

The Politico–Business Relations and Political Participation in Taiwan: Analysis of *Political Donations Act*

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1. Introduction

After martial law was declared, the related laws and rules about the party politics of Taiwan were not improved at the same time. Some laws still continue to be in use until now, for example, the *Civil Servants Election and Recall Act* or the *Civil Associations Act*. However, the *Political Donations Act*, which encourages people's political participation, was not adopted until 2004. The main reason for its passage was the democracy transition in Taiwan; it included the revolutionizing of election institutions, the activities of party politics, and the sweeping of corruption. The purpose of this law was to expand political participation (Article 1), which improves the development of democracy. Its purpose was different from the supervisory purpose of the *Political Funds Control Law* of Japan and the *Political Fund Act* of Korea.

In other words, the purpose of the *Political Donations Act* is focused

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on political participation, not on supervision, and even though it has been amended, revised, and expanded 4 times (2008, 2009, 2010, 2014), the focus is still on the donation limits of individuals, groups and enterprises, and the period of donations. Those are totally different from those of Japan and Korea, where the focus is heavily on relief and cancelling the enterprise's donations.

However, even though Taiwan promulgated this law, it has not still increased the transparency of the donations. It has not improved the environment of the parties' competition. The main features are the relationship between politics and business, in other words between political parties and enterprises. People's political participation has not really expanded under the law. Thus, this paper tries to analyze the donations data from the Control Yuan since the year of 2004, and examines the donation situations of Taiwan's main parties. Certainly, the donation amounts which the small parties get are always lower than those of the big parties. For the small parties, donations by individuals are higher than those by the enterprises'. This shows that enterprises always align themselves with power. The main competition between the KMT (Kuomintang) and the DPP (Democratic Progressive Party) is closely connected with the complex relationship between politics and business, which is accelerating the unstable development of democracy in Taiwan.

This paper aims at analyzing the *Political Donations Act* from the viewpoint of law, and at examining the relationship between institutions and practices on the basis of official data. Differences between institutions and practices may cause the unfair allocation of resources, the warping of the structure of the society, and too close of an interaction between politics and business. Therefore, the law has to be amended appropriately to match the process of Taiwan's democracy.

2. Framework for Analysis

According to the definition of USAID (US Agency for International Development), the money for in politics includes party's finance and finance for campaign. Meanwhile, the political party plays an important role in the states which enforce the cabinet system. In this sense party's finance or subsidies for party, and so forth, become significant. On the other hand, it is the candidate who plays the important role in the states which enforce the presidential system, therefore, how to control campaign finance becomes significant.¹⁾ Taiwan has been governed under the presidential system. Before the *Political Donations Act* was passed, the rules for donation were set by the *Civil Servants Election and Recall Act*. It was turned into a competitive two party system in the 90's. Since that time, the parties have taken the important role of receiving the relative donations or subsidies. Compared to other countries in Asia, Taiwan was very slow in legislating the *Political Donations Act*. The main reason is the change of democracy after declaring martial law. The purpose of the *Political Donations Act* of Taiwan is expanding political participation, and today the law is composed of 36 articles. It has been amended, revised, and expanded in scope several times, but it hasn't become very rigorous.

It has not functioned well (to examine the *Political Donations Act* of Taiwan using a historical approach). Furthermore it hasn't solved the problems of corrupt money. Therefore, this paper tries to analyze the how the act

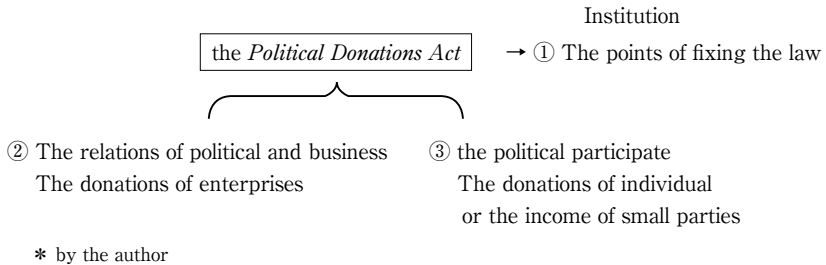
1) Office of Democracy and Governance. 2003. *Money in Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies*. Washington, DC: USAID. p. 1.

has been changed four times. The purpose of the *Political Donations Act* is expanding political participation, not supervision. Before the *Political Donations Act* was passed, donations were regulated by the *Civil Servants Election and Recall Act*, which established the limit of expenses for election campaign for to a fixed period and the electoral subsidies after the elections in Taiwan (Article 41, 43). Otherwise the *Political Donations Act* and the *Civil Servants Election and Recall Act* are not so exact and backward, and do not provide the *Law of Party*. So it can't define parties and grant subsidies to correct the unfair matters in party politics in Taiwan.

As the purpose is to expand political participation, it is different from the similar acts of Japan or Korea that cut off the donation maximum, and it raises the anonymous maximum. The reason is that the parties or candidates in Japan or Korea can have their own support groups and get political funds anytime. In Taiwan, the parties or candidates just can get donations during the election period. Can the *Political Donations Act* achieve the purpose of expanding political participation by raising the maximum for the anonymous donations and the fixed periods? Can the donations made under the law during the elections clear away the bribery and black money that has existed for a long time?

