Combating “Black Gold” under Chen Shui-bian

Christian Göbel
Department of East Asian Studies
University of Duisburg-Essen
Email: goebel@uni-duisburg.de

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Introduction

The fact that Taiwan has taken so long to democratize does not mean that its democracy will quickly consolidate. This has become very clear in the last eight years, which were marred by political scandals, brawls in the Legislative Yuan and the inability to pass important reform bills. This has much to do with the kind of democratization Taiwan experienced along with the character of its former autocratic political system. From 1911 to 1996, the Republic of China was an authoritarian regime dominated by one party, which was organized according to Leninist principles and penetrated deep into economy and society. Compared to other authoritarian regimes, Taiwan’s autocracy proved to be remarkably stable. This was not due to excessive coercion as might be expected, but largely resulted from an intricate arrangement of incentives and dependencies controlled by the leading Nationalist Party (Kuomintang; KMT).

This arrangement did not disappear with democratization. On the contrary, the KMT, which managed to survive the transition in power, took great pains to preserve it. As will be shown, democratization did not obliterate the former authoritarian structures, but merely altered them. With the KMT bereft of autocratic means to control her agents, powerful (collective) actors like local clientelistic networks and large enterprises grew in significance, and the relationship between them and the KMT turned the former patron-agent relationship into one of mutual dependence. This led to the emergence of “black gold” (heijin), the collusion between politicians on the one side and organized crime and big business on the other. Both helped the KMT to stay in power, but demanded something in return.

Seen in this light, the constant efforts of the Democratic Progressive Party (DPP) to eradicate “black gold” are much more than a popular slogan on a campaign agenda or a sincere attempt to improve Taiwan’s democratic quality and investment climate. Rather, they represent the attempt to change the political rules of the game which were tailor-made for the KMT and which not only hinder the DPP to fully implement its political agenda, but even threaten its political survival. Simply speaking, the DPP’s anti-black gold policies not only serve to garner electoral support, but also to create a political environment more conducive to its own survival.

This paper consists of three parts. First, I will briefly sketch the institutional foundations of the KMT’s one-party rule and the impact of democratization on these foundations.
This will be followed by an assessment of the “black-gold”-phenomenon and its impact on Taiwan’s democratic and economic performance. The second part depicts the various anti-black gold measures envisioned by the Chen Shui-bian administration after winning the presidency in 2000 and examines their implementation. Finally, the success of the measures taken so far will be evaluated.

1. One-party rule, black gold and regime performance

A close look at the institutional foundations of the KMT’s five-decade-long one-party rule tells us much about the difficulties the opposition has faced in altering these structures. As they were all-encompassing, linking the state apparatus, society, big business and most relevant political actors to the KMT, but not to each other, the Taiwanese political scientist Hu Fu has aptly invoked the metaphor of an “umbrella-” structure of authoritarianism (Lin Chia-lung 1999, 102). As was the case in most of the stable Southeast Asian authoritarian regimes, the legitimacy of the KMT one-party state hinged on its ability to deliver monetary rents to various constituencies, to play important actors off against each other without alienating them from the regime, and to prevent splits in its leadership (Case 2003, 245-264). Of particular interest for the questions at hand are the first two items. In the following paragraphs, I will outline the mechanisms the KMT used to deliver monetary rents to its constituencies and to keep powerful groups divided and loyal to the regime.

In retrospective, the KMT was able to master two difficult feats: to rule by distributing financial favours without driving itself into bankruptcy, and to keep a potentially hostile 80%-majority of the population loyal to the “alien” regime. As for the first feat, the KMT led the economic bureaucracy in implementing a model of state-led modernization while at the same time keeping tight control over the financial sector, landed property and Taiwan’s major industrial conglomerates. This explains much of the success. There was no effective separation between party and state and especially between party property and state coffers, so the KMT had tremendous financial leverage. Its monopoly on vital resources and its power over Taiwan’s economy allowed it to channel money without squandering it. The KMT made sure that the enterprises that benefited from its patronage stayed competitive by selectively lowering trade barriers, therefore exposing them to the world market. Also, the government passed and enforced strict laws that prohibited government officials from collusion with the financial sector (Wade 1988)
In addition to this “political“ control of the business sector, the KMT exerted “econo-
mic” control by being a powerful economic actor itself. It used its monopoly on vital inputs
such as steel, petrochemicals and heavy machines to build up “an array of satellite suppliers
and subservient down-stream firms” (Chu 1992, 134) that competed for contracts with public
enterprises. Because they were exchangeable, they were discouraged from forming alliances
that might have challenged KMT supremacy. In addition, a hierarchical system of industrial
associations with compulsory membership gave the KMT further control over important busi-
ness leaders. Naturally, some of the small-and-medium sized enterprises in the countryside
escaped this kind of control, but their access to land and capital was severely restricted. This
made sure that they did not expand unduly.

