthening the regulations of the party and their enforcement, and for maintaining the democratic nature of internal party practices.

## **People First Party**

### *Background*

After a strong showing in the 2000 presidential election, James Soong and Chao-hsiung Chang formed the People First Party (PFP) on March 30, 2000. Soong, who previously served as governor of Taiwan province, was a

strong contender for the KMT's presidential nomination. However, despite Soong's strong popular support among KMT members, Lee Teng-hui selected Lien Chan as the party's candidate. After failing to win the KMT's nomination for president, Soong left the party and ran as an independent, choosing Chang as his vice-presidential running mate. Soong and Chang won 35 percent of the votes, losing to the DPP candidate by only three percent, and outpolling the KMT candidates by 14 percent. Following their success, Soong and Chang decided to establish their own party, the People First Party.

The establishment of the PFP was met with great enthusiasm in many quarters. Many voters who traditionally supported the KMT had grown disenchanted with the alleged black-gold politics and top-down management style of the KMT. Soong is perceived to be a reformer, as well as a practical businessman with the ability to govern effectively. When the PFP was launched, 19 legislators from the KMT and the New Party crossed the floor to join the PFP. The December 2001 legislative election was the first opportunity for the PFP to test its public support. The PFP was encouraged when it won 46 seats in the Legislative Yuan. Despite the inclusion of Chang, an indigenous Taiwanese, the PFP is perceived to be a predominately mainland Chinese party and draws most of its support from traditional KMT constituents.

The PFP platform is based primarily on the principle of "smaller government." PFP's proposal is to reduce the government to its core functions, privatize state enterprises, and extricate the public sector entirely from the business of profit making. PFP leaders believe that downsizing the government will have the added benefit of limiting corruption in the public sector, by reducing government officials' control over national resources and thereby minimizing rent-seeking opportunities.

#### Party Perceptions of External Party Environment and Legislative Framework

PFP leaders have identified several flaws in the existing legislative framework governing parties and elections, and have proposed concrete legal reforms to address these shortcomings:

- Taiwan should implement "sunshine laws" to regulate state activities – laws that promote transparency in public sector governance.
- Legislation should be passed, regulating political contributions outside the election period and requiring the disclosure of all funding sources and amounts should be passed.
- Political party accounting practices must be regulated, requiring transparency and professional verification.



- Legislation is required to reverse the burden of proof in cases of unexplained increases in asset declarations of public officials. In such cases, the burden would be on the accused to justify the increase in wealth.
- Conflict of interest legislation must be strengthened.
- An open primary system for all political parties should be mandated and regulated by the state. In such a system, all voters would determine the electoral candidates for political parties.

### *Party Structure and Decision-Making*

A major challenge to the PFP will be to institutionalize and build the party, beyond the shadow of its charismatic and popular founders. Currently, decision-making is, as might be expected of a new party, highly personalized. The political party operates around party chairperson Soong.

According to party officials, the PFP has not yet established party structures, although it is in the process of doing so. Due to resource constraints, there are few local chapters. The party has, however, established “communication centers,” comprising mostly local supporters and volunteers. In addition, the PFP has not yet begun mass recruitment of members, although some individuals have actively sought party membership. According to PFP officials, the party does not yet have the staff resources to provide services to party members or to maintain party membership records. Until those resources become available, the PFP is focusing on the number of supporters rather than members. The party plans to set membership dues at NT\$1,000 per year, although exceptions will be made for those who cannot afford this amount. The PFP expects that its membership will mainly come from former KMT and New Party supporters.

Current party practice allows the party chairperson to select the majority of candidates for public office, and party leaders report that most of the PFP candidates are dependent on Soong’s personal support. Where there are high levels of political interest and activism at the local level, the party uses two methods to determine candidates. First, the local party branch nominates candidates to a national selection committee. Second, the party uses public opinion polls. If there is a problem of any kind, Soong will personally intervene and encourage resolution of the matter.

PFP officials acknowledge that this personalized process is not sustainable and argue that candidate selection is one of the biggest challenges facing all political parties in Taiwan. The party plans to establish a more systematic candidate selection process to handle internal competition in the future.