This paper attempts to analyze the *Political Donations Act* from the viewpoint of law, and to examine the relationship between institutions and practices according to the official data. The main competition between the KMT (Kuomintang) and the DPP (Democratic Progressive Party) reflects the complex relationship between politics and business, but both parties need voters' support, so it appears that parties must choose either money or votes. Judging from the viewpoint of the politico-business relationship and the expansion of political participation under the *Political Donations Act*, there seems to be some difference between the institutions and the practices. If we don't pay

Figure 1: The framework of analysis



more attention to this law, the democracy in Taiwan may take a step back. The framework of analysis of this paper is presented in Figure 1, below.

3. The development of the *Political Donations Act* of Taiwan and the politico-business relations

The Congress of the U. S. adopted the *The Pendleton Civil Service Act* in 1883 with the aim to prohibit the parties from collecting the political funds from the servants. Otherwise the parties would have turned into asking for the enterprises or groups.²⁾ It is difficult to clarify the relationship between politics and money, and it will become an obstacle to the democratizing process, although the speed of democracy in Taiwan has increased and the Legislative Yuan changed in 1991 to practice real democracy and oversee the government by elections. Black money has seriously eroded democracy for a long time; corruption and black money occurred again and again before the *Political Donations Act* came into effect.

The UN (United Nations) adopted the United Nations Convention against

2) Tai-shuenn Yan, Kwo-chung Shiao, Tzu-chen Cheng. *The Research of the Reform of the Political Donations Institutions in Taiwan*. The Report for Ministry of the Interior. GRB No. : 101JCD05. December of 2012. p. 24.

Corruption (UNCAC) in October of 2003, which states, in part, that “the member countries have to take legislative or administrative ways to raise the openness of servants or parties for collecting expenses”. It means that the international society has paid attention to political donations and openness, the UN has even established the United Nations Development Fund to build up the Global Standards of the political donations laws, which be an example for every country.³⁾ Even after the *Political Donations Act* was approved, the corruption scandal of ex-president Shui-Bian Chen, who got about NT\$70 million in illegal donations, was revealed.

Therefore the purpose of the *Political Donations Act* was to “make sure about the openness of donations, public and supervise by people”.⁴⁾ The *Political Donations Act* of 2004 and fixed points at various times is explored below, to understand the falsity of institutions and the relationship between politics and business under the law.

(1) The *Political Donations Act* of 2004: expand political participation

The *Political Donations Act* has been enforced since the 2nd of April, 2004. The main purpose of it is to “promote political participation and ensure the fairness and justness of political activities, to make healthy the development of democracy...” (Article 1). It defined political donations, and specifically excluded political party membership dues, association membership dues or

3) Tai-shuenn Yan, Kwo-chung Shiao, Tzu-chen Cheng. *The Research of the Reform of the Political Donations Institutions in Taiwan*. The Report for Ministry of the Interior. GRB No. : 101JCD05. December of 2012. p. 8.

4) Ding-ming Wang. 2007. “The Political Contribution Act and An Empirical Analysis of Campaign Contribution Data”. *Journal of Electoral Studies*. Vol. 14, No. 6. p. 123.

volunteer services (Article 2). It also defined political parties, political groups,⁵⁾ social groups and the electoral candidates.

The law permitted that Taiwanese can donate politically only during a fixed period unlike Japan or Korea, in which donations are allowed anytime. According to Article 2, "Political donation: refers to the movables or immovable, payment of inequivalent quid pro quo, exemption of debts or other economic benefits provided to the individuals or associations engaged in campaign or other politics-related activities. However, it does not include political party membership dues, association membership dues or volunteer services."⁶⁾ The competent authority is the Ministry of the Interior, but it accepts the reports of the Control Yuan (Article 3, 4). Article 41 of the *Civil Servants Election and Recall Act* establishes the upper limits of campaign expenses, and Article 43 establishes that each vote also can be offset after the elections.⁷⁾

To prevent illegal political and business relations, "The total amount of donations contributed to a same political party or political association each year may not exceed the following limits: (1) by individuals: NT\$300,000. (2) by profit-seeking businesses: NT\$3,000,000. (3) by civil associations: NT\$2,000,000. The total amount of donations contributed to different political parties or political associations each year may not exceed the following

5) The terms used in this Act are defined as follows: "Political association: refers to a political association established with the permission of the competent authority in accordance with the provisions of the Civil Associations Act" by Article 2 of the *Political Donations Act*. Laws and Regulations Retrieving System, The *Political Donations Act*, <http://glrs.moi.gov.tw/EngLawContent.aspx?id=312>

6) Laws and Regulations Retrieving System, The *Political Donations Act*, <http://glrs.moi.gov.tw/EngLawContent.aspx?id=312>

7) Laws and Regulations Retrieving System, the *Civil Servants Election and Recall Act*. <http://law.moj.gov.tw/LawClass/LawAll.aspx?PCode=D0020010>

limits: (1) by the same individual: NT\$600,000. (2) by the same profit-seeking business: NT\$6,000,000. (3) by the same civil association: NT\$4,000,000". "The total amount of donations contributed to different political associations by the same political party follows the provision of Subparagraph 3 of the preceding Paragraph. The total amount of donations contributed in one's will follows Subparagraph 1 of Paragraph 1, Subparagraph 1 of Paragraph 3 and is limited to once only. The exceeding part of the total amount is invalid" (Article 17).