How did the KMT produce regime legitimacy despite widespread hostility by the na-
tive population? Again, the skillful handling of monetary resources coupled with balancing
mechanisms, most notably local elections, provides much of the answer. In order to under-
stand this point, a short introduction to the organization of Taiwan’s local polity and espe-
cially its basic building block, the local faction, is necessary.

Local factions (difang paixi) are local-level clientelistic networks. Each of Taiwan's
counties and municipalities has at least two, sometimes more local factions, which compete
for local economic and power resources. Factions usually are held together by ties of blood,
kinship, and marriage, but also by personal relationships. (Chen Ming-tung 1995, 16-18). The
KMT made use of local factions basically by trading money for support via local-level elec-
tions. Getting elected at the local level was not very attractive in terms of political power, be-
cause local government was in firm grip of the party state. Political office, however, granted
access to local monopoly and oligopoly rights and "money machines" like the credit depart-
ments of the fishermen’s associations (yuhui), the water conservancy associations (shuilihui),
and the farmer's associations (nonghui) (Chen Ming-tung/ Chu Yun-han 1992, 89-90). In ad-
dition, political protection of semi-legal or illegal projects such as brothels, gambling dens
and karaoke bars guaranteed the power-holders further resources.

The organizational capacity of the KMT, a tailor-made electoral system and its clien-
telistic relationship to the local factions made influence on electoral outcomes highly effective
during authoritarianism. All that was required was the subdivision of an electoral district into
as many parts as there were candidates, and ensure that each candidate received just the right
number of votes. This was achieved with the help of vote-brokers (*zhuangjiao*), who served as a link between the candidate and the voters, utilizing political campaigns, personal relationships, the mobilization of employees, and vote-buying (Rigger 1994, 167-172, 94-98). In order to be successful in these elections, one usually had to be nominated by the KMT, who alone had the organizational means to coordinate votes and candidates, and the financial means to finance the costly electoral campaigns. As a consequence, candidates of the various local factions competed for nomination by the KMT, and local alliances against the KMT were highly unlikely. This was backed up by the rigorous enforcement of a policy that forbade factions to conclude alliances beyond their level of governance (Chen Ming-tung 1995).

To summarize, the native population was mobilized by local politico-economic groups, which in turn received their resources by the KMT. They were balanced against each other by means of local elections, in which they had to run as KMT-candidates. At the same time, these elections produced legitimacy for the regime, because they were reasonably competitive, and the KMT always won.

**Democratization and the increasing importance of “black gold”**

In the course of Taiwan's democratic transition, the KMT's relationship to both major economic actors and local factions underwent massive changes. Economic and political liberalization strengthened the hand of both the local factions and the business community, as they could now expand and form alliances. This turned the clientelistic relationship between them and the KMT (most of all its Lee Teng-hui- dominated "mainstream faction") into an interdependent one. Taiwan’s “umbrella of authoritarianism” thus turned into a web of mutual dependencies.

In order to secure the business community’s compliance, the KMT introduced new land-based economic rents such as construction projects and real-estate development, which became quickly linked to the blossoming financial sector. Meanwhile, a host of private enterprises that were held in economic stranglehold during the authoritarian regime began to prosper. The lack of formal rules governing business behavior on the one hand and political candidates’ need for funding on the other made for strategic relationships between actors of the business community and politicians at all levels. With increased importance of the represen-

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1 For a detailed and first-hand description of this process see Chan Pi-hsia 1999.
tative organs after democratization, the number of candidates increased, as did campaign costs. This created incentives for business groups to sponsor candidates and in return receive political influence. Often businessmen sought political office themselves.

