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Taiwan's "Alliance of Democratic Values" and Foreign Aid: The case of Nicaragua

「民主價值同盟」與對外援助：
以台灣-尼加拉瓜關係為例

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ABSTRACT

This thesis examines the democratic status of Taiwan's diplomatic allies and the extent to which foreign aid has an impact on their ties to the Island. It attempts to understand why Taiwan, a state which pushes for liberal values and democratic standards, would maintain relations with authoritarian regimes, supporting some of them through foreign aid. It intends to have a better understanding of the subject by analyzing the realist theories of foreign aid for political purposes and the liberal theory of development aid, in order to figure out Taiwan's intention when it comes to giving foreign aid to countries undergoing political crisis and facing threats of authoritarianism. By presenting the case study of Nicaragua, itself a state with a corrupt political trajectory, which since 2018 has been undergoing continuous crisis under the Ortega Regime, we get to understand the existence of some external factors that take Taiwan to support states that struggle with maintaining democratic standards, such as the antagonism with PRC, or the role of the USA as a hegemony in Latin America and the world, which can help explain Taiwan's foreign aid to its non-democratic allies. This case study demonstrates how, in the field of international relations, liberal values become secondary when such states as Taiwan are struggling for survival, while having other interests. This would result in an overlooking, on its government's part, of the democratic aspects of some allies that might potentially provide the inclusion Taiwan so openly seeks. This study also demonstrates how the use of the connotation "alliance of democratic values" to designate all countries allied to Taiwan, might be a contradiction which is the case of such countries as Nicaragua, Haiti, Eswatini, Guatemala, Honduras and Paraguay. Furthermore, it demonstrates how PRC's push for the

isolation of Taiwan has created a discrepancy between the promotion of Taiwanese liberal democracy- the value that underpinned Taiwan's domestic policy, and the one they promote through their foreign aid in allied countries such as Nicaragua.



摘要

本文以台灣的邦交國尼加拉瓜為例，透過次級資料分析與深度訪談，旨在研究台灣邦交國的政治民主狀況，以及台灣所提供的發展援助在多大程度上影響了它們與台灣的外交關係。筆者試圖理解：為什麼台灣這個追求自由主義價值觀和民主標準的國家會與其邦交國的威權政權保持關係？本研究結合國際關係研究中現實主義與自由主義理論之對外援助的觀點，嘗試釐清在對外關係上一向強調自由價值與民主同盟的台灣為何仍持續提供援助給遭逢政治危機與威權主義威脅的國家。本研究案例——尼加拉瓜——本身是一個長期面臨政治腐敗問題的國家；2018 年以來，尼加拉瓜 Ortega Regime 政權下一直經歷著持續性的危機。我們能夠了解一些外部因素的存在，例如與中華人民共和國的對立關係，或者作為拉丁美洲和世界霸主的美國的角色。該案例研究表明，在國際關係領域中，類似台灣這種須為其國際生存困境而奮鬥並爭取其他攸關國家主權與國際空間等相關利益的國家，在外交政策上其所信仰跟倡議的自由主義與民主政治理念與價值，往往會成為次要的考量。這導致台灣政府會忽視一些外交盟友的自由與民主狀況，如尼加拉瓜、海地、史瓦帝尼、瓜地馬

拉和巴拉圭等國家，因為這些盟友提供台灣其所積極尋求的國際承認與接納；這也顯示，臺灣政府使用「民主價值聯盟」來指稱這些邦交國也許成為名實不符的範例。

本研究結果進一步顯示，中國在國際社會上孤立臺灣的種種作法，是解釋為何對內強調並實踐自由民主價值的臺灣會持續援助其遭逢政治危機與威權主義威脅的邦交國，以致內外政策價值原則不一致。



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Acronym Index

ANPDH The Nicaraguan Association in Pro of Human Rights

CABEI Central American Bank for Economic Integration

DPP Democratic Progressive Party

FUNIDES Fundación Nicaragüense para el Desarrollo Económico y Social

IADB Inter-American Development Bank

ICDF International Cooperation and Development Fund

INSS Instituto Nacional de Seguridad Social

IPAID Institute for Poverty Alleviation and International Development

KMT Kuomintang

MOFA Ministry of Foreign Affairs

OAS Organization of the American States

ODA Official Development Assistance

PAHO Pan American Health Organization

PRC Peoples Republic of China

ROC Republic of China (Taiwan)

TECRO Taipei Economic and Cultural Representative Office

EU European Union

UN United Nations

USA United States of America

WHO World Health Organization

Chapter 1 Introduction

1.1 Research Background

Taiwan, or as known by many as the Republic of China (ROC), has struggled for international recognition, and this has affected the state's very existence, sovereignty and legitimacy, while minimizing its democratic values, promotion, and respect for human rights, in a constant antagonism against the campaign for the One China Policy, brought forth by the People's Republic of China (PRC) since the 1970s. The ROC first ruled China for many years; however, after its 1949 defeat in the Civil War against the Communists, it fled to Taiwan. As the leader of the KMT (Kuomintang), Chiang Kai-shek claimed his government as a representative of both Taiwan and the Mainland. Most countries recognized the communist government in Beijing, leaving the ROC isolated, while PRC and its government became the only foreign and legitimate representatives of China.

Since then, Taiwan managed to develop economically and with far more democratic and progressive values than other Asian countries, but at the same time it struggled to maintain diplomatic allies, having to make substantial use of dollar diplomacy towards those who recognize Taiwan as the "true China". However, ROC has managed to still maintain economic relations, as well as security relations, with superpowers and other countries who support PRC.¹

The Cold War left the World divided between communist and liberal ideologies, in which one faction wanted to act upon their interest of survival, national security, and participate in the world's power struggle, by acting upon Realism² while another faction wanted to push for international cooperation, and civil liberties with liberalist³. Taiwan's situation made the selection of its allies more complex, due to similar economic, security, and political systems. The obvious candidates, due to developing factors, such as geographical surroundings or political conditions, were aligned

¹ Baogang Guo and Chung-Chian Teng, eds., *Taiwan and the Rise of China Cross Strait Relations in the 21st Century* (Lexington Books, 2012), 11-73.

² Mark Kramer, "Ideology and the Cold War," *Review of International Studies* 25, no. 4 (October 1999): 539-576.