Article 18 states that "The total amount of donations contributed to the same person planning to participate in campaign each year may not exceed the following limits: (1) by individuals: NT\$100,000. (2) by profit-seeking

Table 1: The total amounts of donations allowed by the *Political Donations Act* of 2004

The total amount of donations contributed to the same political party or political association each year	individual	profit-seeking businesses	civil associations
	NT\$300,000	NT\$3,000,000	NT\$2,000,000
	The total amount of donations contributed in one's will limit as above.		
The total amount of donations contributed to different political associations	NT\$600,000	NT\$6,000,000	NT\$4,000,000
	The total amount of donations contributed to different political associations by the same political party follows the provision as above.		
The total amount of donations contributed to the same person planning to participate in campaign each year	NT\$100,000	NT\$1,000,000	NT\$500,000
The total amount of donations contributed to different persons planning to participate in campaign each year	NT\$200,000	NT\$2,000,000	NT\$1,000,000

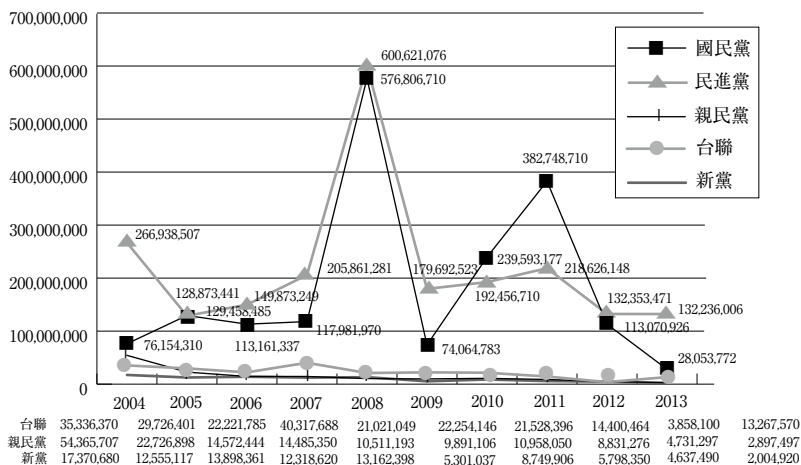
* Data: Laws and Regulations Retrieving System, The *Political Donations Act*, <http://glrs.moi.gov.tw/EngLawContent.aspx?id=312>

* by the author

businesses: NT\$1,000,000. (3) by civil associations: NT\$500,000. The total amount of donations contributed to different persons planning to participate in campaign each year may not exceed the following limits: (1) by the same individual: NT\$200,000. (2) by the same profit-seeking business: NT\$2,000,000. (3) by the same civil association: NT\$1,000,000. The total amount of donations contributed in one's will shall follow Subparagraph 1 of Paragraph 1, Subparagraph 1 of the preceding Paragraph, and is limited to once only. The exceeding part of total amount is invalid". Please refer to **Table 1**.

Furthermore this, donations are allowed only in a fixed period, not anytime as in Japan or Korea, and need to be reported to the competent authority regularly each year. Referring to **Figure 2**, we can understand that the total amounts of political donations for the main parties have gone down since 2004; for the KMP, it went from NT\$76,154,310 in 2004 down to NT\$28,053,772 in 2013. For the DPP, the main competitor of the KMP, it went from NT\$

Figure 2 : The amounts of the donations to the main parties in Taiwan 2004–2013



*Data: Sunshine Acts of the Control Yuan, "the Statistics",

<http://sunshine.cy.gov.tw/GipOpenWeb/wSite/sp>

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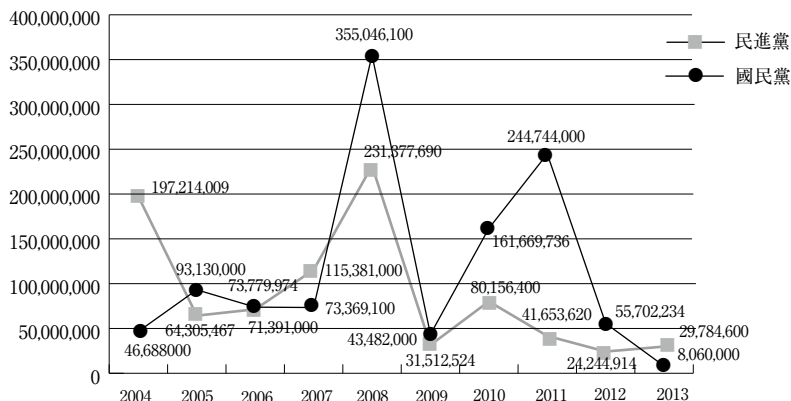
266,938,507 in 2004 down to NT\$132,236,006 in 2013. If we take the view that the purpose of the *Political Donations Act* was to expand political participation, it seems that it hasn't achieved the expected donation amounts. Secondly, it still has some defects, such as the negative listings to name the donors, recipients and the amounts of donations, etc... As the result, who is not within the listings can donate.

