

**THE DIPLOMATIC BATTLE BETWEEN BEIJING AND TAIPEI
IN LATIN AMERICA AND THE CARIBBEAN**

Paper presented at the Fifth Conference of the European Association of

Taiwan Studies

Charles University, Prague, 18-20 April 2008

This is a working draft – please do not cite.

Feedback welcome

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Abstract

Half of the 24 diplomatic allies of Taiwan are located in the Western hemisphere. Winning the allegiance of those countries is one of the main goals behind China's mounting presence in that region. After analyzing the factors pondered by Latin American and Caribbean countries to decide on establishing official diplomatic relations with China or Taiwan, this paper argues that the recent Costa Rican switching of diplomatic recognition will not trigger a chain-reaction against Taipei in the region.

Since its establishment on 1 October 1949, the People's Republic of China (PRC) has waged a fight with the Republic of China (ROC) for international diplomatic recognition. After the predominance of Taipei for two decades, Beijing managed to reverse the situation thanks to the decolonization process, its entrance to the United Nations in November 1971, and its rapprochement with Washington under the Nixon administration.

During the last 35 years, Taiwan has been progressively losing diplomatic recognition from its main allies. Nowadays, only 24 States maintain official diplomatic relations with Taiwan. None of them are influential figures in the international community. 12 of these 24 States are in America (6 in Central America, 5 in the Caribbean, and 1 in South America) which is why this region is currently the epicenter of the diplomatic competition between China and Taiwan. Proof of this was last April when Taipei managed to take Beijing's recognition from Saint Lucia, while Beijing followed suit with Costa Rica in June.

Diplomatic activity is currently frantic. Vice-President Lu Hsiu-lien made a trip from 2 to 14 July 2007 to the Dominican Republic, Paraguay and Guatemala, stopping in Panama and the United States.¹ Chen Shui-bian toured Honduras, El Salvador, and Nicaragua from 21 to 29 August and attended the summit with the Central American

¹ Office of the President, Republic of China, *Vice-President's Trip to Central America*, http://www.president.gov.tw/en/static_sites/static_site_24/index.html accessed on 30 October 2007.

allies in Tegucigalpa.² China, in turn, held the First Friendship Forum between China, Latin America and the Caribbean in Chongqing on 17 September.³

There are several factors which influence as to why Latin American and Caribbean countries would recognize the PRC or the ROC as a State. This ranges from its domestic political situation to the economic weight of Beijing and Taipei (trade, aid, investment), and including geo-strategic determining factors such as third country pressure or the performance of China and Taiwan in different international forums. This article aims to show the terms in which this diplomatic dispute is being waged, by analyzing the strategies used by the parties, and the geo-strategic impact and the potential development of those strategies. Doing so, this paper provides a negative answer to the following question: will the Costa Rican movement trigger a chain-reaction in the region against Taiwan?

Table 1. Countries of Latin America and the Caribbean with diplomatic relations with China

COUNTRY	DATE OF ESTABLISHMENT
Antigua and Barbuda	01/01/1983
Argentina	16/02/1972
Bahamas	18/05/1997
Barbados	30/05/1977
Bolivia	09/07/1985
Brasil	15/08/1974
Chile	15/12/1970
Colombia	07/02/1980
Costa Rica	01/06/2007
Cuba	02/09/1960
Dominica	23/03/2004
Ecuador	17/11/1971

² Office of the President, Republic of China, *Joint Grand Vision and Eternal Concern*, http://www.president.gov.tw/en/static_sites/static_site_25/index.html accessed on 30 October 2007.

³ “China y 21 países latinoamericanos celebran ‘Día de Amistad entre China y América Latina y el Caribe’”, *Pueblo en línea*, <http://spanish.peopledaily.com.cn/31621/6263944.html> accessed on 15 October 2007.

Granada	20/01/2005
Guyana	27/06/1972
Jamaica	21/11/1972
Mexico	14/02/1972
Peru	02/11/1971
Suriname	28/05/1976
Trinidad and Tobago	20/06/1974
Uruguay	03/02/1988
Venezuela	28/06/1974

Source: Ministry of Foreign Affairs of the PRC.

Table 2. Countries of Latin America and the Caribbean with diplomatic relations with Taiwan

COUNTRY	DATE OF ESTABLISHMENT
Belize	13/10/1989
Dominican Republic	11/05/1940
El Salvador	09/12/1954
Guatemala	15/06/1933
Haiti	25/04/1956
Honduras	06/11/1944
Nicaragua	06/11/1990
Panamá	15/12/1922
Paraguay	08/07/1957
Saint Kitts and Nevis	09/10/1983
Saint Lucia	30/04/2007
Saint Vincent and the Grenadines	15/08/1981

Source: Ministry of Foreign Affairs of the ROC.

Brief historic introduction

The PRC had little political success in Latin America during the first two decades of its existence. That region was less politically accessible to Beijing than the rest of the developing world.⁴ Indeed, after twenty years of existence, the PRC had only managed

⁴ William E. Ratliff, "Communist China and Latin America, 1949-1972," *Asian Survey*, vol. 12, no. 10, Oct. 1972, p. 857.

to be recognized as a state by one Latin American country: Cuba, in 1960. Moreover, the relation with La Habana quickly became tense, due to Castro's alignment with Moscow. Nevertheless, the end of the Cultural Revolution and the Beijing-Washington rapprochement led to a significant change in Chinese Foreign Policy, replacing its revolutionary line for a more pragmatic one, whose main objective in Latin America was the establishment of official diplomatic relations with the countries of that region. These transformations, which enabled diverse Latin American military governments to perceive Beijing as support in their opposition to Moscow, plus the growing independence of various Latin American governments in their foreign policy in relation to Washington, enabled Beijing to establish diplomatic relations with 13 Latin American countries in the following decade. In chronological order, these countries were Chile, Peru, Ecuador, Mexico, Argentina, Guyana, Jamaica, Trinidad and Tobago, Venezuela, Brazil, Suriname, Barbados, and Colombia. Colombia was the last large Latin American country to recognize the PRC as a State on 7 February 1980.

During the 1980s, until the repression of the Tiananmen movement, Beijing managed to establish official diplomatic relations with five more countries: Antigua (1983), Bolivia, Grenada, Nicaragua (1985), and Uruguay (1988). Taiwan barely maintained official diplomatic relations with 11 countries of Latin America and the Caribbean after closing its embassy in Montevideo. In any case, Taipei managed to partially offset Beijing's success by means of a diplomatic offensive based on the concession of technical aid, mainly in the primary sector. That was how it managed to establish official diplomatic relations with several countries of the Caribbean: Saint Vincent and the Grenadines (1981), Dominica (1983), Saint Kitts and Nevis (1983), and Saint Lucia (1984).