³ Anne-Marie Slaughter, "Liberal International Relations Theory and International Economic Law," *American University International Law Review* 10, no. 2 (1995): 717-743.

with the PRC. The Countries could only have diplomatic relations with PRC or the ROC, due to the aforementioned One-China policy. After Taiwan was expelled from the United Nations (UN) in 1971, and after its seat was transferred to the People's Republic of China, the majority of countries acted accordingly in their official relations, installing embassies and delegates only on PRC. According to the Ministry of Foreign Affairs, currently, Taiwan has full diplomatic relations with 15 countries, in the regions of Africa, South America, Central America, Europe, and Oceania, however none in Asia. All of these countries, with the exception of The Vatican, are classified by the World Bank as developing countries due to their socio-economic development status. On the other hand, international organizations⁴ and scholars have noted that a big part of these allied states have also been classified as authoritarian regimes or are undergoing government corruption scandals and human rights violations. Taiwan's push for democratic values and human rights in the last 30 years might contradict the behavior of its diplomatic allies, which are also the recipients for most of the Foreign Aid Taiwan relocates.

Since 2016, when the Democratic Progressive Party (DPP) took power, Taiwan suddenly experienced the loss of 7 allies, to what President Tsai claimed as pressure from China to isolate Taiwan even more, the country stated that it is not within its intentions to be part of a bidding war with Beijing.⁵ However, in the last years, Taiwan's government experienced the criticism coming from the Taiwanese population for the vast amounts of aid given to allied countries⁶; meanwhile some scholars started to question why Taiwan is supporting countries that are struggling to maintain a democratic standard.

In 2018, Taiwan was undergoing a complex situation, with the loss of 4 diplomatic allies in less than two years. This was the time when President Tsai started promoting the so-called "Alliance of Democratic Values." The term "Alliance of Democratic Values" has been used ambiguously to refer to any country supporting Taiwan's existence, but more often it has been used to describe their diplomatic allies. This is where the name of this paper derives from. This phrase was mentioned in some of President Tsai's official visits and speeches, where she used it to emphasize her gratitude to the countries that remained diplomatically allied to Taiwan; this was also the case

⁴ Freedom House and Transparency International in 2017, 2018 and 2019.

⁵ Office of the President, Republic of China (Taiwan), "President Tsai's remarks on termination of diplomatic relations with Panama," *Office of the President Republic of China Taiwan*, June 13, 2017.

⁶ James Baron, "Why Taiwan should maintain its foreign aid programs," *Taipei Times*, June 6, 2018.

in her recent Times Magazine⁷ Interview, where she accredited these diplomatic allies as to sharing the principles of Democracy that Taiwan relies upon, as well as supporting Taiwan instead of PRC due to them not being swayed by this country's economic inducements and believing in freedom by recognizing formally the existence of ROC.

The Taiwanese government has also used it to refer to the United States' current administration and their anti-China position on many occasions, seeing as an opportunity to invite many countries into not falling for the PRC economic trap.⁸

The administration under President Tsai has made use of similar terms, referring to shared democratic values in other contexts. This was the case of her seventh official trip to the Latin American Region, where MOFA (the Ministry of Foreign Affairs in Taiwan) announced the Journey of Freedom, Democracy and Sustainability, directed to the Caribbean islands that form part of the remaining 15 allies. In her departing speech, she mentioned the importance of this trip in times of democratic stress. She added that "*the trip is an opportunity for Taiwan to work with same-minded partners in defending shared values such as freedom and democracy*"⁹. One of these partners being Haiti which, aside from being the poorest country in the Western Hemisphere,¹⁰ is also the second most corrupt, only surpassed by Venezuela.¹¹ Moreover, Haiti has experienced constant political turmoil, its governance being handed by over 15 presidents in the last 33 years, with a series of coups.

There has been various research completed on the reason why Democracies provide foreign Aid and diplomatic support to authoritarian and conflicting countries.¹² This paper would like to

⁷ Ing-Wen Tsai, "President Tsai interviewed by Time magazine," *Office of the President Republic of China (Taiwan)*, January 1, 2020.

⁸ Mainland Affairs council press release, "Taiwan and the United States belong to the same alliance of democratic values; the US should not sacrifice Taiwan's interests to compromise with China's peremptory hegemony," *Mainland Affairs council*, no. 72, (August 31, 2007).

⁹ Ing-Wen Tsai, "President Tsai explains trip objectives before departing on her Journey of Freedom, Democracy, and Sustainability," *Office of the President Republic of China (Taiwan)*, July 11, 2019.

¹⁰ The World Bank, "The World Bank in Haiti," *The World Bank*, May 1, 2019.

¹¹ Transparency International, "Corruption CPI 2019 global highlights," *Transparency International*, January 24, 2020.

¹² Stephen Walt, "International Relations: One World, Many Theories," *Foreign Policy* 110(1998): 29-32-34-46; Joseph Wright, "How Foreign Aid Can Foster Democratization in Authoritarian Regimes," *American Journal of Political Science* 53, no. 3, (2009): 552-571; Danielle Resnick, "Foreign aid in Africa: Tracing channels of Influence on democratic transitions and consolidation," *The United Nations University World Institute for Development Economics Research (UNU-WIDER)*, 2012

analyze the perspective Taiwan has when choosing and maintaining its allies, who are also the primary recipients of foreign aid. Secondly, it would also attempt to understand what projects or sectors the country is financing; this would make us recognize the angle Taiwan aims to take when supporting allied countries. This can be accomplished by overviewing the realist theory of international relations which sees Foreign Aid as a Foreign Policy Tool;¹³ this theory explains in detail the way in which foreign aid is being used as a geopolitical tool, for countries to accomplish state interest, rather than a mere assistance in the classical sense from the aiding country. This realist, approach-driven analysis is instrumental in telling us whether Institutions in charge of maintaining diplomatic ties and foreign aid, such as the Ministry of Foreign Affairs (MOFA) and the International Cooperation and Development Foundation (ICDF) act in order to accomplish the survival of the state. The state is perhaps merely responding to the monetary demands of their diplomatic allies, thus sacrificing the humanitarian-development basis, in exchange for international recognition, the aspect Taiwan is vulnerable in.

The other perspective could also be backed by a more liberal approach, in which the state argues to be working towards building and promoting Democracy, as well as development in these countries through Developing Aid, as some scholars have discussed.¹⁴ This would result in the application of foreign aid to promote the economic, environmental, social and political development of a recipient country, which would encourage Democracy indirectly, by strengthening or developing such areas as education, technical assistance, and government auditing, and make population demand for more liberties and a transparent context.¹⁵ Foreign aid in many cases has been conditioned on “complex government assessments,” to avoid supporting countries whose regimes are authoritarian or highly corrupt. Norms of this kind are advocated in majority by International Organizations, in order to keep promoting a liberalist balance.¹⁶ Since the Cold War, numerous donor countries emphasized good governance and human rights. However, these days, aiding countries have reduced this to recipient countries just holding elections. This liberalist

¹³ Claire Apodaca, “Taiwan Gets Cold Feet with Ortega, Fears US Sanctions,” *Confidential* in partnership with Havana Times, May 24, 2006.

¹⁴ Steven Finkel, Anibal Perez-Linan, and Mitchell Seligson, “The Effects of US Foreign Assistance on Democracy Building, 1990–2003,” *World Politics* 59 (2007): 202-440.

