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## The Switch: Why Do Panama and Nicaragua Now Recognize China over Taiwan?

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The Switch:  
Why Do Panama and Nicaragua Now Recognize China over Taiwan?

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May 2022

Signature Page

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Why Do Panama and Nicaragua Now Recognize China over Taiwan?

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Dr. Jeffrey Meriwether

### Dedication

This paper is dedicated to Dr. Mark Sawoski, the professor who helped me realize and pursue my dreams. I can only hope to live out his impressive legacy, and I am proud to have been his student and mentee.

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## Abstract

Panama and Nicaragua have both recently changed their recognition of statehood from Taiwan, formally known as the Republic of China, to China, formally known as the People's Republic of China. Panama and Nicaragua are only a part of a larger global community that is turning away from Taiwan and towards China, as China grows as an economic, political, and military superpower. However, with a majority of Taiwan's remaining allies calling Latin America and the Caribbean home, these switches in recognition act as an omen for Taiwanese sovereignty. Overall, Panama and Nicaragua changed their recognition due to China's political and economic dominance, as well as due to a general shifting sentiment in Central America away from historical United States superiority in the region.

## List of Abbreviations

BRI	Belt and Road Initiative
CAFTA-DR	Dominican Republic-Central American Free Trade Agreement
CCP	Chinese Communist Party
DPP	Democratic Progressive Party
ICDF	International Cooperation and Development Fund
ILD	International Liaison Department
FSLN	Sandinista National Liberation Front
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
KMT	Kuomintang Party
LAC	Latin America and the Caribbean
MFN	Most-Favored-Nation
ODA	Official Development Assistance
PRC	People's Republic of China
ROC	Republic of China
SOE	State Owned Enterprise
TAIPEI	Taiwan Allies International Protection and Enhancement Initiative
UNO	National Opposition Union
USD	United States Dollar
WTO	World Trade Organization

## Introduction

In today's multipolar environment, it is difficult for smaller states to exert meaningful influence on superpowers like the US and China. However, an international situation such as the battle for recognition between Taiwan and China creates an opportunity for the aforementioned smaller states. Specifically, countries in Latin America and the Caribbean (LAC) are uniquely situated to wield power in this conflict as they are home to a wealth of natural resources, and are geographically positioned strategically near the US.

As of early 2022, Taiwan, officially known as the Republic of China (ROC), is internationally recognized as a state by 14 sovereign states. This means that 14 countries maintain relations with the ROC as an independently sovereign body. Additionally, those 14 states maintain the official stance that the ROC is the "real" China, while mainland China, also known as the People's Republic of China (PRC), remains unrecognized, and they do not practice diplomatic relations with the PRC. Importantly, eight of those 14 states are in Latin America and the Caribbean.

As the majority of its diplomatic allies are in LAC, the ROC seeks to uphold its relations and support its allies in the region as much as possible. Recently, the PRC has become more aggressive diplomatically, leading multiple LAC countries to switch their recognition from the ROC to the PRC. Interestingly, two countries that are very different politically, Panama and Nicaragua, both recently switched their recognition to the PRC (Panama in 2017 and Nicaragua in 2021). This paper will explore why these states switched their recognition through investigations of Panama and Nicaragua's current political situations and relations with the PRC and the ROC. Additionally, it will consider the ROC and the PRC's interests in the region, and how these countries interact via soft power initiatives like official development assistance



(ODA), the Belt and Road Initiative (BRI), vaccine diplomacy, and various free trade agreements (FTA). Finally, this paper will analyze the Monroe Doctrine, the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act, the Joint Communiqués establishing relations between the actors, the Nicaragua Human Rights and Anticorruption Act of 2018, the FTAs between Taiwan and its former allies, and communications between Panama and China about development projects. Through these documents, this paper will assess how burgeoning relationships between Panama and the PRC, as well as Nicaragua and the PRC, may be beneficial for said LAC countries, but they could be detrimental to the ROC and its claim to sovereignty as it loses key diplomatic partners in the region.

### **The Current Situation Between China and Taiwan**

The ongoing battle for recognition between China and Taiwan formally began in 1927 with the start of the Chinese Civil War between the Kuomintang (KMT) and the Chinese Communist Party (CCP). The KMT quasi-ruled mainland China from 1912-1949 until the CCP forced the KMT to retreat to Taiwan, an island off the coast of the mainland. From there, the CCP, led by Mao Zedong, retained jurisdiction over mainland China, at least hypothetically. Chiang Kai-shek, the leader of the KMT, established the ROC on Taiwan, and declared Taiwan to be the true China. With the end of World War II, the US and its allies recognized, that is initiated formal diplomatic relations with, the ROC over Mao's newly formed PRC on mainland China. Recognition in this case is legally considered *de jure*, as the US utilized its sovereign ability to recognize whichever state it would like, ignoring the *de facto* legitimacy of the PRC. Furthermore, this recognition was due to the fact that the ROC was a practicing democracy, and as the CCP ruled over the PRC, it became natural ally for the USSR. For this reason, the ROC

took control of China's permanent seat in the UN Security Council, and enjoyed broad acceptance worldwide.

However, in February of 1972, the President of the United States Richard Nixon released the Shanghai Communiqué, which acknowledged that “all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China” (United States, White House, Nixon Administration online). This official statement, along with its expulsion from the UN Security Council, initiated a global breaking of relations with the ROC. Further, the Shanghai Communiqué set the standard for the “One China Policy,” which simply stated means that there is one China, and Taiwan is a part of it. Oddly enough, due to domestic politics, the US did not officially switch its recognition from the ROC to the PRC until 1979, but once it did, the ROC had lost its strongest ally. That being said, and even under the One China Policy, the US still maintains informal relations with the ROC through the Taiwan Relations Act of 1979 and the Taiwan Allies International Protection and Enhancement Initiative of 2019. This relationship was due to the US and ROC's historical partnership, despite the fact that the One China Policy has become the basis of US-Chinese relations. Domestically, the American public is inclined to side with the ROC over the PRC due to its democratic and capitalist systems, so any move to sever ties with the ROC would be met with public outrage in the US. As a result, the American Institute in Taiwan acts as an informal US embassy to the ROC, with “retired” US Foreign Service Officers operating in the stead of an embassy. Thus, the US still supports states who recognize the ROC over the PRC, especially its allies in LAC.

