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LADB Staff

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Taiwan Signs New Economic Accords with Central America

by LADB Staff

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On Sept. 13, Taiwanese President Lee Teng-Hui held a one-day presidential summit in El Salvador with the heads of state of six of the Central American countries, including Belize but excluding Panama. The delegations signed a series of new trade and cooperation accords, including Taiwanese promises to provide nearly US\$300 million in economic assistance.

Notwithstanding Taiwan's effort to strengthen relations, however, some isthmian nations that have traditionally supported the island's lobby for a seat at the UN are apparently wavering under pressure from mainland China.

At the summit, the delegations signed six new accords:

*Taiwan will contribute US\$240 million, and the Central American nations US\$60 million, for a new regional development fund that will finance infrastructure and other projects.

*Taiwan agreed to loan US\$50 million more to the Banco Centroamericano de Integracion Economica (BCIE), which will use the funds to shore up small and medium-sized businesses in the region. Taiwan is an extraregional member of the BCIE, with US\$150 million currently invested in the bank.

*Taiwan agreed in principle to provide funding for a US\$310 million project to renovate stretches of the Inter-American Highway that connects Mexico to Panama, although Taiwan will first carry out its own study of the project.

*The isthmian presidents signed a memorandum that commits them to work toward a free-trade accord with Taiwan. In addition, they invited Taiwan to become an extraregional consultant of the Sistema de Integracion Centroamericana (SICA).

*The delegations agreed to form a working group to review the condition of roads and related infrastructure, energy systems, and telecommunications in Central America, which will be used as a base for future technical and financial agreements with Taiwan.

*The delegations agreed that Taiwanese and Central American ministers of economy and trade will meet on an annual basis. Taiwanese officials also signed bilateral accords with some of the Central American nations, including El Salvador and Honduras.

Perhaps the most important is a Taiwanese commitment to finance construction of a new duty-free export zone on El Salvador's Pacific Coast, where Taiwanese investors expect to set up high-tech assembly industries.

Despite agreements, support for Taiwan slips at UN

The summit and many of the accords particularly Taiwan's promise of new economic assistance were largely aimed at shoring up support for Taipei's bid for a seat at the UN during this

year's General Assembly. During the summit, the isthmian delegations signed a statement that unequivocally reaffirmed their backing for Taiwan, and the conference was spiced with passionate declarations in support of Taipei's independence from mainland China. "You are welcomed here by a Central America that is firmly united in its loyalty to Taiwan's dream of complete acceptance in the international community, something your country wholly deserves," said Guatemalan President Alvaro Arzu, who gave the opening address at the summit. El Salvador, Honduras, and Nicaragua were among the 14 countries that endorsed Taiwan's request for a hearing in the General Assembly this year, all of whom delivered strong speeches at the UN. Nevertheless, the petition was rejected, since it needed the backing of at least 100 members of the Assembly.

Guatemala, Panama, and Costa Rica, however, refused to endorse this year's petition to the UN. According to the Panamanian and Guatemalan governments, they abstained to avoid being caught in the dispute between mainland China and Taiwan. "It's not that we don't support the request," said Panamanian Foreign Minister Marcel Salamin. "But to maintain our neutrality and keep our economic relations open with all countries, we cannot get mixed up in issues that must be resolved by the countries involved." Clearly, growing pressure from Beijing to break ties with Taipei had a major influence. Since the beginning of this year, China has been pushing Central American and Caribbean nations to withdraw their support for Taiwan (see NotiCen, 07/10/97 and 08/14/97). Panama in particular has endured intense pressure because of its decision to invite Taiwanese President Lee to an international conference on the Panama Canal (see NotiCen, 09/18/97).

Shortly after the conference, the Chinese Foreign Ministry warned Panama that, unless it normalizes relations with Beijing, there will be "inevitable consequences on the functioning of the representation of commercial interests in Hong Kong." Panama has the second-largest merchant fleet in the world through its flag of convenience. Any closing of Hong Kong's huge port to the Panamanian fleet could cause serious damage to Panama's economy.

Guatemala, as well, came under pressure in January of this year when China temporarily blocked the UN Security Council from approving a military observer mission to oversee the demobilization of the Guatemalan guerrillas. The dispute was resolved when Guatemala agreed to withdraw its support for Taiwan's petition at the UN (see NotiCen, 02/13/97). Meanwhile, China increased its pressure on the three countries that did back Taipei this year.

Among other things, Shen Guofanng, spokesperson for the Chinese Foreign Ministry, charged that the passionate speeches in favor of Taiwan by the presidents of Nicaragua and El Salvador constituted direct interference in China's internal affairs and represented a "grave provocation." [Sources: Reuter, 09/16/97; Prensa Libre (Guatemala), 09/17/97; Inforpress Centroamericana (Guatemala), 09/19/97; Notimex, 09/20/97; Agence France-Presse, 09/09/97, 09/16/97, 09/27/97; La Prensa (Nicaragua), 09/19/97, 09/23/97, 09/24/97, 09/26/97, 09/27/97; Prensa Grafica (El Salvador), 09/10/97, 09/11/97, 09/13-15/97, 09/24/97, 09/30/97]

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