(2) The *Political Donations Act* of 2008: limits

There were two reasons why the *Political Donations Act* didn't function as well as expected. One is that black money still was rampant, the other is that negative listings were used to specify the donors, recipients, donation limits, and so forth.⁸⁾ It enabled illegal donors to donate. The total donations by profit-seeking businesses during the period of 2004 – 2008 to the KMP were NT\$46,688,000, NT\$ 93,130,000, NT\$73,779,974, NT\$ 73,369,100, and NT\$ 355,046,100, respectively; to the DPP, they were NT\$197,214,009, NT\$ 64,305,467, NT\$71,391,000, NT\$ 115,381,000, and NT\$231,377,690, respectively. It shows that the donations by profit-seeking businesses kept rising, even during the 2004 – 2008 period. The total amount of the donations made by profit-seeking businesses to the DPP was higher than that made to the KMP, which is explained by the fact that profit-seeking businesses always align themselves with power. Meanwhile, the KMP garnered NT\$600,621,076 in recorded donations in 2008, showing that more money really can guarantee win elections.

8) "Those who may contribute to political donations are limited to individuals, political parties, civil associations and profit-seeking businesses other than following objects..." by the Article 7 of the *Political Donations Act* in 2004. Laws and Regulations Retrieving System, The *Political Donations Act* of 2004, <http://glrs.moi.gov.tw/EngLawContent.aspx?Type=E&id=312>

Figure 3 : The donations by profit-seeking businesses to the KMP and the DPP 2004–2013



* Data: Sunshine Acts of the Control Yuan, “the Statistics”,

<http://sunshine.cy.gov.tw/GipOpenWeb/wSite/sp>

* by the author

Therefore, to prevent the close relationship between politics and business, the *Political Donations Act* increased numbers of the positive listings of donors. Only parties, political associations and persons planning to participate in a campaign can receive donations (Article 8). After receiving the donations, it is necessary to make a receipt as proof (Article 11).

In order to strengthen the effects of the *Political Donations Act*, there should be three measures: the punishment for exceeding the upper limits of political donations, the upper limits of the amounts parties can donate to associations, and the period during which surplus political donations can be used. Article 29 lays out the punishment for over-donating, “Anyone who contributes political donations infringing any of the provisions of Paragraph 1 of Article 7, Article 14, Paragraph 1 to 4 of Article 17, or Paragraph 1 or 2 of Article 18 shall be fined a sum doubling the amount of the donations accepted, but not more than NT\$1,000,000.” According to Article 31, “The profit-seeking businesses, manufacturers, associations, institutions,

juridical persons or individuals who infringe Paragraph 1 of Article 22 and evade, encumber, or refuse the audit, shall be fined a sum of not less than NT\$200,000 and not more than NT\$1,000,000.” Article 31 further states, “The persons planning to participate in campaign who infringe the provision of Paragraph 4 of Article 23 and donate residual political donations, shall be fined a sum doubling the amount of the donations accepted.” In addition, to avoid possible conflict between other laws and the *Political Donations Act*, Article 35 was changed before the presidential election in July of 2008 to exclude the limits to campaign expenses mandated by the *Civil Associations Act*.⁹⁾ Finally, based on the purpose of expanding political participation, raising the amounts from NT\$20,000 which detailed data about the object of income or expenditure of more than NT\$30,000 (Article 20).

After President Shui-Bian Chen left office in May of 2008, the illegal contributions of the Long-Tan case occurred and First Lady Shu-Chen Wu admitted she received NT\$20 million from Cheng-Yun Gu. As the donations by profit-seeking businesses just had been over the limit of NT\$1,000,000 in order to be illegal, and as the maximum penalty under the law was NT\$1,000,000 at the time, they just were penalized NT\$1,000,000. Therefore, many businessmen made over the limit donations by circuitous means. The law was changed again in December of 2008 to, “The political parties, political associations and persons planning to participate in campaign infringe all subparagraphs of Paragraph 1 of Article 7...; those who have received return

9) “The provisions of Article 37, Article 39, Paragraphs 2 to 4 of Article 40, Article 83, and Article 95 of the Presidential and Vice Presidential Election and Recall Act, the provisions of Article 51 and Article 62 of the Civil Associations Act shall not apply any more from the day when this Act comes into force.” by the Article 35 of the *Political Donations Act* in 2008. Laws and Regulations Retrieving System, the *Political Donations Act*, <http://glrs.moi.gov.tw/EngLawContent.aspx?Type=E&id=312>

