



Parahyangan Catholic University
Faculty of Social and Political Sciences
Department of International Relations Bachelor Program

Accredited Unggul

SK BAN-PT No. 3765/SK/BAN-PT/AK-ISK/S/VI/2022

**Taiwan Chequebook Diplomacy in Paraguay (Case
Study: International Cooperation and Development
Funds in 2016-2023)**

Thesis

by

Adhim Muharman Rinaldi

6091901125

Bandung

2023



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Supervisor

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**Fakultas Ilmu Sosial dan Ilmu Politik
Universitas Katolik Parahyangan**

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ABSTRACT

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Keywords: ICDF, Taiwan, Paraguay, chequebook diplomacy, non-state actors.

ABSTRAK

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Kata Kunci: *ICDF, Taiwan, Paraguay, diplomasi chequebook, aktor non-negara*

Foreword

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Bandung, June 22nd, 2023

Adhim Muharman Rinaldi

TABLE OF CONTENTS

ABSTRACT	i
ABSTRAK	ii
FOREWORD.....	iii
TABLE OF CONTENTS	iv
List of Figures.....	vi
List of Abbreviations	vii
CHAPTER 1. INTRODUCTION.....	1
1.1 Background	1
1.2 Problem Identification	7
1.2.1 Problem Statement	7
1.2.2 Problem Limitation	11
1.2.3 Research Question	12
1.3 Research Purpose	12
1.4 Literature Review	13
1.5 Theoretical Framework	21
1.6 Research Methods and Data Collecting Techniques.....	24
1.6.1 Research Methods	24
1.6.2 Data Collecting Techniques	25
1.7 Research Structure	26
CHAPTER 2. TAIWAN CHEQUEBOOK DIPLOMACY AND ITS RELATIONS WITH PARAGUAY	29
2.1 Taiwan's Foreign Policy.....	29
2.1.1 Taiwan's National Interest	29
2.1.2 Diplomacy as Instruments.....	37
2.1.3 Taiwan Statements Regarding Latin America	44
2.1.4 Taiwan-Paraguay History	46

2.1.5 Media’s Perspective on Taiwan’s Chequebook Diplomacy in Paraguay ..	52
2.1.6 The Role of Taiwan’s International Cooperation and Development Funds (ICDF).....	55
2.1.7 Taiwan’s Interests with Elites in Paraguay	57
2.2 Taiwan and Paraguay Economic Relations (2016-2023)	60
CHAPTER 3. TAIWAN’S DECLINING RELATION WITH PARAGUAY	67
3.1 Taiwan Soaring Relations with Paraguay During COVID-19 Pandemic	67
3.2 Chequebook Diplomacy Alternatives Initiation.....	71
3.3 Paraguayan Prospects	74
CHAPTER 4. TAIWANESE DILEMMA ON THE USAGE OF CHEQUEBOOK DIPLOMACY	79
4.1 Taiwan Multistakeholder Diplomacy on Paraguay	79
4.2 Taiwan’s International Cooperation and Development Fund (ICDF) as a Chequebook Diplomacy’s Tool	85
4.3 Taiwanese Chequebook Diplomacy Dilemma	96
CHAPTER 5. CONCLUSION	132
BIBLIOGRAPHY	137

LIST OF FIGURES

Figure 1.1 Flowchart of Multistakeholder Diplomacy	23
Figure 2.1 Taiwan and Paraguay Diplomatic History.....	47
Figure 2.2 Taiwan-Paraguay Bilateral Agreements (2009-2017).....	57
Figure 2.3 Taiwan Support on Paraguay.....	59
Figure 3.1 Taiwan-Paraguay Waning Relation Timeline	75
Figure 4.1 Non-State Actors role in influencing Taiwan and Paraguay relations	81
Figure 4.2 ICDF Scholarship Programme Data (2014-2018; 2021-2023).....	84
Figure 4.3 Number of ICDF Projects in Latin America	93
Figure 4.4 Paraguay Import-Export Value Toward Taiwan and China.....	105

LIST OF ABBREVIATIONS

ICDF	International Cooperation and Development Funds
NSA	Non-State Actors
NGO	Non-Governmental Organizations
PRC	People's Republic of China (China)
ROC	Republic of China (Taiwan)

CHAPTER 1

INTRODUCTION

1.1. Background

Taiwan has been struggling in Latin America since the start of the new millennium. The strategy of using the approach of chequebook diplomacy has backfired on Taiwan as China, with a lot more power has pulled most of the countries that were previously aligned with Taiwan such as Mexico, El Salvador, and Haiti with the exception of Paraguay. Taiwan's chequebook diplomacy may have been a success during the 1980s but with no legitimacy as a country, Taiwan has struggled in pulling developing countries through their sphere of influence.

Economics and education have played major roles in the relations between Taiwan and Latin America. Taiwan has also provided significant economic and technical assistance to Latin American countries in various fields. Taiwan has invested in infrastructure projects in several countries, including the construction of roads, bridges, and ports. Taiwan has also provided technical assistance in the areas of agriculture, forestry, and water management. This assistance has been aimed at promoting mutual development and cooperation, rather than as a means of exerting political influence. In the educational sector, Taiwan has provided scholars for Latin American students and allows Latin American countries to send their teachers in the hope to learn Taiwan's education system. Furthermore, Taiwan and several Latin American countries have conducted several cultural exchanges. Both

Latin American countries and Taiwan have organised several cultural events in Latin America that exhibit Taiwanese art and music performances, vice versa.¹

Chequebook diplomacy may have been Taiwan's saviour in the 1980s, as the Western world started to recognize People's Republic of China (PRC) as the sole China and drop Republic of China (ROC) or Taiwan as the sole claimant of China. The switch of China's recognition fuelled diplomatic problems for Taiwan as being not recognized as the sole China means that they automatically lose their sovereignty and their power in the United Nations, furthermore they are bar from important international organisations such as World Health Organization². With chequebook diplomacy, Taiwan has been successfully gaining influence in the Latin Americas region. Although they don't have any official embassy, they were able to make sure that these Latin American countries would back them up on the UN's vote. As time progresses, we would see how chequebook diplomacy may not have been a long-term solution for them.

