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Costa Rica Boots Taiwan, Welcomes China In Diplomatic Switch

by Mike Leffert

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Taiwan is out and the People's Republic of China (PRC) is in, as Costa Rica's President Oscar Arias ends more than 60 years of diplomatic relations with Taiwan. "The reasons are obvious," said Arias. Diplomatic relations with China will "bring greater well-being and development for Costa Rica, which cannot remain static in a changing world." The break came as a rude slap to Taiwan, which had received repeated denials from Arias that he would make the change.

The embassy in San Jose reacted angrily, announcing that Taiwan would "end diplomatic relations with Costa Rica and put an end to all the projects and assistance and cooperation plans between the two countries. The Costa Rican government will be accountable for all the responsibilities and consequences of turning its back on 63 years of friendship with Taiwan." Costa Rica's Foreign Minister Bruno Stagno said relations with China had been normalized as of June 1, the Taiwanese Embassy had been notified just before the June 6 announcement, and Taiwan and Costa Rica would begin the process of closing their respective embassies.

But, as late as June 6, Arias had told reporters that rumors of an impending break were no more than "speculation." The rumors had begun as early as 2006, when Arias said during his campaign for the presidency that recognition of the islands off the mainland China coast as a nation might end under his presidency.

Costa Rica was one of only 25 nations to so recognize Taiwan. The rumors gained force in May, when Costa Rica voted against Taiwan's bid for membership in the World Health Organization (WHO). But, even after that, Costa Rican officials denied a diplomatic break was in the offing. There will be a cost for Arias' bowing to what he called "fundamental realism." Taiwan has been paying dearly for diplomatic recognition from tiny countries, including those of Central America, to sustain what international legitimacy it has and in the hope of some day winning UN recognition as an independent nation.

A sampling of Taiwanese largesse just in the last few years includes a US\$26 million Taiwan-Costa Rica Friendship Bridge over the Tempisque River in Guanacaste completed in 2003 and a promise to rebuild the Calderon Guardia Hospital that burned down in 2005, at a cost of US\$15 million. And there were allegations of substantial amounts of money flowing under the table, like the 2004 scandal wherein the Foreign Ministry accepted US\$4.8 million in unaccounted-for funds. In 2006, Taiwan paid for equipping the newly formed Tourism Police. Taiwan committed to new spending as recently as May, this time for pedestrian walkways in San Jose.

The tally of the loss of aid so far is thought to be in the US\$70 million range. The hospital deal is said to be off. A US\$35 million commitment to construct 35 km of roadway in the tourism zones of

the north is said to have been scratched, as were farm-production programs and a fleet of police vehicles.

Not all projects are certain to stop in their tracks. Chang Chih-kang, head of a US\$61 million highway project with the Taiwanese Ret-Ser Engineering Corporation, said that Ret-Ser will finish building the Carretera Naranjo-San Carlos. Chang said that, if construction were halted, Costa Rica would confiscate all bank deposits held as contract guarantees. This project is about 28.5% completed and is scheduled to be done by April 2010.

Money talks, Taiwan whispers

But this and other aid was just not enough. Said Arias, "I have been critical of Taiwan in the sense that, if it has diplomatic relations with fewer than 30 countries, it should be more generous. Considering the few friends it has, it doesn't treat them very well. Without a doubt, we will get more help from China." He said he had discussed aid with China, and, although satisfied with assurances he got from them, "What we really want is more trade with China." The president has been criticized for his decision and seemed eager to hammer home the point that Taiwan has been stingy with its supporters.

He told listeners on national radio that he told Taiwan, as early as 1996, that it should provide more aid to Haiti. "I told them, how can it be that you help the poorest nation in the hemisphere with just US\$20 million a year? You should, if you wanted to help, give it US\$200 million a year. That is nothing for you." While the US gives 0.1% of economic output to foreign aid, he said, Taiwan gives not even 0.0001%.

To the suggestion that he, as a Nobel Peace Prize laureate (1987), is courting a repressive regime, he countered, "We had relations with a dictator such as Chile's during the Pinochet regime and no one said anything." And there is another violator of human rights with which Costa Rica does business. "I have dared to suggest to the United States that it should remove its sanctions on Cuba and that it should return Guantanamo, and it knows that in Guantanamo it has violated human rights."

Taiwan responded to the accusations of cheapness. "Several days ago, our ally Costa Rica severed ties with us," said President Chen Shui-bian. "There were many reasons on the surface, but the most important factor behind the scene was China's offer of US\$430 million to buy ties. Taiwan cannot afford such an enormous amount and even if we could our citizens would not accept it because Taiwan refuses to be a money-spending fool," he told his own citizens in Tianan. "China intends to snatch away all Taiwan's allies, to block all our roads to international politics, and to squeeze out all our bargaining chips so that Taiwan cannot survive in the international community." The US\$430 million Chen referred to is a rumored deal involving China buying US\$300 million in Costa Rican bonds and providing US\$130 million in direct aid.

Finance Minister Guillermo Zuniga has denied the deal. "I don't know where they get those figures from," he said. Zuniga visited Beijing in late May, along with Stagno, in a trip thought to have laid the groundwork for the new diplomatic alliance. As for what arrangements have been made, Zuniga

ventured only, "We are talking and exploring." The repudiation of one diplomatic relationship and adoption of another, particularly in this case, is a brutal affair.