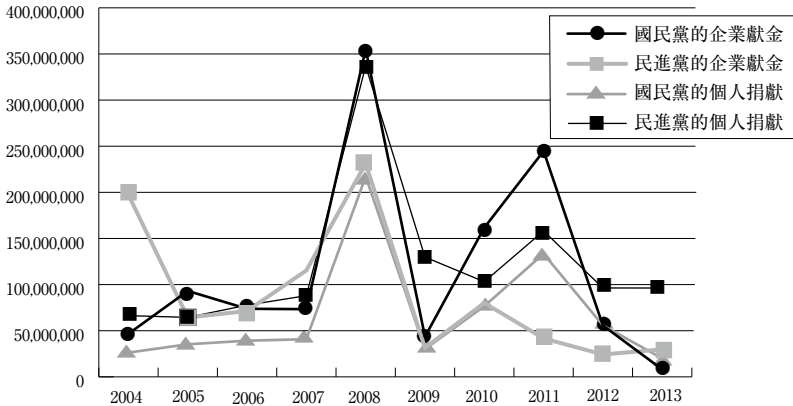
of original money shall return to the donors within 2 months.”

Looking at **Figure 3**, we can understand the total donations made by profit-seeking businesses 2009 – 2013 to the KMP were NT\$43,482,000, NT\$161,669,736, NT\$244,744,000, NT\$55,702,234, and NT\$8,060,000, respectively; to the DPP, they were NT\$31,512,524, NT\$ 80,156,400, NT\$ 41,653,620, NT\$ 24,244,914, and NT\$29,784,600, respectively. The KMP garnered the highest amount of political donations in 2011, which was done before the presidential election. Apart from this, after the number of donors were limited in 2008, the donations by profit-seeking businesses to the DPP remained low, and the KMP garnered donations of only NT\$8,060,000 in 2013, even less than the DPP.

The two main parties faced the problem of insufficient donations from profit-seeking businesses; it is serious for the operations of parties. Therefore Article 7 and Article 15 of the *Political Donations Act* were changed in 2010. Article 7 was changed to “Profit-seeking businesses in accumulative deficit that have not been made up in accordance with relevant provisions” is not allowed to execute political donation. And Article 15 was changed to “The total amount of secret political donations accepted by the political parties, political associations and persons planning to participate in campaign may not exceed thirty percent (30%) of the total incomes of political donations declared...” from 10%. It means that the parties have also agreed to raise the amounts of donations by those articles. In fact the profit-seeking businesses in accumulative deficit are eager to proceed with the political donation in order to gain influence in policy making, and gain the subsidization etc. And it also can make new routes for parties or politicians by raising secret political donations.

If we compare the donations made by individuals with those made by profit-seeking businesses to the KMP and the DPP, shown in **Figure 4**, we

Figure 4 : Comparison of the donations made by individuals and profit-seeking businesses to the KMP and the DPP



	國民黨的企業獻金	民進黨的企業獻金	國民黨的個人捐獻	民進黨的個人捐獻
2004	46,688,000	197,214,009	26,287,793	66,348,248
2005	93,130,000	64,305,467	35,311,556	64,465,674
2006	73,779,974	71,391,000	39,199,891	77,716,069
2007	73,369,100	115,381,000	40,819,650	87,999,172
2008	355,046,100	231,377,690	217,119,375	336,806,005
2009	43,482,000	31,512,524	29,963,449	129,808,152
2010	161,669,736	80,156,400	76,595,963	103,097,119
2011	244,744,000	41,653,620	133,414,313	158,173,171
2012	55,702,234	24,244,914	55,755,244	96,344,851
2013	8,060,000	29,784,600	19,982,558	96,285,266

*Data: Sunshine Acts of the Control Yuan, "the Statistics",
<http://sunshine.cy.gov.tw/GipOpenWeb/wSite/sp>
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can understand that the donations made by individuals to the DPP were higher than those made to the KMP. The situation of the KMP was the opposite. Secondly, the donations made by individuals to the DPP since 2008 have been higher than those made by profit-seeking businesses; this is explained by the grassroots nature of the party.

(3) The *Political Donations Act* of 2014: the favoring of donations for small parties

According to the analysis of the donations made to the main parties in Taiwan under the *Political Donations Act*, the amounts garnered by the big parties are always larger than those garnered by the small parties. In addition, the donations made to the small parties by individuals are always greater than those made by profit-seeking businesses. This shows that profit-seeking businesses always align themselves with power. We can understand this situation by looking at **Figure 2**, which explains the donations to the main parties. Therefore, it was changed again, and the points are the donations which can take the tax reduction for parties from 2% down to 1% of percentage of votes obtained in 2014. “The political donations contributed to a political party and the average ratio of vote gained by the candidates recommended by the political party in the national integrated election and overseas election of legislators, and in the regional election and the indigenous election of legislators in the very year does not reach 1%” (Article 19).