Relations between Taiwan and China have recently begun to deteriorate, specifically after the election of the Democratic Progressive Party's (DPP) Tsai Ing-wen in Taiwan in 2016. From 2008 to 2016, the PRC and the ROC had reached a mutual agreement to stop competing for

recognition and allies. However, the PRC reneged on that agreement when President Tsai took office due to her party's progressive and anti-PRC platform. It was at that time that the PRC aggressively sought allies in LAC, quickly establishing relations with Panama, the Dominican Republic, and El Salvador (Teng, Republic of China on Taiwan's Relations with Latin America (1990-2020) 186). China's aggressive soft power maneuvers garner it more official allies every year, yet Taiwan still maintains ties with many of its former allies. For instance, the FTA between Panama and Taiwan is still in effect. All in all, Taiwan's dwindling foreign relations and decline in allies may indicate a future unification with the Chinese mainland. That being said, and with no promise of unification in the near future, individual countries may decide to utilize their own sovereign right to foreign relations, thereby choosing whether to recognize the ROC or the PRC as the "real China." Currently, the reality is that only a minority of states recognize the ROC. The question is though, why did Panama and Nicaragua recently choose to ally themselves with the PRC over the ROC? What about these actors changed to initiate such a dramatic shift in international policy? The first indicators of international behavior and policy might lie within the countries and their political situations themselves.

### **Politics in Panama and Nicaragua**

#### *Panamanian Politics Circa 2017*

Panama switched its recognition from the ROC to the PRC in June of 2017 during Juan Carlos Valera's presidency. Importantly, China was already investing millions of dollars into projects in Panama prior to this switch in recognition. For example, China signed a 99-year lease for Panama's Margarita Island port in 2016. Therefore, while Panama was maintaining diplomatic relations with the ROC, it was also reaping economic benefits from pre-established ties with the PRC. So why did Panama change its ties, if not to seek greater economic aid?

Former president Juan Carlos Valera was in office from 2014 to 2019 and led the Panameñista Party, a nationalist Panamanian party. Prior to his tenure, the presidents of Panama hailed from center right and center left leaning parties. This might indicate that Valera's nationalistic tendencies drove the switch in recognition, as it was in Panama's national interest to initiate formal relations with the rising PRC superpower. Significantly, Valera had prior work experience with the PRC, and therefore saw switching relations as a way to bolster the Panamanian economy in a time when Panama faced tensions in its relations with the US. Additionally, the administration elected after Valera was pro-US, which in turn made establishing relations with the PRC more difficult. For instance, Panama's government halted FTA negotiations with the PRC after Valera left office. However, experts cite Taiwan's change of leadership to President Tsai in 2016 as the main reason why Panama switched its formal recognition to China, thereby paying little heed to the political inner workings of Panama at the time.

Importantly, language present in both the establishment of relations between Panama and the PRC, and the reestablishment of relations between Nicaragua and the PRC, is extremely similar, even though the political situations in Panama and Nicaragua are disparate. In both instances, the PRC issued joint communiqués with Panama in 2017 and Nicaragua in 2021, entitled *Comunicado Conjunto entre la República de Panamá y la República Popular China sobre el Establecimiento de Relaciones Diplomáticas*<sup>1</sup> and *Comunicado Conjunto entre la República Popular China y la República de Nicaragua sobre el Restablecimiento de Relaciones Diplomáticas*<sup>2</sup>, respectively. The language in both of these communiqués is nearly identical,

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<sup>1</sup> Translation by Roxanne Rogers: Joint Communiqué between the Republic of Panama and the People's Republic of China on the Establishment of Diplomatic Relations

<sup>2</sup> Translation by Roxanne Rogers: Joint Communiqué between the People's Republic of China and the Republic of Nicaragua on the Reestablishment of Diplomatic Relations

stating that relations are established “a la luz de los intereses y el deseo de ambos pueblos,”<sup>3</sup> and that both Panama and Nicaragua “reconoce[n] que existe una sola China en el mundo, el Gobierno de la República Popular China es el único Gobierno legítimo que representa a toda China, y Taiwán forma parte inalienable del territorio chino,”<sup>4</sup> (Republic of Panama and People's Republic of China 1).

On the surface these agreements legally establish relations between two consenting states, acknowledging the fact that this establishment is in the best interest of both parties. This is the very basis of international relations and the practice of sovereignty, but there is more to these agreements than just the establishment of diplomatic relations. Panama and Nicaragua also must adhere to the One China Policy, which is the foundation of US-China relations. They also renounce their ties with Taiwan and officially recognize that Taiwan is a part of China, a complete reversal of years of diplomatic relations with Taiwan. Significantly, neither Panama nor Nicaragua added special clauses to the communiqué that required China to do anything special in return for diplomatic recognition. This indicates that China is in the seat of power in negotiations, even though Panama and Nicaragua had the final bargaining chip: their official relations with Taiwan. In the case of Panama specifically, China seemed to have used recognition as a tool to irritate and weaken Taiwan, meaning that China initiated the switch in recognition, not Panama. However, the situation is extremely different in Nicaragua.

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<sup>3</sup> Translation by Roxanne Rogers: “in light of the interests and desires of both states”

<sup>4</sup> Translation by Roxanne Rogers: “recognize that there is only one China, the government of the PRC is the only legitimate government that represents all of China, and Taiwan is an inalienable part of China.”

*Nicaragua and Daniel Ortega*

Nicaragua is the most recent state to switch diplomatic recognition from the ROC to the PRC in December of 2021, and as it was five years after President Tsai's election in Taiwan, there must be something more at play. First and foremost, Nicaraguan politics are significantly different from Panamanian politics. The Nicaraguan government is run by the Sandinista National Liberation Front (FSLN), led by Daniel Ortega as president, and his wife Rosario Murillo as vice president. With all of this consolidated power, Ortega can essentially control all Nicaraguan foreign policy with ease. Ortega first came into power in 1985, during which time he changed Nicaragua's recognition of the ROC to the PRC, citing their political similarities as the reason for the switch. This was later reversed in 1990 when the National Opposition Union (UNO) came into power over Ortega. However, Ortega won the 2006 presidential election and has been in power ever since. His administration has been characterized by "extreme poverty... organized crime... police brutality..." and much more (Tase online).