Local factions also became diversified both in their structure and in their sources of income. First, they could now form alliances. Second, land and real estate development became the main sources of rent-seeking. Many local factions started to ally with the new financial groups, which had started to mushroom since the 1980s, leading to a new typology of interest-based associations ranging from the "traditional" local faction to the nation-wide financial group (Chen Tung-sheng 1995, 36-38). With elections for the central-level representative organs conducted, the door to central government was opened, and the Legislative Yuan became a major playing field for these associations. Their percentage among representatives increased as steadily as did corruptive practices in the representative organs (Xin Xinwen 619, 53). Furthermore, political alliances with local factions were not limited to the KMT anymore. The DPP’s successful electoral performance in the 1997 county-level election brought it into contact with local factions as well. This further strengthened them, because now they could play the parties off against each other. However, as the DPP party center did not have the financial means to sustain the factions in the way the KMT could, its contact with them took a different shape. Instead of financing campaign costs, DPP heavyweights supported local politicians by visiting them in their home districts, thus boosting their image. Of course, this does not mean that DPP politicians were free of the trappings of money and power. On the contrary, once in office and control over the spoils outlined above, some of them became involved in shady deals as well, and a number of DPP elected deputies are believed to be connected to the underworld (Chin 2003, 154). However, corruption and vote-buying in the DPP are by no means as systematic as in the KMT, and it is safe to say that they constitute isolated cases.

This environment also paved the way for organized crime into the Legislative Yuan and local politics. First, the increase of crackdowns on vote-buying introduced crime groups as mediators because the high sentences for vote-buying deterred many traditional vote-brokers (Liao Chung-hsiung 1997, 180-181). Such elements also acted as bodyguards or thugs who intimidated or blackmailed opposition candidates for payment and political protection (Chao Yung-mao 1997, 290). Evidently, once a local faction employed gangsters to combat political opponents by illegal means, the opposition faction was forced to follow suit. Second,
gangsters who have made a fortune by mingling in construction projects or illegal ventures became particularly vulnerable to extortion from their protectors in the political realm and to crackdowns against organized crime. In order to protect themselves, many gangsters ran for political office to gain immunity. In this way, gang leaders became conveners of the Police Administration Group (jingzheng xiaozu) in the local legislatures where they supervised the local police departments (Liao Chung-hsiung 1997, 179-180). In the Legislative Yuan, legislators implicated in legal suits often sought a seat in the Judiciary Committee. Examples in case include Lin Rui-tu and Wu Tze-yuan. Lo Fu-chu, the alleged leader of the Tiandaomeng, one of the biggest crime syndicates in Taiwan, even served as one of the committee's three conveners (Lianhe Bao, September 22, 2000). The Shangye Zhoubao in 1999 reported that legislators with an organized crime background exerted considerable influence in the Legislative Yuan by means of threats and terror against individual lawmakers, some of them even accompanied by gunmen disguised as assistants (Shangye Zhoubao, 605 (1999).

The impact of „black gold” on political and economic performance

The Minister of Justice is quite drastic in its assessment of the political consequences of “black gold”: “The rampage of capital from organized crime and corruption has seriously hurt our social peace and order and the development of democracy and the rule of law”\(^2\). Although Taiwan has not yet come to the point where it needed to declare Martial Law in order to restore social peace and order, organized crime and corruption have influenced both the quality of Taiwan’s politics and its economic performance.

In the political realm, “black gold” has an impact both on elections and the political process. Moneyed and organized crime influence has been cited as the main reason for serious distortions of the electoral process by scholars and the mass media alike. The consequences have been wide-spread vote-buying and electoral violence\(^3\).

Violence has also been a problem in parliament. Aside from the well-reported brawls in the Legislative Yuan, which cannot be squarely assessed as resulting from “black gold”, specific incidents of intimidation of legislators by thugs have been reported in the media. Due

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\(^3\) An example in this case is the Yunlin county commissioner by-election, which was held in early November 1999. Roadblocks and a 2000-man special police task force, as well as civil society groups monitoring the elections could not avoid massive vote-buying, election-rigging, threats against candidates, and electoral violence (see election coverage in ZGSB and Taipei Times, esp. October 1999)
to the unwillingness of legislators to speak out on this issue, a realistic assessment of the problem is not possible. Other symptoms are more tangible. “Black gold” is squarely blamed as the reason for the low quality of Taiwan’s legislative process and the related lack of political efficiency. As for the first point, the Legislative Yuan has been portrayed less as a law-making body than a bazaar of particularistic interests. Influential businessmen and organized crime elements used committee-seats to pressure or even blackmail the administration, especially with threats of budget cuts or the pending of vital laws (Huang Hsiu-tuan 2000, 50-52). The LY has also been a hotbed of corruption, as is illustrated by the well-reported Kuang San, Chin Wen and Zanadao scandals.