¹⁵ Nic Cheeseman, “Why there is a case for giving foreign aid to authoritarian regimes,” *The conversation*, January 15, 2019.

¹⁶ Julia Bader, and Jorge Faust, “Foreign Aid, Democratization and Autocratic Survival,” *International Studies Review* 16 (2014): 575–595.

theory applied to Taiwan's allies would mean that the allocation of funds in projects aims to improve human capital and development through their foreign aid, resulting in middle-class growing and beneficiaries demanding more rights in the long term, as well as a transition to a more democratic system.

This paper also takes into account the configuration of soft power used by Taiwan, which can be defined as an influence on the cultural, economic, or political fields without the use of coercion or co-optation.¹⁷ This will promote positive characteristics from a country towards the international community, which others will want to imitate, due to beneficial consequences such as international validation or financial assurance. This theory depends mainly on their ability to influence other nations, simply by altering how they are perceived or the image they reflect in the international arena.

Taiwan has made a fantastic impact in the international arena, having accomplished significant economic growth in a short period, passing some of the most progressive laws in Asia, promoting Democracy in the Region, overcoming peaceful power transitions, and a beholding reputation of kindness to its people. Recently Taiwan has also made a positive campaign by showing the World their accomplishment in handling the Pandemic of CoVid-19, where measures and results have been incomparable worldwide. Taiwan also promotes values through its diplomacy and foreign aid as its institution in charge of these activities report, making Taiwan a feasible influencer in the developing world.

It is essential to understand that this thesis does not search to explain the impact Taiwan's foreign aid is having on its diplomatic allies, it is instead a sided perspective on Taiwan's approach in allocating funds, and the promotion of democratic values, as President Tsai has called them¹⁸, in Taiwan's domestic and foreign policy, in order to counterbalance the lowest number of diplomatic allies the country has ever encountered.

¹⁷ Joseph Nye, *The Future of Power* (New York: Public Affairs, 2011).

¹⁸ Lee Hsin-Yin, "President highlights democratic values in Lunar New Year greetings," *Focus Taiwan*, February 3, 2019.

1.2 Research Motivation

The number of authoritarian countries has grown in the past decade, re-emphasizing a world division with left and right ideologies, same as after the Cold War. Developing and developed countries ally and respond to political as well as economic interests from such leading hegemonies as the United States (USA) and the People's Republic of China. This has created a partition in the structure of the world, according to political and geographical similarities. Taiwan's lack of international recognition has resulted in them resorting to unlikely allies, who have little, if any, similarity of interest. However, the quick rise of Taiwan as one of the 4 Asian Tigers¹⁹, accomplishing fast economic growth, as well as its leading position in progressive human rights in Asia, has undoubtedly helped Taiwan attain its notoriety, making a clear distinction from the People's Republic of China. This left many to wonder when will Taiwan be formally a part of the international circle as an equal member and contribute its voice.

Nevertheless, Taiwan's allies have decreased rapidly due to pressure coming from Beijing, and its use of dollar diplomacy. This paper would like to observe Taiwan's behavior to this situation in such areas as its response in foreign aid, and the diplomatic ties they hold with allies that are not considered democratic or have lots of political turmoil.

As a national of Nicaragua, one of the countries that support Taiwan diplomatically and which is undergoing a political and human rights crisis, I consider Nicaragua as a good case study to portray and understand why democracies support authoritarian governments. In addition, I believe the process which Taiwan undergoes in acting upon its foreign policy and aid might give a more unobstructed view of the International Relations topics and the current balances of power.

1.3 Research Purpose

Taiwan holds a unique situation in the area of International Politics and Relations. The desire ROC holds for inclusion and recognition from the majority of the world's countries, as well as International Organizations might be causing Taiwan to act in a contradictive manner as to what

¹⁹ Development and Globalization, "The Asian Tigers," *Development and Globalization*.

it promotes in a local and regional perspective. Foreign aid is being used in many cases to assure bilateral political survival either for trade commerce, business, or political support in certain global structure matters, and however, this far from ideal practice is implemented by many countries. The issue this thesis is looking to understand comes with the historic affirmation of the constant campaigns, on the Taiwanese government's part, to be considered the true representative of China, one of the reasons for its political preference for Democracy, promotion for rights, and progressiveness. The author would like to discuss whether this promotion is being put into practice in its allies, although many of them might not hold compatible political regimes.

This thesis holds as a purpose to examine whether Taiwan's foreign aid has been allocated according to the principal of the country's diplomatic policy that emphasizes democratic values and human rights. Two research questioned are raised accordingly

1. Are Taiwan's democratic values reflected in the country's foreign aid policy practice towards diplomatic allies?
2. Is Taiwan's foreign aid allocation to diplomatic allies being used as a foreign policy tool or focusing on aid for development?

1.4 Research Method

The method this thesis adopts is a qualitative method, due to the nature of the topic, which addresses the perspective in which Taiwan executes its diplomatic and foreign aid policy with its allies, and whether the practices of these policies go in hand with the domestic democratic values, it so openly seeks.

Qualitative Method was defined in Aspers and Corte's article²⁰ "What is Qualitative in Qualitative Research" as:

"multi-method in focus, involving an interpretative, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them. Qualitative

²⁰ Patrik Aspers and Ugo Cortes, "What is Qualitative in Qualitative Research," *Qualitative Sociology* 42, no. 2 (2019): 139–160.

research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts – that describe routine and problematic moments and meanings in individuals’ lives.”²¹

This methodology provides different data recollection techniques to be put into practice; the ones that will be used for this research are in depth interviews and secondary literature analysis.

In depth interviews provide the opportunity to collect data directly from knowledgeable participants in a certain field, with the purpose of obtaining opinions, perspectives and experiences from the source. In depth interviews comprehend preparation and usually open questions, which have proving or disqualifying hypothesis as goals.²²

The in-depth interviews proposed for this research will be coming mostly from Taiwan's perspective by including government institutions, experts in the Latin America field, Academia and Civil Society. However, there will also be representation from former government officials from Nicaragua.

The interviews proposed are the following:

1. MOFA Official:

MOFA was contacted to assist in this thesis; however, they declined;

2. ICDF Official:

ICDF officials were contacted to assist in this interview, and they respectfully declined; however, they provided their 2019 and 2018 Annual Reports.

3. Taiwan Foundation for Democracy:

Interviews by any TFD representatives weren't provided.

²¹ N. K. Denzin, and Y. S. Lincoln, "Introduction: Entering the field of qualitative research," In NK Denzin and YS Lincoln (eds.) *Handbook of Qualitative Research*, 1994, 2.

²² K. Brounéus, "In-depth Interviewing: The Process, Skill and Ethics of Interviews in Peace Research," In K. Höglund & M. Öberg, eds. *Understanding Peace Research: Methods and Challenges*. (New York: Routledge, 2011), 130-144.