In 2018, protests started against Ortega and his government after he passed a bill to tax retiree's pension checks. These peaceful protests quickly turned violent as Ortega's forces killed hundreds and injured thousands of demonstrators. After a month of protests, "70% of Nicaraguans wanted Ortega...to resign," (Waddell online). However, as Ortega and Murillo have complete control of all branches of the government, and have obtained a super majority through election manipulation in the National Assembly, he is able to "change any law, including the constitution," (US Department of State online). As such, Ortega aggressively cracked down on the protesters to solidify his power, instigating a human rights crisis that angered the international community. For example, in December of 2018, the US government passed the Nicaragua Human Rights and Anticorruption Act which imposed sanctions on significant leaders

in Ortega's administration, like Murillo, and took "action to restrict international financial institutions, including those affiliated with the World Bank Group and the Inter-American Development Bank, from extending financial or technical assistance to Nicaragua's government," (Nicaragua Human Rights and Anticorruption Act of 2018 online). On top of those sanctions, the US government stopped foreign aid to Ortega's government, which seriously affected the Nicaraguan economy. Nicaragua's GDP has contracted since the 2018 protests, maintaining its position as the second poorest state in the Western Hemisphere. Importantly, the US is Nicaragua's largest trading partner, even with all of the sanctions in place. 49% of Nicaragua's exports are destined for the US, and 22% of its exports come from the US. Tourism from the US is also another large contributor to the Nicaraguan economy, which has declined in the wake of the COVID-19 pandemic (US Department of State online).

Nicaragua's financial relations with the US are significant here, as the US is Taiwan's main supporter in the Western Hemisphere. However, Nicaragua's switch of recognition might be less about Taiwan and more about China. China's BRI is very attractive to a poorer country like Nicaragua, and as the US is no longer providing foreign aid to the Ortega government, China seems like a more viable financial partner. Additionally, while Taiwan has a prosperous economy and is ready and able to provide foreign aid to its allies, China simply has more to offer as it is ruled by a more authoritarian government. For example, Taiwan is a democracy and ideologically acts as such. Therefore, when the protests in Nicaragua turned into a dramatic violation of human rights and other democracies in the world condemned the Ortega government, Taiwan could not do so out of fear that it would lose an ally. Even with evidence that foreign aid to Nicaragua just goes to benefitting Ortega and his supporters, Taiwan continued to send aid to secure its relationship. In 2014, when the Grand Interoceanic Canal

project was announced, something that will be discussed below as a part of China's BRI, Taiwan drastically increased its foreign aid to Nicaragua, from \$9.2 million in 2013 to \$18.6 million in 2015 (Arcia 179). This aid and other loans from Taiwan have been criticized by officials in the US, causing some to be put on hold. Thus, Taiwan and Nicaragua were often stuck in a dance between appeasing the US and acting within their own national interests. China is also stuck in this position, as it has denied Nicaragua foreign aid in the past to strengthen its relationship with the US. For these reasons, Nicaragua's change in recognition is driven by economic need, but that is not the only motivator in the matter.

### **China, Taiwan, and the US and Their Interests in Panama and Nicaragua**

China and Taiwan have various primary and secondary reasons for becoming involved with Panama and Nicaragua, but why is the US involved? Aside from its involvement in the negotiations of the One China Policy, the US has had a vital national interest in protecting all Western Hemispheric countries from outside interference since the 19<sup>th</sup> century. On December 2, 1823, President James Monroe of the United States addressed Congress, setting out what is now known as the "Monroe Doctrine." In essence, the doctrine states that:

We owe it, therefore, to candor and to the amicable relations existing between the United States and those powers to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety (Monroe online).

To paraphrase, Monroe declared that any action made by any external power to interfere with states in the Western Hemisphere would be considered an act against the security of the US. At the time, this statement was more of a warning against colonizing powers to stay out of what



became known as the US's sphere of influence, but modern US administrations use it today to repel super powers, including China, from the region. For instance, former president Donald Trump took affront to China's encroachment in the region, especially after 2017, seeing as he saw China to be the largest threat facing the US. This perceived encroachment accounts for the passing of the TAIPEI Act in 2019, which "requires the Department of State to annually report to Congress on steps the State Department has taken to help strengthen Taiwan's diplomatic relationships and partnerships around the world," (Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019 online).

The TAIPEI Act could be interpreted as a bill to help Taiwan and its dwindling diplomatic allies, especially in LAC, as that is a part of the US's sphere of influence. A more accurate interpretation of the TAIPEI Act illustrates that the Trump administration was acting in the spirit of the Monroe Doctrine and protecting its sphere of influence from more powerful global actors, like China. The fact of the matter is that the US sees China as a threat and Taiwan as an ally that it can easily manipulate due to their power differences. While Trump's critics saw this as a particularly hawkish stance, it was mainly a modern reiteration of the Monroe Doctrine.

While the US clearly wants to protect its allies in the region and secure its sphere of influence, China has a larger variety of reasons for becoming involved in Panama and Nicaragua. China's interest in LAC began in the 1950s as the CCP started communist propaganda campaigns in various states. The CCP then faced setbacks during the Sino-Soviet split in the 1960s, as communist LAC countries, specifically Cuba, looked to the USSR for aid and direction (Wise 46). The 1950s and 60s did set a foundation for future economic relationships with LAC countries, which began to boom with China's Open Door Policy in the early 1980s. Thus, China's primary reasons for interactions in the region became economic and political as China

sought out natural resources and a growing opportunity for the BRI, and looked to be a leader and example for LAC countries to further sabotage US efforts in the region as (Wise 45).

Notably, China is the country with the largest population in the world, the second largest economy run by primarily manufacturing, and is therefore in desperate need of natural resources. This is why, for instance, China focuses so much time and energy on its relationships with Ecuador and Venezuela, as both of those states are oil exporters. China also seizes the opportunity to export goods and services to LAC countries that not only expands its economy, but also improves its image via soft power. For example, after Panama recognized China in 2017, China provided “material resources” (Wise 54) in the form of vital upgrades to the Panama Canal that the US could not, or would not, provide. In this sense, the switch of recognition for Panama was not all one sided. Instead, Panama received much needed resources to update and fix its most important commodity. China knew this, and utilized the Trump administration’s hostility towards its LAC allies as an opportunity to flex its soft power. Additionally, concerning soft power, China sees itself as a global “model in overcoming political and economic challenges” (Wise 45). Some states like Nicaragua eagerly follow this example, as Daniel Ortega cited political reasons for Nicaragua’s first switch in recognition. Thus, China’s interest in the LAC goes beyond just a battle for recognition with Taiwan, and instead can be characterized by its soft power conflicts with the US, which will be discussed further in this paper; its need for natural resources; and its political ties with communist leaning states like Cuba, which will not be focused on here.