A joint communique agreeing to the exchange of ambassadors included the statement, "The Costa Rican government recognizes that there is only one China and the government of the People's Republic of China is the sole legitimate government representing the whole China. Taiwan is an inalienable part of the Chinese territory." For China, those were the magic words. Said Foreign Ministry spokesman Jiang Yu at the signing, "This shows that the one-China principle is widely accepted by the international community." He encouraged other nations to follow suit, but China is not in difficulties on this score. Costa Rica is the 169th country to recognize the PRC.

The change of partners is also creating some social issues. In addition to the promised shutdown of cooperation projects, Taiwan's Vice Foreign Minister Chang Siao-yue said his country would not consider establishing any other liaison office in Costa Rica. Taiwanese expatriates living in the country, fearing their interests to be threatened, have since urged their government to open a representative office in San Jose. These nationals, who include business people and students, asked for, at the least, an economic and cultural office that could handle consular and documentation verification problems. Costa Rican officials, meanwhile, have turned their attention from the Taiwanese residents' angst to facilitating and improving the fortunes of Chinese immigrants.

Mainland Chinese have until now been eligible only for restricted visas and long waits to obtain them. At present, only Director of Migration Mario Zamora can issue these visas. Wang Wei Hua, the first diplomat sent to Costa Rica from China, has asked that the restrictions be relaxed. Zamora responded that the diplomatic change does not automatically change immigration rules. "We will have a meeting with the presidency and the Foreign Ministry to get instructions," he told reporters. Zamora has uncovered corrupt practices in the issuance of visas for Chinese in the past.

A domino effect

The main diplomatic battlegrounds in the "checkbook-diplomacy" wars between China and Taiwan have been Latin America, Africa, and the South Pacific. With China having just scored in Latin America, Taiwan now fears it could lose others in the region. Its fears are not unfounded. Panama's former President Ernesto Perez Balladares (1994-1999), encouraged by his neighbor, recommended that fellow member of the Partido Revolucionario Democrático (PRD), President Martin Torrijos, re-evaluate Panama's relationship with Taiwan and look to China, based on the current national interest. Julio Yao, director of Panama's Justice and Peace Service (Serpaz), did likewise, saying a change would benefit Panama's economic development. Torrijos made no immediate response.

In March of this year, Vice President and Minister of Foreign Affairs Samuel Lewis promised to strengthen bilateral relations with Taiwan, but this was in the context of thanking them for a recent donation. But the donation was modest, amounting to support for building 300 bamboo houses for indigenous people, a water system, renovating a sports center, and a soccer stadium, all far short of what China could do if it took a notion.

Nicaragua seems a prime candidate for making a switch to China. In May, Vice President Jaime Morales raised that possibility, telling Taiwan's Foreign Minister James Huang, "We as a sovereign country choose who our friends are," and saying that he does not "deny the reality that China represents economically, commercially, and geopolitically." In addition, Nicaragua has recently been disappointed with Taiwanese business developments. A program to encourage Taiwanese investments in the region resulted in the approval of a project involving Nien Hsing Textile in the country, but the company backed out, citing concern about market development in Nicaragua.

Analyst Andrew Yang of the Taipei-based Chinese Council of Advanced Policy Studies said he foresaw a chain reaction from the Costa Rica move and that "probably Nicaragua and Panama are next and then maybe Paraguay." Indications are that is the way Taiwan is seeing the situation. On June 12, Taiwanese Foreign Ministry spokesman David Wang announced, "Wu Chin-mu, the representative to Ecuador, will replace Hung Ming-ta as the new ambassador to Nicaragua in a routine personnel adjustment."

For analysts, however, it was anything but routine. The Taiwan press called it an appointment aimed at saving ties with Nicaragua, quoting Foreign Minister Huang as saying it was an "emergency replacement" made to prevent a "domino effect" triggered by Costa Rica. It was also noted that Nicaragua was absent from the WHO Taiwan-membership vote.

Another candidate for a switch is the Dominican Republic. It has pledged to maintain relations through 2008 but in the last three years has quadrupled trade with China. Guatemala's President Oscar Berger said that his country would not follow Costa Rica's lead and that relations with Taiwan were the best ever. He said he would visit Taiwan as planned in June to sign three agreements with President Chen Shui-bian to boost bilateral cooperation. But Berger's term ends soon. Elections are scheduled for Sept. 9, and there is no telling what direction the next government will take.

Meanwhile, Guatemalan business sectors are concerned. Asociacion Nacional del Cafe (ANACAFE) president Christian Rasch said, "The alliance between China and Costa Rica could bring negative repercussions to the coffee sector of Guatemala because it represents greater support for Costa Rican coffee exports to one of the biggest and most dynamic markets for the industry in the world." ANACAFE exported 13,768 bags of coffee to Taiwan in 2006, and, according to Rasch, this is nothing compared to what could be done with China. The association did not expressly ask the government to switch, but the implication was clear, and the powerful sector's influence could be felt in the elections.

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