Losing Uruguay's recognition was evidence of both the depletion of a relation which had been traditionally based on anticommunism and personalism, and the inefficiency of an international cooperation limited to technical aid. This, along with the progressive loss of Taiwan's greatest allies in other regions, resulted in Taipei, and in turn Beijing, deciding to notably increase the resources invested in their diplomatic competency in the region.

From 1989 onwards, Taiwan managed to establish diplomatic relations with five American countries: the Bahamas, Grenada and Belize in 1989, Nicaragua in 1990, and Saint Lucia in 2007. Beijing established its own with the Bahamas and Saint Lucia in 1997, Dominica in 2004, Grenada in 2005, and Costa Rica in 2007. Before going into detail about the factors behind these diplomatic movements, the dates in which they

came about indicate that Taipei started its offensive at the end of the 1980s and the start of the 1990s, while Beijing has taken the initiative in the last 10 years. In this last decade, the presence of China in Latin America has risen exponentially, especially in the economic sphere. Anyway, it should be noted that Beijing increased its diplomatic activity in the region since the state visit paid by then PRC President, Yang Shangkun, to Mexico, Brazil, Uruguay, Argentina, and Chile, in May 1990.⁵

Foreign aid and diplomatic competency

Since the 1950s and for nearly four decades, the Taiwanese economy grew at an average annual rate of approximately 9%. In addition, its commercial surplus also started to swell notably and sustainedly from 1970, just when its international diplomatic status started to deteriorate irretrievably. This means that, from the end of the 1980s, Taiwan could consider itself to be an economically rich country, but diplomatically poor. In this framework, Taiwan founded the Overseas Economic Cooperation and Development Fund in 1988, which was renamed the International Economic Cooperation and International Development Fund in 1991.⁶

Table 3. Missions of the International Economic Cooperation and International Development Fund in America

COUNTRY	STAFF	TIPO DE PROYECTOS	PROJECT LIST
Belize	6	Investment and Lending	Belize Southern Highway Rehabilitation Project
			National Housing Construction Project
			Small Farmholders Financing Scheme
			Tourism Development
		Technical Assistance	Small and Medium Enterprises Advisory Groups
			Technical Assistance
			Assisting Belize in Public Service Management System
		Technical Mission Core Projects	Seed Rice Supply Project
			Gardening Production Improvement and Extension Project
			Tropical Fruit Processing Project
			Occupation Training Project

⁵ Zhang Mingde, "Sino-Latin American Rhythm," *Beijing Review*, 2 December 2004, pp. 12-13.

⁶ The aim of the change in name was to highlight that Taiwan is a State, by referring Taipei's cooperation with other countries as "international".

Dominican Republic	12	Investment and Lending	Program for Modernizing the National Congress and the Office of the Comptroller General	
			Industrial Free Zone	
			Small and Medium Enterprises Re-lending	
		Technical Mission Core Projects		Industrial Technology Cooperation Project
				Rice Seed Improvement and Yield Enhancement Project
				Horticultural Crop Cultivation and Bamboo House Project
				Aquaculture Development Project
Ecuador	4	Investment and Lending	Specialized Financial Intermediary Development Fund	
			Technical Mission Core Projects	Coastal Irrigation Zone Vegetable Project
		Rice Project		
		Bamboo Handicraft Development and Cultivation Project		
El Salvador	9	Investment and Lending	Re-lending Project for Small and Medium Enterprises	
			Program for Environmental Pollution Control	
			Housing Solidarity Reconstruction Program	
			Specialized Financial Intermediary Development Fund	
		Technical Assistance	E-Education Project	
		Technical Mission Core Projects	Vegetable Production Extension Project	
			Profession Training Project	
Aquaculture Project				
Guatemala	8	Investment and Lending	Re-lending Project for Small and Medium Enterprises	
			Technical Education Project in Guatemala	
			Guatemala Rio Polochic Region Recovery Program	
		Technical Mission Core Projects	Investment Assistance and Promotion Project	
			Export Assistance and Promotion Project	
			Production & Marketing Assistant Project on Agricultural Products For Export	
			Bamboo Cultivation and Utilization Project	
			Aquaculture Technology Improvement Project	
Haiti	10	Investment and Lending	Drinking Water Distribution Project in Petion-Ville-Lot I	
			Women's Technical Assistance Program	
			Investment and Lending Project to the Micro-Credit National S.A. Phases I and	

			II
		Technical Mission Core Projects	Rice Yield Enhancement, Demonstration, Extension and Training Project
			Bamboo Cultivation, Processing and Utilization Project
			Chicken Raising Project
Honduras	12	Investment and Lending	Mundo Maya Project - Rio Amarrillo Airport Construction
			Intensive Road Maintenance and Improvement Project
			Re-lending Project for Small and Medium Enterprises
			Special Fund for the Social Transformation of Central America
			Quimistan Vally Irrigation Project
			Housing Solidarity Reconstruction Program
			Small Farmholders Financing Scheme - Rice Production Program
			Small Farmholders Financing Scheme – Tilapia Raising Program
		Technical Mission Core Projects	Hog Raising Project
			Aquaculture Project
			Crop Production Project
Nicaragua	8	Investment and Lending	Small and Medium Enterprises Re-lending
			Agricultural Production Reactivation II
			Housing Solidarity Reconstruction Program Phases I and II
			Special Fund for the Social Transformation of Central America
			Small Farmholders Financing Scheme
Panama	8	Investment and Lending	Small Fishermen Financing Scheme - Fishing Boat Program
			Technical and Vocational Education Project
			Fort Davis Exoport Processing Zone Development Project
			Small and Medium Enterprises Re-lending
		Technical Assistance	Information Technology on Agriculture Upgrading Project
		Technical Mission Core Projects	Fruit and Vegetable Project
			Fishing Village Development Project
			Food Processing Project
Paraguay	10	Investment and Lending	Small and Medium Enterprises Re-lending
			Industrial Zone Development Project (Taiwan-Paraguay Industrial Park)
		Technical Assistance	Paraguay Synergy System Development Project

			E-Education Project in Paraguay
		Technical Mission Core Projects	Horticulture Project
			Hog Raising Project
			Floriculture Project
			Taiwan Industrial Park Administration Project
Peru	0	Investment and Lending	Specialized Financial Intermediary Development Fund
Saint Kitts and Nevis	4	Investment and Lending	Micro-credit Project
			The Small Farmholders' Financing Scheme
		Technical Mission Core Projects	Fruit and Vegetable Project
Saint Vincent and the Grenadines	6	Investment and Lending	Micro-credit Project
			Airport and Road Maintenance Project
		Technical Mission Core Projects	Horticulture Crop Development Project
			Livestock Extension Project

Source: International Economic Cooperation and International Development Fund.