Finally, Taiwan’s interest in Panama and Nicaragua are more straightforward: it boils down to needing overt allies in its fight for sovereignty. Taiwan’s relations with LAC countries are not explicitly lucrative from an economic standpoint. Taiwan invests millions of dollars into

its allies in the region, yet it is not reliant upon the LAC market for profit. Taiwan imports very little from Nicaragua and Panama, and its exports are insignificant next to larger economies like the US and China. That being said, Taiwan saw value in Nicaragua and Panama outside of trade agreements, it saw those states as allies in its ongoing battle against China. With Taiwan's list of allies growing shorter by the year, China may grow bolder in its moves towards taking Taiwan via force. Additionally, even if Taiwan was peacefully integrated into China, the balance of power in Asia would be dramatically tilted in favor of China, more so than it already is. In terms of soft power, more students from LAC countries would be directed to attend Chinese universities over Taiwanese schools, which would negatively impact Taiwan's higher education system and economy (Ellis 257). Overall, Taiwan seeks to maintain its relations with LAC countries to better its position against China and to preserve its interests as a sovereign state.

### **Taiwan's Free Trade Agreements with Panama and Nicaragua**

#### *Panama's Continuing Free Trade Agreement*

Taiwan's FTAs with Panama and Nicaragua are symbolic of Taiwan's economic advances within the Latin American market, and demonstrates the ideological differences between Nicaragua and Panama. First, it is important to note that FTAs, unlike the joint communiqués that established relations between Panama and China, and Nicaragua and China, are very different due to the customized nature of bilateral trade agreements. Additionally, both of the FTAs are quite long, as they detail the best practices for shipping and trading all types of goods. For that reason, this section will mainly focus upon the preambulatory clauses of the documents, initial provisions, and national treatment and market access in both documents, with some other highlighted portions depending on the signatories. While the rest of the information

in the documents are important logistically, there is no need to address the measures on matters such as sanitary and phytosanitary issues in this paper.

Negotiations for Panama and Taiwan's FTA started in 2001 after Taiwan was admitted into the World Trade Organization (WTO) as a "separate customs territory" 300 (Wu and Liao 294). The FTA was finalized in 2003 and went into effect in 2004. The validity of the trade agreement came under question when Panama switched its recognition to the PRC in 2017, especially with the One China Policy in place, as that might make the FTA legally null and void. However, under international law, specifically Article 63 of the Vienna Convention on the Law of Treaties, the breaking of diplomatic relations would not impact the validity of the treaty, as "legal relations established by treaties and diplomatic ties are legally independent" (Wu and Liao 294). Therefore, when Laurentino Cortizo of the Democratic Revolutionary Party was elected president of Panama in 2019, he was able to halt negotiations for a new FTA with the PRC that had been initiated by Valera's government, opting to maintain the one between the ROC and Panama instead. In essence, any treaties established between Panama and the ROC are still in effect, regardless of the One China Policy, due to the legal nature of treaty law and its enforcement.

The FTA between Taiwan and Panama begins with a list of preambulatory clauses, which, while they do not act as operative clauses that include such measures as enforcement and funding, simply establish agreed upon statements that both entities acknowledge to be true. There are three preambulatory clauses of import to this paper, the first of which states that Panama and Taiwan both "Recognize the difference in the levels of development and in the size of their economies and the need to create opportunities for economic development;" (Free Trade Agreement between the Republic of China and the Republic of Panama 1). This clause is

especially important for a few reasons, the first being that the states both recognize an economic power difference, but do not explicitly state which entity has the more developed economy. Part of Panama's motivation to sign onto this agreement was to open up trade borders with a richer state with a larger economy and to reduce trade barriers between the two. Additionally, the subsequent section of this paper will explore the significance of investment from Taiwan into Panama in the form of development projects, which can also be seen in the language of "the need to create opportunities for economic development."

The next two preambulatory clauses of import hit upon the idea that both Taiwan and Panama are democracies working towards the betterment of their own people through economic growth and other means. Specifically, the clauses read that both states

Create employment opportunities and improve living standards of their people in their respective territories; [and] Promote economic development in a manner consistent with environmental protection, conservation, and sustainable development (Free Trade Agreement between the Republic of China and the Republic of Panama 1).

In essence, these clauses address the people of Taiwan and Panama, not necessarily the corporations and governments that stand to benefit from free trade. Generally, countries with dictatorships display concern about human rights without really enacting meaningful legislation on the matter. Thus, one of the reasons that negotiations for an FTA between the PRC and Panama may have fallen through was a disparity in ideological values. Furthermore, while the first preambulatory clause in this set directly concerns human populations, the second addresses the growing global issue of environmental deterioration. The PRC presents a poor record with environmental abuse, whereas Taiwan and Panama face an immediate crisis with rising sea

levels. So, while the preambulatory clauses do not necessarily enact any substantial treaty language, they reflect the synchronization of democratic values between Panama and Taiwan that is not present between China and Panama.

The initial provisions mainly concern the lines of consistency within the document and how preceding or post hoc treaties are to be dealt with in accordance with the FTA, but there is also one article of note in this section. Article 1.02, which acts as the enforcement mechanism for the FTA, states that “each Party shall ensure the adoption of all necessary measures in accordance with its constitutional rules in order to comply with the provisions of this Agreement in its territory and in all levels of its government,” (Free Trade Agreement between the Republic of China and the Republic of Panama 2). While there are specifically no consequences listed here for failure to comply with this treaty, the enforcement and enactment mechanism in place is that both entities will pass legislation to comply with the measures of the FTA. The key words in this treaty are that the adoption of all measures will occur in “its territory and all levels of government.” This is particularly interesting in Panama’s case because as of 2017 they subscribe to the One China Policy. The One China Policy conflicts with this article, as it supposes that the parties to the agreement have control of their own territories and governments at all levels, which also presupposes sovereignty. If there is only one China and Taiwan is a part of it, this FTA would have had to go through the PRC government for approval as well, as of 2017 that is, and this FTA would also apply to Chinese territory, which it does not, especially as Panama does not currently have an FTA with China. Overall, this article brings into question the validity of the FTA as a whole after Panama’s switch of recognition, and it begs the question: does changing recognition influence Taiwan’s sovereign status from the Panamanian perspective?

