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## FOREIGN POLICY & U.S./LATIN AMERICA RELATIONS

# Taiwan's struggle for partners and survival

By Evan Ellis / [Twitter](#) REvanEllis / December 7, 2018

From November 26 to December 2, 2018, I traveled to Taipei, Taiwan to speak at the prestigious private university, Tamkang. There I had the chance to interact with academics, officials, and students regarding Taiwan's relationships in Latin America and the Caribbean and its associated struggle for diplomatic and existential survival.



My visit to Taiwan coincided with the [G-20 summit in Buenos Aires](#), where Chinese President Xi Jinping's presence highlighted the growing PRC role in Latin America and its successes in the global diplomatic struggle with Taiwan. Xi began his time in Argentina with an [important bilateral meeting](#) with Argentine President Mauricio Macri, where the

two leaders outlined a five-year plan for cooperation. While many in Washington focused on the negotiation between President Xi and U.S. President Donald Trump at the summit, for Xi, the conversation with his U.S. counterpart was only one among many. Following the summit, President Xi departed for Panama for his first state visit with China's new diplomatic partner, Panamanian President Juan Carlos Varela, who was seeking to seal the deal on another series of accords with China that will accelerate the deepening of the PRC-Panama relationship.

### **China's diplomatic advance**

The PRC's diplomatic advance in Latin America in the past 18 months has been impressive. In 2016, when newly elected Taiwanese president Tsai Ing-wen refused to explicitly accept the "1992 consensus" (in which both the PRC and ROC recognize "one China" although differing on who governs it), the PRC chose to respond with a campaign of economic and diplomatic intimidation. In the 19<sup>th</sup> Congress of the Chinese Communist Party in October 2017, PRC leadership embraced the goal of furthering the international isolation of Taiwan, and in January 2016 resumed its campaign, informally suspended since 2008, of actively recruiting the diplomatic allegiance of states that still recognize the ROC. The new PRC offensive began in Africa with the establishment of diplomatic relations with Gambia in March 2016, followed by Sao Tome and Principe in December of that year. It then expanded into the Western Hemisphere when the PRC convinced Panama to break with Taiwan in June 2017, followed by the Dominican Republic in May 2018, and El Salvador in August 2018 (back in Africa, Burkina Faso also officially recognized the PRC in May 2018).

The nature of the PRC advance in the Americas highlights both growing PRC soft power in the region, and the negative impact of its activities on the region's democratic institutions and relationships with the United States. The change in diplomatic recognition by Panama, the Dominican Republic, and El Salvador, each previously seen as closely tied to the United States through bonds of commerce and people, was done with almost no consultation with or advance notice to the United States. The accompanying agreements with the PRC were negotiated in secret, with little opportunity for the societies and the domestic social and business interests affected to know what their leaders were agreeing to, including questionable commitments by the authorities to China in projects involving public expenditures. In the case of the Dominican Republic, President Danilo Medina even committed to future political coordination with the PRC, possibly in violation of the Dominican constitution.

When the PRC held an "import exposition" in Shanghai in November 2018, the leaders of each of the three countries, as well as Cuban President Miguel Diaz-Canel made the long, indirect trip to personally attend, in part to secure an audience with the region's new Chinese patrons.

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The extent of Chinese soft power was also illustrated by the manner in which each of the three governments abandoned Taiwan, which had provided their countries with years of developmental assistance. Panama, for example, quickly accepted a PRC demand to withdraw from a free trade agreement previously negotiated with the ROC, despite the potential commercial damage to Panamanian companies. The Dominican Republic, for its part, knowingly accepted military vehicles and other benefits from the Taiwanese, even as it secretly negotiated with the PRC to abandon its Taiwanese benefactors.

## **Taiwan's democracy**

During my time in Taipei, I had the opportunity to interact with an array of Taiwanese academics, businessmen, students and officials, and through my first-hand observations and dialogue with them, gain a deeper understanding of the modern, pluralistic democratic society that some Latin American governments have abandoned to pursue economic opportunities with the PRC.

That political diversity was put on display in November 2018 when the ruling Democratic Progressive Party lost badly in local elections, as well as on ten referendum items that it had put before the people, from legally recognizing same-sex marriage to shutting down newly built nuclear reactors. While some interpreted the loss as a rejection of the course taken by President Tsai not to explicitly embrace the “1992 consensus” that there is only “one China” most of the people I spoke to saw the election as more about domestic issues, including a badly needed but highly unpopular pension reform that significantly reduced payments to civil servants.