## *Money Management and Party Financing*

As a new political party, the PFP is particularly challenged by the need to raise political funds. The PFP has only now become eligible for the public subsidy for political parties because of the seats it gained in the Legislative Yuan elections. PFP leaders also point to the economic recession as an additional obstacle to fundraising. Currently, party chairperson Soong provides the majority of the party's financial resources.

According to party representatives, a professional accountant audits all financial contributions and party assets and audit results are made public. The names of the donors, however, will only be revealed with their permission. The party has also determined that it will not own business interests or profit-seeking enterprises. Some contributors have offered the party stock options, and the party has agreed to accept such donations, but will hire an external professional financial manager to oversee such activities. The party intends to allocate 80 percent of contributions to local branches and 20 percent to the national headquarters.

The party used the recent elections as an opportunity to raise funds. To assist in fundraising, PFP hired a private advertising firm to help develop ideas and marketing devices, such as accepting in-kind donations and selling commemorative items.

## *Ethical Standards and Discipline*

Convicted criminals are not eligible to be nominated for elected office by the PFP. Additionally, PFP leaders have warned party members against taking any action that "may damage the image of the party." Beyond this, the party does little to guide the behavior of party leaders and representatives. According to party officials, peer pressure keeps party officials honest. However, the party has stated its intention to develop codes of conduct, mandate declarations of assets from party officials, and enforce conflict of interest provisions.

### **Internal Party Anti-Corruption Strategies**

		Yes	No	Comments
1	Do party members elect national officials?			
	KMT			As part of KMT reforms, all major national party officials are now either directly elected by party members or indirectly by elected committees. National

				officials were previously selected by national chairperson.
	DPP	Y		All party officials are directly elected by the party membership.
	PPF		N	The party was recently launched; and there is no specified election process for party officials.
2	Do local party branches participate in candidate selection?			
	KMT	Y		As part of KMT reforms, candidates for public office are now selected through combination of party primaries and public opinion polling. The national leadership had previously selected candidates.
	DPP	Y		Candidates are selected through a combination of party primaries and public opinion polling.
	PPF		N	The national leadership selects candidates.
3	Are there regularly scheduled Party Congresses or Conventions?			
	KMT	Y		Party congresses take place every four years.
	DPP	Y		Party congresses take place every year.
	PPF		N	PPF has not yet had a congress.
4	Can all members participate in selection of delegates to National Party Congress?			
	KMT	Y		As part of KMT reforms, local party members directly elected more than half of the delegates to 2001 congress. Delegates used to be selected by the central committee.
	DPP	Y		Party members directly elect more than half of all party delegates. The rest of the party delegates are either elected politicians or high government officials.
	PPF		N/A	
5	Are local party offices elected?			
	KMT			As part of KMT reforms, local branch leaders are now elected.
	DPP			Leaders of local branches are elected.

	PFP		N/A	There are no local leaders to speak of, beyond candidates.
6	Are there term limits for party officials?			DPP voluntarily adopted term limits for party leadership. DPP's chairperson, central executive committee members, central standing committee members, and local chapter leaders can serve only two two-year terms.
	KMT		N	
	DPP	Y		
	PFP		N	
7	Does the party own businesses?			
	KMT	Y		KMT is widely acknowledged as one of the wealthiest political parties in the world. KMT owns businesses in virtually every sector of the Taiwan economy.
	DPP		N	DPP has voluntarily refused to own profit-making enterprises.
	PFP		N	PFP has voluntarily refused to own profit-making enterprises.
8	Does the party refuse political contributions from certain sources?			
	KMT	Y	N/A	Party does not seek political contributions.
	DPP		N	The party does not refuse legal sources of funding, although the party aims to become "self-reliant" (through membership contributions and party representatives' donations) and to refuse all corporate and individual donations.
	PFP		N	The party does not refuse legal sources of funding.
9	Do party MPs have to donate part of their salary to the party?			
	KMT		N	
	DPP	Y		MPs on the party list have to give approximately one-third of their salary to the party. MPs elected on a constituency basis have a quota to raise for the party each year.
	PFP		N	
10	Does the party employ professional accountants to manage party funds?			
	KMT	?		It is unclear how the KMT manages its funds. As part of KMT reform package, however, KMT