Before we start on Taiwan's problem, we must know what Chequebook diplomacy is. Chequebook diplomacy is a practice where the conduct of diplomacy is built through investment from one country to another. The practice is commonly used by rich and economically stable countries to persuade poorer countries to join their cause, usually in the siding of ideology and national recognition (such as the

¹ Lorenzo, M. (2019). Taiwan's development aid to Latin America and the Caribbean and the One China policy. *Razón Crítica*, 7, 181-184, doi: 10.21789/25007807.1513.

² Huang, Eric Ting-Lun. (2003). "Taiwan's Status in a Changing World: United Nations Representation and Membership for Taiwan." *Annual Survey of International & Comparative Law* 9, No. 1. Pg. 56-62. Retrieved November 10, 2022, from <https://digitalcommons.law.ggu.edu/annlsurvey/vol9/iss1/4>.

case for China and Taiwan).³ The earliest and most successful chequebook diplomacy that we can take an example of are the United States' Marshall Plan program that ran from 1948 through 1952, which oversaw the rebuilding of infrastructures in Western Europe after the second World War.⁴ China's Belt and Road Initiatives can also be considered as a chequebook diplomacy, though many scholars have argued against it.⁵

Despite how chequebook diplomacy has become the staple of economically strong countries, the practice was thought to be a failure, and this is no surprise as Taft's chequebook diplomacy only works in the short run but in the long run it only brings financial ruin for those countries. Countries like Mexico, Dominican Republic, and Nicaragua have become some of those examples in which chequebook diplomacy fails in the long run.⁶ China also experienced the failure of chequebook diplomacy as the United States' approach did not suppress Japanese aggression in China, and as we know it, Japan ended up successfully having a lot of control in China.⁷ Although in theory the practice of chequebook diplomacy may have been promising for both parties, influencing the political landscape in a foreign state may need more than just money, the problems that chequebook diplomacy

³ Florida State College at Jacksonville (N.D). "Roosevelt's "Big Stick" Foreign Policy and Taft's "Dollar Diplomacy," Florida State College at Jacksonville, accessed 24 October 2022, <https://fscj.pressbooks.pub/modernushistory/chapter/roosevelts-big-stick-foreign-policy-and-tafts-dollar-diplomacy/>.

⁴ Amerian, Stephanie M. (2015). "Buying European." *Diplomatic History* 39 (1): 45-69. DOI: <https://www.jstor.org/stable/26376640>.

⁵ Kordell, Kristen A. (October 2020). "The evolving relationship between the international development architecture and China's Belt and Road: Who is making the rules?" *Brookings*. <https://www.brookings.edu/articles/the-evolving-relationship-between-the-international-development-architecture-and-chinas-belt-and-road/>.

⁶ (N.D.) "Dollar Diplomacy, 1909-1913." Office of the Historian. Accessed October 24, 2022. <https://history.state.gov/milestones/1899-1913/dollar-diplo>.

⁷ (N.D). "Taft's "Dollar Diplomacy"." UH Pressbook. Accessed October 24, 2022. <https://pressbooks-dev.oer.hawaii.edu/ushistory/chapter/tafts-dollar-diplomacy/>.

gives is problematic because in the first and foremost, foreign states need to influence the people, not the government to change the political landscape.

Chequebook diplomacy in the modern age is not that uncommon anymore, especially the practice has become more common in recent years with the rise of China and their involvement in Asian, South American, African, and to some extent European countries. The practice of China using chequebook diplomacy may not have that big of an impact on the world as a whole but for the United States, their hegemony is being shaken by the existence of China's influence. The problem becomes more abundant especially after it was reported that China has built telecommunication towers in the name of their companies such as ZTE and Huawei. The construction of the telecommunication tower itself may not have been the main problem but where it was built is a major concern as they are constructed in strategic locations such as the Panama Canal.⁸ Further reports also show that China has a habit of disguising debt trap as chequebook diplomacy, as it was proven with Hambantota Port in Sri Lanka and the Coca Coda Sinclair Dam in Ecuador. The final problem with China Diplomacy is also their existential and "relatable" attitude is a massive problem for Taiwan's own chequebook diplomacy.⁹

As previously mentioned, chequebook diplomacy has been a staple for major power foreign diplomacy in South America and this diplomatic approach has been used since its own conception in the 1910s. Despite its flaws, the United States

⁸ Subcommittee on the Western Hemisphere, Civilian Security, and Trade. (May 2019). First Session. *Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere*. Washington: U.S. Government Publishing Office, pg. 1-2. Retrieved October 24, 2022, <https://www.govinfo.gov/content/pkg/CHRG-116hhrg36227/pdf/CHRG-116hhrg36227.pdf>.

⁹ Ibid.

is still using chequebook diplomacy even though it was apparent that it failed in maintaining the political influence that they hope to keep, especially in Mexico and Nicaragua.¹⁰ The 1958 communist revolution in Cuba only solidified the major flaw of chequebook diplomacy and it is certain that giving money to the government for sustainable development is always mistreated and it did not create a sustainable political environment that great power nations are hoping to achieve, but instead it created a divided socio-economic environment that is fragile.¹¹

Stakeholder diplomacy is a diplomatic practice that involves a lot of actors, this includes NGO, civil society organisations, businesses, and state. The involvement of businesses in multistakeholder diplomacy is in the hope of practising diplomacy such as promoting national interest in foreign countries, informational exchanges, and substituting something that lacks formal diplomacy with resources that the business can provide.¹²

The diplomatic practice is done from the perspectives of actors that are directly involved with the source, as such business owners. According to Brian Stocking, Multistakeholder Diplomacy (MSD) is a result of a merging traditional diplomatic values with a modern diplomacy that involve non state actors. The role and participation of actors in MSD is very important for the effectiveness of MSD in practice. The perspectives of businesses are critical for the decision-making

¹⁰ (N.D.) "Dollar Diplomacy, 1909-1913." Office of the Historian. Accessed 24 October 2022. <https://history.state.gov/milestones/1899-1913/dollar-diplo>.