Political efficiency is further hampered by the fact that once in office, legislators must work hard to earn back the campaign costs and satisfy their benefactors, leaving them not much time to make laws and supervise the government (Lin Ming-hsuan 2000). Finally, as the vast part of campaigning costs is raised by the candidates themselves, they don't feel obliged to their party. Accordingly, party discipline is low, and coordination difficult for the party caucus, resulting in efficiency-hampering bargaining processes between individual legislators and their parties. This is a serious problem greater for the KMT than for the others. Together, these symptoms have grave consequences for Taiwan’s democratic quality, as they cause doubt about the representative character of Taiwan’s politics and the level of democratic political culture of its protagonists. Eventually, they challenge regime legitimacy, as voters become cynical and alienated from politics.

In the economic sphere, “corruption” has been an obstacle for foreign direct investments in Taiwan, as the 2001, 2002 and 2003 reports by the US Trade Representative point out (Office of the US Trade Representative 2001, 418; 2002, 403; 2003, 364). Both foreign investors and the local business community have complained about market distortions caused by insider trading and manipulation of the stock market (Chen/ Kuo 2002).

Another problem area has been the local credit associations, which were described as the main source of campaign funds and bribe money in the preceding section. Due to low levels of transparency and lax supervision, money could be easily extracted by credit manipulations such as the deliberate overvaluing of the collaterals attached to the loan. The economic

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4 However, in the 2004 report, corruption was not mentioned anymore (see Office of the US Trade Representative 2004).
consequences are grave: in June 2002, the average rate of overdue loans in Taiwan’s local-level credit organizations surpassed 18% (Bureau of Monetary Affairs 2004). Individual organizations reported more than 60% of all loans overdue. The most serious case was the Provincial Farmer’s Association, an organ with leverage over more than NT$ 100 Billion, with 90% of its loans overdue in 2000 (Chiu Hua-mei 2000, 102). Finally, another sad consequence of “black gold” came to the surface on September 21, 1999, when one of the biggest earthquakes in Taiwan’s history struck the island. Many of the structures that collapsed during the earthquake were found to be of inferior quality and portrayed as a direct result of organized crime involvement in the construction sector. A candid example in case is Yunlin county, where such buildings were constructed by the Han Ji Construction Firm. This company is owned by Chang Jung-wei, who is both the county commissioner and the alleged head of the local crime syndicate (Chin 2003, 98).

2. Chen Shui-bian’s program to combat “black gold”

In July 2000, two months after taking office, the DPP administration started to implement the “Program for Sweeping away Organized Crime and Corruption” (saochu heijin xingdong fangan). Its sphere of action was to be three major fields: the fight against organized crime (saohei), counter-corruption measures (yantan) and investigations into election-related bribery (chabai). The program combined efforts to enact new laws, revise existing ones, build anti-corruption organizations and was flanked by personnel reshuffles and the restructuring of government organizations (Ministry of Justice 2000, 2002).

The last point, no doubt the precondition on which the successful implementation of the whole program rested, proved to be the hardest one to realize. In his efforts to establish a highly centralized “anti-corruption administration”, the new Minister of Justice, Chen Ding-nan announced that he would merge the anti-corruption department of the Ministry’s Investigation Bureau (MJIB) with the Government Ethics Department into an “anti-corruption task force” (Taipei Times, May 30, 2000). The MJIB, during the authoritarian era the backbone of the regime’s internal security apparatus, still wielded enough political clout to successfully resist this plan, testifying to the ongoing entrenchment of authoritarian institutions in Taiwan’s young democracy. The standoff between Chen Ding-nan and the MJIB was only ended one year later when the Executive Yuan suddenly decided to replace the MJIB director (Taipei Times, August 05, 2001). Although this improved cooperation, legislation on the envisioned
“anti-corruption agency” with powers of search, seizure and arrest did not pass the Legislative Yuan.