				assets will be moved into trust, to be managed by professional financial house.
	DPP	Y		
	PFP	Y		
11	Does the party conduct an annual audit of its accounts?			
	KMT		N	
	DPP	Y		
	PFP		N/A	
12	Does the party disclose the sources of its funds and expenditures to members of the party?			
	KMT		N	
	DPP		N	
	PFP	Y		The PFP only discloses the names of donors with their permission.
13	Does the party disclose the sources of its funds and expenditures to members of the public?			The DPP and PFP voluntarily disclose their accounts to the public. However, the PFP only discloses the names of donors with their permission.
	KMT		N	
	DPP		N	
	PFP	Y		
14	Are party leaders required to disclose their personal assets?			The PFP has stated its intent to require declarations of assets from party leaders.
	KMT		N	
	DPP		N	
	PFP		N	
15	Are party leaders required to sign a party code of conduct?			
	KMT		N	Party regulations were recently amended to include more extensive language on ethical guidance to party leaders and elected representatives.
	DPP	Y		During the primary process, party nominees must sign a contract stipulating certain provisions similar to a code of conduct.
	PFP		N	Party has no such regulations yet.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			
	KMT	Y		
	DPP	Y		
	PFP		N	

## CONCLUSION

Taiwan's recent experience with political parties is replete with examples of voluntarily imposed mechanisms to enhance internal party democracy, accountability, and transparency. In the absence of legal requirements, parties have attempted to regulate themselves in order to limit political corruption, a systemic problem in Taiwan's political system. During the years of one-party rule, a culture of money politics emerged. The linkages and exchanges between state resources and political power became known as "black-gold" politics.

The public had become increasingly frustrated with black-gold politics, particularly in a time of economic hardship. As a result, there was a shift in voter behavior. Despite the resources and power of the ruling KMT, the DPP was able to win the presidential election. The DPP believes its success is due in large part to its reform and anti-corruption platform and its party practices, which emphasize transparency and clean politics. The DPP's anti-corruption practices include:

- Democratic determination of key party posts, committees, and policies, through bottom-up election processes;
- Term limitations for elected party leaders, including committee members;
- A central review committee to ensure adherence to party regulations and policies and to serve as a check on party leadership;
- Using a combination of party primaries and public opinion polls to determine party candidates for public office;
- Eligibility requirements for party candidates, including signed codes of conduct to hold party candidates accountable to clean campaigns;
- An independent supervisor responsible for ensuring fair internal party elections;
- A telephone hotline to report problems in internal party elections, including corruption;
- Complete public disclosure of audited financial records of the party, including all income and expenditures;
- A self-imposed prohibition on party ownership of profit-making enterprises;
- A training program for party members on the party's commitment to anti-corruption; and
- Inclusion of "anti-corruption" as one of the key platform objectives.

The KMT's electoral defeat sent a strong message to all political parties. Voters associated the party with black-gold politics, and members were frustrated by the centralized decision-making, including the nomination

procedures that ultimately forced Soong out of the party. The KMT's response has been to undertake a program of restructuring and reform, in an effort to improve the party's image and decentralize operations. These reform efforts include:

- The direct election of the party chairperson by all members of the party;
- Greater participation of local party members in the election of delegates to the national assembly of party delegates;
- The election of the entire central standing committee by the central committee, which is also elected;
- The complete re-registration of the KMT membership;
- Instituting party primaries and public opinion polls to allow greater participation and transparency in the candidate selection process;
- Pledging to audit and publicize party assets and transfer management of party assets to a professional financial management company; and
- Imposing stricter requirements and disciplinary measures on potential party candidates and party officials.

Democratic structures and anti-corruption mechanisms have now become prerequisites for political parties in Taiwan. Even the recently established PFP has expressed its plans to implement procedures to enhance party transparency. The party prohibits party businesses, discloses its financial records to the public, and plans to implement asset declaration requirements for party leaders.