4. National Chengchi University, Diplomacy Department

Interviewee: 盧業中/ Yeh-Chung Lu (Ph. D.)

Position: Associate Professor

Time and date: April 18th, 2020

Length: 521 words

Method: email

Language: English

Objective: To understand the importance of Diplomatic ties and how they are managed from a realist and liberalist point of view.

5. Taiwanese Expert in the topic of Nicaragua

Interviewee: 楊建平/ Antonio Chien-Ping Yang (Ph. D.)

Position: Researcher at Chihlee University of Technology, Latin America Economy and Trade Studies Center

First Interview:

Time and date: May 15th, 2020. 10:31am.

Length: 39:59

Method: In person

Location: Chihlee University of Technology.

Second Interview:

Time and date: April 24th, 2020. 11:22 am.

Length: 25:44

Method: In person

Location: Chihlee University of Technology.

Language: Spanish

Objective: This would help give a side view on how Taiwan views its relationship with Nicaragua and its cooperation towards this country, as well as a more significant understanding of Taiwanese view on Nicaragua's crisis.

6. Latin America Taiwan Relations expert

Interviewee: 向駿/ Antonio Hsiang (Ph. D.)

Position: Director of the Latin America Economy and Trade Studies Center in Chihlee University of Technology.

Time and date: April 23, 2020. 10:07am.

Length: 39:05

Method: In person

Location: Chihlee University of Technology

Language: Spanish and English

Objective: This interview will help understand a more general perspective on Taiwan's interest in Latin America's allies and how Taiwan has reacted to the political crises in these countries. To have a deeper understanding on the alliance of Democratic values pushed by Taiwan, topic which has been written by Yang in several occasions.

7. Nicaraguan International Relations Expert.

Interviewee: Jose Luis Antonio Velásquez (Ph. D.)

Position: Former Ambassador representing Nicaragua in the OAS (Organization of American States), Dean of Political Science at Thomas More University.

Time and date: May 1st- May 13th 2020

Length: 725 words

Method: email

Language: Spanish

Objective: This interview will provide information as to how Nicaragua's government views Taiwan's alliance and aid.

On the other hand, to complement data, the use of secondary literature analysis is required. The importance of this data collection comes from the “*interpretations and evaluations that are derived*

from or refer to the primary source literature. Examples include review articles (such as meta-analysis and systematic reviews) and reference works”²³

This will be presented through the case study of Nicaragua, one of Taiwan’s allies. The country has been experiencing a political crisis, which involves civil and political repression, human rights abuse, limited freedom of speech, and has resulted in sanctions by multiple actors such as the United States, The Organization of American States (OAS), The European Union (EU), as well as its expulsion from some of the United Nations organisms. However, Taiwan still presents a strong tie with the country and continues to provide them with foreign aid.

This thesis will analyze and discuss Taiwan’s behavior within this case, whether it is utilizing foreign aid as a political tool, or it is aiming for development through the projects it finances. The main source of analysis will be primary and secondary sources of literature, that will describe Taiwan’s relation with the country, the allocation of its foreign aid, Taiwan’s reactions to the country’s political crisis and whether there has been a foreign policy change from Taiwan to Nicaragua due to the situation this country is going through.

These interviews, along with literature review, will support the discussion on how Taiwan manages its diplomatic ties and Foreign aid with allies that have controversial political systems, specifically Nicaragua.

1.5 Chapters Structure

Chapter one of this Thesis introduces the context that has led to Taiwan’s international struggle to be recognized, and that has led them to have a more distinctive approach to foreign aid and its remaining diplomatic allies, it also evidences the research motivation.

Chapter two comprehends the literature review, which demonstrates a timeline of Taiwan’s cross-strait relations with China, Taiwan’s current relation with its diplomatic allies, Taiwan’s

²³ “Evidence-Based Medicine: Welcome,” GSU Library Research Guides, 7AD, June 20, 2019.

democratic and development accomplishments, what Democracy means for Taiwan and its agencies. This chapter also presents the theories concerning Realism (which is Foreign aid as a Foreign Policy Tool), Liberalist (which is Foreign Aid for Development), and last Soft Power, that are being identified within the case study, followed by the political situation in allied countries. The chapter concludes with China's non-conditionality methodology for Foreign Aid, to contrast the context with why Taiwan is competing when dealing with allies.

Chapter three discusses the case study of Nicaragua, the context of this country, Taiwan's relations with it, the country's political crisis, and lastly, the foreign aid given by Taiwan and the controversies surrounding it in the last years (2016-2020). This chapter has inputs from literary sources as well as from the interviews made.

Chapter four discusses Taiwan's Alliance of Democratic Values within the context of Nicaragua and other allies, first, the origin of this term and the occasions it has been used, Nicaragua as part of this alliance and last the paradox of using this term within countries that do not classify as democratic.

The conclusion discusses the thesis findings on the perspective Taiwan bases its foreign aid upon (either Realism or Liberalist), the China and US factors that affect Taiwan's decision-making when it comes to Foreign Aid and its allies, and finally how both paradigms of using Foreign aid as a political tool and as a push for development can find a balance.

Chapter 2 Literature Review

2.1 Literature on Taiwan's diplomatic policies

In order to have a complete understanding on what is Taiwan's Democratic Alliance and the context with its allies, we should understand that there are many factors influencing on this stated foreign aid practice, especially when it comes to authoritarian states, as is the case of Nicaragua, and which constitute 40% of the current 15 diplomatic allies. We might reach and understand some questions this thesis puts forth by understanding contexts, mechanisms, and correlations between external and internal variables discussed in Journals, Think Tanks, and News Media.

Cross-strait relations and Taiwan's diplomatic policy

Part of the historical backgrounds that have led to Taiwan's current situation struggling with international recognition and its relations with allies is Taiwan's cross-strait relation.

We can trace this back to a Civil War, that is commonly known as the Chinese Communist Revolution that occurred between 1927 and 1949, which involved the KMT party who was representing the government of the Republic of China against the Chinese Communist Party (CCP), that represented what we now know as People's Republic of China. During this period, Japan invaded Chinese territories, which complicated the situation for both sides; however, it resulted in both Japan and the KMT party's defeat. The victorious CCP founded the People's Republic of China, and the losing side migrated to Taiwan; both sides still claimed to be the representatives of Chinese citizens.

Both sides took different approaches to govern, and both have since independently governed different areas: PRC Mainland and ROC Taiwan. However, each side also has a different

understanding of the surrounding context: The People's Republic of China views Taiwan as a province. In contrast, Taiwan views itself as a territory with its own democratically elected government. For decades, Taipei was recognized as China's official representative, but in 1971, the United Nations switched recognition to Beijing.²⁴

This has complicated Taiwan's role in the international arena. The country is considered as not having any sovereign status internationally, since the majority of countries also view it as part of PRC; this results in Taiwan continually pushing to be included in major international organizations. Besides, the matters become even more complex if we consider that Taiwan never declared independence as a separate entity or removed the Republic of China from its Constitution.