In summary, the main points of the *Political Donations Act* of 2004 were to expand political participation, to identify acceptable donors and recipients, and to limit the amounts and the period of the donations. But the defects were that it caused a reduction in the amount of donations, the negative listing of donors generated indistinct contributors. The main points of the *Political Donations Act* of 2008 were limiting the donors of positive listing to prevent profit-seeking businesses or persons with financial resources from affecting politics so the law wouldn't become a corrupt regime. The others were enforcing the punishments, and raising the accounting amounts to NT\$30,000. At the same time, it abolished the limits of campaigning for elections, and didn't limit campaign expenses, those made candidates have to

Table 2 : Changes in the *Political Donations Act* of Taiwan 2004–2014

The <i>Political Donations Act</i>	points	content	defects
2004	expand political participation, not for the purpose of supervision	expand political participation, norms the identity of donors and recipients, limit the amounts of donations and the period	reduce the amounts of donations, the negative listing of donors generated indistinct contributors
July of 2008	limit the donors of positive listing	limit the donors, enforce the punishments, raise the accounting amounts to NT\$30,000	the profit-seeking businesses align with the o power party
December of 2008	return of original money	above	above
2010	raise the amounts of anonymous donations allowed	fix the limit of deficit profit-seeking businesses, and raise the percent to 30% by anonymous donors	new ways to donate
2014	favorable to donating to small parties	take the tax reduction for parties from 2% down to 1% of votes obtained	the political funds of small parties are still not enough, it can't become a multi-party competition

* by the author

spend more money for campaigns. In accordance with the reduced donations from profit-seeking businesses in 2010, it has changed the limit of deficit profit-seeking businesses, and raised to 30% the percent by anonymous donor. This maybe causes the possibility of making new ways to donate. The point of the *Political Donations Act* of 2014 was to favor donating to small parties. It means that the donations for which parties can take tax reduction went from 2% down to 1% of percentage of votes obtained. But the political funds of small parties are still not enough, so it can't become a multi-party competition.

Whether the purpose of the *Political Donations Act* is expanding political participation or multi-party competition, the electoral system in Taiwan has been changed into a single seat constituency system since 1996, and there has been a two party competition between the KMP and the DPP. The DPP was the power party during 2001 – 2008. It is shown by the fact that the donations made by profit-seeking businesses to the DPP were much greater than those made by individuals before 2007, after 2007, the donations made by individuals were much greater than those made by profit-seeking businesses. The donations made by profit-seeking businesses to the KMP have always been much greater than those made by individuals. But the donations made to the KMP and the DPP were the same amount when there were presidential elections. The donations made to the DPP were much greater than those made to the KMP before 2008. The first election held after the passage of the *Political Donations Act* of 2004 was the 6th election of members of the Legislative Yuan. The research conducted by Ding-ming Wang indicated that the capability of KMP candidates to collect political funds was weaker than that of the DPP or even the PFP (People First Party), which is surprising.¹⁰⁾ When the KMP became the power party again in 2008, the donations were much greater than those made to the DPP, which is explained by the pendulum effect. It means that “according to the data and experiences, it will be proved by the positive relations between more money and win the elections.”¹¹⁾

10) Ding-ming Wang. 2007. “The Political Contribution Act and An Empirical Analysis of Campaign Contribution Data”. *Journal of Electoral Studies*. Vol. 14, No. 6. p. 129.

11) Tai-shuenn Yan, Kwo-chung Shiao, Tzu-chen Cheng. *The Research of the Reform of the Political Donations Institutions in Taiwan*. The Report for Ministry of the Interior. GRB No. : 101JCD05. December of 2012. p. 1.

4. Political participation under the *Political Donations Act*

Matthew J. Burbank thought that there were three purposes for the political donations law, (1) fairness of elections, (2) the truth of the electoral system, (3) increase the participation of candidates, parties and people, etc.. Because some enterprises or groups want to have influence on the policies or allocation of resources which occurred the behaviors of rent-seeking, consequently caused influences to the fairness of the political participation of most people.¹²⁾ “The political donation is an important way to express options, influence policies or contact the government officer. So manage the political donations should also care of the influence to other citizen’s activities.”¹³⁾ A good law of donation should improve the development of democracy and the fairness of the political participation of the people. Zong-xian Wu indicated that if the unfair allocation of resources, an unfair social structure, and the related corruptions occur in a state for a long time, people will not trust in democracy and the politicians. The *Political Donations Act* and the related administrative institutions can’t change money politics. Therefore, if Taiwan wants to practice democracy well, a new political environment still needs to be created.¹⁴⁾ In this part, we can see whether the donations by individuals could expand political participation and improve party competition, especially

12) Burbank, Matthew J., Ronald J. Hrebenar and Robert C. Benedict. (2008). *Political Parties, Interest Groups, and Political Campaigns*. Boulder, Colorado: Paradigm. p. 96.

13) Tai-shuenn Yan, Kwo-chung Shiao, Tzu-chen Cheng. *The Research of the Reform of the Political Donations Institutions in Taiwan*. The Report for Ministry of the Interior. GRB No. : 101JCD05. December of 2012. p. 21.

14) Zong-xian Wu. 2008. “The Transition of Democracy and the Money Politics in Taiwan”. *Taiwan Journal of Democracy*. Vol. 5, No. 3. pp. 180–182.

for small parties after the *Political Donations Act* was passed.