Some also suggest a darker explanation behind the poor DPP performance in the elections: indications of interference, possibly from the mainland, including campaigns in social media designed to portray the DPP in the worst possible light.

Whatever the explanation for the election outcome, polls show that in recent years, led by the new generation, Taiwanese have embraced an identity distinct from that of the mainland. Indeed, 70 percent of those polled reject the idea that they and their mainland counterparts are all part of “One China.” Indeed, that sense of belonging to something distinct from mainland China was reflected by almost all of the young professionals with whom I spoke while in Taipei.

Apart from such trends, some Taiwanese analysts worry that the election results could accelerate the defection of Latin American and Caribbean states to the PRC. Under the previous KMT government of President Ma Ying-jeou from 2008-2016, the PRC and ROC informally suspended their competition for diplomatic recognition; during that period, even governments which actively sought relations with the PRC were turned away. The poor DPP performance in the November 2018 elections raises the realistic prospect that the KMT could return to power in the 2020 presidential elections, creating an incentive for Central American and Caribbean governments (as well as others currently recognizing the ROC), to seek a deal before the 2020 elections and put KMT in power and again suspend the competition to change diplomatic recognition, with the associated benefits for the governments and individual leaders who switch to the PRC.

## **ROC benefits to Latin America**

The resumption of the diplomatic struggle between the ROC and PRC has led many of Taiwan's diplomatic allies to ask the ROC for more aid in exchange for continuing the "favor" of diplomatic recognition. Such aid, administered through Taiwan's International Cooperation and Development Fund, includes—depending on the needs of the partner—the construction of public buildings, clinics and highways and security assistance, through both donations and soft loans (generally with low rates of interest and/or non-burdensome repayment terms).

As a special category of aid, the ROC provides student scholarships for study in Taiwan at both the undergraduate and graduate level. Between 2014 and 2018, the Ministry of Foreign Affairs brought 1,600 foreign students to the country on scholarships. Such scholarships often include living stipends more generous than similar scholarships to study in the PRC, and provide students a more academically open environment. For the U.S. and the region, such programs are also valuable as an alternative for students to develop an understanding of Chinese languages, business and culture independent of the PRC, ensuring that the region has an alternate perspective for scholars with language training and experience from which they can make assessments and speak with authority without having incurred debts of gratitude to Beijing.

Beyond aid, the ROC has also made efforts to guide private sector Taiwanese investment into the region, as well as expanded its purchases of the region's products.

While the size of Taiwan relative to the PRC means that it cannot effectively compete with the latter in a "bidding war" for diplomatic allies in the region, the expanded focus on incentivizing Taiwanese

companies in the private sector to do more in the region is a promising complement to aid programs. Although not widely noticed, the ROC has helped the countries in the region by creating demand in Taiwan for traditional export products, including Guatemalan coffee and Nicaraguan beef. The ROC has also signed free trade agreements with Honduras, Guatemala, Nicaragua, Panama, and El Salvador (with the latter two still technically in effect despite those countries cutting their diplomatic ties with Taiwan). The balance of the commercial relationships promoted by these agreements is more favorable than for similar agreements between the PRC and its partners in the region.

While Taiwan has helped its partners economically in the region in important ways, its ability to do so is also limited. As a free-market economy, the ROC has less leverage than the PRC to guide its companies in ways that support the strategic needs of the Taiwanese state. Cooperation among ministries in Taiwan can also present a challenge. To generate a free trade agreement, for example, the Ministry of Foreign Affairs must convince the Ministry of the Economy to dedicate resources to partners which, while important to the Foreign Ministry's work, constitute only a small part of the country's trade portfolio.

### **Taiwan's remaining partners**

The ongoing PRC advance in Latin America and associated end to the diplomatic truce with the ROC has legitimately raised the question of who might be next to abandon Taiwan for the benefits that come with recognition of the mainland. While it is difficult to know, apart from those who may be secretly negotiating such changes, it is possible to make some general observations.

First, virtually all of the countries that recognize Taiwan appear to be at least considering the possible benefits from changing their position, yet are equally conscious of the risks. To some degree, the strong U.S. response to the switch by Panama, the Dominican Republic and El Salvador has likely led others to rethink their own position and perhaps delay a decision.

For states recognizing the ROC, the prospect of switching to the PRC is a divisive issue, with some politicians and businessmen animated by the prospect for benefits, possibly involving their own business projects with the PRC, while others fear the effect of allowing the PRC into their business space, betraying the loyalty of Taiwan, or taking steps that would move their country away from its ties to the U.S., western institutions and democracy.