Since the creation of this fund, financial aid has become more and more significant in Taiwanese development cooperation. This materializes in numerous loans and donation concessions with a clear political motivation, for example when a country recognizes Taiwan as a State, or during the high-level visits between Taiwan and its diplomatic allies. Therefore, when the Bahamas, Grenada, Belize, and Nicaragua established diplomatic relations with Taipei between 1989 and 1990, they received loans and/or donations for a value of 2.5, 10, 50, and 100 million dollars respectively.⁷ Likewise, the Vice-President Li Yuan-tze provided loans for a total value of 90 million dollars during his visit to Costa Rica, Nicaragua, and Honduras in August 1991.⁸

Taking into account that the Taiwanese cooperation follows the donor's political and economic criteria more than the objective needs of the receiver, Latin America and the Caribbean is a zone that has particularly benefited from Taiwanese foreign aid. In fact, since the creation of the Economic Cooperation and Development Fund, Taiwanese authorities identify Latin America and the Caribbean as the second largest priority for the distribution of its foreign aid, after Asia.⁹ This predilection has been maintained under the Progressive Democratic Party and is due to the high concentration of

⁷ Lee Wei-chin, "ROC's Foreign Aid Policy," *Asian Affairs*, no. 20, Mar. 1993, pp. 56-59.

⁸ Cheng Tuan Y., "Foreign Aid in ROC Diplomacy," *Issues & Studies*, vol. 28, no. 9, Sep. 1992, p. 75.

⁹ *Liánhé bào* (United Daily News), 15 March 1993.

Taiwanese diplomatic allies in the region and its easy access to the North American market from these countries.¹⁰

Taiwan's economic boom also meant that some of the most important diplomatic allies of Beijing in Latin America, such as Argentina, Bolivia, Brazil, Chile, and Mexico, opened commercial representative offices in Taipei between 1989 and 1992. This, along with the international response to the Tiananmen movement repression, enabled Taiwan to increase its political profile in the region, as reflected by the name change of the Taiwanese representative offices in many countries of the zone. The name Taipei was included in Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and Venezuela, while the Republic of China was added in Bolivia and Jamaica. Moreover, Taiwan started to participate in the Summits of Central American Countries from 1991, which showed an important recognition of its status and the opportunity to interact with representatives of important Latin American countries with whom it does not have diplomatic relations such as Mexico, Venezuela, and Colombia.

From 1991, Taiwan started to implement a pragmatic and proactive foreign policy which, among other things, brought the Republic of China to request its return to the UN in April 1993. Taiwan was supported by its American allies to impel these initiatives. Taiwan's seven Central American allies brought up the subject of studying the Republic of China's return to the UN and requested the general secretary to establish an ad hoc committee. This new stance of the Taiwanese foreign policy led Taipei to start giving more importance to its relation with the countries of Latin America and the Caribbean. This resulted in a major investment of resources and the appearance of new mechanisms to channel this aid. For example, the first meeting of the Joint ROC-Countries of the Central American Isthmus Conference was held on 8 and 9 September 1992. All of the Central American Foreign Ministers attended that conference. In November of the same year, the Republic of China deposited 150 million dollars into the Central American Bank for Economic Integration. Since then, Taiwan has signed many co-financing agreements with this bank and other international organizations aimed at promoting development in the western hemisphere, such as the Inter-American Development Bank. In addition, Lee Teng-hui created the Aid Fund for the Development of Central America during his visit to El Salvador in September 1998, which will capitalize in an annual contribution of 20 million dollars for 12 years.

¹⁰ *Agencia EFE*, 2 August 2002.

Taiwan has also developed academic cooperation with its Latin American allies through generous grant programs, donations, and university brotherhoods. Paraguay is the country with closest collaboration. The Taiwanese government provides 20 grants to Paraguayan students annually so that they can pursue degrees in Taiwanese universities, and 15 for post-graduates.¹¹ Moreover, the program Study in Taiwan was launched in 2006 to provide more scope for this education cooperation.¹²

This intensification of the Taiwanese cooperation towards Latin America and the Caribbean is also largely a reaction against the economic and political boom of Beijing on the international scene, once China left the Tiananmen crisis behind. The growing commercial power of China and its greater activity in international organizations left international aid as the determining trick with which Taiwan could use to ensure political allies on the international scene. Accordingly, Taiwan has more opportunities to maintain diplomatic relations with small and poor countries, those who need this development aid and investment much more than commercial and business opportunities which they cannot take advantage of. In fact, Taiwan is the main international donor of some Caribbean countries, such as Saint Kitts and Nevis, and Saint Vincent and the Grenadines. In spite of this, Beijing has counteracted with diverse aid packages since 1997 which contributed to taking Taiwan's recognition from the Bahamas and Saint Lucia in 1997 and afterwards from Dominica (2004) and Grenada (2005). At the beginning of 2004, the Dominican government requested 58 million dollars from Taiwan. When Taipei refused and Beijing made an offer of more than 100 million, Dominica established diplomatic relations with China at the end of March.¹³ The following year, the Chinese offer was higher than the Taiwanese once again, this time in Grenada. Taipei offered to remodel the national stadium for the 2007 Cricket World Cup and to donate 10 million dollars for the reconstruction of zones damaged by hurricane Ivan. Beijing, in turn, also promised to carry out the stadium work and to construct 2000 social housing properties, to assign 6 million dollars for other social

¹¹ *Neike*, 14 February 2007, <http://www.neike.com.py/articulo.php?id=1014> accessed 25 June 2007; *Neike*, 16 February 2007, <http://www.neike.com.py/articulo.php?id=1103> accessed 25 June 2007.

¹² *Neike*, 22 December 2006, <http://www.neike.com.py/articulo.php?id=18> accessed 25 June 2007.

¹³ *BBC News*, 30 March 2004, <http://news.bbc.co.uk/2/hi/asia-pacific/3583733.stm> accessed 26 June 2007; *The China Post*, <http://www.chinapost.com.tw/taiwan/2004/03/31/47331/Taiwan-loses.htm> accessed 26 June 2007.

projects, to donate 1 million dollars on an annual basis until 2009, and to grant 1 million dollars for Grenada government scholarships.¹⁴

Trade and investments

Economic interests are very significant in the diplomatic battle between China and Taiwan, not only in the political use carried out from external aid, but also from trade and investments. To woo Central American and Caribbean executive groups is a powerful tool, as in many cases they are more stable and powerful than the political elites of these countries.