(1) The donations by individuals to expand political participation

Taiwan has entered the Third Democracy Heat Wave since the martial law was ceased in 1987. Because when the KMP was the political party, there was no active political participation. So, the political donation problem was not serious. After the reforming of the Constitution, National Congress, party politics and the development of local autonomy, the points of democracy in Taiwan turned from government to people.¹⁵⁾ Then the DPP was formed, and it became a system of two party politics, with both the DPP and the KMP trying to gain the support of the neutral voters. And, from 2006, it became a small electoral system. The legislators' elections also became a single-district two-votes system focused on collective interests and policies. This means that the importance of parties is rising.¹⁶⁾ There are some normative rules of campaign finance, such as (1) fairness of political participation, (2) fairness of party competition, (3) openness and transparency, (4) freedom of expression.¹⁷⁾

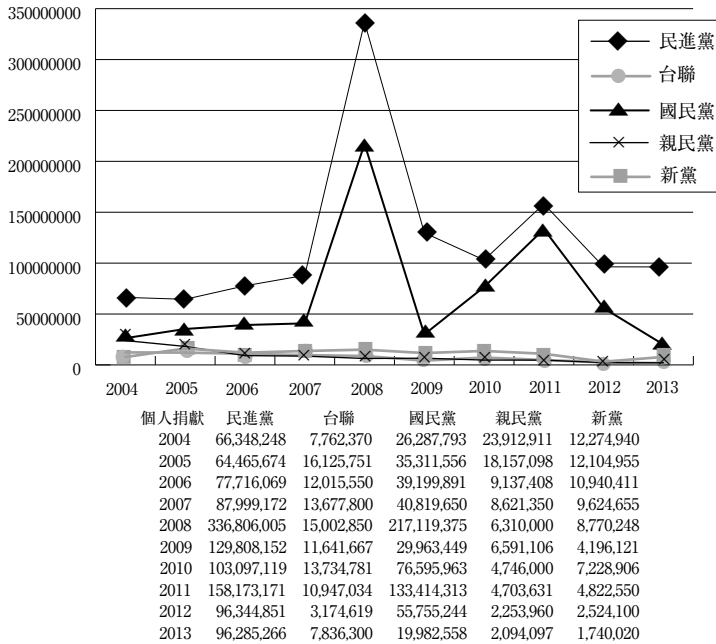
From Figure 5 we can see donations were made by individuals mainly in 2008 and 2012, when presidential elections were held. And the amounts of the donations to the KMP and the DPP are a little different, but the same curve appears. This shows that the support for each party was very equal. Secondly, the donations made by individuals to the KMP in 2009 went down

15) Yi-xing Liao. 1995. "The Development of the Relations of politics and business in Taiwan". *National Policy Weekly*. Vol. 103. pp. 2-3.

16) Tsutsumi Hidenori, Uekami Takayoshi. 2007. "Party Policy Coherence in Japanese :Evidence from 2003 Candidate-Level Electoral Platforms". *Journal of Social Science*. Vol. 58. No. 5 & 6. p. 33.

17) Mei-yu Feng. 2009. "A study on the standard and Affects of Political Finance Act in Taiwan". *Bei Tai Tong Shi Xue Bao*. Vol. 5. p. 221.

Figure 5 : The donations made by individuals to the main parties in Taiwan 2004–2013



* Data: Sunshine Acts of the Control Yuan, "the Statistics",

<http://sunshine.cy.gov.tw/GipOpenWeb/wSite/sp>

* by the author

to the same level as the donations given to the small parties. Maybe the reason was the influence of the global finance crisis and the corruption of ex-president Sui-bian Chen. Those were possibly why people didn't want to donate.

During the presidential election of 2012, donations by piggy banks were made to Ying-wen Tsai of the DPP. This can be examined from several viewpoints, including, the identities of the donors, the restrictions on the recipients, the anonymous donation, and the return issue. The donations by piggy banks were almost came from children, as for the identities of the

donors and the restrictions on the recipients, according to Article 7, “Those who may contribute to political donations are limited to individuals, political parties, civil associations and profit-seeking businesses...”, meaning only those identities can donate to the candidates. And according to Article 8, “political parties, political associations and persons planning to participate in campaign may not accept the political donations from objects other than those referred to in the preceding Article.” Therefore, the donations by piggy banks were illegal from the point of view of both the donors and the recipients.¹⁸⁾

If we take into consideration the issue of the anonymous donation, according to Article 14, “anyone may not contribute donations in the name of others or contribute secret donation of more than NT\$10,000.” And Article 20 specifies, “political parties, political associations and persons planning to participate in campaign shall set up an account book of incomes and expenditures, and have the time of receipt and disbursement, object and its address, and the purpose, amount, or the price of economic benefits other than money of each piece of donations recorded every day by themselves for reference, and compile an accounting report based on the aforesaid data. Political donations given by articles less than total NT\$2000 may be free of recording.” Item 4 of Article 20 mandates inclusion of “Detailed data about the object of income or expenditure of more than NT\$30,000.” So if the money from the piggy banks is over NT\$30,000, it needs to be recorded. And as for returning it, the donations by piggy banks almost all came from children, some counties even used trucks to collect the piggy banks and sent them to the campaign headquarters of Ying-wen Tsai, but they didn’t record the names, amounts and other required information. The donations by piggy banks for Ying-wen Tsai were maybe illegal because the donors were not

18) Laws and Regulations Retrieving System, The *Political Donations Act*, <http://glrs.moi.gov.tw/EngLawContent.aspx?Type=E&id=312>

voters and the total amount donated was over the limit. It was also illegal because there was no way to return those donations after the elections.