In Chapter 3 of the FTA between Taiwan and Panama, there are three articles of particular interest, the first of which is Article 3.03 Subclause 2, which states that

...each Party shall grant the goods of the other Party the treatment no less favorable than the most favorable treatment granted by this Party to the like, directly competitive or substitutable goods of its national origin (Free Trade Agreement between the Republic of China and the Republic of Panama 11).

The subsequent clause, Article 3.04 Subclause 1 on the tariff reduction schedule further states that “Upon the entry into force of this Agreement, the Parties commit themselves to ensuring access to their respective markets by means of elimination of customs duties,” on items described later in the agreement (Free Trade Agreement between the Republic of China and the Republic of Panama 11). Both of these clauses grant ease of access to domestic markets in a reciprocal fashion so as to better the economic functions of both entities party to the agreement via free trade. Economists have asserted for years that free trade and reducing barriers to international markets allows for specialization in market economies, thereby leaving both trade partners better off than when they started. This simple idea has prevailed through these FTAs, and in this particular case it allows for Panama to specialize in producing goods and services that pertain to agriculture and its other large export commodities, and Taiwan can specialize in technological manufacturing and the like. It is for this reason, that is to say the betterment of the Panamanian economy, that would sway Panama towards maintaining diplomatic relations with Taiwan. However, it has found a middle ground where it can still uphold this FTA, which grants it “no less favorable treatment,” and access to Taiwan’s domestic market without excessive tariffs, as delegated by this agreement and the General Agreement on Tariffs and Trade (GATT), and initiate diplomatic relations with the PRC.

The interesting aspect with Panama's situation is that it has yet to enter into an FTA with China. As previously mentioned, Valera's government attempted to negotiate an FTA with the PRC, but this was halted when he left office. From an economic standpoint, it is important to note that China and Panama signed a document entitled Memorando de Entendimiento entre el Ministerio de Comercio e Industrias de la República de Panamá y el Ministerio de Comercio de la República Popular China para el inicio del estudio conjunto de factibilidad para un acuerdo de libre comercio entre Panamá y China.<sup>5</sup> The existence of this memorandum proves that both China and Panama at one point wanted to negotiate an FTA, but the preambulatory clauses of this document are of great import as it mentions that both countries are "Deseando fortalecer la cooperación bilateral para construir conjuntamente el Cinturón Económico de la Ruta de la Seda y la Ruta Marítima de la Seda del siglo XXII..."<sup>6</sup> (Memorando de Entendimiento 1). Herein lies one of the primary reasons for Panama's switch of recognition to the PRC: China is willing to finance investment projects to bring Panama into the fold of the BRI and China's new Silk Road. Panama stands to greatly benefit from a Chinese investment in development, which will be further discussed in the next section, but for now, it is key as a foundational aspect of the future potential of an FTA between the PRC and Panama. That being said, Panama will likely maintain its FTA with Taiwan because of the readily available market with another democratic capitalist nation that shares similar interests with Panama, and is still willing to maintain that market openness, even though the entities no longer share diplomatic ties.

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<sup>5</sup> Translation by Roxanne Rogers: Memorandum of understanding between the Ministry of Commerce and Industry of Panama and the Ministry of Commerce of China to initiate a joint study on the feasibility for an FTA between Panama and China.

<sup>6</sup> Translation by Roxanne Rogers: Desiring to strengthen bilateral cooperation to jointly construct the Silk Road Economic Belt and the Maritime Silk Road of the 21<sup>st</sup> century.



*Nicaragua's Economic Break with the Republic of China*

The FTA between Nicaragua and the ROC came into effect in 2008, only a year into Ortega's second regime, but it had been negotiated and signed during Enrique Bolaños's tenure (2002-2007). Thus, it is important to consider that Ortega did not take part directly in the negotiation of this agreement, and may not have felt any obligation to uphold it. In the same vein, Nicaragua unilaterally left the FTA with the ROC in early 2022, only a month or so after breaking formal diplomatic relations with Taiwan. An FTA with China is now rumored to be in the works, something that Panama attempted but later backed out of. Before analyzing this document, it must be said that Ortega's Nicaragua is not in a good economic position, and it is aggravated by the COVID-19 pandemic. For this reason, turning to China as a larger trade partner may seem like a better move for Ortega, but China is not necessarily looking to establish relations with Nicaragua to just have to support it financially. Bearing that in mind, the rest of this section will focus on certain preambulatory clauses, initial provisions, and the termination clause, which has become rather pertinent in the Nicaraguan case.

The two preambulatory clauses of particular interest are increasingly favorable to Nicaragua and enhance its market both domestically and internationally. This makes sense as Nicaragua was in need economically, as one of the poorest states in the Western Hemisphere. For instance, one of the preambulatory clause reads

Ensure a predictable commercial framework for business planning and investment, by promoting and strengthening efforts to attract Taiwanese investments to the Republic of Nicaragua, and for the purpose of transferring technology that contributes to the development of the competitiveness of the

Republic of Nicaragua's productive sectors; (Free Trade Agreement between the Republic of China (Taiwan) and the Republic of Nicaragua 1).

The first part of this clause seems even handed for Taiwan and Nicaragua, but it quickly turns its favorability towards Nicaragua. While investment opportunities in Nicaragua are beneficial for Taiwan on paper, an influx of money into the Nicaraguan economy would greatly support the Nicaraguan people, and later Daniel Ortega and his allies. This might be one of the reasons why Ortega maintained this FTA: to improve his own standing and not take a financial hit while still recognizing Taiwan. The other language of note in this clause is the "transferring of technology" to Nicaragua to help their own production and manufacturing sectors. Again, on paper Taiwan is getting a fair deal as their technology manufacturers get to sell to Nicaraguan businesses without the hindrances of trade barriers but, at the same time, Nicaragua is able to grow its production sector and, at least hypothetically, make more money down the line with a stronger production sector in place. The fact that this is included in the preambulatory clauses also indicated that both entities see this as a statement of mutual interest. For this reason, it would seem that Taiwan was amenable to supporting Nicaragua financially to some extent in exchange for the existence of the FTA and diplomatic recognition.

The second preambulatory clause of import also focuses on Nicaragua's national interest over Taiwan's. As such, it reads that both entities "Recognize the interest of the Republic of Nicaragua in strengthening and deepening their regional economic integration;" (Free Trade Agreement between the Republic of China (Taiwan) and the Republic of Nicaragua 2). At first glance, this clause does not pertain to Taiwan in any way, shape, or form. However, Nicaragua is recognizing Taiwan as a stepping stone along the way for its ultimate goal of reaching regional integration in Central America. For Nicaragua to become a bigger part of the regional economy,

it must first strengthen its own economic prospects and make itself appealing to its neighbors in LAC as a place of business and investment. As with the previously discussed clause, Taiwan seemingly gets nothing in return for this clause, but it is important to keep in mind that Taiwan is able to maintain its relations with Nicaragua through this agreement, and this is simply a preambulatory clause, not an operative one.