The institutional overlap that complicates the fight against black gold is thus considerable. Responsibilities now fall on the MJIB, the Ministry of Justice Government Ethics Department and the Judicial Yuan, under whose auspices a “Black Gold Investigation Center” was established. The BGIC, located in the High Court Prosecutor’s office, supervises four “special investigation sections” in Taipei, Taichung, Tainan and Kaohsiung. Combining prosecutors and investigators, and being authorized to issue orders to local district prosecutors, agents from the MJIB, military police officers and police officers, they are the cornerstone of anti-black gold investigation work.

Organization-building was merely one pillar of the anti-black gold program. Institution-building was another. That Taiwan had been an authoritarian state where Party directives and informal arrangements were more important than legal stipulations meant that there was only a weak legal basis on which to build democratic institutions. This resulted in the problem that although Taiwan had formally become a democracy, the underlying legal framework did not address practices that are incommensurate with democratic principles. Therefore, large scale “loans” and “donations” to legislators, influence-peddling and abusing insider-information was clearly considered undemocratic, but they were not illegal (Goebel 2001). Building democratic institutions was further complicated by the problem that the Legislative Yuan was still dominated by interests representing the “old order”. Majorities for institutional reforms countering these interests were thus hard to come by. Nevertheless, the MOJ laid out an ambitious plan for legal reforms.

Two prongs of this effort can be identified: first, the revision of existing laws such as the Election and Recall Laws, the Civil Servant Services Act, the Public Functionary Assets Disclosure Law, the Money Laundering Control Act and the Anti-Corruption Penal Statute. An overview of the proposed revisions is given in table 1.

Table 1: Proposed legal revisions in the new administration’s anti-black gold program

| Public Functionaries Election and Recall Law | - include primaries and elections for the heads and vice-heads of representative bodies into this law - bar organized crime suspects from running in elections (in order |
to prevent them from gaining immunity)
- bar convicted criminals from running in elections

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<th>Civil Servant Services Act</th>
<th>- forbid civil servants to accept gifts or donations</th>
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| Public Functionary Assets Disclosure Law | - government officials must put their assets into a trust, otherwise alteration of assets must be accounted for
- assets of spouse and children must also be accounted for |
| Money Laundering Control Act | - delete article encouraging confession by reduction of sentence
- financial institutions must report transactions exceeding a certain amount
- set up citizens’ bank account database |
| Criminal Law | - a third-time recidivist of crimes punishable with sentences of no less than five years imprisonment may be handed a double sentence
- minimum time served to be eligible for parole doubled to 30 years for regular convicts and 40 years for recidivists |
| Anti-Corruption Penal Statute | - presumption of corruption if public official’s wealth exceeds income level
- confiscate funds and assets public functionaries cannot account for |

Sources: MOJ 2000, 2002 and legal drafts

The second prong is the drafting of new and important laws, such as the Political Party Law, the Statute Regarding the Disposition if Assets Improperly Obtained by Political Parties, the Lobby Law, the Political Contributions Law and the Conflict of Interest Prevention Law (Table 2).

### Table 2: Proposed new laws in the new administration’s anti-black gold program

| Political Party Law | - ban political parties from operating or investing in a profit-making enterprise
- limit the financial sources of a party to membership fees, campaign donations, campaign subsidies or bank interest
- ban parties from establishing branches on campuses, in government institutions etc. |
| **Statute Regarding the Disposition if Assets Improperly Obtained by Political Parties** | - special committee to be set up for reviewing formation, dissolution or merging of parties  
- regulate access to media and government subsidies |
| **Statute Regarding the Disposition if Assets Improperly Obtained by Political Parties** | - empower the government to investigate and confiscate assets that have been unlawfully obtained by political parties |
| **Lobby Law** | - lobbyists must apply with Ministry of Interior for lobbying permit, stating aim, time span and resources used  
- these data must be publicized by the lobbied party |
| **Political Contributions Law** | - “quid pro quo”- exchanges forbidden  
- special accounts must be set up for donations and made public  
- party-run businesses cannot donate to politicians  
- donations only to be received during election period (one year before election for presidential / vice-presidential candidates, 10 months for legislative candidates)  
- ceilings for donations set (max. NT$ 6 Million by an enterprise for various parties)  
- an anonymous donation cannot exceed NT$ 10,000, total amount of an. don. cannot exceed one-tenth of total don. |
| **Conflict of Interest Prevention Law** | - public officials cannot use their position to achieve material or non-material profits for themselves or their “associates” (family and family-owned enterprises)  
- public officials or associates cannot maintain business relationship with official’s agency |