Paraguay: Paraguay appears committed to remain with Taiwan for the moment, with President Abdo Benitez having negotiated a good agreement with the ROC that effectively doubles aid commitments to \$150 million during the five years of his presidency, relative to aid received from Taiwan under his predecessor Horacio Cartes. President Abdo Benitez's bond with Taiwan is arguably also strengthened by experiences arising from his family history. The President's father was the personal aide to former Paraguayan dictator Alfredo Stroessner, who forged the nation's strong relationship with Taiwan. Despite both aid and the personal bonds of Abdo Benitez, however, the importance of the PRC as a market for Paraguayan soy and other agricultural products is significant, reflected by the local presence of China Oilseeds and Foodstuffs Corporation (COFCO). PRC-based firms in recent years have also explored participation in road, railroad, steel, and power sector projects, and Chinese goods, from inexpensive



manufactured items to cars and heavy equipment, have a significant presence in the Paraguayan market.

Nicaragua: With respect to Nicaragua, for the moment, the Sandinista government of Daniel Ortega appears firmly committed to Taiwan, despite the political instability that began with protests in April 2018. Despite the sustained and widespread nature of that revolt, during which state and paramilitary forces killed at least 300 people, the government appears to have restored order, in part by systematically identifying and arresting or otherwise eliminating key opposition leaders.

Ortega changed the country's relationship from the ROC to the PRC when he first came to power in 1979, though the country re-established relations with Taiwan in 1995, five years after Violetta Chamorro came to power. Although many expected Ortega to revert to recognizing the PRC when he returned to power in 2007, he has not done so. He appears for now to be comfortable with the aid he is getting from Taiwan. The ROC has also proved willing to look the other way regarding antidemocratic practices and human rights abuses by the Nicaraguan government (indeed, my time in Taipei coincided with a friendly visit to the country by the Nicaraguan Foreign Minister Dennis Moncada). Having resolved the challenge to his rule, at least for the short term, there is no indication that Ortega plans to change the status quo with respect to Taiwan.

Belize: The position of Belize toward the ROC also appears stable for the moment. President Tsai had a positive visit in August 2018 that included an address to the nation's Parliament and Prime Minister

Dean Barrow. Aid from Taiwan to Belize remains at a satisfactory level.

Guatemala: The future of Guatemala's relationship with Taiwan, although also stable, is arguably more uncertain. The Morales government has reportedly sought a significant increase in Taiwan's contribution for the rapid construction of a highway connecting the north and south of the country. Guatemalan government personnel with whom I have spoken have expressed interest in the potential benefits of relations with China. Guatemala is also in the midst of a political struggle over the future of the UN-assigned external investigatory body CICIG, whose mandate has been supported by the U.S. and other Western governments. One possible outcome of that struggle could be for President Jimmy Morales to defy some of his own institutions, and Western pressures to permanently exclude the CICIG, possibly turning to the PRC were the West to react with sanctions. Counterbalancing this possibility, however, is the fact that many of the conservative elites in Guatemala who oppose the CICIG want nothing to do with the communist government of the PRC.

Honduras: Of Taiwan's remaining allies in Central America, Honduras is possibly at greatest risk of changing diplomatic relations, although the government of Juan Orlando Hernandez has not acted in a manner to suggest that it may soon do so. As in Guatemala, however, the prosecution of multiple figures close to the President could push him toward the PRC as a partner happy to overlook criminal ties of the regimes with which it collaborates. Such pressures included the November 2018 arrest in Miami on drug trafficking charges of the President's brother Juan Antonio, who, ironically, had been an

important figure in convincing his brother that it was to his benefit to work with the U.S. and the established Honduran elites.

El Salvador: In El Salvador, although the Ceren government has recognized the PRC, both Taiwan and the PRC appear to have adopted a “wait-and-see” attitude regarding the upcoming February 2019 national elections to see if the winner (likely GANA candidate Nayib Bukele, but possibly ARENA candidate Carlos Callejas) will change relations back to Taiwan. While Bukele was previously a member of the FMLN (the party of the outgoing government, which recognized the PRC), he is also a pragmatic man, interested in rebuilding positive relations with the U.S. (arguably damaged by El Salvador’s switch to the PRC), and open to the potential benefits of returning to Taiwan. He is also aware that more than 73 percent of Salvadorans oppose the outgoing government’s abandonment of Taiwan.

As an indicator of its own uncertainty, the PRC has not yet publicly committed to an embassy in San Salvador, continuing to operate out of the Sheraton Hotel, located just up the street from the nation’s complex of defense institutions and schools. It is not, however, clear whether such a reversal is realistic, or only wishful thinking on the part of Taiwan.