¹¹ Timoneda, Joan Carreras. (2008). "Dollar Diplomacy: Fallacies and Consequences of Foreign Investment in Cuba, 1909–1924." ASCE. https://www.ascecuba.org/asce_proceedings/dollar-diplomacy-fallacies-and-consequences-of-foreign-investment-in-cuba-1909-1924/.

¹² Hocking, Brian. (2006). "Multistakeholder Diplomacy: Forms, Functions, and Frustrations." Chapter. In *Multistakeholder Diplomacy: Challenges and Opportunity*. Edited by Jovan Kurbalija and Valentin Katrandjiev. Malta: DiploFoundation, pg. 14-19. Retrieved June 3, 2023, <https://www.diplomacy.edu/wp-content/uploads/2021/06/MultistakeholderDiplomacy.pdf>.

process as stakeholders (state, business, NGOs) need to communicate to one another more systematically.¹³

The inclusion of non-state actors is important, in which the rise of non-state actors' involvement in decision-making has surged in the 1990s with NGOs demanding a more involvement in global affairs through the UN. The decision of the NGO was not unwarranted, as the world has changed, and the NGO and civil societies organisations (Red Cross International) have increased their involvement within the society itself. With NGO and civil society organisations' more active role in society increasing, their input on decision-making becomes more critical for the foreign policy of a state. Several factors have been the main push that contributed to how non-state actors become a vital component to a more modern decision-making process, one of which is the rapid development of technologies that allow for an easier form of communication.¹⁴

For a country without any international recognition, Taiwan has been forced to rely on their non-state actors to spread the goodwill and image of the country. The non-state actors that Taiwan rely on ranging from businesses to NGOs. Taiwan NGOs in Paraguay in itself are numerous, with the Buddhism led Tzu Chi foundation which helps the vulnerable and those that live in rural areas and are having inaccessible healthcare.¹⁵ Other NGOs are also present such as the Taiwan

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Qi-ru, Cai and Song Jin-sheng. (2020). "Tzu Chi Paraguay Provides Food to Relieve Hunger," Tzu Chi Culture and Communication Foundation. Retrieved June 6, 2023, <https://web.tzuchiculture.org.tw/?book=&mptce=8251>.

Red Cross (TRC) and Taiwan Root Medical Peace Corps (TRMPC) in which both provide medical needs for Paraguayan.

In other cases, Taiwanese business owners are also encouraged to open or expand their business to Paraguay, as a Taiwanese effort to normalise the Taiwanese-Paraguayan society. Although governmental organisations such as the Taiwanese ICDF have been pushing on the development of Paraguayan industry, most notably their orchid industry, Taiwan businesses have also been collaborating with Paraguayan businesses in the hope of transferring the experience and technology Taiwan industry have, such as electric vehicles.¹⁶

1.2 Problem Identification

1.2.1 Problem Statement

Chequebook diplomacy in general is a risky diplomatic approach and to top it off it is a risky long-term investment if there are no further plans put into it. As such, it is no wonder that the Taiwan chequebook diplomacy approach has been waning in recent years in Latin America. Most countries that Taiwan managed to influence in the early 2000s have been in the People's Republic of China's (PRC) favour and for Taiwan this is a huge loss as they are in a way losing their international recognition and, in a way, their own sovereignty.¹⁷ Although it is still

¹⁶ (July 16, 2022). "Taiwanese business team rounds up exploration mission to Paraguay," *Merco Press*. <https://en.mercopress.com/2022/07/16/taiwanese-business-team-rounds-up-exploration-mission-to-paraguay>.

¹⁷ Olsen, Brian. (2009) "The Role of Dollar Diplomacy in China-Taiwan Diplomatic Competition in the Caribbean and Central America." Master Diss., Universitas Simon Fraser, pg. 20-31. Retrieved November 3, 2022, https://summit.sfu.ca/_flysystem/fedora/sfu_migrate/9674/ETD4679.pdf.

an anomaly that there is still a country that is in favour of Taiwan, which is Paraguay but the more we look into it the clearer it is that they literally just extort Taiwanese state recognition for investment.¹⁸ This anomaly created a dilemma for Taiwan in which they are being used but they do need Paraguay's recognition even though they are a small and relatively weak land locked country, for a country with no UN membership and international recognition a recognition means everything for them.

Taiwan has a long history of diplomatic relations with Latin American countries. Although the relationships between Taiwan and Latin America were not very stable, they managed to have a decent relationship and cooperation which was marked by Taiwan's influence in the region during the last four decades. Although PRC's presence in the Latin Americas region has been a pushback for Taiwan, agreements between Latin American countries and Taiwan are still present. During the 2000s and 2010s Taiwan has made several bilateral cooperations that focus on the development of the ICT industry in the region.¹⁹ Even though the trade between Taiwan and Latin America countries has reached \$12 billion USD in 2018, it is nowhere close to China which has reached \$306 billion USD in the same year.²⁰

The role of NGOs and Taiwan's International Cooperation and Development Fund (ICDF) have helped the decaying relations between Taiwan and Paraguay. With the effectiveness of Taiwan's soft power through ICDF, Paraguay

¹⁸ Stott, Michael and Kathrin Hille. (September 29, 2022). "Paraguay calls for Taiwan to invest \$1bn to remain allies," *Financial Times*. <https://www.ft.com/content/9d752c51-2c3d-4f93-85c1-49b4d663f075>.

¹⁹ Lorenzo, M. (2019). Taiwan's development aid to Latin America and the Caribbean and the One China policy. *Razón Crítica*, 7, 177-208, doi: 10.21789/25007807.1513.