Chapter 1 Article 1.02 discusses the ultimate goals of the FTA pertaining to what both states should supposedly hope to get out of this FTA. Most importantly, the main text of the article reads that “The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favored-nation treatment, and transparency,” (Free Trade Agreement between the Republic of China (Taiwan) and the Republic of Nicaragua 1-1). The key words in this article are most-favored-nation (MFN) treatment, as that means that both states will treat each other with equal trade advantages within their own markets. This implies that tariff and non-tariff barriers to trade will be reduced to the appropriate levels. However, this FTA adds another layer to MFN status with subclause d, which states that both entities will “substantially increase investment opportunities in the territories of the Parties;” (Free Trade Agreement between the Republic of China (Taiwan) and the Republic of Nicaragua 1-1). While this subclause is reciprocal, there is a catch due to the reality of this economic partnership: Nicaragua is in much greater need for investment while Taiwan is in a much better position to invest than Nicaragua is. Therefore, this subclause once again favors Nicaragua over Taiwan.

These overtly favorable clauses towards Nicaragua beg the question why did Nicaragua switch recognition and leave this trade agreement? For one, China has a much larger economy than Taiwan, and is better suited to support Nicaragua financially through the BRI and other

development and investment projects. Furthermore, Taiwan had to balance many of its loans and development projects in Nicaragua with its relations with the US (which will be discussed in the next section).

All in all, Nicaragua saw China as a better business partner financially and ideologically, so this switch is more beneficial to them. However, the manner in which Nicaragua attempted to leave this FTA was illegal according to international law, as it sought to unilaterally leave the agreement immediately. This was a poor choice for two reasons: the FTA had a termination clause in place and it was costly for Nicaraguan companies. The termination clause in the FTA states that a party to the agreement can withdraw after a notification period of 180 days (Free Trade Agreement between the Republic of China (Taiwan) and the Republic of Nicaragua 24-1). Nicaragua under the Ortega regime attempted to leave this agreement unilaterally and abruptly, thereby violating the treaty and dragging Nicaraguan companies down with it. Many companies have appealed to the Taiwanese government for a buffer period until July 1, which will allow for shipments from Taiwan that were ordered under the FTA but delayed due to the COVID-19 pandemic, to be delivered to Nicaragua under FTA guidelines (Taiwan to cease implementation of Nicaragua FTA on July 1 online). Taiwan has approved this buffer period even though the FTA is now considered void under international law, for with bilateral treaties if one side violates the provisions, the terms are henceforth considered null and void.

Overall, these two FTAs reflect the relations between Taiwan and Panama and Nicaragua as they stood prior to their switches of recognition in a way that also indicates why these switches may have been beneficial to the LAC parties. However, these treaties only illustrate a part of the economic reasoning behind the switches, as development under ODA and the BRI are also key to understanding this issue.

## **Development Wars: Belt and Road Initiative against Official Development Assistance**

### *China's Belt and Road Initiative*

China and Taiwan's competition for recognition in LAC is accompanied by investments from the private and public sectors in major projects occurring in the region. China's major investment in the region takes the form of the BRI in Panama and the Grand Interoceanic Canal in Nicaragua. Taiwan's projects are under its official development assistance and the Taiwanese International Cooperation and Development Fund (ICDF), which are prominent in both Nicaragua and Panama.

China's investments in Panamanian infrastructure projects mainly takes the form of private investments in ports, canal expansion projects, and railroad construction. However, many of these projects were started under Valera and then stalled after the Cortizo government came into power. One of these major projects included building a railroad between Panama City and David in the Chiriquí province, which is close to the Costa Rican border. In July of 2018, Chinese and Panamanian officials exchanged letters of understanding on how to execute such a project. The letter from Panama states that

El Gobierno chino se compromete a realizar el estudio de factibilidad del Proyecto Ferroviario de la Provincia de Panamá con la cooperación no reembolsable ofrecida por el Gobierno chino. La Empresa Corporación de Diseño de Ferrocarril de China, con alta calificación y destacado historial en el campo de su desempeño será la entidad ejecutora designada por la Parte china para la

realización del estudio de factibilidad del proyecto,<sup>7</sup> (Agreement regarding the implementation of the feasibility study of the railway project 1).

There are two points of particular importance in this excerpt, the first of which is that Panama and China were simply entering into an agreement to study the feasibility of this railway. This \$4 billion railway was to connect Panama City and David by high-speed train, a project that would have changed travel in Panama as it extends for 276 miles. However, the project was promptly canceled, among others, when Cortizo came into power and sought to improve relations between the US and Panama. Thus, while this project was never fully underway as the study was being conducted, the project and Panama took a hit with this cancellation (Ellis 260). The second important point from this quote is the fact that a private company would be taking on the brunt of the study and design of the railway. This is significant because the Chinese government would thereby not be attached in name to the study except in these letters. Furthermore, Taiwan's ODAs are part of direct government funding, while China has the wherewithal through its private sector to delegate these sorts of projects. An important note on the Chinese private sector is that, for the most part, large corporations are in part or whole owned by the CCP and the government and are thereby called state owned enterprises (SOE). So, the Chinese government can in name not be attached to a project when a company like the Chinese Railway Design Corporation takes over, but in reality, the government is in a lot more control behind the scenes.

Many other Chinese projects were canceled or postponed during the Cortizo administration. For instance, a fourth bridge was to be built over the Panama Canal, but Panama

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<sup>7</sup> Translation by Roxanne Rogers: The Chinese government commits to carry out a study on the feasibility of the Panamanian Provincial Railway Project with the non-reimbursable cooperation of the Chinese government. The Chinese Railway Design Corporation, with its high qualifications and impressive history, will be the executing entity of this study as designated by the government of China.

is still the first Latin American country to join the BRI. Through this deal, China granted Panama \$500 million and began work on expanding the Panama Canal. Furthermore, “the Landbridge Group, a Chinese state-owned company, signed a \$900 million deal for control of Margarita Island Port,” which is a key commercial hub in Panama (III, Lem and Paudel 562). With an SOE purchasing control of a key port in Panama and bringing it into the fold of the BRI, China exhibits a crucial interest in Panamanian affairs and its geopolitical standing in the region. Even more pertinently, the Landbridge Group deal and Panama’s joining of the BRI both happened in 2016, prior to the diplomatic switch of recognition. It is therefore viable to say that Panama switched its recognition to be able to reap even more benefits from BRI programs, and that China was using infrastructure investment and BRI projects to entice Panama into switching recognition.