The trade advantage went in Taiwan's favor during the first half of the 1990s. It was not until 1994 that China's trade value with Latin America exceeded Taiwan's, 4,270 million to 4,200.¹⁵ From that moment, Taiwan started to conduct studies, such as the "Guidelines to Strengthen Economic and Commercial Ties with Central America", on how to cooperate more with its allies and how to promote bilateral trade. In spite of this, ten years later, the exchanges between Latin America and China had increased to 40,000 million dollars, while the transactions with Taiwan had remained at 7,000 million. This gap has widened even more in the last few years due to the spectacular growth of Chinese trade with the region, which exceeded 70,000 million dollars in 2006. If we take a look at exports, which is the commercial variable that most worries Latin American and Caribbean authorities at the moment of choosing benefits of recognizing Beijing or Taipei, the outlook is similar. In 2006, Latin America and the Caribbean exported merchandise to China for a value of more than 34,000 million dollars, while its exports to Taiwan did not reach 3,800 million (see table 4). These numbers reflect the great potential of the Chinese market to be used as a diplomatic weapon.

Table 4. Latinoamerican and Caribbean exports to China and Taiwan in 2006

Country	Exports to China m.\$	Exports to Taiwan m.\$	Difference in China's favour m\$
Antigua and Barbuda	-	0.8	-0.8
Argentina	3,7	96.4	3,604

¹⁴ Daniel P. Erikson, "China in the Caribbean: A Benign Dragon," *Focalpoint*, no. 4, May 2005, p. 1.

¹⁵ Frank O. Mora, "Sino-Latin American Relations: Sources and Consequences, 1977-1997," *Journal of Interamerican Studies and World Affairs*, vol. 41, no. 2, Summer 1999, p. 104.

Bahamas	0.1	19	-18.9
Barbados	0.3	68.6	-68.3
Belize	-	25.2	-25.2
Bolivia	47	7.2	39.8
Brasil	12,920	70.1	12,850
Chile	5,735	124.1	5,611
Colombia	264	73.5	190.5
Costa Rica	1,747	28.5	1,719
Cuba	528	170	358
Dominica	8	1.2	6.8
Dominican Republic	94	12.6	81.4
Ecuador	87	8.9	78.1
El Salvador	4	24	-20
Granada	-	1.4	-1.4
Guatemala	44	77.9	-33.9
Guyana	18	83.3	-65.3
Haiti	1	141.1	-140
Honduras	19	35.4	-16.4
Jamaica	359	284.6	74.4
Mexico	2,607	57.4	2,550
Nicaragua	0.8	155.4	-155
Panama	14	26.4	-12.4
Paraguay	54	52	2
Peru	2,910	14.7	2,895
Saint Kitts and Nevis	-	-	-
Saint Vincent and the Grenadines	-	0.2	-0.2
Saint Lucia	-	3.9	-3.9
Suriname	4	2.6	1.4
Trinidad and Tobago	10	2,076	-2,066
Uruguay	270	26.3	244
Venezuela	2,640	14	2,626
Total	34,085	3,783	30.302

Source: *Journal of Latin America Studies*, Vol. 29, No. 2, p. 78; Directorate General of Customs, ROC.

The first success of Chinese purchasing diplomacy was the recognition from Uruguay in 1988, mostly due to Chinese promises regarding wool imports. Therefore, the value of Uruguayan exports to China went from 57 million dollars in 1987 to 123 million in 1998.¹⁶ Nowadays, Uruguay exports ten times more to China than to Taiwan. The last case of this purchasing diplomacy was Costa Rica in June 2007.¹⁷ Although the Costa Rican government has not officially stated the importance of this, there is no doubt that the commercial variable has been the determining factor. In 2006, the nearly 1,750 million dollars exported to Beijing contrasted with the less than 30 exported to Taiwan. These 1,750 million dollars mean an increase of 6,600% in five years, while the region's total exports to China increased during the same period by 500%. This divergence is in accordance with the emphasis that the Chinese government put on strengthening trade with a country which was identified as a strategic ally of Taipei in the region. In addition, the amount of this trade is way over the aid which Taipei gives to San José. Between 2000 and 2005, Taiwan was the second largest aid donor to Costa Rica, with 341 million dollars, 60 million in donations and the rest in soft loans.¹⁸

Despite the undeniable attraction of the Chinese market and of these successful examples of Chinese commercial diplomacy, this strategy is not very effective against the majority of Taiwan political allies in the region, which are small countries with little capacity to take advantage of these commercial opportunities. In addition, until now Beijing has centered its trade on the big countries of the zone, whereas Taiwan has implemented numerous measures to strengthen trade with its diplomatic allies and with small countries, which could potentially establish diplomatic relations with Taipei. The most important of these is the promotion of free trade treaties, which Taiwan has already signed with Panama, Guatemala, Nicaragua, El Salvador and Honduras.

This means that with the exception of the Dominican Republic, where it is necessary to be aware to see if Beijing does a similar maneuver to that of Costa Rica, the rest of the Taiwanese diplomatic allies export more to the island than to the continent, or

¹⁶ Francisco L. Pérez, *Relaciones entre Taiwán y América Latina (1949-2000)*, Taipei: Facultad de Ciencias Económicas y Sociales de la Universidad Central de Venezuela y el Instituto de Estudios Latinoamericanos de la Universidad de Tamkang, 2002, p. 80.

¹⁷ Beijing had already applied this strategy with San Jose between 1997 and 1999, although it wasn't successful at the time, *Agencia EFE*, 25 March 1997.

¹⁸ *El Periódico de Guatemala*, 15 June 2007, <http://www.elperiodico.com.gt/es/20070615/actualidad/40702/> accessed 15 July 2007.

practically the same. Moreover, Taiwan received quite a lot more exports than China from various Beijing allies such as the Bahamas, Barbados, Guyana, and especially, Trinidad and Tobago.

As with trade, China does not take advantage of its investing potential to attract the Taiwanese diplomatic allies. In fact, the majority of Chinese investments in Latin America and the Caribbean have remained in fiscal paradises and unaccomplished expectations. The Chinese investment accumulated in the region was barely 400 million dollars in 2004, a figure which Taiwan had already reached in 2002. These data take away credibility to the investment offers which China periodically made to the Taiwanese political allies in exchange for its recognition, such as those made to Nicaragua last March to the value of 500 million dollars.¹⁹

In turn, the Taiwanese government was encouraging Taiwanese businessmen to invest in the region with the view of consolidating bilateral political relations. Some of these initiatives were the creation of a fund of 100 million dollars in 1989 to promote commercial and diplomatic relations in the region; the founding of the Special Committee for Investment and Market Development in the Caribbean and Central America in 1994; the establishment of the Central America Investment Company in 1995; the Latin America Investment Campaign institution in 1998; the approval of the Subsidy to Entrepreneurs Regulation in 2006 to encourage business investments in the Republic of China's allied countries, which had a budget of 240 million dollars; the creation of industrial parks in Costa Rica, Panama and Nicaragua; and the organization of numerous business-related seminars and missions in the region.²⁰

Despite all of these efforts made by the Taiwanese government, just like what happened in China's case, the expectations generated were not accomplished, particularly in free trade zones of Panama and Nicaragua. In any case, the Taiwanese investment accumulated in its Latin American allies reached 1,700 million dollars in 2006.²¹

¹⁹ *El Nuevo Diario*, 12 March 2007, <http://impreso.elnuevodiario.com.ni/2007/03/12/nacionales/43540> accessed 6 July 2007.