²⁰ Ibid.

relations with Taiwan harden as it becomes the glue that convince Paraguay of the benefit in maintaining the status quo with both Chinas.²¹

Despite these positive developments, China influence is still visible and the goal to influence Paraguay is still in China's best interest. The economic comparison and benefit for Paraguay is problematic for Paraguay as the trade margin is significantly higher than those of Taiwan.²²

China has pressured several Latin American countries to sever diplomatic ties with Taiwan in favour of recognizing China's "One China" policy. Despite these challenges, Taiwan has continued to pursue its foreign policy based on mutual respect and cooperation with other countries.²³

In 2008, 12 countries in the Latin American region recognized Taiwan but these countries one by one switched their support to the PRC after they promised a more promising deal than the one given by Taiwan. Although it is obvious now that most of the PRC's promises are nothing but air and some of them, such as the one in Ecuador is nothing but a trap and the way they try to persuade Taiwan's biggest allies in the region such as Nicaragua, El Salvador, and the Dominican Republic is a bit concerning and it is weird that China only giving up empty promises to Taiwan ally without really giving them real support, as in the case for a canal in El

²¹ Caceres, Miguel Angel. (March 9, 2016). "Paraguayos Reciben Educación de Primer Nivel en Taiwan." *ABC Color*. <https://www.abc.com.py/edicion-impres/internacionales/paraguayos-reciben-educacion-de-primer-nivel-en-taiwan-1460366.html>.

²² Long, Tom and Francisco Urdinez. (January 2021). "Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China," *Foreign Policy Analysis* 17, No. 2. Pg. 5-8. DOI: 10.1093/fpa/oraa002.

²³ Roy, Diana. (April 12, 2022). "China's Growing Influence in Latin America," CFR, last updated 12 April, 2022, <https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

Salvador.²⁴ China's chequebook diplomacy approach is usually a bit shady, but they do give the materials needed for the country to build up the infrastructure.²⁵ In short, PRC is always giving material support without any long-term vision on whether it would work or not because they have their own "plan B" if things do not go as planned.

COVID-19 pandemic has been a major obstacle for every country, and this is also true for Paraguay. Although for Paraguay it was only the matter of whether they should rely more on China, For Taiwan this course of action may lead to the eradication of their already weak presence in the Latin American region.²⁶ Even if the problem has already been taken care of by Taiwan by providing support, the possibility of Paraguay changing their recognition from Taipei to Beijing is still possible and it is very much possible if Taiwan decides to stop providing them any support in the face of severe disasters.²⁷

Another anomaly has raised more questions such as the question on why Paraguay did not sway to China's more convincing approach, and they still choose to stick with Taiwan no matter the risk.²⁸ As previously mentioned, most of Taiwan's allies in Latin America such as the Dominican Republic and El Salvador

²⁴ (October 22, 2020). "Force Multipliers? U.S. and Taiwanese Interests in Latin America." Wilson Center. <https://www.wilsoncenter.org/event/force-multipliers-us-and-taiwanese-interests-latin-america>.

²⁵ COHA. (19 September 2008). "The Big China and Taiwan Tussle: Dollar Diplomacy Returns to Latin America." Council of Hemispheric Affairs. retrieved October 8, 2022, <https://www.coha.org/the-big-china-and-taiwan-tussle-dollar-diplomacy-debuts-in-latin-america/>.

²⁶ Long, Tom and Francisco Urdinez. (May 7, 2020). "Taiwan's Last Stand in South America." *Americas Quarterly*. <https://www.americasquarterly.org/article/taiwans-last-stand-in-south-america/>.

²⁷ Ibid.

²⁸ Long, Tom and Francisco Urdinez. (January 2021). "Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China." *Foreign Policy Analysis* 17, No. 2, pp. 1-2. DOI: 10.1093/fpa/oraa002.

have already been swayed by China but the only one that is still loyal to Taiwan is just Paraguay.²⁹ More beneficial ally may have been a consideration on why Paraguay chose Taiwan rather than China, since Taiwan is supported by Western nations such as the United States, but China is a rising power, and they are significantly richer than Taiwan and most of all share the same struggle of being a “developing” and middle-income nation.³⁰ If Paraguay sticks with Taiwan just to be on the good side of the United States, is it not generally disadvantageous for Taiwan to not stick with China, especially as they said, “their recognition is beyond Taiwanese investment?”³¹ For every developing country it is generally more advantageous to just reap all the benefits since they are at the risk of being in a middle income trap, so perhaps the Paraguay case is special than other developing countries.

1.2.2 Problem Limitation

The research scale for this paper discusses Taiwan's downfall in Latin America and struggle in keeping Paraguay in their sphere of influence. The research span from 2016 through 2023. The author only singles out the rise of Taiwan’s influence in Latin America because it has been overly discussed in IR. Cutting the rise of Taiwan in Latin America also makes it easier to research and to write since it is more focused and comprehensive. The author

²⁹ Ibid.

³⁰ Executive Office of the President. (31 July 2019). “Reforming Developing-Country Status in the World Trade Organization.” *Federal Register* 84, No. 147, pp. 1-3. <https://www.federalregister.gov/documents/2019/07/31/2019-16497/reforming-developing-country-status-in-the-world-trade-organization>.

³¹ Desantis, Daniela and Ben Blanchard. (September 29, 2022). “Paraguay says 'excellent' Taiwan ties not conditional on new investment,” *Reuters*. <https://www.reuters.com/world/paraguay-says-excellent-taiwan-ties-not-conditional-new-investment-2022-09-29/>.

also pointed out role of media in Taiwan's chequebook diplomacy which will only be limited to Taipei Today and ABC Color. Chequebook diplomacy is somewhat a rare concept to be analysed as it is somewhat of an investment effort rather than anything else and it took years for the effect of such diplomacy to bear fruit that can be analysed by International Relations scholars.

1.2.3 Research Questions

This study aims to answer the question on: "**How International Cooperation and Development Fund (ICDF) as an instrument of Taiwan's chequebook diplomacy become dilemmatic for Taiwan in the span of 2016-2023?**"

1.3 Research Purposes

In this research, the author tries to analyse on how chequebook diplomacy is not really a lost cause for Taiwan. There are NSAs that have been directly involved in Taiwan's approach toward Paraguay. Secondly, the purpose of this research is to analyse the problem on why chequebook diplomacy itself may not have been enough to maintain Taiwanese ties with Paraguay, even if they rely on the effectiveness of NSAs in their diplomatic approach toward Paraguay, other factor such as economic troubles and the major economic benefits of Taiwan from China becomes an issue for Paraguay.