Perhaps no other country better demonstrates the constructive role that voter behavior can play in influencing political practices. Public opinion polls in Taiwan consistently reveal that citizens want clean political parties, and in order to compete effectively, political parties seek to demonstrate their "clean politics" credentials. Furthermore, the anti-corruption mechanisms of Taiwanese political parties are particularly interesting because law does not impose them. Taiwan does not have comprehensive political party legislation to govern parties, and there are few constraints on party behaviour and financial practices. Taiwan's experience demonstrates the capacity of political parties to develop voluntary regulations to reduce internal corruption. Finally, another "lesson learned" from Taiwan's experience is that the nation's parties tend to mimic one another. If one political party sets the bar high by reforming and practicing clean politics, providing voters with a desirable alternative, then other parties tend to follow.

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<sup>1</sup> This chapter is based on interviews with Taiwanese political party leaders conducted in Taipei July 16-22, 2001. In many cases, party representatives spoke on the condition of anonymity and the researchers have complied with this request.

<sup>2</sup> U.S. Department of State Background Note: *Taiwan*, [www.state.gov](http://www.state.gov).

<sup>3</sup> Gold, Thomas B., *State and Society in the Taiwan Miracle* (New York: ME Sharpe, 1986), p.122.

<sup>4</sup> Cheng, Tun-jen and Stephan Haggard, "Regime Transformation in Taiwan: Theoretical and Comparative Perspectives," in Tun-jen Cheng and Stephan Haggard, ed., *Political Change in Taiwan* (Boulder, Colorado: Lynne Reiner Publishers, 1992), p. 12.

<sup>5</sup> Gold, Thomas B., "Domestic Roots of Taiwan's Influence in World Affairs," in Robert G. Sutter and William R. Johnson, ed., *Taiwan in World Affairs* (Boulder Colorado: Westview Press, 1994), p. 198.

<sup>6</sup> Tien, Hung-Mao, "Elections and Taiwan's Democratic Development," in Hung-Mao Tien, ed., *Taiwan's Electoral Politics and Democratic Transition* (Armonk, NY: ME Sharpe, 1996), p. 12.

<sup>7</sup> Jiang, Ping-lung and Wen-cheng Wu, "The Changing Role of the KMT in Taiwan's Political System," in Tun-jen Cheng and Stephan Haggard, ed., *Political Change in Taiwan* (Boulder, Colorado: Lynne Reinner Publishers, 1992), p. 87.

<sup>8</sup> Lu, Alexander Ya-li, "Political Opposition in Taiwan: The Development of the Democratic Progressive Party," in Tun-jen Cheng and Stephan Haggard, ed., *Political Change in Taiwan* (Boulder, Colorado: Lynne Reinner Publishers, 1992), pp. 124-125.

<sup>9</sup> Lu, pp 124-125.

<sup>10</sup> ROC government website, [www.gio.gov.tw](http://www.gio.gov.tw).

<sup>11</sup> "Jockeying for Legislative Power," *Taipei Times*, December 7, 2001, [www.taipetitimes.com](http://www.taipetitimes.com).

<sup>12</sup> ROC government website, [www.gio.gov.tw](http://www.gio.gov.tw).

<sup>13</sup> Interview with Professor David Huang, Academia Sinica, Institute of European and American Studies, July 20, 2001.

<sup>14</sup> Liu, I-Chou, "The Behavior of Taiwanese Voters in 1992: Consolidation of Partisan Ties," in Hung-Mao Tien, ed., *Taiwan's Electoral Politics and Democratic Transition* (Armonk, NY: ME Sharpe, 1996), p. 221.

<sup>15</sup> "Categorical Statistics of Corruption Cases and Suspects Solved by the MJIB in 2000," <http://www.mjib.gov.tw>.

<sup>16</sup> See Law Office of Clement Cheng, "A Comparative Approach to Regulating Money Politics in Taiwan: Learning from the Mistakes of Others," 2000.

<sup>17</sup> See Lao Se-tiong, "Fight Harder Against Corruption," *Taiwan News.Com*, May 8, 2001.

