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## CHINA

# El Salvador recognizes the PRC: Confrontation on the FMLN's way out the door

By Evan Ellis / [Twitter](#) REvanEllis / August 21, 2018

On August 20, 2018, El Salvador changed its diplomatic recognition from Taiwan to the PRC. Although not unexpected, the move sends a worrisome message of Beijing's increasing self-confidence and confrontational posture with respect to Taiwan. While I and others who follow Latin America expected the change eventually, the choice to announce it just *two days* after Taiwan's president Tsai Ing-wen visited the region, which included the inauguration of President Mario Abdo Benitez of Paraguay (Taiwan's last diplomatic ally in South



America) and a visit to Belize (which is also believed vulnerable to a switch in allegiance), is perhaps the most overtly aggressive move that the PRC has taken in the diplomatic war to date. It also comes just days after U.S. Defense Secretary James Mattis concluded his own visit to the region (with stops in Brazil, Argentina, Chile and Colombia), during which he publicly commented on the threat that Chinese economic engagement could pose to the sovereignty of countries in the region.

For El Salvador, the timing of the change in diplomatic recognition is also significant. Its ruling party, the former Communist guerilla movement Farabundo Martí National Liberation Front (FMLN), lost badly in March 2018 local elections, and is widely expected to be pushed out of the presidency in elections next Spring. Centrist businessman Nayib Bukele, who was recently made head of GANA, Salvador's third major party, is the current favorite. The FMLN's move could be an attempt to reverse their electoral decline (owing principally to bad management of the country's security situation) through "shock treatment," or alternatively, create a *fait accompli* that the incoming administration will not wish to reverse. By the standards of other diplomatic changes from the ROC to the PRC, the change has also been handled by the FMLN in a particularly brutish fashion, with the government announcing that Salvadoran students studying on scholarships in Taiwan would immediately be moved to the PRC "for their safety."

### **A move facilitated by U.S. decisions?**

While probably not the primary cause, the move may also reflect a change in the FMLN's calculus of interests vis-à-vis the U.S., as well

as other extra-hemispheric actors including not only China, but also Russia and Iran, among others. For years, Salvadoran governments have accommodated Washington's often demanding policies, recognizing that over 18% of El Salvador's GDP comes from remittances from the two million Salvadoran immigrants living in the United States. For approximately 10% of those Salvadoran immigrants in the U.S., their legal right to live and work in the country was conferred by the U.S. government's designation of "temporary protected status." The importance of the extension of that status by successive U.S. administrations when it periodically came up for renewal was arguably an incentive for Salvadoran governments on both the right and left to accommodate, to the extent possible, the U.S. government. For a time, even President and FMLN leader Salvador Sánchez Cerén, who fought as a guerilla commander in some of the bloodiest battles of the Salvadoran Civil War, adopted a moderate posture toward the United States. The January 2018 decision by the Trump Administration not to renew "Temporary Protected Status"—combined with its harsh rhetoric toward Latin Americans and other immigrants, expanded deportations, and accompanying uncertainty regarding the future of U.S. funding for programs in the region such as the Alliance for Prosperity—may have convinced the FMLN, already seemingly on its way out of power, that it had nothing to lose.

For El Salvador, the establishment of diplomatic relations with the PRC will likely set into motion a series of events similar to those in the five other countries (Gambia, São Tomé and Príncipe,

Panama, the Dominican Republic, and Burkina Faso) that have recognized the PRC since it ended its informal “diplomatic truce” with Taiwan with the [election of Tsai Ing-Wen](#) and her Democratic Progressive Party (DPP) in January 2016.

Although the initial [announcement by the Salvadoran government](#) did not indicate any incentives offered by the PRC to El Salvador for the change, Chinese companies and financiers have reportedly been discussing some of the same logistics and trade zone projects in the Gulf of Fonseca for which the Salvadoran government once hoped to attract U.S. and other Western funding.

In the coming weeks, Beijing will likely announce the location of El Salvador’s embassy in Beijing, and construction will begin on the site of the PRC embassy in San Salvador. The government, in conjunction with the PRC cultural promotion organization Hanban, will likely announce the chosen site of El Salvador’s first Confucius institute, possibly in the University of El Salvador (UES).

### **Economic potential for El Salvador**

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In the commercial realm, observers should expect the Chinese government to promise accelerated phytosanitary certification and customs approval for Salvadoran coffee and fruit, and to bring groups of Salvadoran businessmen to the PRC on high-profile visits for expanding contacts with Chinese suppliers and partners, including the Salvadoran export promotion organization PROESA. The Chinese trade promotion agency CCPIT will begin to expand its small office in San Salvador, while government officials on both sides will begin to talk about an expanded investment protection agreement and a possible free trade accord. Low-profile talks may even proceed on a free trade zone in the Gulf of Fonseca, providing a special tax and legal regime for Chinese investors, similar to what the Chinese discussed with authorities in Costa Rica. Nonetheless, no matter what the current FMLN government promises, the Chinese will probably wait prudently for the results of the February-March 2019 national election before making significant investments.