The function of this research is to understand how chequebook diplomacy should be implemented. The case study in this research shows how ICDF have building the bridge between Taiwan and Paraguay in the last 30 years, and why it only becomes an issue in the last 5 years. This research can also be a steppingstone for a further research study for other International Relations scholars because the issue highlights more in the IR world and because more and more economically strong countries are using chequebook diplomacy as their approach to influence developing nations such as the case of Saudi Arabia and Japan. Diplomacy needs to be more than just spending money on developing countries because offering money is not an effective solution to diplomatic issue.

1.4 Literature Review

There has been several research that has been put into Chinese influences in Latin Americas and how both the United States and other Western countries are struggling in a war of influences in the region. Latin America has always been the backyard of United States, especially since President Theodore Roosevelt's era of America, but the end of Cold War put things into perspective and Chinese influence has risen since then³². As such, this is the article by José Luis León-Manríquez, in his article journal titled "Power Vacuum or Hegemonic Continuity?: The United States, Latin America, and the "Chinese Factor" After the Cold War" which can be read in the World Affairs series. The article talks about the mishandling of Latin

³² León-Manríquez, José Luis. (2016). "Power Vacuum or Hegemonic Continuity?: The United States, Latin America, and the "Chinese Factor" After the Cold War." *World Affairs* 179, No. 3. Pg. 60-63. DOI: <https://www.jstor.org/stable/26369516>.

Americas by the United States which then put ways for rising powers such as China to build a strong economic relation between them.³³

In his article, Leon-Manriques argued that the United States started losing their grip in Latin America, or South America in particular, after the end of the Cold War and the start of a new unipolar world.³⁴

Although Latin American countries originally found that there was no counterbalance for the United States power in Latin America after the end of the Cold War and subsequently sided with them, some prominent South American leaders began to detest United States influence in the region in the mid-2000s. With the growing backlash against The United States initiative in the region, the Free Trade Area of the Americas (FTAA) that has been in the talk and has been in its fourth summit in 2006 was abolished with the switch perspective of Latin American countries against the United States. This also resulted in the downfall of United States initiatives in Latin America, which backed down from their deal with the United States, though one country, Mexico, is the only one that is still on the deal with the United States.³⁵

Several factors contributed to the growing rejection for the United States by Latin American countries. First and foremost, the Pink Tide phenomenon in Latin America, wherein left wing government has risen in the early 2000s and the

³³ Ibid.

³⁴ Ibid, 63-65.

³⁵ León-Manriquez, José Luis. (2016). "Power Vacuum or Hegemonic Continuity?: The United States, Latin America, and the "Chinese Factor" After the Cold War." *World Affairs* 179, No. 3. 64-65. DOI: <https://www.jstor.org/stable/26369516>.

message of nationalism and they started to distancing themselves from the neoliberal idea that they share in the 1990s.³⁶ The Pink Tide phenomenon has been a major blow for the United States because Latin American countries experienced a massive economic boom during the socialist government, in which this grew scepticism from Latin Americans.³⁷

The United States' weakening presence in the region makes it easy for China to have a significant presence, especially in trade, in which it is significant to point out that China has become the biggest exporter of Latin American countries only in the span of one decade. Although South America is an exporter rival for China in its sweatshop industries, the "Chinese effect," in which the whole article has been centring, is a major reason that the quick and huge growth of Chinese presence in the area can exist. Chinese presence in Latin America has a significant influence for Latin American countries, but it is not the case for China as low risk and vast market access is still the focus of Chinese foreign policy.³⁸

Based on Leon Manriques article, Chinese presence in Latin America was focused on two things: the desire to obtain natural resources such as oil, minerals, and food to run their economic growth desire and the desire to isolate Taiwan from

³⁶ Santiago, Monica D. (N.D.) "Pink Tide in Latin America." *Modern Latin America*. Retrieved October 30, 2022. <https://library.brown.edu/create/modernlatinamerica/chapters/chapter-8-venezuela/moments-in-venezuelan-history/the-pink-tide-in-latin-america/>.

³⁷ León-Manriquez, José Luis. (2016). "Power Vacuum or Hegemonic Continuity?: The United States, Latin America, and the "Chinese Factor" After the Cold War." *World Affairs* 179, No. 3. 66-67. DOI: <https://www.jstor.org/stable/26369516>.

³⁸ *Ibid*, 71-72.

the global arena,³⁹ which has been China's ultimate effort for a long time.⁴⁰ Johan Englund argued that Chinese constant bullying with Taiwan, even if they are their biggest trade partner, stems from the one China Policy which was made by the United States in late 1970s to close their ties with the growing China.⁴¹

Englund's argument on China's attempt to silence Taiwan's existence in the global theatre raises some concerning situations especially for democratic countries. The argument on Leon-Manriques and Englund article lack the distinctive important aspect of Taiwan in the Latin American region and how long they have been at "war" with China in the region that has been going on since the late 20th to early 21st century as was mentioned by He Li in his article journal titled "Rivalry Between Taiwan and the PRC in Latin America" which can be found inside Journal of Chinese Political Science.⁴²

In his article, He Li mentioned that, for Taiwan, their goal in Latin America is somewhat similar to China, as in they need a diverse market for Taiwanese products, but they also need to garner support from Latin American countries, especially Central American countries.⁴³ The support from Central American

³⁹ Ibid, 69-71.

⁴⁰ Englund, Johan. (2022). *Isolating Taiwan Beyond the Strait: Chinese pressure tactics in four democracies*. Sweden: FOI, 29-34.

⁴¹ Ibid.

⁴² Li, He. (2005). "Rivalry Between Taiwan and PRC in the Latin America." *Journal of Chinese Political Science* 10, No. 2. Pg. 77-80. DOI:10.1007/BF02877029.