**Sources:** MOJ 2000, 2002 and legal drafts

One could argue that there is a third prong as well. Even before the DPP administration took office, it had championed devising a new Constitution, adopting a new electoral law and thoroughly reforming the Legislative Yuan. The main reasons given for these measures were that the Constitution of the Republic of China was devised in 1947 for a polity much bigger than Taiwan and had never really been put into practice, resulting in grave functional problems. Similarly, the SNTV electoral system was seen as having benefited the KMT dur-
ing the authoritarian era, but now has become impractical for all parties. This can be seen in rising campaign costs and the representatives’ lack in party discipline and professionalism, giving rise to “black gold” in the Legislature. Another proposal that has been fiercely debated for years now is to halve the number of legislators in order to render the Legislative Yuan more effective. As these proposals are only indirectly related to the Chen Shui-bian administration’s fight against black gold and as they feature prominently both in the scholarly realm and in the media, I will not elaborate on them here. Equally, the constraints of this paper do not allow me to discuss the weak legal foundations of Taiwan’s legislative processes, whose revising would do much more to enhance legislative efficiency than halving the number of legislators.5

The third pillar in the fight against “black gold” were the actual investigations conducted by the Black Gold Investigation Center and other agencies, cracking down on vote-buying, bribery (especially in public construction projects), judicial fraud and organized crime.

3. Evaluation of the new administration’s anti-black gold policies

It was this “third pillar” that became especially prominent in the fight against “black gold” and was widely held responsible for producing the “cleanest elections ever” held in Taiwan. The Legislative Yuan elections in December 2001 were accompanied by massive campaigns aimed to dissuade the Taiwanese populace to accept money for their votes and by even more massive crackdowns on vote captains and the legislators who had hired them. The MOJ sold the number of people indicted as the main indicator of the success of their efforts. For example, the number of public representatives on all level indicted for corruption and vote-buying rose from 152 in March 2001 to 317 in August 2001 and to 1,272 in March 2004. The total number of people indicted was 11,097 at that time (out of 27,986 accused). Of those put on trial, 1,641 were found “guilty”, and 1,534 “not guilty” (Ministry of Justice 2004). It should be emphasized here that those convicted were by no means all connected to KMT, PFP or independent legislators or bureaucratic personnel leaning towards these parties. In line with the above observation that the “black gold”-problem also began to affect the DPP, some of the ruling party’s city- and county-level legislators were also among the convicted. The DPP

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5 For a thorough analysis of these problems, see Goebel 2001.
center’s actions were by no means one-sided and, due to close scrutiny by the public and the opposition, probably could not have been.

Despite the fact that the frequent “sweeps” against vote-buying and organized crime were probably successful in bringing many of Taiwan’s most notorious gangsters to justice and serve as a deterrent against vote-buying, these figures raise the question if these successes have been traded against the protection of human rights. Indeed, individual cases show that prosecutors were over-zealous in their fight against “black gold”, tapping phones without judicial supervision and conducting searches without warrants (The China Post, October 25, 2001). Also, the administration’s draft amendment to the Public Functionaries Election and Recall Law, which would bar organized crime suspects from running in elections, has sparked considerable controversy. One reason is that a suspect would become a “political convict,” another reason is that this clause only applies to suspects of an “organized” criminal background and not to non-organized criminal suspects. This raises definitional problems and discriminates against the former group.