²⁰ <http://www.mofa.gov.tw/webapp/public/Data/681515173071.pdf> accessed 4 August 2007.

²¹ *Panamá América*, 8 May 2006.

Personalist diplomacy

Personalism is a characteristic trait of Chinese diplomacy. This strategy is particularly efficient among authoritarian governments, as the governmental elites in these types of regimes are more stable than in democracies. The KMT authoritarian government therefore successfully employed this strategy with many Latin American dictatorships. Even nowadays, Latin American leaders and authorities make frequent trips with their families to Taiwan at the cost of the Taiwanese treasury; Taiwanese officials also visit Latin America frequently with aid and cooperation programs. In addition, while Taiwan has lost diplomatic support in other regions, high-level bilateral visits between Taiwan and its allies have been increasing. For example, for the first six years of the Chen Shui-bian presidency, high-level Paraguayan delegations had visited the island eight times, while Taiwanese delegations had visited Paraguay ten times.

These programs also include military authorities and it is usual for them to form part of the delegations which go to Taiwan. From the time of the Cold War, Taipei has maintained close relations with various Latin American armies. The island still pays great attention to these ties and it makes periodical donations to the armies and police forces of its diplomatic allies. For example, Taiwan is the nation which provides most military aid to the Nicaraguan armed institute, with about two million dollars annually.²²

Since the end of the 1980s and the start of the 1990s, the several million dollars which Taiwan dedicates annually to diplomatic trips are also destined to some strategic sectors of the civil society, such as political party and trade union representatives, business or women's organizations leaders, and journalists and academics. This has achieved, for the example, the appearance of laudatory articles about Taiwan in diverse media of the region. The piece written by the Nicaraguan journalist, Erik Aguirre, is an example, with the headline "The Taiwanese miracle" on his return from Taiwan from a trip organized by the government of the island.²³

In any case, neither Beijing nor Taipei has established strong ties with the civil society in any Central American or Caribbean country. That is why Taiwanese relations with its

²² *El Nuevo Diario*, 25 November 2006, <http://impreso.elnuevodiario.com.ni/2006/11/25/politica/34816> accessed 6 July 2007.

²³ *El Nuevo Diario*, 24 September 2005, <http://impreso.elnuevodiario.com.ni/2005/09/24/opinion/1848> accessed 6 July 2007.

Latin American allies are still largely dependent on the attitude of a small ruling elite. Government changes in the region's countries are therefore a particularly suitable timing for proposing a possible orientation change towards China and Taiwan. As both the Chinese and Taiwanese diplomacies are aware of the situation, they both redouble their efforts in the region at election time. For example, Taipei took Beijing's recognition from Saint Lucia after the designation of the conservative leader, John Compton, as Prime Minister in December 2006. Compton had already held this position previously and relations between Castries and Taipei had been established in the past when he was in power. From this perspective, the death of Compton in September triggered the alarms in Taipei in face of the growing leverage enjoyed by China advocates within the United Workers Party.²⁴ Along the same lines, the concern of Taiwan when Daniel Ortega was elected President of Nicaragua is understandable, as the Sandinist leader had already maintained diplomatic relations with Beijing during the second half of the 1980s. Therefore, the day following the knowledge of Ortega's electoral victory, the Taiwan Vice-Minister Foreign Affairs, Hou Chingshan, made a trip to Managua and committed to investment for the value of 108 million dollars.²⁵ Likewise, shortly after the investiture ceremony of Ortega, the Taiwanese government announced another investment, this one for nearly 500 million dollars over five years in different agricultural programs;²⁶ and after the relation severance with San José, Taipei also offered to finance energy generators to alleviate the Nicaraguan energy crisis.²⁷ That is why it should not come as a surprise that many of the measures which Taipei theoretically destined to the civil society development of its allies are really used to reinforce the links with the leading class. For example, in June 2006, and facing the

²⁴ *Saint Lucia One Stop*, 17 September 2007, <http://www.sluonestop.com/news/Sir%20John%20Compton.html> accessed 6 November 2007. In any case, the firm support expressed by the new Prime Minister of Saint Lucia, Stephenson King, to Taiwan during the 62nd session of the United Nations General Assembly on 28 September 2007, points to no change in the foreign policy of this Caribbean country with regard to Beijing and Taipei <http://www.pm.gov.lc/statements/index.htm> accessed 6 November 2007.

²⁵ *El Nuevo Diario*, 16 November 2006, <http://impreso.elnuevodiario.com.ni/2006/11/16/economia/34093> accessed 6 July 2007.

²⁶ *La Jornada*, 19 February 2007, <http://www.lajornadanet.com/diario/archivo/2007/febrero/nica-taiwan-coop-19.html> accessed 6 July 2007.

²⁷ *La Prensa*, 14 July 2007, <http://www.laprensa.com.ni/archivo/2007/julio/14/noticias/nacionales/203275.shtml> accessed 16 August 2007.

possible return to power of Daniel Ortega, the Republic of China Nicaraguan Embassy granted a subvention of 50,000 dollars to the Bullfighting Association of Chontales, chaired by the Sandinist member of parliament José Figueroa.²⁸

Regretfully, under both the KMT and the PDP administration, Taipei initiatives to secure connections with Central America and the Caribbean political elites have occasionally resorted to irregular practices, which have been even criticized in Taiwan. One of the countries most affected by this irregular behavior has been Costa Rica. Some of the most scandalous cases in that country was the imprisonment of the ex-President Miguel Ángel Rodríguez, who tightened connections with Taipei in March 1999, when the bilateral relation was in one of its worst moments;²⁹ and the donation of \$500,000 which the ex-President Abel Pacheco received from the International Commercial Bank of China for his electoral campaign in 2002, even though this is unconstitutional in Costa Rica.³⁰ An ex-President in Panama, Mireya Moscoa, and her circle was also involved in a similar scandal. Moscoso was accused of receiving one million dollars from Chen Shui-bian as a birthday present and of embezzling 45 million which had been donated by Taipei, while her sister's accounts were frozen for her supposed participation in these deeds.³¹ Guatemala experienced a similar situation too when the ex-President Portillo personally cleared extended checks in his name by the government of Taiwan to finance part of the project Libraries for Peace.³²

Changes in the international importance of China and Taiwan

The relative impact of Beijing and Taipei within the international community and especially within their region is another one of the factors which the States take into

²⁸ *El Nuevo Diario*, 28 June 2006, <http://impreso.elnuevodiario.com.ni/2006/06/28/nacionales/22821> accessed 6 July 2007.