⁴³ Ibid, 78-80.

countries is important for Taiwan if they want to reenter the United Nations, in which they were kicked out in favour of China in 1979.⁴⁴

Li argued that China has an advantage in entering the Latin American stage as they have similar problems in the issue of Human Rights. Latin American countries did not like how the United States is acting similar to “global police,” as in they enforce other countries to be aligned to their vision. Unlike the United States, China is more liberal in their approachment toward Latin American countries, which means they don't really care that much on what the Latin American do as long as they give support to China in the United Nations for their crucial Human Rights abuses that are always gets annulled by the help of developing countries. China has also given support towards Latin American countries such as Ecuador in helping them drill oil mines.⁴⁵ This, if compared to Taiwan’s less promising economic benefit for the Latin American countries, is one of the main reasons why Taiwan’s support in the region is soaring lately.⁴⁶

Taiwan and China's massive competition has basically been democracy vs authoritarian countries. Li argued that China has experienced a major setback after the Tiananmen Square massacre shed light to the world that the economic freedom in China in the post Mao era does not mean they have become a liberal country and the Chinese Communist Party (CCP) still have a lot of power and authority in the

⁴⁴ Horton, Chris. (October 25, 2021). “50 years after China's admission, Taiwan remains shut out of UN.” *Nikkei Asia*. <https://asia.nikkei.com/Politics/International-relations/50-years-after-China-s-admission-Taiwan-remains-shut-out-of-UN>.

⁴⁵ Li, He. (2005). “Rivalry Between Taiwan and PRC in the Latin America.” *Journal of Chinese Political Science* 10, No. 2. Pg. 78-81. DOI:10.1007/BF02877029.

⁴⁶ *Ibid*, 79-81.

country. The result of this massacre is the loss of Chinese diplomatic relations with Grenada and Belize, as Grenada and Belize started to shift their diplomatic relations to Taiwan, which cost China 6 years to win them back to their sphere of influence. As previously mentioned, the loss of the two countries, even though they are just small countries, resulted in a setback of Chinese influence in the region.⁴⁷

The “One China Policy” is the source of this conflict between Taiwan and China. China believes that Taiwan is part of China, and it is important for them to isolate Taiwan so there will be and always be one China in the world. The One China Policy means that Taiwan cannot establish an official embassy in foreign countries, but they figure this around by making a “trading office” in several Latin American countries such as Mexico, Brazil, Bolivia, Chile, Argentina, Paraguay, Peru, and Venezuela. In contrast to Taiwan, China has also done similar things to Taiwan in countries that have official relations with Taiwan such as Panama, Dominican Republic, and Haiti. For Latin Americans, Taiwan has a significant benefit for Taiwan’s position in the global economy, which is the opposite of Chinese military and human resources.⁴⁸

He Li argued that Unofficial relations between Latin American countries and the two Chinas has become the main battleground for their war of influences in the Latin American region, and this can be destructive for poorer Latin American countries for such is the case for Haiti. In 1996, China fought a UN mission to Haiti,

⁴⁷ Ibid, 79-83.

⁴⁸ Li, He. (2005). “Rivalry Between Taiwan and PRC in the Latin America.” *Journal of Chinese Political Science* 10, No. 2. 79-84. DOI:10.1007/BF02877029.

to punish the Caribbean country for recognizing Taiwan in a recent UN vote. The fact that this kind of action can happen because of China's huge power as a permanent member of the UN threatens both Taiwan and developing or poor countries that support Taiwan instead of China.⁴⁹ The extent of China in punishing countries that choose Taiwan on their own accord threaten the meaning of international organisations such as the UN itself that was created to spread liberalism to the world.⁵⁰

There is something that the previous article left out, which is about the Taiwanese foreign policy in Latin America, which is called *jinmao waijiao*, or the use of economic power to achieve diplomatic power. Taiwan only uses this policy after China becomes an important player in the Latin American region.⁵¹ Taiwan's *jinmao waijiao* was somewhat of a success, at least in the years before China increased their effort in controlling Latin America but Taiwan's effort has somewhat been a success in creating a loyal country in South America, which is Paraguay. Although it is a bit unusual for Paraguay, which is a country filled with corrupt elites, to side with Taiwan for a long time and stick with them even on the international stage such as their recognition of the small state in the United Nations and other international organisations.⁵²

⁴⁹ Ibid, 79-86.

⁵⁰ Cevheri, Ertuğrul. (March 2019). "United Nations and Democracy Promotion: Liberalism under the Guise of a Neutral Rhetoric." *International Journal of Society Researches* 10, No. 17. Pg. 1913-1915. DOI: 10.26466/opus.499528.

⁵¹ Li, He. (2005). "Rivalry Between Taiwan and PRC in the Latin America." *Journal of Chinese Political Science* 10, No. 2. 87. DOI:10.1007/BF02877029.

⁵² Long, Tom and Francisco Urdinez. (January 2021). "Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China." *Foreign Policy Analysis* 17, No. 2. 2-3. DOI: 10.1093/fpa/oraa002.

The relations between Paraguay and Taiwan are covered by Tom Long and Francisco Urdinez in their journal article titled “Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China,” in the Foreign Policy Analysis series journal. The relations between Taiwan and Paraguay are surely a weird one, to say the least. Paraguay is one of the poorest countries in South America, and although this is part of Taiwan’s strategy to pull poor country first rather than richer and stronger one, as Long and Urdinez mentioned, Paraguay is one of the largest in South America, but they are also one of the corrupt and the one that practise both Sultanism and Patrimonial, where corruption, military presence, and contraband are rampant in the country.⁵³ Paraguay is important for Taiwan as they are the largest remaining country that they have in the region that does not have an internal crisis between the local elites and also the one that would cover for Taiwan no matter what in global stage,⁵⁴ Paraguay knows this and as such they will keep asking for more Taiwanese investment for their country even if Taiwan knows that the aid will not go straight toward development but will go to the elites instead.⁵⁵⁵⁶

Julian Tucker and Larissa Stunkel’s article discuss how Chinese power in Latin America has risen in the last several years and they managed to sweep Latin American countries that were previously diplomatically close with Taiwan. Tucker and Stunkel confirmed Long and Urdinez 'argument on how China has been an

⁵³ Ibid, 5-8.

⁵⁴ Ibid, 2-8.