China’s investments into Nicaragua are similar to that of Panama due to their ambitious nature and propensity to halt and stall. The biggest of these projects is the Grand Interoceanic Canal, which was first proposed in 2012. The main idea of the project was to build a canal that would rival that of Panama in size and use. The initial plans for the canal detailed a much larger capacity than that of the Panama Canal, totaling 250,000 deadweight ton capacity for boats, while the Panama Canal can only manage 130,000 deadweight tons (Trejo 82). The funding for this \$50 billion dollar project would come from Hong Kong Nicaragua Development, a company registered in Hong Kong but is suspected to be supported by the Chinese government as only the CCP and Beijing could fund this large scale of a project (Arcia 182). Further, China has political and economic interests in building a new canal, especially in Nicaragua. Nicaragua on the other hand, has very little incentive to do the project, as it involves the concession of the canal to Hong Kong Nicaragua Development, making it so that Nicaragua would only see a 1% return rate

within the first 50 years of the deal (Arcia 182). Additionally, the project would have tremendous impacts on the environment, migration, food security, and indigenous communities. The Nicaraguan constitution and many other treaties would be violated if this canal is built, which puts the Ortega regime in a hard position. Finally, the canal would put Nicaragua into the BRI, which would only indebt it even more to China. The only true positive that Nicaragua found in the short term was that Taiwan increased its foreign aid and investments into Nicaragua as the project progress in 2014 and 2015. Since then, the construction of the canal has been stalled, but the concession still stands. In speculation, Nicaragua may have switched its recognition to China so as to expedite and restart this project, but there are so many domestic obstacles that this canal project may never get off the ground in Nicaragua.

#### *Taiwan's Official Development Assistance*

Taiwan takes a different approach to development assistance abroad than China does, even though their motives for providing this assistance are similarly self-interested. Taiwan's ODA to LAC in general can be broken down into five different categories: social infrastructure, economic sectors, economic infrastructures, special purpose grants, and sustainable development. The money that funds these projects comes from Taiwan ICDF and more specific funds like the Central America Trade Office and Central American Economic Development. These programs and funds were started to aid in the investment of Taiwanese money into LAC projects and to ease access of LAC countries to the Taiwanese market. The ODA category "Social infrastructure and services," receives the most amount of funding, with about 49% of ICDF money spent on "education, scholarships, vocational training, health care, water supply and sanitation, and government and civil society," (Teng, Taiwan and its Latin American Allies 198). In Nicaragua alone, nine out of 13 projects funded by Taiwanese ODA were related to



building and maintaining social and economic infrastructure (Teng, Taiwan and its Latin American Allies 198). However, while these social and economic projects play an important role in the ROC's international relations, the category of interest is that of special purpose grants. These grants have been used by Taiwan to reward elites from its LAC allies to ensure their continued support. About 20% of ODA funds are spent on these grants, indicating that the ROC is highly interested in maintaining these alliances and will send money directly to its supporters abroad (Teng, Taiwan and its Latin American Allies 198).

In the Taiwanese private sector, which unlike China is truly private in nature, businesses also invest into projects abroad in places like Panama and Nicaragua. For instance, Taiwanese investment totals around \$145.02 million in the clothing, hospitality, and electronics sectors, among others (Fan 4). Some larger companies created Nica Eastern Development Inc. which operates "hotels, shopping malls and conference centers in Nicaragua," (Fan 4). Nicaragua was investing in projects in Taiwan as well, but those investments only totaled to \$13,000. Thus, while Nicaragua suffered from the loss of Taiwanese investment into the Nicaraguan projects, Nicaragua did not lose a significant investment market after it switched recognition. However, China and Taiwan do not only use dollar diplomacy to acquire allies, especially as China's soft power is on the rise.

### **Propaganda and Vaccines for Resources and Access: How and why the Republic of China and the People's Republic of China Influence the Region**

The PRC has many different reasons to increase its presence in LAC, but the COVID-19 pandemic that began in December of 2019 affords the PRC a new opportunity to flex its soft power in the region and gain new allies. However, the pandemic was not the only way in which the PRC utilized its soft power, as states in LAC received benefits such as the opening of new

economic markets and the redirection of Asian focused students from Taiwan to China. In Panama in particular, the PRC was very active with its soft power pursuits as it pertained to education, economics, and infrastructure.

Panama's exports are mainly agricultural in nature, but China sees more economic potential in the state due to its location and unique position in the Western Hemisphere. Panama is home to the Panama Canal, the only link between the Atlantic and Pacific oceans besides the southernmost tip of South America. Shipping products through this canal is both lucrative for international businesses and Panama as it promotes itself as an economic entity. Panama therefore sought to improve its infrastructure through the newly established Chinese relations, as discussed in the previous section. On top of that, China used its soft power influence to impact Panama through education and trade. First and foremost, after Panama recognized China, the PRC set up the Confucius Institute in the University of Panama to promote Chinese studies. This institution aimed to set up future business relations with LAC students who favor China over Taiwan, and are well versed enough in Chinese culture and language that they will be effective business partners in the future. Just like the infrastructure, this is a type of investment that China is making in the Panamanian youth that they hope will pay off in the future (Ellis 260).

Concerning economics, Panama experienced a trade boom with China following its recognition of the PRC. As such, Panamanian exports to the PRC grew from 2 million USD in 2002 to 42.7 million USD in 2017, right when they established diplomatic relations. This is particularly interesting because China does not necessarily need any of the products that Panama exports, as Panama is an agricultural exporter and China is in need of natural resources like oil. On the flip side, Chinese exports to Panama grew from 40.8 million USD in 2012 to 1.24 billion in 2017, which is also staggering considering the fact that Panama and China do not currently

have an FTA (Ellis 261). However, on the whole, China's newfound economic presence in Panama has increased to a point that is substantially important for Panama and its economy, which might hint at an economic incentive in Panama's recognition of the PRC over the ROC.