²⁹ *El Nuevo Herald*, 22 October 2004; *La Nación*, 1 August 2007, http://www.nacion.com/in_ee/2007/agosto/01/pais1188026.html accessed 12 November 2007; *La Nación*, 23 October 2004, http://www.lanacion.cl/p4_lanacion/antialone.html?page=http://www.lanacion.cl/p4_lanacion/site/artic/20041023/pags/20041023004607.html accessed 12 November 2007.

³⁰ *Liánhé bào* (United Daily News), 11 August 2003; *El Nuevo Herald*, 21 August 2003.

³¹ *El Nuevo Herald*, 22 October 2004; *El Nuevo Herald*, 16 July 2005.

³² *Prensa Libre*, 22 February 2005 <http://www.prensalibre.com/pl/2005/febrero/22/108309.html> accessed 10 July 2007; *Prensa Libre*, 14 August 2005 <http://www.prensalibre.com/pl/2005/agosto/14/121043.html> accessed 10 July 2007

account at the moment of opting to maintain diplomatic relations with one or another. Therefore, countries looking for a higher international projection tend to maintain diplomatic relations with China.³³ This factor, which was explicitly recognized by the President Oscar Árias last June when announcing the relations establishment with Beijing, could also favor the relations rupture between Panama and Taiwan in the future.

An active tool which China has used on various occasions to put pressure on Taiwan's political allies has been his seat in the United Nations Security Council. The two most scandalous cases involved Haiti and Guatemala in 1996 and 1997 respectively. In February 1996, Beijing threatened to veto the UN peace mission extension in Haiti, due to the unwelcome presence of the Vice-President of Taiwan, Li Yuan-zu, in the René Préval investiture ceremony.³⁴ In the end, they reached an agreement and the peace mission extension was approved, but for only four months more instead of six and with 1,200 troops instead of 2,000.³⁵ On January 11 of the following year, Beijing managed to veto a resolution to send 155 blue helmets to Guatemala. This was a protest measure against Guatemalan support for Taiwan's admittance to the United States and the presence of the Taiwanese Foreign Minister at the signing of the peace agreements with the guerrilla on 29 December 1996. According to the then Spanish ambassador in the United Nations, Carlos Westendorp, China did not accept the resolution until Guatemala did not promise to reaffirm the one-China principle and to stop supporting the Taiwanese admittance request to the United Nations.³⁶

International criticism and the scarce success of these penalizing measures led Beijing to look for a more conciliatory approach, such as a progressive opening of relations with the political allies of Taiwan. Continuing with the Haiti case, Beijing started to combine its hard line with a closer approach to Port-au-Prince, sending 155 police to join the United Nations Stabilization Mission in Haiti in 2004. This was how Beijing managed

³³ He Li, "Rivalry between Taiwan and the PRC in Latin America," *Journal of Chinese Political Science*, vol. 10, no. 2, 2005, p. 84.

³⁴ *New York Times*, 24 February 1996, <http://query.nytimes.com/gst/fullpage.html?res=9502E2DA1039F937A15751C0A960958260> accessed 2 June 2007.

³⁵ Zhōngguó xīnwénshè (China News Agency), 1 March 1996.

³⁶ *Agencia EFE*, 20 January 1997.

to make Haiti veto the Taiwanese Prime Minister, Su Tseng-chang, in the René Prével investment ceremony in May 2006.³⁷

Both Beijing and Taipei also tried to become as involved as possible in Latin American and Caribbean regional institutions, to use them as a springboard to widen their list of allies in the region. The participation in these organizations brought out opportunities for China and Taiwan to establish contact with the authorities of countries that do not maintain diplomatic relations with them. These chances are particularly valuable for Taiwan to show the world its interests and aspirations, given its scarce visibility in the international community.

Table 5. China in LAC institutions and in bilateral fora with the region

- 1990 Observer of the Rio Group.
 - 1991 Observer of the Interamerican Development Bank.
 - 1993 Observer of the Latin American Integration Association.
 - 1997 Foundation of the China – MERCOSUR Dialogue.
 - 1998 The People’s Bank of China become an official member of the Caribbean Development Bank.
 - 2000 Establishment of the China-Andean Community Political Consultation and Cooperation Mechanism.
 - 2004 Observer of the Organization of American States.
 - 2004 Observer of the Latin American Parliament.
 - 2005 Establishment of the China-Caribbean Economic and Trade Cooperation Forum.
- Source: Own elaboration.

Table 6. Taiwan in LAC institutions and in bilateral fora with the region

- 1992 Establishment of the Joint ROC-Countries of the Central American Isthmus Conference.
 - 1992 ROC admission in the Central American Bank for Economic Integration.
 - 1997 Establishment of the ROC-Eastern Caribbean Economic Cooperation Conference.
 - 1997 Establishment of the Summit of the Heads of States and Governments of the ROC, Central America and the Dominican Republic.
 - 1998 Observer of the Latin American Association of Development Financing Institutions.
 - 1999 Observer of the Central American Parliament.
 - 2000 Observer of the Central American Integration System.
- Source: Own elaboration.

In this process, China and Taiwan have not limited themselves to look for inclusion in organizations that already existed, but they have also created new organizations. From

³⁷ *La Nación*, 5 May 2006, http://www.nacion.com/ln_ee/2006/mayo/05/ultima-sr698041.html accessed 12 November 2007.

the start of the 1990s, Taipei started to promote an alliance with its allies in regional groups to unite them against the pressure of Beijing. Along these lines Taiwan created a block in Central America and another in the Eastern Caribbean. Moreover, Taipei's original intention was to agglutinate all of its allies of the zone into one block, combining those from Central America and the Caribbean in a strategic alliance. However, the Central American states were not interested in sharing Taiwanese aid with the Caribbean and the project was truncated.³⁸ More recently Taipei hosted in August 2005 the founding of the Pacific Democratic Union, which then went on to create the Pacific Parliament Alliance the following year. With these initiatives, Taiwan widened its international projection and established a forum which connected the majority of its allies: the Pacific islands, Central America and the Dominican Republic. In addition, Taiwan enjoyed the support of United States conservative sectors which had a lot of influence in several Central American and Caribbean countries, and pushed in favor of Taipei recognition.