CCP government has stated that it "*would take military action if Taiwan ever formally split.*"²⁵ President Tsai has slowly been taking a more independent stand internationally on the issue by standing up to China's threats and calling upon other countries to acknowledge Taiwan, as well as to not fall for PRC's tactics. Despite the sovereignty-political dispute, the economic ties between Taiwan and PRC still exist.

Taiwan's official government website demonstrates Taiwan's economic input to the country. In 2018, when political tensions were high, the value of cross-strait trade was US\$150.5 billion. In that year, travelers from China made 2.66 million visits to Taiwan.

It has not always been a battle for both sides, starting in 2008 China and a Taiwan experienced a calmer political period of 8 years, called a Diplomatic Truce, under President Ma Ying-jeou, who represented KMT party. This truce meant both sides would stop competing over allies. One of the reasons this was possible was due to President Ma accepting the 1992 Consensus, even though both sides maintained different interpretations of its meaning.

In 2016, when the rival party DPP elected President Tsai to power, things shifted again. Military, Economic, and Allied interactions were turned into a battle, especially after China continued to refer to the "one country, two systems" model for Taiwan. President Tsai has, in many statements, completely opposed this ideal, which is why it became PRCs mission with the use of checkbook

²⁴ Christopher R. Lew and Pak-Wah Leung, *Historical Dictionary of the Chinese Civil War* (Lanham, Maryland: The Scarecrow Press, Inc, 2013).

²⁵ Anabelle Liang, "China vows military action if Taiwan, sea claims opposed," *Military Times*, June 2, 2019.

diplomacy to provoke the loss of 7 allies to Taiwan in her first term. President Tsai stated that diplomats in the eight years of "Truce" had made Taiwan's diplomacy a China matter, and it was time to take it into Taiwan's hands again.²⁶

"One China policy," "1992 consensus" and "Dollar Diplomacy"

On the other hand, journalists and scholars have observed how the international policies Taiwan has taken upon have had an effect in the course of Taiwan's survival and its relation with diplomatic allies.

China's One China Principle means obliterating the existence of the other part politically; this is why states are forced to choose a side. The PRC has said to uphold these conditions due to their government, stating they won a civil war and are just the succeeding party representative of Chinese people.

After years of confrontation, in 1992, both sides met in Hong Kong, and the term "1992 Consensus" came up. This consensus mainly stated that both Mainland and Taiwan belonged to China, however, the two sides identified (Peoples Republic of China) (Republic of China), this consensus also mentions working towards unification, yet one of the many issues within this is the interpretation as to under whose lead this would occur.

The two countries have been engaged for years in a diplomatic war in developing countries, providing foreign aid as both compete for diplomatic recognition. Taiwan's majority of allies, being developing nations, sometimes cause demands by these to either side expecting to side with the part which offers more. President Tsai, in 2018, said she would no longer play this game after Dominican Republic cut ties for a better economic offer from PRC.²⁷

Media has claimed Dominican Republic was persuaded to this switch by being provided with more significant economic benefits by PRC. According to officials at Taiwan's Ministry of Foreign Affairs, some of the projects being newly financed included the construction of a \$400 million freeway, \$1.6 billion dollars for the construction of diverse infrastructure, lastly claims

²⁶ Stacy Hsu, "Ma blasts Tsai over diplomatic Truce," *Taipei Times*, December 30, 2015.

²⁷ David Spencer, "How China's dollar diplomacy is really setting a debt-trap for developing countries," *Taiwan News*, May 3, 2018.

support one of the funding's would provide renewable energy sources, with the cost of over \$300 million. The promise of long-lasting ties comes with the typical financial assistance and low-interest loans improvement for this country.²⁸ Although China does not usually reveal how much aid they are offering (partly to avoid the international claims of promoting dollar diplomacy), it is understood that Taiwan cannot compete with these figures.

Diplomatic truce under President Ma Ying-jeou

Part of the policies Taiwan has taken have had a political party influence when KMT came into power in 2008, this influenced greatly how Taiwan's relations were managed through embassies and other overseas representation, and this resulted in no decrease of allies for some years.

It is essential to understand that the period of truce was intended to avoid such use of Dollar Diplomacy. This is why during President Ma Ying-jeou's first year of office (2008) he proposed a plan which he called viable diplomacy towards China, which meant Taiwan accepted the 1992 consensus (The One-China Principle) in the same terms PRC did. Actions like this were expected if the KMT party took power back, with the consensus and Pro-China being one of their most outspoken policy inclinations²⁹. President Ma claimed a three no policy to lead the country's cross-strait relations, which were as follows: no unification, no independence, and no use of force. His first no was said to calm a lot of the Taiwanese population who believed he would hand out the country to China after his win, but it refers more to no negotiations of unification under his term. The previous President Chen Shui-bian (2000-2008) spent his terms pushing for Taiwanese nationalism, which was not in the liking of China, so this decision may have seemed like a change that might bring a peaceful and prosperous encounter with regional countries as well as leading hegemonies.

This period of grace accomplished a relief of tensions in the China-Taiwan relations, as well as no pressure on the 23 allies Taiwan had at this time. The US relations with Taiwan also made improvements; there was an approval for weapon sales coming from the Western hemisphere country, and their reassurance for support in Taiwan's Relations Act. Regionally, Taiwan

²⁸ Ibid

²⁹ Kuomintang Official Website, "Introduction of the Party," *Kuomintang Official Website*, 2020.

signed an Aviation Safety Cooperation with Korea, resumed communications with Malaysia. India and the Philippines gave the same treatment to Taiwan's Economic office as Diplomatic offices in both countries. Internationally, in 2009, Taiwan was invited as an observer in the WHO assembly (World Health Organization), which marked the first time it participated in any UN system since its exit in 1971.

Concerning the instance of foreign aid, this truce also intended to reduce the use of financial incentives to compete for the recognition of each of the sides PRC and ROC. President Ma explained in a visit to the Ministry of Foreign Affairs his new approach on Diplomacy, which he called Living diplomacy, which aims to make better use of Taiwan's resources in the Foreign Aid community, by not getting involved in Dollar diplomacy or Checkbook diplomacy, but more directed to objectives and goals as proposed to International Organizations, and making a clear distinction to what might violate Transparency and Corruption norms within giving aid to other nations. He did state the importance of still giving foreign aid, seeing the economic development Taiwan has accomplished, and how it graduated from receiving it to giving it.³⁰

However, theory can be different from practice since, as we will observe below with Nicaragua's Foreign Aid donations in the period (2014-2016), were, in many cases, not directed towards development projects but for more political purposes.