Another way in which China has been able to influence LAC in a political manner concerns the CCP and its foreign relations. While the CCP runs the government of China, it also acts as a separate and frankly more powerful organ of the Chinese state. The CCP also has many bodies that operate inside it, including the International Liaison Department (ILD), which initiates and maintains relations between the CCP and other political parties in other countries. This structure is significant because it allows for the CCP to spread pro-China news and information abroad, and is therefore another way for China to exert its soft power. Importantly, between 2002 and 2017, "the ILD held nearly 300 meetings with 74 different political parties in 26 countries in LAC," (Berg 5). Additionally, these meetings hold direct influence over important deals and decisions happening between the PRC and countries like Panama. For instance, before the PRC announced a deal with Panama to invest in infrastructure projects involving the Panama Canal, the ILD met with the ruling party in Panama at the time. Thus, the ILD stands to improve political relations with other states, even those with disparate values, so as to promote the CCP and China internationally.

The final soft power measure that China has used specifically as it pertains to Panama is that of medical or vaccine diplomacy. Medical diplomacy became widely known during the COVID-19 pandemic and it involved powerful countries engaging in semi-coercive activities with other states over the shipment of much needed medical supplies. The best example was when the COVID-19 vaccine first became available in 2021, but there was a limited supply, so countries with access to vaccines use them as leverage in other diplomatic scenarios. China's

medical diplomacy works in conjunction with its corporations too, especially as it pertains to Panama. In April 2020, the Chinese government had sent Panama “5,000 test kits, 2,000 masks, 3,000 bottles of disinfectants, and 6,000 gloves,” while companies like Alibaba (the Chinese equivalent of Amazon) and Huawei (the 5G telecommunications giant) had donated “100,000 masks, 10,080 test kits, 5,000 ventilators,” and more (Ellis 261). Interestingly, these donations reinforce to Panama the lucrative nature of its financial relations with China, and it also demonstrates to states like Nicaragua, who at the time still recognized Taiwan, that China was a beneficial ally to have in such a global health crisis.

Nicaragua’s interaction with China’s soft power is slightly different from that of Panama’s due to its different economic and political situations. In general, the COVID-19 pandemic not only created an opening for China to expand its influence in LAC, but it also gave ROC recognizing countries more reasons to switch their recognition. In the first few months of the pandemic, Taiwan demonstrated continued loyalty to its allies in Central America, Nicaragua included. Taiwan sent a total of 6.6 million masks among other medical equipment to four of its Central American allies, and Nicaragua alone received \$1.5 million worth of medical equipment (Ellis 269). That being said, the ROC can simply not compete on the same level as the PRC when it comes to economic relief and access, and with the impact of the COVID-19 pandemic, Nicaragua is in more economic trouble than it can ultimately withstand. As such, with economic, social, and political instability on the rise, Nicaragua looked to the PRC to increase market access, win over the Nicaraguan people, and help with governmental financial issues.

Nicaragua is an interesting case due to its fluctuating relationship with the PRC. In 1985, when Ortega recognized the PRC for the first time for political reasons, that recognition was accompanied by 20 million USD in foreign aid and 7 million USD in military assistance. Foreign

and military aid seem to be the only economic advantages for Nicaragua in its relationship with the PRC as it stands due to the uneven trade standards. Nicaragua's exports to the PRC grew from "zero in 2002 to a modest \$28.6 million in 2019," (Ellis 269). Furthermore, on the import side, PRC exports to Nicaragua increased from "zero to \$893.9 million," (Ellis 269). This disparity between imports and exports indicates a clear loss for Nicaragua, but this economic relationship is not simply defined in bilateral terms. The US is one of Nicaragua's largest trading partners, with the trade partnership resulting in \$5.23 billion in 2019 alone. Furthermore, agreements like the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), to which Nicaragua and the US are both parties too, act as major boons to Nicaragua's struggling economy. However, the US has placed sanctions on Ortega and his government after the 2018 protests, driving Nicaragua to look elsewhere for investment and trade partners. This puts China in an ideal position to wield its soft power in the region, as it not only can promote its own interests with regards to Nicaragua, but it can also use its relations with Nicaragua against Taiwan and the US (Ellis 268).

Trade aside, Nicaragua sees China as a new and valuable ally due to its authoritarian style regime, which it may seek to emulate. China's work in the LAC includes promoting repressive government regimes through the export of surveillance technology. While this has yet to occur in Nicaragua, Argentina and Ecuador have benefitted from Chinese facial recognition technology, and Venezuela is now using "Carnetes de la Patria," or fatherland cards, which function in a similar way to China's social credit program. It is therefore foreseeable that the Ortega regime will use Chinese technology to promote its power within Nicaragua. Furthermore, as previously mentioned, China has sent military aid to Nicaragua, supporting the repressive ruling government. China's support of authoritarian regimes makes it a likelier ally for Nicaragua than

Taiwan ever was ideologically, especially with the US's heavy involvement in Taiwanese international affairs (Berg 6).

### **Conclusion: What May Be Good News for Latin America and the Caribbean Is Bad News for the Republic of China**

Panama and Nicaragua switched their recognition from the ROC to the PRC within the past five years due to a variety of economic, political, and social reasons. For Panama, the political leanings of President Valera matched with a need for funds to upgrade the Panama Canal and the end of the truce on competing for allies between China and Taiwan set the stage for Panama's changing of recognition. On the other hand, Nicaragua's Daniel Ortega did not need much motivation besides renewing Nicaragua's relations with its former ally, leverage over the US, and economic relief that was in especially great need in the midst of the COVID-19 pandemic. As the pandemic winds down, however, the LAC's dependence on China may wane, opening the door for other actors in the region, which would be equally invasive upon the US's Monroe Doctrine.

However, while Panama and Nicaragua seem to be better off with their new ally, the ROC is now in a more unstable position than ever. The PRC has taken note of Russia's most recent invasion of Ukraine and has seen the lack of substantial international intervention. Additionally, Putin's Russia has violated many international laws and received little to no consequences for its actions. This could seemingly provide an opening for the PRC to invade the ROC, especially with the inaction of the international community with concerns to Ukraine, and with less official allies to back it up, the ROC is in a conceivably dire position. With more and more countries shifting their foreign policy away from the ROC, they will have a much harder time defending themselves in the international community. Further, the US may take less of an

interest in Taiwan if its allies in LAC start looking to China for aid and assistance. Thus, while LAC countries like Panama and Nicaragua may now be in a better place economically and politically due to their switches of recognition, Taiwan is in a more precarious position that may end in its integration into mainland China.

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