⁵⁵ Desantis, Daniela and Ben Blanchard. (September 29, 2022.) “Paraguay says 'excellent' Taiwan ties not conditional on new investment,” *Reuters*. <https://www.reuters.com/world/paraguay-says-excellent-taiwan-ties-not-conditional-new-investment-2022-09-29/>.

⁵⁶ Long, Tom and Francisco Urdinez. (January 2021). “Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China.” *Foreign Policy Analysis* 17, No. 2. 2-8. DOI: 10.1093/fpa/oraa002.

obstacle and threat for Taiwan in Latin America. COVID-19 pandemic has diminished Taiwan and Paraguay's relation as Paraguay finds China to be a more reliable ally in combating the pandemic.⁵⁷

1.5 Theoretical Framework

Soft power diplomacy can be simplified as influencing other states without the use of military power, in the hope of obtaining the national interest of a state. In general, soft power diplomacy is more appealing than its hard power counterpart because its non-usage of military power, which can sometimes be unsettling for some countries.⁵⁸ More than just being a warmer approach, soft power diplomacy is easier to use and involve more on non-state actors. As such, media such as film, cartoon, music, video games, book, and even brands can be considered soft power diplomacy's tools.

According to Joseph Nye, relying on soft power diplomacy alone rarely resulted in an outcome a state's want and it may take longer to show its outcome, but it is much easier to practice and more "humane." The concept of soft power diplomacy is not much of getting others do what you want but getting others wanting what you have, as such soft power diplomacy can be economised.⁵⁹ Moreover, with the advancement of technology and the rise of social media, soft

⁵⁷ Tucker, Julian dan Larissa Stükel. (2020). *Taiwan-Paraguay Relations: Convergent Trajectories*. Institute for Security & Development Policy. 1-7.

⁵⁸ Kanji, Laura. (Winter 2016). "Illustrations and Influence: Soft Diplomacy and Nation Branding through Popular Culture." *Harvard International Review* 37, No. 2. Pg. 40-45. DOI: <https://www.jstor.org/stable/26445579>.

⁵⁹ Nye Jr., Joseph S. (Winter 2020). "Countering the Authoritarian Challenge: Public Diplomacy, Soft Power, and Sharp Power." *Horizons: Journal of International Relations and Sustainable Development*, No. 15. Pg. 94-99. DOI: <https://www.jstor.org/stable/48573639>.

power diplomacy has become a dominant power for technologically advanced countries.

With the rise of social media and instant access to global communications, Nye suggest that credibility has also become one of the contributing factors of soft power diplomacy success.⁶⁰ With social media it is sometimes hard to differentiate propaganda and fact, as such the importance of credibility becomes a major indicator of soft power diplomacy's success. If a state tried to purposefully publish propaganda through state-owned media, a lot of people will only sneer at the content of said media.

Moreover, multistakeholder diplomacy is characterised by the contribution of Non-State Actors (NSA) in diplomatic practice. NSA that included in multistakeholder includes NGOs, business owners, and civil society organisations. Business owners have an important role in multistakeholder diplomacy, such as promoting national interest in foreign countries, informational exchanges, and substituting something that lacks formal diplomacy with resources that the business can provide.⁶¹

Since the start the 1990s, the number and involvement of Non-Governmental Organizations (NGO) has increased, this resulted in multiple NGO

⁶⁰ Ibid.

⁶¹ Hocking, Brian. (2006). "Multistakeholder Diplomacy: Forms, Functions, and Frustrations." Chapter. In *Multistakeholder Diplomacy: Challenges and Opportunity*. Edited by Jovan Kurbalija and Valentin Katrandjiev. Malta: DiploFoundation, pg. 14-19. Retrieved June 3, 2023, <https://www.diplomacy.edu/wp-content/uploads/2021/06/MultistakeholderDiplomacy.pdf>.

to push the United Nations to legitimate NGO involvement in national issues, especially those that involved humanitarianism and environmental issue.⁶²

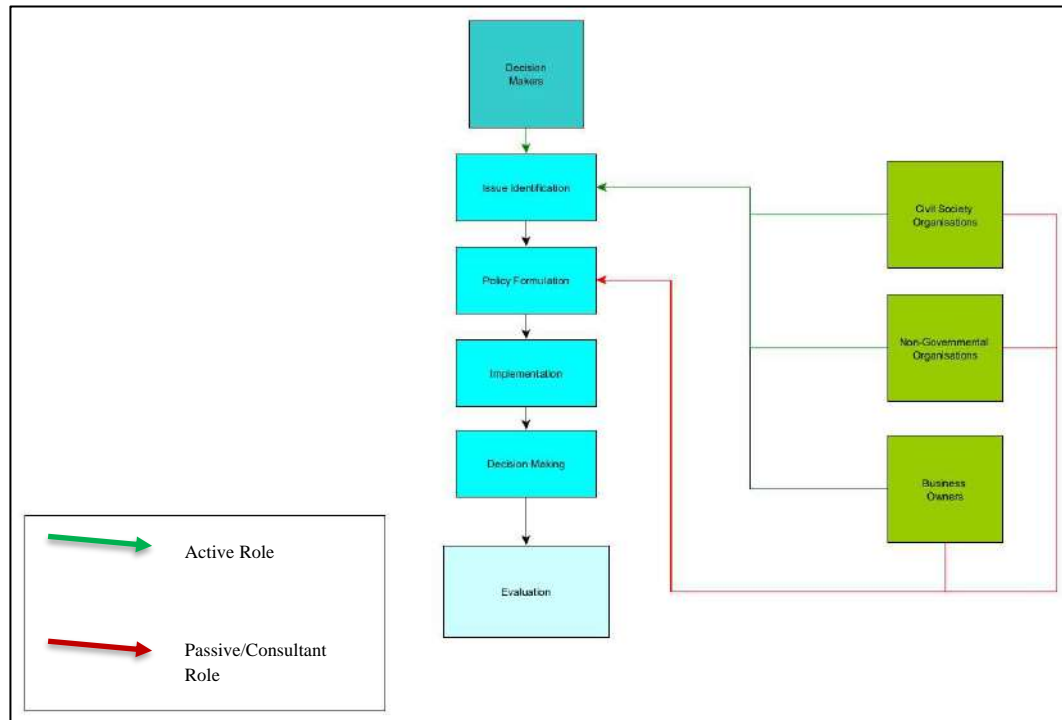


Figure 1.1: Flowchart of Multistakeholder Diplomacy

Source: Hocking (2006), pg. 14-19.

