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El Salvador And Honduras Sign Trade Pact With Taiwan, Risking China's Wrath

by Mike Leffert

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El Salvador and Honduras signed a free-trade agreement (FTA) with Taiwan on May 7. The legislatures of both countries must ratify the treaty. If they do, the Central American countries will be able to export thousands of tons of sugar, coffee, fruit, soaps, and more than 3,800 other products tariff-free, while Taiwan will export plastics, vehicle parts, and electronics, about 3,600 products in all. This is the sixth free-trade agreement for El Salvador. Said President Antonio Saca, "This is the logic of the world. We cannot take a step back. The world is opening its borders." Taiwan already has agreements with Nicaragua, Guatemala, and Panama.

The move is seen as more political than economic for Taiwan. The Central American countries are among only 24 in the world that recognize the island nation, which China claims as its own and considers a renegade province. Wang Chien-yeh, spokesman for Taiwan's Ministry of Foreign Affairs, said that this agreement could help induce the governments of the Dominican Republic and Costa Rica to do likewise. Wang made it clear that Taiwan is very interested in consolidating diplomatic ties. Trade agreements are a way of doing that, not only with countries that recognize the island government but also with those that do not. Taipei is looking to make similar agreements with the US, Japan, South Korea, Chile, and Singapore, all countries deeply invested in maintaining good relations with the mainland Peoples Republic of China.

The Honduras-El Salvador pact comes with an instruction manual. According to the framework, Taiwan will provide research material and other materials to assist the two Central American countries with their exports. Taiwan's Ministry of Economic Affairs estimated trade with the two nations at US\$80.48 million, of which Taiwan enjoyed an advantage of US\$62.5 million. Of that amount, trade with Honduras amounted to US\$50.16 million, favoring Taiwan by US\$21.43 million. This agreement, the product of four rounds of negotiations that began in June 2006, is scheduled to begin in January 2008 and to reach full implementation in phases. F

or instance, Honduras is entitled, under the terms, eventually to export 60,000 tons of sugar a year to Taiwan, 35,000 in the first year, 45,000 in the second, and 60,000 the third and ever after. Only five tons can be refined sugar, a value-added product, however. The rest is raw sugar. The total will represent about US\$40 million at current prices. Honduras currently sells the US 20 million tons, bringing the industry US\$9 million.

Trading for legitimacy

The agreement has the effect of cementing the diplomatic relationship Taiwan needs as it struggles for international recognition and, eventually, UN membership. But just as it has firmed its grip on these two countries, Nicaragua may be slipping from its grasp. Nicaraguan President Daniel

Ortega has given indications that he would like to develop a closer relationship with China. But, said Taiwan's Ambassador to Nicaragua Hung Ming-ta, "Ortega has not used the term, 'resuming diplomatic ties with China.' We would not oppose our diplomatic allies forging unofficial or nondiplomatic links with China."

The situation may not be as benign as Hung characterized it, however. During the run-up to the election in Nicaragua, the Sandinista party (Frente Sandinista de Liberacion Nacional, FSLN) made numerous references to resuming diplomatic ties with China. During that period, Hung met three times with Ortega and said he had obtained a verbal promise from him that Nicaragua would remain in Taiwan's corner (see NotiCen, 2007-01-11). Ortega has gained a reputation in his short time back in office of successfully playing both sides of practically every issue he chooses to engage. He has, for instance, one foot in the Alternativa Bolivariana de las Americas (ALBA) and the other in the Central America Free Trade Agreement (CAFTA).

During his inauguration, he signed cooperation pacts with Taiwan, Venezuela, and Iran. The pact with Taiwan included a request for a US\$495 million agricultural loan. The China Times said that Nicaragua was squeezing money out of Taiwan and that an unnamed Sandinista official said Nicaragua plays a vital role in preventing Central American nations from abandoning the island nation. Taiwan, he said, has no bargaining chips when Nicaragua asks for aid. The official also said that Hung had threatened to close his embassy if Ortega won and not even leave a trade mission behind. Business owners in the Taiwan industrial zone also had threatened to shut down operations and urged their workers and their families not to vote for Ortega.

In 1985, Ortega's FSLN did cut relations with Taiwan and recognized China, but the decision was reversed when Violeta Barrios de Chamorro (1990-1997) won the presidency. Subsequent to Ortega's 2006 return to power, he assured Taiwan's president of continued support, but Ortega is a wily fellow and is taking full advantage of Taiwan's checkbook diplomacy.

No affront too small for China

Playing Beijing against Taipei is a dangerous game. China has a history of not taking kindly to this sort of thing. On May 1, the Asian behemoth lashed out against the tiny Caribbean nation of St. Lucia for restoring diplomatic relations with Taiwan, calling the move an "open violation" of a 1997 agreement. "This is brutal interference in China's internal affairs. We express indignation and opposition," said foreign ministry spokesman Liu Jianchao. The diplomat warned St. Lucia's government in a formal protest to have relations with Beijing only, saying, "Otherwise the government of St. Lucia will be fully responsible for the consequences incurred." He did not elaborate on what those consequences might be. This is no isolated incident in the region.

As far back as 1996, Beijing threatened Haiti with using its veto on the UN Security Council to end a peacekeeping operation in the hemisphere's poorest nation, just because Haiti continued to maintain diplomatic ties with Taiwan. Even Cuba protested that, calling for the UN to continue the mandate on its merits, "and not because of a bilateral issue like its relations with Taiwan." Soon after that, in 1997, China vetoed a Security Council resolution to send military observers to

Guatemala, which also recognizes Taiwan. Also that year, China warned all of Central America that the countries would "pay a price" for supporting Taiwan (see NotiCen, 1997-08-14).

China even got Mexico to withdraw permission for Taiwan's President Chen Shui-bian's plane to fly through its air space on his return to Taiwan from attending Ortega's inauguration. The plane had permission on the way to Nicaragua. In the aftermath, Mexico found itself having to deal with Taiwanese complaints that Mexico had exceeded what it was empowered to do under international law by requiring the plane to fly several hundred kilometers off its coast, instead of the required 12 nautical miles.

There is some indication that Nicaragua is aware of possible consequences. Minister of Foreign Affairs Samuel Santos cancelled, without explanation, a March trip to Taiwan to discuss a range of bilateral cooperative projects. Santos had signed a memorandum of understanding with his counterpart James Huang months before at the Ortega inauguration and announced at that time he would lead a delegation of officials and business executives to Taiwan to nail down the details. The trip was rescheduled for late April, but that, too, was put off. The patient would-be host simply reinvited Santos and moved on to other things, among them, trade talks with Costa Rica and the Dominican Republic.

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