Beijing, in turn, was being particularly active in seeking third parties in its pressure of Taiwanese political allies so that they would break diplomatic ties with the island. For example, Beijing asked Buenos Aires and Brasília to persuade the Paraguayan President, Nicanor Duarte Frutos, to recognize Beijing and therefore to advance relations between China and MERCOSUR.³⁹ Rufus Bousquet, then Minister for Foreign Affairs of St. Lucia, has also recently reported that Beijing asked the leaders of his allies in the Caribbean region, as well as the general secretary of the Caribbean Community, to call the recently deceased Saint Lucia Minister John Compton to prevent the establishment of relations with Taiwan.⁴⁰ This same tactic was used successfully with Grenada by Beijing in 2005. The Grenadan Minister of International Trade and Foreign Affairs, Elvin Nimrod, justified the severance of relations with Taiwan as part of the foreign policy adopted by the Caribbean Community, which recognizes the People's

³⁸ Francisco L. Pérez, *Relaciones entre Taiwán y América Latina (1949-2000)*, *op. cit.*, p. 211.

³⁹ Eduardo D. Oviedo, "Crisis del multilateralismo y auge de la diplomacia bilateral en la relación Mercosur-China," *Inter. American Development Bank*, 12 October 2005, http://www.iadb.org/intal/aplicaciones/uploads/ponencias/Foro_REDEALAP_2005_16_Oviedo.pdf accessed 2 November 2006.

⁴⁰ Zhōngyāng tōngxùnshè (Central News Agency), 3 May 2007 <http://www.roc-taiwan.cl/press/20070508/2007050804.html> accessed 6 July 2007.

Republic as the only representative of the Chinese nation.⁴¹ Going on these precedents, it would not be surprising if China tried to seek Spanish collaboration through their Strategic Consultations on Latin America Project, started between the two countries on 19 December 2006. Beijing could ask Madrid to back his cause against Taiwan in Central America, a region where Spain has more capacity of influence.

Semi-official relations

Both China and Taiwan have proven to be very active in the non-official tie promotion with those Latin American countries which do not recognize them as States.

Beijing, for example, has profusely cultivated party diplomacy since the 1980s. The aim of this tactic is maintaining fluid relations with as much Latin American political forces as possible, regardless of its ideology or of its position in government or in opposition. This strategy, implemented through the International Relations Department of the Chinese Communist Party and the Chinese Public Friendship Association with Foreign Countries, played an important role in the recognition of China by Bolivia and Uruguay and it is still very relevant in countries such as Panama and Paraguay.⁴²

In the last few years, associations allied to the People's Republic of China have proliferated in countries which recognize Taiwan. In fact, the Central American Federation of Friendship with China was established in Managua on 24 March 2007, by the China Friendship Associations of Panama, Honduras, El Salvador, Costa Rica, Nicaragua, and Paraguay. All of these associations have prominent political figures. For example, the China Friendship Association of Panama has ex-Presidents such as Guillermo Endara and Jorge Illueca, Vice-President Ricardo Arias Calderón and ex-Foreign Minister Oyden Ortega among its 350 members. Likewise, the Paraguayan Association of Friendship with the People's Republic of China, the Nicaraguan Association of Friendship with the People's Republic of China and its People, and the Salvadoran Association of Friendship with China are respectively tied to some sectors of the Colorado Party (Diógenes Martínez), the Sandinist Front for National Liberation (Bayardo Arce), and the Farabundo Martí Front for National Liberation (Manuel Flores, who also heads the Central American Federation of Friendship with China). When some

⁴¹ *Prensa Latina*, 28 January 2005.

⁴² Joseph Y.S. Cheng, "Latin America in China's Contemporary Foreign Policy," *Journal of Contemporary Asia*, vol. 36, no. 4, Nov. 2006, p. 514.

of these political forces obtain power, such as what is currently happening in Nicaragua, a recognition change is consequently more likely.

Beijing has also notably strengthened its academic ties with the political allies of Taiwan. The Chinese Academy of Social Science inaugurated the Central America and Caribbean Center of Studies in September 2006, which has objectives such as to “encourage friendship between China and the peoples of Central America and the Caribbean”.⁴³

Taiwan has also tried to strengthen its informal diplomacy among Beijing allies in the region. Its main tool has been the 10 representative offices which it has in Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, and Venezuela. In addition, Taipei maintains a mission of Economic Cooperation and International Development Fund in Ecuador.

Thanks to its democratic nature, instead of drawing upon the party diplomacy, the Taiwanese government has been able to establish inter-parliamentary relations more easily. Argentina (1997), Brazil (1999), and Chile (2000), all have established parliamentary friendship associations with Taiwan. In addition, there are more than twenty Taiwanese NGOs cooperating with Latin America and the Caribbean, in most cases, with countries who maintain diplomatic ties with Taipei.⁴⁴

Search for positive situations

Both China and Taiwan try to take advantage of any event which could benefit them in their diplomatic competence. For example, there is no doubt that the repression of the Tiananmen movement favored the recognition of the Republic of China as State by Grenada and Belize in the second half of 1989. On its side, Beijing benefited by the retrocession of Hong Kong in 1997.

China announced that the Taiwanese diplomatic allies could not keep their consulates in Hong Kong after the retrocession. They could only keep representative offices which would continue organizing consulate issues such as ship registration, in exchange for allowing China to establish representative offices in their countries. This brought about the opening of China representative offices in the Dominican Republic, Haiti, and

⁴³ *Xinhuanet*, 8 September 2006, http://www.spanish.xinhuanet.com/spanish/2006-08/08/content_297088.htm accessed 12 June 2007.

⁴⁴ Joseph Y.S. Cheng, “Latin America in China’s Contemporary Foreign Policy,” *art. cit.*, pp. 522-523.

Panama, with the consequential facility of approaching local economic and political elites. For example, the Panama district Mayor, Juan Carlos Navarro, and the second Vice-Chairwoman of the Panama Legal Assembly, Susana Richa, traveled to China in the second half of 2002. High-level Chinese then asked to change their recognition during their visit.⁴⁵

Moreover, given the close ties between Hong Kong and the British Caribbean, the Hong Kong retrocession made it easier for the Bahamas and Santa Lucia to break diplomatic relations with Taipei on 18 and 29 August 1997, respectively⁴⁶.

With the recent establishment of diplomatic relations with Costa Rica and the coming to power of the Sandinist Front in Nicaragua, Beijing expected to see a diplomatic severance chain with Taiwan in the region.

Future perspectives

If China maintains its current economic and political rise in the international community, Taiwan will have less and less countries to maintain diplomatic relations with. In any case, this does not imply whatsoever that Taiwan will end up without political allies in Latin America and the Caribbean from one day to the next.