According to Brian Hocking, Multistakeholder Diplomacy is the merge between traditional diplomacy and modern diplomacy. With the nature of modern diplomacy which include the involvement of NSAs, diplomatic practice becomes more multilayered which as such correlate with the efficiency of such diplomatic approach since NSAs that work close with the target audience becomes the

⁶² Ibid.

participant of the decision-making process which resulted in a more effective foreign policy.⁶³

Besides chequebook diplomacy, there is also economic diplomacy, which also focuses on 4 pillars: investment, trade, economic aid, and technological transfer. Although there is a difference between chequebook diplomacy and economic diplomacy, as in chequebook diplomacy only focuses on two of economic diplomacy's pillar.⁶⁴

There are also other differences between economic diplomacy and chequebook diplomacy. Economic diplomacy range of target is bigger than that of chequebook diplomacy. Chequebook diplomacy is limited to relations between a developed toward developing countries, meanwhile economic diplomacy has a vast range of relations for example the economic diplomacy relations between China and the United States, in which China using their leverage to pressure United States' attempts on sanctions.⁶⁵

1.6 Research Methods and Data Collecting Techniques

1.6.1 Research Methods

The methodology of a research is filled with the steps on how to write the paper, and how the information in the paper would be obtained. Whether it would be data based on numbers or statistics and the other one is based

⁶³ Ibid.

⁶⁴ Djelantik, Sukawarsini. (2008). *Diplomasi antara Teori dan Praktik*. Yogyakarta; Graha Ilmu. Pp. 230.

⁶⁵ Ibid.

on questionnaire, interview, and gathering the available information that are already available on the internet or library. The paper would be conducted using a qualitative method of research, as the information mostly comes from paper, journal, and books that was available and has been done by another researcher in the past.

1.6.2 Data Collecting Techniques

The gathering method, which was conducted from in-depth research from papers, news media, books, and journals, is conducted in such a way because the type of research for this topic cannot be conducted with statistical information, as such it would be impossible for the research to be conducted in such a manner. Furthermore, information from interviews is to be also hard to conduct, at least in the author's current position it would be almost impossible for the author to do as it consists mostly of foreign state actors, in which the author currently has no access to.

This research heavily uses news media, official governmental websites, books, journals, and website as the source of data. The use of news media and official governmental websites are important in conducting the research as most detailed information regarding Taiwan relations with Paraguay and the role of ICDF are mostly found on news media and government's websites.

Information and data that are gathered from the already available information are much easier to do and it is also cheaper to do. As long as

the trusted sources are reliable and have prestigious origins, it is not wrong to do such a thing in conducting qualitative research. Even though it was easy, the date of publication of certain articles or books can be an important consideration as the older the written data is, the less relevant they will be.

1.7 Research Structure

Paper's technicality is important to show how the illustration of the paper look like in a bigger picture. The technicality of a paper can determines the future of it and how it is structured in the future, we can see research technicality as somewhat of a framework on the paper that we wrote, and as a framework it would be easier for the author to formulate it if we already structured it in the research technicality. As such, this paper is divided into five parts which is explained further in detail in the next paragraph. The chapters consist of: Introduction, Literature Review, Analysis, Conclusion, and finally Bibliography.

For the first chapter, introduction, the author is diving on several sections such as the background, problem identification, formulization, research questions, function, theoretical framework, and also talking about the technicality of the paper which consist of the paper's general overview. Methodology of the paper is located in the first chapter. The background of the paper talk about the general understanding of the situation in Latin America and the foreign policy of chequebook diplomacy. The paper has a stance that characterises chequebook diplomacy as a failure and a long-term disaster plan that only affects negatively towards the targeted states.

The second chapter, which is literature review, is an analysis on the existing articles on chequebook diplomacy in Latin America, China's presence in Latin America, and also generally about the competition between China and Taiwan in Latin America. Based on the previous literature review, there are a lot of gaps in research that sidelines the understanding of what makes China more compelling than Taiwan. The general understanding is that China and Taiwan have their own interest and Latin America sees both countries have their own appeal for them, especially for Taiwan and their position in the global economic system. Yet it is a bit of an anomaly that Paraguay has become the last bastion of Taiwan in Latin America even if their relationship is a bit complicated to define as it is not certain whether or not Paraguay only accept Taiwan for their massive investment and contribution to the country or it is more than that and it is part of Paraguay's strategy in the changing world that have a shift from an unipolar to a somewhat bipolar world system.

The third chapter, which is about analysis, is the insertion of the research gap in literature that the previous researcher has left out about the issue of Taiwan and Latin America. As previously mentioned in the previous sub chapter, the author only covers the analysis from China's regaining position in Latin America, back in 2003, onwards. This limitation and the exclusion of the whole China and Taiwan relationship history is because it becomes too huge to cover and it only derail the focus on the main context of this research, which is Taiwan's relationship with Latin American countries, especially Paraguay. The only historical context that was covered is the one that has correlation between China-Taiwan-Latin America, and

there is no further context than that, as it is to focus on the historical relations between the three.

The conclusion covers the result of the research that the author has conducted for the paper. This section summarises the paper. The future and hope of further research, in which this paper help contribute is included in this part. The future of Taiwan is obscure, but the inclusion of ICDF and usage of soft power can help some problem that Taiwan have, although not entirely.⁶⁶

⁶⁶ León-Manríquez, José Luis. (2016). "Power Vacuum or Hegemonic Continuity?: The United States, Latin America, and the "Chinese Factor" After the Cold War." *World Affairs* 179, No. 3. Pg. 63-65. DOI: <https://www.jstor.org/stable/26369516>.