



Christoph Matthias Sand

A Comparison of Developing Democracies

Party Finance Standards on the National Level in Taiwan and South Korea

Topic and Research Question

Money is the core tool used to exchange goods and services. Therefore, it is also being used in the arena of politics and campaigning.

As relatively young democracies, both the Republic of China (Taiwan) and the Republic of Korea (South Korea) are affected by this as well. Faced with similar historic backgrounds in their evolution to democracies, they lend themselves as prime examples in monitoring the outcome of the evolution of party finance systems in East Asia. Both face threats from inside, as well as outside due to their northern neighbors, necessitating a strict monitoring of the political process. Incidences of misuse of money during campaigns have also been documented for both countries, leading to following research question:

“What are the similarities and differences between the party finance regulatory systems of the Republic of China and the Republic of Korea for the national parliamentary elections?”

State of the Art

When it comes to the research of party finance regulations several aspects have to be considered in detail and defined, before the start of any research. A major issue in this regard is the lack of a single definition of the scope of “party finance”, or what should be understood to be the aspects of party finance. There are many different definitions of party finance, varying widely between authors and organizations, ranging from the financing of campaign activities (IFES 2005; Fisher and Eisenstadt 2004) to the financing of all activities connected to political parties (Pinto-Duschinsky 2002; OECD 2018) and others in between. To ensure the focus of the research, the working definition for this paper of “Money used to compete during elections” has been chosen. The literature Similarly discusses differences in the definitions of key terms such as transparency and disclosure, sanctions, as well as policy and state capture have been clarified or defined.

Further, comparative studies on party finance regulations have used different frameworks, each purpose built for a specific approach. In contrast to expectations, the review of party finance regulations in “Political finance in Central Eastern Europe: an interim report” by Ikstens et al (2002) uses a different approach to the research by the IFES (2005) in their “Enforcing Political Finance Laws – Training Handbook”, or the OECD (2016) Book on “Financing Democracy”. However,

the single thread between the different approaches is the call for strong regulations and party finance regulations necessitating **income** and **expenditures, transparency** and **disclosure**, complemented by **compliance** and **sanctions** regulations.

Methodology and Approach

The Analytical Framework was designed based on the core definitions and aspects identified in the literature review. It is therefore an eclectic framework with the aim of covering the research topic as defined in the State of the Art. The framework is structured as follows:

Income Regulations	
Donations	Definition, caps and limitations
State Funding	Availability, conditionality, type of funding provided
Spending Regulations	
Direct Spending	Definition, caps and limitations
Indirect Spending	Definition, caps and limitations
Transparency and Disclosure	
Income Transparency and Disclosure	Account-, reporting-, publication requirements
Spending Transparency and Disclosure	Account-, reporting-, publication requirements
Timeframe for Transparency and Disclosure Reports	Timeframe
Compliance and Sanctions	
Structure of the Oversight Body	Existence, structure, funding, powers
Sanctions	Existence, responsibility, independence, differentiation

Main Facts

In the topic of income regulations, both South Korea and Taiwan provide definitions for donations and make available state funding to all candidates and parties, also further both banning donations of foreign origin. Key differences center around the ability of corporations or organizations to donate, as these kinds of donations are banned in South Korea, yet permitted in Taiwan.

There are less similarities between both on the topic of spending regulations, with both countries limiting the spending of candidates. South Korea trends to stricter spending regulations, enforcing a limit on the spending by parties and disallowing third parties to spend on a candidate's behalf. Taiwan is less strict on this topic, both not setting limitations for spending by parties and not disallowing third parties to spend money on a candidate's behalf.

On the topic of Transparency and Disclosure Regulations, both countries are in close alignment with each other, both necessitating the reporting of all income generated for the purpose of political campaigning, the keeping of official accounts, the (partial) publication of said accounts, and the keeping and publication of spending records. Deviations between both can be found in the timeframe for publication, which is significantly shorter in South Korea than Taiwan.

Lastly, for the topic of Compliance and Sanctions Regulations, both countries align closely with each other as well, with a singular oversight body required by law, that is funded independently in each country. The powers of the oversight bodies vary between both countries, with core competencies on the auditing of reports, publication of the records, and sanctioning of offenders being the same in both countries. Sanctions themselves exist in both countries, with varying levels, depending on the severity of the offence. The sanctioning bodies themselves are sufficiently independent in both countries with members of the sanctioning bodies being free of incarceration.

In comparison with international recommendations for party finance regulatory systems, the sub-question to the research question, both countries align with recommendations, with Taiwan deviating only in the area of spending regulations by not prohibiting third-party spending.

Results

From a high-level perspective, both countries' party finance regulatory systems are remarkably similar in many aspects. A special focus in this regard should be laid on the similarities in the Transparency and Disclosure Regulations, and similarly on the Compliance and Sanctions Regulations. A close alignment with recommendations by the scientific community and international organizations has been found.

However, under closer scrutiny the differences between both countries' systems become apparent. Similarly, to the general campaigning regulations in both countries researched by You and Lin (2020), there is a divergence between both countries' approach towards regulations, with South Korea having an overall stricter approach, covering more aspects highlighted by the literature as potentially disruptive, than Taiwan. South Korean regulations are stricter, with a key highlight being the ban on third party spending, which is permitted in Taiwan. This aspect alone should be considered a large deviation, as it can be used to circumvent other party finance regulations.

References

All references can be found in the full version of the MA thesis available at <https://ubdata.univie.ac.at/AC16811032>

About the Author



Christoph Matthias Sand is working at RBI AG in the area of Regulatory Reporting in a full-time position. He holds a bachelor's degree in Political Science from the University of Vienna and will soon finish his Master's Degree in East Asian Economy and Society.

Contact information: a01354234@univie.ac.at

Examination Date: 28 June 2023