In the end, the nature of Salvadoran traditional exports will limit their potential for export to the PRC; the nation's core exports are principally perishable fruits and other agricultural goods, which require refrigerated containers or other expensive logistics solutions to export to China, and which compete with similar goods in the Philippines and Asia. El Salvador's difficulty in placing its goods will be compounded by the absence of recognition of El Salvador's goods in China as luxury items with strong national brand identity, as is the case with Chilean cherries and table grapes, Mexican tequila, or Jamaican Blue Mountain coffee (the Chinese have little knowledge of, let alone demand for *pupusas*, a staple of the Salvadoran diet).

In the long run, diplomatic relations and associated legal, financial, and physical infrastructure will probably do far more to facilitate the expansion of Chinese imports into El Salvador than of Salvadoran imports into the PRC. Diplomatic relations will similarly present expanded opportunities for the products of Chinese telecommunications firms like Huawei, consumer products, and construction companies. Chinese investors will begin serious dialogues with Israeli and other well-established private security companies in the country to evaluate whether the price of required measures, including the cutting of deals with local power-brokers, will make production cost-effective.

As with legitimate businesses, senior Salvadoran MS-13 and Barrio 18 gang leaders, and smugglers such as the remnants of the Perrones and Taxis cartels, for their part, will be thinking through their own ways to connect with (or extort) the Chinese.

### **What's next for the region**

For the rest of the Americas, El Salvador's change is likely to be a watershed event. Panama's [June 2017 recognition of the PRC](#) signaled that the diplomatic war between the PRC and ROC was back on in Latin America. The Dominican Republic's corresponding move in May 2018 indicated that the PRC would continue its advance in the Caribbean as well as in Central America. Now, the change by El Salvador, just three months after that of the Dominican Republic (and as previously noted, just days after visits by the region by Tsai Ing-Wen and Defense Secretary Mattis), suggests that the PRC is willing to move quickly and aggressively to "roll up" Taiwan's remaining allies—even those geographically and economically close to the United

States. Although it is possible that the PRC will now pause to consolidate its gains and measure the international response to its latest advance, the more likely outcome is that the PRC will continue to rapidly strip the remaining states away from Taiwan as opportunities present themselves.

From the region's perspective, El Salvador's change may contribute to the sense of urgency of the remaining states that recognize Taiwan to follow the Salvadoran example and close a deal with the PRC before the opportunities for negotiating compensation for doing so dry up. In this calculus, Honduras is a strong candidate to change next (with possible Chinese projects in the Gulf of Fonseca potentially benefitting Honduras as much as El Salvador). Guatemala, Belize, and the four nations of the Caribbean who still recognize the ROC (Haiti, St. Kitts and Nevis, the Grenadines and St. Lucia) may also be driven to change sooner rather than later.

Nicaragua's unfolding political crisis may have diverted the regime of Daniel Ortega from discussions with Beijing to re-establish relations that Ortega himself began in 1985 (six years after his Sandinista guerilla movement first took power). Yet amidst the current crisis and the critical tone toward the Ortega government from the U.S. and most states in the region, diplomatic relations with the PRC and an associated aid package that could finally include at least some commitment to financing for a trans-Nicaragua canal might be just the lifeline that Ortega and his wife and vice-president, Rosario Murillo, need to hold onto power.

## **Global implications**

From the perspective of stability in Asia, the ramifications of Taiwan losing one of its few remaining diplomatic allies, especially in the context of high tensions with the PRC across the Taiwan Strait, could be strategically destabilizing; As the number of states recognizing Taiwan approaches zero, the PRC may become more tempted to use military force to end the Taiwanese “rebellion.” (Without other states diplomatically recognizing Taiwan, it becomes easier for decision makers in Beijing to believe the world sees Taiwan as their “internal matter”).

Salvadoran President Sánchez Cerén must appreciate the irony of his actions; his FMLN once sacrificed many lives in what it called a struggle against U.S. imperialism, yet his recognition of the PRC, for as yet undefined benefits, pushes Taiwan, El Salvador’s long faithful ally, dangerously closer to losing its own independence in a potentially bloody war that could be global in scope.

The U.S., through the actions that its senior leaders take in both the Western Hemisphere and Asia in the coming weeks, will have a role in how that dynamic plays out. The PRC is more attentive to such messages than is often realized, although it has not always known how to use them with the appropriate subtlety and credibility. Whatever action, or lack thereof, the U.S. chooses to take, it should be prepared for the “end game,” which will play out in Asia, as well as in Central American and Caribbean countries uncomfortably close to U.S. shores.

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