Another indicator that could be used for determining the success of Chen Shui-bian’s crusade against corruption and vote-buying is the financial situation of the grassroots financial organizations which were identified as a major resource for corrupt local politicians. In July 2001, Chen Shui-bian vowed to close down, merge or have taken over by public banks the 35 most defunct of these organizations, among them 27 credit departments of farmers’ associations. In addition, the government earmarked NT$ 140 Billion as a “cleanup fund” to rid these organizations of their bad loans (which actually exceeded NT$ 210 Billion (Taipei Times, 13.07.2001)). Again, the results are mixed. The overall percentage of these organization’s overdue loans decreased significantly from an all-time high of 18.19% in June 2002 to 13.39% in January 2004. Most successful was the bailing out of the 48 local credit cooperatives, the overdue loans of which were halved from 13.08% to 6.94% during this period. However, not much ground was gained in the case of the credit departments of the 314 farmers’ and fishermen’s associations, the most important “money machines” for local politicians. Their overdue loans decreased merely 3.73%, from 21.44% in June 2002 to 17.71% in January 2004. As for closures, mergers or takeovers, 13 credit cooperatives, 34 credit departments of farmers’ associations and 2 credit departments of fishermen’s associations were thus disposed of (Bureau of Monetary Affairs 2004).
Again, with respect to legal reforms, success is mixed. This can hardly be blamed on the DPP administration, as all the drafts outlined above were introduced and frequently reintroduced for consideration in the Legislative Yuan. Most of them, however, were voted down by an alliance of KMT-, PFP and independent legislators, who would face severe losses if the new regulations had been passed. Despite this, the Conflict of Interest Prevention Law passed in July 2001, and the Political Contributions Law on March 18 this year, only two days before the presidential election. As was the case with the Trust Enterprise Law, which had passed three months before the 2000 presidential elections, scandals, public pressure and the KMT’s struggle to portrait itself as a clean party probably were the major factors facilitating the passage of the Political Contributions Law. Although the passage of these laws can be regarded as milestones in Taiwan’s process of democratic consolidation, Taiwan has still a far way to go. Notably, the Political Party and the Lobby Laws still await passage. But mere passage is not enough. Another problem has been the enforcement of these laws. Some laws only carry minor fines (such as the Assets Disclosure Law), some overlap with others (such as the five laws regulating the legislative process with the Conflict of Interest Prevention Law and, if passed, the Lobby Law) and some are not strictly enforced (as is the case with the Conflict of Interest Law, the Assets Disclosure Law and the Money Laundering Law). Reasons for these shortcomings are organizational overlaps, understaffing of the relevant agencies and small budget allocations (Goebel 2001). These problems can again be partly blamed on blockade politics in the Legislature, as both budget and organizational restructuring need legislative approval. Another part of the explanation rests on the fact that the new administration was not readily accepted by the subordinate bureaucratic staff, which could block important policies, as was the case with Chen Ding-nan’s attempts to restructure the MJIB. Of course, the inexperience of the first-time administration was another factor leading to policy blunders (Kennedy 2001).

If the measures examined above were the sole criteria for evaluating the success of the DPP administration’s efforts to wipe out corruption and organized crime, its report card would look rather bleak. As Shangmao Chen and Chengtian Kuo (2002) however show, the influence of “black gold” on Taiwan’s polity was significantly reduced simply because the new administration did not or could not take the KMT’s former position as a hub in the informal network. The large conglomerates’ influence on politics was weakened as economic liberalization subjected them to competition with the new conglomerates, which had emerged without political protection. One direct result was that many of these conglomerates, includ-
ing those owned by the KMT, started to incur severe losses. Furthermore, the new administration replaced key personnel in state-owned enterprises and banks as well as in the bureaucracy, further weakening the old structures. Thus, the simple fact that the opposition had been able to wrest political power away from the KMT and that it was willing to play by the rules it had created has been a major factor helping to further clean politics.

**Conclusion**

In the preceding pages, I have illustrated the institutional heritage from Taiwan’s authoritarian past that has made the deepening of Taiwan’s democracy extremely difficult. I have shown that informal arrangements incommensurable with democratic principles have not only persisted after democratization, but have gotten out of control. Although corruption and organized crime existed before Taiwan’s democratization in the 1990’s, they only became rampant when the KMT’s “mainstream faction” utilized alliances with local factions, influential businesspeople and even organized criminals to defend themselves not only against the opposition without, but also within their own party. This created a political environment where influence had to be bought and which undermined political accountability as well as economic efficiency.

As the preceding paragraphs have shown, the result sheet of four years of cleaning up is mixed. The Chen administration was quite successful in its fight against the symptoms of “black gold”. Important “big brothers” were arrested, others have fled the country, and vote-buying has decreased significantly. The bureaucracy has become more assertive towards the Legislative Yuan, and the KMT’s big business cronies’ political influence has been weakened.

These achievements, however, are not irreversible as long as the formal rules and regulations that structure Taiwan’s politics remain incomplete, contradictory and partly dysfunctional.

The DPP has not managed to make much headway here, partly because of its inexperience in administrative matters, but mostly because its hands were bound by a Pan-Blue dominated Legislature. The recent presidential election has (probably) given the DPP a mandate to continue its reform policies, but the more crucial election will follow this December.
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