(2) The donations to small parties

To improve the development of multi-party competition, the political contributions should solve the financial problems for small parties, and help small parties compete with other parties. But party members can influence the contributions to the individual candidates. It means that, in Taiwan, candidates from a party such as the KMP, DPP, PFP (People First Party) and TSU (Taiwan Solidarity Union) can get more contributions than independent candidates can. Because ideology is very important in Taiwan, the candidates from the KMP or DPP get more contributions than the other small parties. The purpose of the Political Donation Act was to improve the political environment of small parties but in reality it has not practiced well.¹⁹⁾

This situation was changed in the local elections in Taiwan since November of 2014. There have been a lot of social problems recently, such as a massive protest over a soldier's death ("Soldier's Death Sparks Massive Protest in Taiwan", WSJ, August 6, 2013), the Sunflower Movement, and the Cooking Oil Safety issue, therefore Taiwanese have started to expect a new third force to compete against the traditional two party system. Wen-zhe Ke was a new politician who ran for the Taipei mayoral election. He said that he wanted to reform the structure of the vested interests, and the result was that he won 800,000 votes. The campaign expenditure was lower than that of the candidate Shen-wen Lian of the KMP, which went against the traditional idea that elections have to cost a lot of money.

19) Ding-ming Wang. 2007. "The Political Contribution Act and An Empirical Analysis of Campaign Contribution Data". *Journal of Electoral Studies*. Vol. 14, No. 6. p. 135.

However, the new Mayor Ke wanted to use the NT\$10,000,000 surplus funds left over after the election to pay his personal house loan. According to Article 23 of the *Political Donations Act*, “the purposes of the political donations accepted by political parties, political associations and persons planning to participate in campaign shall be limited to the items···1. Payment of the expenses related to the performance of duty after being elected. 2. Donation to political associations or the political parties to which they belong. 3. Donation to educational, cultural, public-interest, charity institutions or associations. 4. Campaign for civil servants.” Therefore, Mayor Ke cannot take the surplus funds left over after the Taipei city mayoral election in 2014, for his own private use, such as to pay for his parents or house loans. After this issue became public, Mayor Ke said he would spend it on beneficent purposes to avoid illegality. The purpose of regulating the political contribution is to prevent corruption, make the political activities healthier, respect the freedom of expression, and expand the political participation. So it is necessary to arrange the political contributions appropriately, and avoid unfairness to disadvantaged minority groups.²⁰⁾

5. Conclusion

This paper has attempted to analyze the faults of the *Political Donations Act* in Taiwan, and the institutional factors which influence the fund for a party's finances. Our Conclusion is: (1) The political contributions are almost all for the two main parties, and not too much for the small parties; it hasn't become a multi-party competition. (2) The amounts from profit-seeking business donations have been decreasing year by year, and it means there is

20) Mei-yu Feng. 2009. “A study on the standard and Affects of Political Finance Act in Taiwan”. *Bei Tai Tong Shi Xue Bao*. Vol. 5. pp. 221–222.

a separation between the politicians and business. (3) The donations made by individuals to the DPP are higher than those made to the KMP, which means it is a grassroots organization. And the KMP still depends on the donations from profit-seeking businesses, and the donations made by individuals have even decreased to the level of those made to the small parties. (4) The total amounts of the political contributions have decreased, but the donations from individuals have increased. It means the law has achieved the goal of expanding political participation.

But this law still has a lot of faults right now, for example, the political activities of parties or politicians are only allowed in a fixed period before the elections. The activities of parties or politicians belong to normality, but to solve the big expenses of common activities and avoid the too close relationship is still a hot issue. Tai-shuenn Yang thought that the faults of the *Political Donations Act* should be fixed step by step. So the electoral system should enforce its reliability within a short period of time. Although the amounts of the donations from profit-seeking businesses have gone down, it doesn't mean the relationship between politics and business is over. Maybe it will push the close interactions under the table, and increase people's distrust in the electoral system.

In the middle term, it should focus on fairness, such as raising the level of the governing units, strictly limiting campaign expenses, limiting parties and political groups, cancelling the tax favor of donations, forbidding social welfare groups and civil groups from donating, limiting independent funds, regulating material object donations, and so on. In the long term, the focus should be on expanding political participation.²¹⁾ Watch the situations

21) Tai-shuenn Yan, Kwo-chung Shiao, Tzu-chen Cheng. *The Research of the Reform of the Political Donations Institutions in Taiwan*. The Report for Ministry of the Interior. GRB No. : 101JCD05. December of 2012. pp. 184–194.

between the institution and the fact of the *Political Donations Act* in Taiwan, political contributions should not be allowed just during elections. If we want to expand political participation and avoid black money politics, making political contributions should be normalized. Hopefully, this can also improve the quality of democracy in Taiwan.

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