In 2017, after Panama broke ties with Taiwan, President Tsai stated, "Although we have lost a diplomatic ally, our refusal to engage in a diplomatic bidding war will not change".³¹

³⁰ Ma Ying-Jeou, "The President visited the Ministry of Foreign Affairs and explained the concept and strategy of Living Diplomacy", *Office of the President Republic of China (Taiwan)*, 2008.

³¹ Chris Taylor, "Taiwan walks away from China's 'dollar diplomacy'," *Asia Times*, August 22, 2018.

2.2 The idea of an “Alliance of Democracy”

It is crucial for this paper to touch upon what is democracy and the recurring values that identify it, many philosophers and political scientists have tried to define it and its criteria, some have added more extended conditions, and some have simplified the definition, to be able to choose their governors, which traces back to having elections and every citizen being allowed a vote.

This single-hand requirement has become very dangerous, due to countries encountering extreme corruption in governments, which although lacking in civil and political rights can still be considered democratic, even when undergoing doubtful elections.

However, even the Oxford dictionary defines it as Democracy being “*government by the people in which the supreme power is vested in the people and exercised directly by them or by their elected agents under a free electoral system.*” This definition can be traced to a more modern era with Abraham Lincoln and his claim of a government “of the people, by the people and for the people.”³²

Locke, Rousseau, Montesquieu, Dahl, and Hobbes are all famous philosophers that discussed this form of governing, even if the concept originated in Athens, around 508. BC. However, even though their definitions and inclusions on what rights and limits should comprehend democratic systems vary, their definition tends to be more aimed at what political scientists and international organizations measure today: what is nowadays identified as a more Liberal Democracy.

Liberal Democracy is the institutionalization of civil and human rights, along with the election principle. Government is limited in its powers, and the idea of human rights came within the practice of this system. The equality principle comes within the same access to education, health, freedom of speech, social, economic and political pluralism and the result of majority rule however the protection of minority rights.³³

³² Stephenson D. Grier, “The Principles of Democratic Elections,” *Democracy Papers*, 2017

³³ Marc Plattner, “Liberalism and Democracy: Can't Have One without the Other,” *Foreign Affairs* 77, no. 2, (1998): 171-180.

Democracy being so abstract has again resulted in it being a synonym to constitutionalism, which would be bound to legality, if a country's Constitution is upholder, the country would still fall into the democratic term³⁴. This is the reason why in many countries struggling with political crisis, a change of Constitution has been made a casual event³⁵.

Even though the debate on what should be included in democratic values continues, the principles of fair elections, transparency within governments towards their people to protect and push for human and civil rights is agreed upon by International Institutions, and these are what most societies abide by today.

During this research we will be utilizing the concept of what today we know as liberal Democracy from author Robert Dahl, as what is understood by Taiwan of the term “Democracy” since it manages to bring together all aspects the country pursues. Dahl emphasizes on some requirements for a state to be considered democratic, such as total participation of civilians, political equality, majority rule and popular sovereignty. While mentioning upon moral and liberal stands humans most also have, and the importance of minorities.³⁶

Since Taiwan's establishment, the state has made constant efforts to differentiate itself from its communist rival, especially in the Asian hemisphere, where many countries struggle to follow a typical representative democracy and have been torn with the human rights crisis while still accomplishing economic development. Taiwan has been a leader in economic development while practicing Western Standards of Democracy, promoting freedom of speech, inclusion, and even following progressive footsteps by legalizing such rights as abortion, gay marriage, and of course, limiting the role of the government in private life. Taiwan has undergone three peaceful power transitions through direct-voting elections, going beyond Samuel Huntington's two-turnover test of democratic consolidation. Taiwan holds a strong human rights record, a high degree of transparency, healthy checks and balances, a well-functioning universal health care system, and

³⁴ Julio Rios Figueroa, “Institutions for Constitutional Justice in Latin America,” in *Courts in Latin America*, (Cambridge University Press, 2011), 27-54.

³⁵ Latin America has experienced in the last ten years almost a 40% of their countries have made substantial changes in their Constitution, especially in making government periods longer or allowing re-elections, all with great controversy. Some of these being current and previous allies of Taiwan (Nicaragua, Haiti, El Salvador, Dominican Republic, etc.)

³⁶ Richard W Krouse, "Polyarchy & Participation: The Changing Democratic Theory of Robert Dahl," *Polity* 14, no. 3 (1982): 441-63.

limited criminal violence. Political corruption has made progress, and public toleration of political corruption has declined dramatically, Taiwanese feel empowered with their rights and are making constant demands according to their daily situation, which is objectively looking for a common benefit.

Taiwan's Ministry of Foreign Affairs states, in its Foreign Policy Guidelines:

"The Ministry of Foreign Affairs of the Republic of China (Taiwan) is responsible for the nation's foreign policy and diplomatic undertakings. Article 141 of the ROC Constitution states that "the foreign policy of the Republic of China shall, in a spirit of independence and initiative and on the basis of the principles of equality and reciprocity, cultivate good-neighborliness with other nations, and respect treaties and the Charter of the United Nations, in order to protect the rights and interests of Chinese citizens residing abroad, promote international cooperation, advance international justice and ensure world peace."

"Taiwan is dedicated to actively promoting diplomacy for peace, creating sustainable partnerships with diplomatic allies, deepening and broadening substantive ties in various fields with countries that have similar values, and maintaining regional peace and stability. It continues to seek expanded international participation while making concrete contributions to the global community and enhancing its international profile through economic and humanitarian aid policies."³⁷

ICDF, the Agency in charge of Cooperation and Development Funds, on the other hand, states the following as part of their Visions and Objectives:

"To ensure that Taiwan's resources were fully integrated and fit to deliver aid with appropriate care well into the future, our government established the International Cooperation and Development Fund (Taiwan ICDF) in 1996. Guided by the core value of "progress, development, and humanity," we pursue bilateral and multilateral cooperation with partner governments and international organizations in order to alleviate poverty in

³⁷ MOFA, "Foreign Policy Guidelines. Ministry of Foreign Affairs," *Republic of Taiwan*, June 1, 2016.

our partner countries, strengthen human rights and well-being, and accelerate social and economic development”³⁸

One of the examples of Democratic Values promotion, in which Taiwan is clearly leading the way in Asia; this is also the case of Hong Kong, where in the last years, CCP has threatened to minimize the quality, and levels of freedom the Hong Kongese citizens hold. This sparked huge protests, led to government suppression and major crackdown upon Pro-Democracy activists. Taiwan’s government has condemned these actions and insisted Beijing should meet its commitment to democracy and freedom towards Hong Kong.³⁹

2.3 Realism, Liberalist and Soft Power Theories on Foreign Aid

There are three theories that we can identify in Taiwan's Diplomatic and Foreign Aid Allocation Process, contrasting its democratic values. One of them belonging to a Realist view of International Relations field, which response to Foreign Aid as a Policy Tool.⁴⁰ The Liberal Approach to Foreign Aid or the Liberalist IR approach, which is the use of Foreign Aid for Development,⁴¹ and lastly the soft power application has been determined by scholars,⁴² either liberalist or idealist, depending on the application.