In the Caribbean, the prospect for change in diplomatic status is even more unpredictable than in Central America, and more susceptible to an ugly “bidding war” for diplomatic loyalties.

Haiti: In Haiti, the government of Jovenil Moise is arguably vulnerable to change; it received only a small portion of the substantial increase in aid that it asked for when Moise travelled to Taiwan. It is still arguing

over the price and other details of a high-priority road project involving a \$150 million soft loan. Indeed, members of Haiti's leadership team have demonstrated discontent with Taiwan during negotiations. On the other hand, Taiwan has provided substantial aid to Haiti, and is working to accommodate its demands, including helping the Moise government to outfit a special forces component of Haiti's newly recreated Army with uniforms and gear.

Lesser Antilles: In the small nations of St. Vincent, St. Lucia, and St. Kitts and Nevis, PRC-based investors have discussed major projects, including an elite facility for raising and racing fine horses. Such investments, and the prospect that they could provide substantial side benefits to the business and governing elites of those nations, could facilitate a change in the respective governments' position on the PRC.

Of the three small islands nations, the PRC arguably has particular incentives to change the diplomatic posture of St. Lucia as payback for having embarrassed the PRC when it switched its recognition to the ROC in 2007. Despite such concerns, the current St. Lucian government that previously recognized the PRC apparently made the decision not to revert to the PRC when it returned to power in 2011.

Beyond the diplomatic posture of the individual states continuing to recognize Taiwan, the most recent and potentially positive aspect for the Taiwanese government in the region is the election of Jair Bolsonaro, who visited the ROC in March 2018 in his capacity as Congressman. Beyond President Bolsonaro himself, the man he named as Foreign Minister, Ernesto Araujo, could also be disposed to expand Brazil's engagement with the island. Indeed, Brazil could be a force in the region for facilitating commercial contacts between Taiwan and

Latin America. Such possibilities notwithstanding, the more liberal politics of the Brazilian foreign ministry in Itamaraty are likely to constrain how far the Bolsonaro administration can go with its Taiwanese friends.

## **Recommendations**

As noted in the opening of this paper, the diplomatic and physical survival and well-being of Taiwan is in the strategic interest of the United States. The diplomatic relations of the ROC in the hemisphere, and its associated influence, limits PRC expansion in the region, while the insights that it has through those relationships are potentially of value to the U.S. as it struggles to understand and counter the more malign aspects of the PRC advance in the region.

Examined from another point of view, if Taiwan were to lose its current allies in Latin America and the Caribbean, its international isolation, and the inherent message of the “turn to the PRC,” would tempt Beijing to put an end its de facto independence, either through expanded intimidation and coercion, or possibly through the use of military force.

If, through such a tragedy, Taiwan were to be absorbed into the PRC, the region would lose a key democracy and the PRC would be emboldened in its actions in Asia and globally.

There are multiple areas in which the U.S. can and should work with Taiwan in support of their mutual interests in the Western Hemisphere and globally.

In Latin America, the U.S. could expand coordination with Taiwanese analysts, and share intelligence where appropriate, to better understand the activities and nature of the threat from the PRC in Latin America and the Caribbean in diplomatic, economic and security matters.

Beyond such symbolism, the U.S. should have a plan for how it will respond, and support governments in the hemisphere such as El Salvador, if they choose to reestablish relations with the ROC. However unlikely such a change may be, it is important that the U.S. be prepared to send a clear message to states in the region of its support for such actions, and to work with the ROC to fully capitalize on the strategic opportunity it presents for limiting the PRC advance in the region.

In economic matters, the U.S. should also consider expanding work with Taiwan to guide private sector investment in the hemisphere, including collaboration on the recently passed “Build Act” and the associated \$60 billion in U.S. commercial investment available to the region. It could also coordinate with the ROC Ministry of Foreign Affairs Department of Economic Affairs to facilitate access to U.S. markets for Taiwanese companies producing in Latin American and Caribbean states that diplomatically recognize the ROC, as well as explore legislation that incentivizes those states that maintain a combination of relations with Taiwan, transparency, and good governance through institutional strengthening programs, expanded access to US markets, or other benefits.

The U.S. should further consider working with Taiwan in helping its Latin American allies more effectively market their products in Asian markets other than China. Doing so would simultaneously send an

important signal of U.S. support with minimal complications in the U.S. diplomatic posture, while expanding Taiwan's value to its allies in a low-cost fashion. It would also help to demonstrate to the ROC's friends that there are many markets in Asia beyond the PRC for purchasing the region's traditional products, which are also more open than the PRC to purchasing the region's higher value-added exports.