In the first place, Taiwan will maintain and could even increase diplomatic relations with small and/or poor countries, as it has recently done with Saint Lucia. For these countries, the growing international leadership and strategic value of China do not benefit them very much. They do not see China as a great market either, because they do not have either the capital to invest there or the products to export. Even if they are recognized as preferential tourist destinations by Beijing, these countries cannot attract much of Chinese tourism, due to geographical distance and because Chinese tourists prefer cultural tourism to beach tourism. This gives Taiwan an excellent opportunity to achieve recognition from several Caribbean countries, providing it offers them suitable incentives through development and investment cooperation.

Taipei's capacity to overcome the incentive that Beijing could offer these countries depends greatly on the will of the Chinese authorities. At the moment, Beijing benefits a patient policy of progressive intensification of the links with Taiwanese diplomatic

⁴⁵ *Agencia EFE*, 10 July 2002; *Panamá América*, 29 October 2002.

⁴⁶ Francisco L. Pérez, *Relaciones entre Taiwán y América Latina (1949-2000)*, *op. cit.*, pp. 106-107.

allies in the region, instead of going all out to achieve recognition. This explains why Taipei's ties with the majority of its allies are relatively solid.

Even in Nicaragua, where a large sector of the Sandinist Movement openly shows their preference for the establishment of diplomatic relations with Beijing, Daniel Ortega opts to play both sides.⁴⁷ Thanks to this, Managua has received investments for more than 100 millions dollars in the manufacturing sector and 500 million dollars for agriculture, plus financing for energy generators, since Ortega was elected. Likewise, negotiations are taking place regarding the possibility of Taiwan giving Nicaragua permanent aid for the establishment of a polytechnic institute oriented towards technical education in the manufacturing industry.⁴⁸ In return, the first document that the new Nicaraguan Government signed with a foreign Government was an understanding memorandum with Taiwan, which guaranteed the continuity of commercial programs and social projects of Taipei in Nicaragua. Moreover, even though Ortega also gave signs at the beginning of his term wanting to maintain a certain distance from Taiwan - he was not present at the signing of the mentioned memorandum and moved the Government headquarters out of Casa Mamón, a building financed by Taiwan during the rule of Arnoldo Alemán⁴⁹ - he invited Chen Shui-bian to come to Nicaragua last August and had a very busy and pleasant agenda with him.⁵⁰

China is in a more suitable situation to earn diplomatic recognition from those allies of Taiwan with higher level of socioeconomic development and with greater interest in increasing their international projection, or in penetrating the Chinese market. Panama is the most significant case for its strategic value.

Since spring of 2004, when the Chinese Vice-Minister of Foreign Affairs, Zhou Wenzhong, visited Panama, the possibility of this country establishing diplomatic

⁴⁷ *La Prensa*, 14 July 2007, http://laprensa.com.ni/archivo/2007/julio/14/noticias/portada_impresa/portada.pdf accessed 16 August 2007; *La Prensa*, 20 July 2007, <http://www.laprensa.com.ni/archivo/2007/julio/20/noticias/politica/204296.shtml> accessed 16 August 2007.

⁴⁸ *El Nuevo Diario*, 7 March 2007, <http://impreso.elnuevodiario.com.ni/2007/03/07/politica/43094> accessed 6 July 2007.

⁴⁹ *El Nuevo Diario*, 5 January 2007, <http://impreso.elnuevodiario.com.ni/2007/01/05/politica/37955> accessed 6 July 2007.

⁵⁰ Gobierno de Reconciliación y Unidad Nacional, http://www.presidencia.gob.ni/260807_GaleriaPresidenteTaiwan.html accessed 10 November 2007. On this official account of the visit by the Nicaraguan government, Taiwan is referred as a "sister republic".

relations with China has been filtered on various occasions. Secret negotiations held in Madrid between the two governments have even been spoken about.⁵¹ Panama has had no great incentives to break with Taiwan in the commercial and strategic area up to now. Both the majority of its bilateral trade and the use China makes of the channel (second user) are hugely beneficial for Beijing, which hence has no real capacity for pressure on Panama in this sense. China could only unblock the situation with strong economic support of the enlargement of the Channel of Panama. Nevertheless, this is an extremely delicate topic, not so much for the economic amount of the operation, but for the susceptibility which it could awake in the United States.

Other two significant countries are Paraguay, the only Taiwanese ally in South America, and the Dominican Republic, the most populated city in the world with diplomatic relations with Taipei.

In the case of Paraguay, the Nicanor Duarte Frutos government is proving to be particularly intransigent with Beijing. While the current government stays in power, relations with Taiwan will maintain stable, despite the fact that Beijing is establishing contact with some notable members of the Colorado Party. Diógenes Martínez, Chairperson of the Paraguayan Association of Friends of the People's Republic of China, Paraguayan ex-Foreign Minister and member of the Colorado Party works actively to improve ties between Asunción and Beijing. If the opposition candidate, Fernando Lugo, win the presidential elections next year, the non-official ties with Beijing would be strengthened at the very least. The existing coldness between the Paraguayan opposition and Taipei was demonstrated during the recent trip of Annette Lu to Asunción.⁵² A change of recognition has been speculated and Fernando Lugo has already affirmed that he would like to negotiate a new relationship with Taiwan if he became President of Paraguay.⁵³

Finally, although the Dominican Republic exports substantially more to China than Taiwan, the figures are not sufficiently significant to assume a recognition change. Moreover, a free trade treaty is being negotiated which could notably strengthen

⁵¹ *Zhōngguó shíbào* (China Times), 20 February 2006.

⁵² Javier Diéguez, "Sutilezas de la diplomacia taiwanesa en Paraguay," *Observatorio de la Política China*, 27 July 2007, <http://www.politica-china.org/?p=439#more-439> accessed 5 August 2007.

⁵³ *Europa Press*, 10 July 2007.

Dominican exports to Taiwan.⁵⁴ The Leonel Fernández government is participating very actively in all Taiwanese diplomatic initiatives, as the aid from Taipei is one of the main advantages to getting out of its debt problem, which discards any short-term recognition change.

In conclusion, unless Beijing invests more resources into Taiwanese political allies, it is not foreseen that the diplomatic relations severance of San Jose with Taipei will activate a wave of recognitions in favor of China. China having the potential necessary to increase its development aid, its investments, and its purchases of Latin American and Caribbean products, we must question why it does not launch a more decisive diplomatic offensive to take allies away from Taiwan in the region. The Chinese authorities fear that this measure could strain relations with the United States, a country which is much more significant for China's development than Latin America. Therefore, the decision taken by the Chinese government in this respect will largely depend on its calculations of the possible repercussions of this movement on its relation with Washington. This means that in the short and medium term, a strategic change from Beijing is not probable and as a result, neither is a dramatic transformation in the diplomatic dispute between China and Taiwan in the region.

⁵⁴ *Clave Digital*, 6 July 2007, http://www.clavedigital.com/Economia/Articulo.asp?Id_Articulo=6503 accessed 22 July 2007.