<sup>18</sup> Wu, Jau-shieh Joseph, "President Chen Shui-Bian's First Year in Office," Institute of International Relations, National Chengchi University, 2000.

<sup>19</sup> Wu, Sofia, "President vows no compromise on 'black gold' crackdown," *Taiwan News*, August 2000.

<sup>20</sup> See the website of the Ministry of Justice, [http://www.moj.gov.tw/ehhtml/index\\_e.asp](http://www.moj.gov.tw/ehhtml/index_e.asp).

<sup>21</sup> Interview with Yang Ming Hsu, Vice Secretary General of the Democratic Progressive Party (DPP), July 18, 2001.

<sup>22</sup> Wu, Lilian, "Conflict of Interest Law passed in Legislative Yuan," *Central News Agency*, June 27, 2000.

<sup>23</sup> "Indictments handed out in Jin-Wen case; ex-minister is facing 15 years," *Taipei Times*, October 31, 2001, [www.taipetitimes.com](http://www.taipetitimes.com).

<sup>24</sup> "Zhu: China will never allow Taiwan to declare independence," [www.cnn.com](http://www.cnn.com), March 15, 2000.



- <sup>25</sup> Sutter, Robert G., "Taiwan's Role in World Affairs: Background, Status, and Prospects," in Robert G. Sutter and William R. Johnson, ed., *Taiwan in World Affairs* (Boulder, Colorado: Westview Press, 1994), p. 5.
- <sup>26</sup> Wu, Yu-Shan, "Taiwan in 2000," *Asian Survey*, Vol. XLI, No. 1, January/February 2001, pp. 47-48.
- <sup>27</sup> "Economics official says growth rate may pass 3 percent," *Taipei Times*, March 5, 2002, [www.taipeitimes.com](http://www.taipeitimes.com).
- <sup>28</sup> "Opposition majority finds limits," *Taipei Times*, February 21, 2002, [www.taipeitimes.com](http://www.taipeitimes.com).
- <sup>29</sup> Guo, Jiann-Jong, Shih-Hsin Huang, and Min-Hsiu Chiang, "Taiwan," in Wolfgang Sachsenroder and Ulrike E. Frings, ed., *Political Party Systems and Democratic Development in East and Southeast Asia*, Friedrich-Naumann-Stiftung (Brookfield, Vermont, USA: Ashgate, 1998).
- <sup>30</sup> See "Political Contributions in Taiwan: An Overview of Law and Practice," paper prepared by Professor David Huang for the Democracy Forum on "Political Finance and Democracy in East Asia: The Use and Abuse of Money in Campaigns and Elections," sponsored by the Sejong Institute and the National Endowment for Democracy, June 28-30, 2001.
- <sup>31</sup> POERL Law summarized in Huang, "Political Contributions in Taiwan: An Overview of Law and Practice."
- <sup>32</sup> Huang (2001).
- <sup>33</sup> Huang (2001).
- <sup>34</sup> Guo, Jiann-Jong, et al. (1998).
- <sup>35</sup> "Election Ruling Sparks Furor," *Taipei Times*, October 31, 2001, [www.taipeitimes.com](http://www.taipeitimes.com).
- <sup>36</sup> "Don't pull punches on KMT assets," *Taipei Times*, December 20, 2001, [www.taipeitimes.com](http://www.taipeitimes.com).
- <sup>37</sup> "Interior Ministry bill takes aim at KMT's empire," *Taipei Times*, January 18, 2000, [www.taipeitimes.com](http://www.taipeitimes.com).
- <sup>38</sup> See [www.taipei.org](http://www.taipei.org).
- <sup>39</sup> Dreyer, June Teufel, "Taiwan's Position Regarding Transnational Issues," in Robert G. Sutter and William R. Johnson, ed., *Taiwan in World Affairs* (Boulder, Colorado: Westview Press, 1994), p. 132.
- <sup>40</sup> Survey results reported by Professor Tong-Yi Huang in interview.
- <sup>41</sup> Guo, Jiann-Jong, et al (1998).
- <sup>42</sup> Guo, Jiann-Jong, et al. (1998).
- <sup>43</sup> Guo, Jiann-Jong, et al. (1998).

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