As a corollary, the U.S. should consider directing its strategic communication through public diplomacy to send a clear message to allies in the region, including governments disposed to expand contact with the ROC such as Bolsonaro in Brazil, that the U.S. supports such activities, including the expansion of Taiwanese commercial offices by partner nations interested in the commercial benefits of doing so. Reciprocally, that diplomacy should make clear that the U.S. looks negatively on Latin American governments ceding to PRC pressure not to do so.

In military affairs, current U.S. security assurances stemming from the 1979 Taiwan Relations Act, arms sales and other support to the ROC defense ministry contribute to its security and send an important message to mainland China regarding U.S. resolve in the face of PRC aggression and attempts at intimidation. Indeed, reaffirming U.S. support for the Taiwan Relations Act would be an important step. Despite the risks of an adverse reaction from the PRC, such activities should be embraced, continued, and where appropriate, expanded. In addition, the U.S. and Taiwan defense establishments should look for opportunities to increase and broaden intellectual exchanges and other forms of coordination with respect to the Western Hemisphere.

Because the PRC presents an immediate and existential threat to Taiwan, its defense establishment rightfully focuses on the threat across the Taiwan Straits and Asia more broadly. Nonetheless, PRC military sales in Latin America are of concern to the ROC, insofar as they help the PRC to develop its defense industry and associated technological capabilities, as well as international logistics, maintenance and training operations in ways that could be used against Taiwan in time of military conflict. For its part, the ROC arguably has unique insights into the details of and thinking behind global engagement by the People's Liberation Army (PLA) and its defense industry that could contribute to U.S. understanding of the PRC threat. Reciprocally, the U.S., by nature of its global defense posture, likely has insights into the connections between the PLA activities in Asia, the Western Hemisphere, and elsewhere that could be of value to ROC defense planners.

Beyond such exchanges of information and perspectives, much of the ROC's security assistance to its allies in the region involves gifts of equipment of U.S. origin, and associated training and maintenance. Enhanced U.S.-Taiwan collaboration with respect to ROC defense programs in Latin America could thus expand the value of the Taiwanese contribution to its allies. Doing so would both advance the fight against insecurity in the region, directly in the U.S. interest, as well as bolster the case for countries in the region to maintain diplomatic relations with Taiwan.

In general, and on a personal note, in pursuing the course recommended in this work, the U.S. would be well-served to return to the maxim made famous by President Theodore Roosevelt: "speak softly and carry a big stick."



As the very knowledgeable and capable members of the Trump Defense and Foreign Policy team respond to Chinese advances in Latin America with a consistent and compelling message about the dangers of the PRC, the U.S. arguably has a credibility gap in ensuring that our partners hear and respond to that message.

On one hand, key U.S. policymakers including former Secretary of State [Rex Tillerson](#), current U.S. Secretary of State [Mike Pompeo](#), and U.S. Defense Secretary [James Mattis](#) have clearly and eloquently warned Latin America and the Caribbean of the dangers of the PRC engagement model, which preys on states with weak institutions, tempting their elites with the prospect of easy money (as well as side benefits to decisionmakers and their family and friends) if they merely open up their country to Chinese products and companies, which can leave projects of dubious benefit and [mountains of debt](#).

It is difficult for Latin American and Caribbean states to take seriously admonitions that it is in their long-term interests to work with the U.S. rather than the PRC while rhetoric and policies from Washington appear hostile to their citizens, and while the U.S. cuts programs of importance to their governments, such as [Temporary Protected Status](#) for their citizens living in the U.S., or terminates the [DACA](#) program for migrants from their countries who were taken to the U.S. by their parents as youth. Washington needs to re-consider the strategic costs in undermining the objectives of its global engagement in responding to countries such as the PRC, which put the security of the US, the development of the hemisphere at risk. Even if Washington choses to continue with the policies themselves, better coordination with its partners in the region, and more attention to a tone of respect and compassion, would help take such distractions off the table and allow

Washington to dialogue effectively with them about what is truly important.

It is almost certain that the recommendations advanced in this work, if pursued, will deeply antagonize the PRC, which regards Taiwan as a province of China in an as yet unresolved rebellion. Yet it is vital for Washington to change the flawed thinking in which it, and the nations of Latin America, voluntarily undermine their own national interests and cede important ground in order to not offend the PRC. It is time for authorities in Beijing to worry more about how its own aggressive actions in both Asia and Latin America are affecting core U.S. equities, moving ever further from an environment in which all states, including China, can pursue their legitimate interests in prosperity and development in a transparent fashion, on a level playing field.

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