Foreign aid as Policy Tool

This approach to Foreign Aid, from the realist spectrum of IR, details how foreign aid is being used as a geopolitical tool, for countries to accomplish state interest, instead of the classical approach of aiding as a mere assistance practice.

The origins of foreign aid and its growing practice popularity within developed countries comes after the Cold War, when US President Nixon claimed it to be a variable that might delay or stop the spread of communism, so political conditions were kept as a must. Nixon was then condemned by the Fraser committee and International media for embracing governments that practiced torture

³⁸ ICDF, “Visions and Objectives,” *International Cooperation and Development Funds*.

³⁹Teng Pei-ju, “Taiwan president condemns Hong Kong authorities for firing at protesters” *Taiwan News*, November 11, 2019.

⁴⁰ Claire Apodaca, “Taiwan Gets Cold Feet with Ortega”

⁴¹ Steven Finkel, Anibal Perez-Linan, and Mitchell Seligson, “The Effects of US Foreign Assistance.”

⁴² Joseph Nye, *The Future of Power*.

and violate human rights, which caused the inclusion of the conditionality clauses of human rights, as in the realism paradigm, it would be very gullible to believe that Aid has solely been about helping people. It is mostly about gaining influence in the World and exercising soft power. Providing aid money can give valuable access within International organizations, and in addition it can assure a top position as leading hegemonies.

The Realist approach tells us that the world is a dangerous place. States should look out for their own interests and expect the worst. For the Realist theorist, the International Relations field is a competition to lead. Foreign aid origins and its practical approach was first pushed by nations seeking to accomplish their own interest and power exchange, searching support in commercial, economic, international policies, and regional balance issues.

By using this paradigm to analyze the case study of Nicaragua, this gives a clearer tactic as to telling us whether or not Taiwan and such institutions as MOFA and ICDF act to accomplish the survival of the state by giving into diplomatic allies' monetary demands, despite their lack of sharing democratic values the country constantly seeks. This however results in maintaining Taiwan's international status quo.

Democratizing and Development of Foreign aid

On the other hand, the Liberalist Paradigm is characterized by a promotion of peace and liberal values, and when one State succeeds, it doesn't keep others from doing so, and it also doesn't believe the world is in danger of War at all times. The liberalist idea believes that global institutions can promote cooperation to have a win-win. In the Foreign aid section, Development foreign aid is what we have come to know by International Organizations promoting more significant objectives such as the Sustainable Goals of Development, aiming to developing countries, and through this, accomplish the universal practice of human rights and development, leading to larger middle class that can along the way demand their rights and democratic governments.⁴³

This practice can justify foreign aid and ties with non-democracies as long as we can see that it is helping them to move in the right direction. Authoritarian countries, mostly being developing countries, present situations where the most vulnerable citizens might not be having opportunities

⁴³ Steven Finkel, Anibal Perez-Linan, and Mitchell Seligson, "The Effects of US Foreign Assistance," 404-440.

for good quality living. These might include famine, civil war or a deadly disease outbreak, or most common low access to education, essential health, and technical support. The international community considers human rights over its repressor's actions.

By utilizing this theory, we could also account as to what are the common grounds Taiwan is supporting when it comes to funds and loans to Nicaragua during the period applied to this research (2016-2020).

Soft Power

Soft power can be seen as a "*form of national power that is based on idealization and cultural attraction from a certain nation, which is intentionally or unintentionally utilized by actors in international relations to achieve strategic imperatives. Soft power also constitutes political values and ideas, tries directly or indirectly to influence educational and socio-economic systems, and legitimate national policies as accepted by other nations and people*".

The political ideals of Democracy, human rights, and the rule of law embraced by Taiwan just over two decades ago have created a substantial degree of soft power for countries abroad. The words of US Rep. Adam H. Putnam reflect this reality well: "It is universally acknowledged that Taiwan is a vibrant democracy and should be accorded a proper place in the family of nations. It has been unproductive to keep Taiwan out of the UN, the World Health Organization, and other major international organizations."

Taiwan has shown that so-called Asian values are fully compatible with Democracy within the framework of Confucian traditions. It has also proved that the ethnic Chinese value human rights and Democracy as much as anyone else in the World.

A clear example of Taiwan's clever use of Soft Power came hand in hand with the Pandemic that has affected the World since early 2020, COVID 19. Taiwan took early measurements that allowed the country to have less than 500 infected⁴⁴ and less than 10 losses. By providing allied countries and major powers such as the United States and several European Union states with medical supplies such as face masks as donations, medical cooperation even with the exclusion of the WHO,

⁴⁴ This number as up to date with May 2020. Matthew Strong, "Taiwan Corona Virus Cases remain at 441," *Taiwan News*, May 23, 2020.

and launching campaigns as #TaiwanCanHelp, the country has received praise by many Chiefs of States, as well as gratitude and spotlight as to being so close to the epicenter and keeping its people safe, and even providing assistance to others in need. This comes in a time when many countries⁴⁵ are blaming PRC and the WHO for not releasing sufficient information in time to keep this Pandemic controlled. ⁴⁶By demonstrating the world its accomplishments as a State in matters of development, health and education, Taiwan seizes its chance through aid to be seen as a relevant world member.

2.4 Taiwan's Foreign Aid to Diplomatic allies' vs China's Aid.

Currently, Taiwan's foreign aid policy is mostly a response to its China-imposed international isolation, according to scholar Joel Atkison from The Institute for Poverty Alleviation and International Development (IPAID).

Taiwan's MOFA website states several goals it focuses on when giving foreign aid:

- Promoting friendly relations with diplomatic allies
- Fulfilling Taiwan's responsibility as a member of the international Community
- Safeguarding human security
- Developing humanitarianism

Taiwan's last report by MOFA on Foreign Aid policy states in 2018⁴⁷, "*Taiwan spent US\$302 million (approximately NT\$9.1 billion) of its international cooperation and development budget on programs that met the OECD definition of Official Development Assistance, accounting for 0.051 percent of Taiwan's gross national income that year*". However, its reports add "*it was less than the percentage from 2017, which represented a 0.056 percent, which still wasn't the 0.7 percent goal recommended by the United Nations*" The agency also adds that all its cooperation and project funding part from the UN Goals of Sustainable Development. The areas of focus are, development of social infrastructure, agriculture, healthcare, education, economic infrastructure

⁴⁵ BBC News, "Trump says coronavirus worse 'attack' than Pearl Harbor," *BBC News*, May, 2020.

⁴⁶ Posher Joshua, "Germans pin coronavirus blame on China: poll," *Politico*, May 11, 2020.

⁴⁷ Previous Reports from MOFA found in their website belong to the year 2013, which doesn't concern this research.

and humanitarian assistance, dividing the amounts into these, unfortunately no information appears either by Region or by country.

ICDF, as an agency under MOFA, does provide more recent Reports According to their website, this Agency aims to boost Technical Cooperation, Lending and Investment, International Education and Training, Humanitarian Assistance. Their investment in 2016 led to 38 million dollars⁴⁸ as a total amount to countries they assist: their 2017 report expresses an added value of 60.97 million dollars in aid⁴⁹, and in 2018 the last public report states an amount of 60.86 million dollars in aid. These previously quoted figures only represent the direct foreign aid, however the amount for approved loans go as far as 546.95 million in 2018.⁵⁰

More specific data on the general distribution of Foreign Aid can be seen from 2008. Taiwan's total Official Development Assistance (ODA) in 2008 exceeded US\$430 million, or 0.11% of the Gross National Income (GNI). This aid, of which 92% is bilateral and 8% multilateral, focuses on the construction of diplomatic allies' basic infrastructure (66%); technical assistance (11%); education and training (4%); humanitarian assistance (6%); and other areas (5%).

To quantify the information per country, as we can observe, has been more difficult since there is said to be a ban of sharing Foreign Aid figures since 2006, deeming it as confidential.

On the other hand, China's economic development has made it possible for the country to be an enormous contributor to the Foreign Aid field to the underdeveloped regions in Africa, Latin America, and Southeast Asia. However, in contrast with many developing economies providing aid with some conditionality factors such as democratic requirements, accountability over the project's conditions, and limited areas of financing directed to development, China has accomplished to separate the political sphere and the economical one by financing infrastructures they could even use for international transportation and commercialization, investing on agricultural fields and on the side education and health, as a way of maintaining human capital in benefiting conditions, on the other hand calling upon government aid as donations. If there is one conditionality agreement, it can be recognized in the infrastructure projects where Chinese

⁴⁸ International Cooperation and Development Fund, "International Cooperation and Development Fund: Annual Report," May 2017.

⁴⁹ Ibid.

⁵⁰ Ibid.

companies must be utilized, due to required infrastructure standards, and can be justified with these smaller countries not having the know-how capacity as to how to perform these projects.

However, it is crucial to understand China's history and its principles of foreign aid to see what has brought Taiwan to this dollar diplomacy.

First of all, from 1950-1977: China faced military treat and isolation as well as economic blockage, China aligned itself with socialist countries. For them, foreign aid was seen as an obligation to help third world countries fight colonialism. However, from the beginning, Chinese leaders tried to make a clear difference in westernized practice and the concept of aid, claiming this was the cause of backwardness and a tool of colonialism. Therefore, China's assistance in these countries was to help these countries achieve national independence from colonial powers. This also helped China gain support from third world countries (LA, Africa, and Asia), which was visible in its quest for membership in 1971 in the UN. The next stage in 1978-1991 focused on reforms to address the main drawback of the previously given assistance; economic viability was put aside over political considerations. Dual role as a receiver and as a giver of foreign aid. It had to respond to the UN and assist the goals set upon for assistance. The third stage in 1992-2003 as domestic and international reforms took place, China's role in the global structure took more significance, China encouraged new market-oriented institutions to mobilize foreign assistance resources. Foreign aid was regarded as a tool for broader cooperation. Enterprises of all forms of ownership were encouraged to invest in overseas operations and expand their internal business. For Chinese leaders, it was a way of attracting countries with proper conditions that will be able to consume goods and create a skill and resource exchange.

In the current state, starting from 2004 onwards, China's foreign assistance has taken on a new function, seeing China as a creditor country in an international monetary system dominated by the US. The Chinese government faces the challenge of turning their reserves into assets and money flows. This is what has motivated China to intensify its strategy with African countries, which is why The Forum on China – Africa Cooperation (FOCAC) was launched in 2000 and continued by yearly visits of top Chinese leaders. China's economic assistance to Africa has changed to economic cooperation, covering infrastructure, agricultural cooperation, investment, trade other types of financial cooperation. This has come hand in hand with social gifts administered by the Foreign Aid Assistance Department for projects that provide hospital and services as well as school,

and technical assistance. This different approach to assistance, as they like to call it, goes within a broader philosophy set up in 1964 by Premier Zhou that consisted basically on thinking aid should be the foundation for development and not dependency, aid should involve mutual benefits like resource transfer and know-how, and especially separating themselves from Western Powers, it should not be used to impose political conditions. This, they claim, comes from their experience as Aid Recipients.

Nowadays, however, China's most known use of foreign aid is the practice of dollar diplomacy, mostly with the purpose of affecting Taiwan's status as an independent country, as well as a number of allies, by offering loans to finance bigger projects, increasing the amount in donations as a way to contrast the sum of money that Taiwan would be donating, and by putting into evidence their advantage in trade. China has made hostile monetary attacks by isolating Taiwan even more in the International Arena. Taiwan has also warned about the danger of these multimillionaire loans, which might cause debts bigger than the single countries' capabilities to pay up, and might result in China taking over project invested upon, as well as a much higher return of their money on a longer time basis.⁵¹

The pressure from China to make allied countries swift decisions, as well as political condition, has had some consequences with the rival hegemony. The United States, as a regional hegemony, has executed some pressure when Latin American countries have cut ties with Taiwan, and threatened to cut foreign aid for them. Such was the case in 2018, when they recalled ambassadors in El Salvador and the Dominican Republic shortly after the diplomatic relations with Taiwan were suspended.

It is relevant to bring up the fact that both PRC and ROC were both recipients of foreign aid, during non-democratic and unstable political periods, which was the special case of Taiwan during the White Terror Period, were the country was receiving funds and aid from greater powers such as the USA. Which for the case of Taiwan, did result in the accomplishment of economic development and accomplished democratic state practices. This experience might lead Taiwan to supporting governments with political crisis, and not performing liberal democratic stands, in the hopes aid directed towards the previously mentioned objectives might help accomplish this.

⁵¹ Stacy Hsu, "Ma blasts Tsai over diplomatic Truce."

However, its unique international status and the search for inclusion, might be stronger reasons to support questionable countries.



Chapter 3 Nicaragua: Taiwan's unlikely ally

3.1. Nicaragua's socio-political situation:

For the analysis of this topic, Nicaragua's case has been considered, being a proper example of why and to what extent and intention Taiwan is supporting allied countries and recipients of foreign aid.

Nicaragua is the biggest country in the Central American region, which has had historical importance due to its geographical location which includes maritime exit to the Atlantic and Pacific Ocean, this can benefit trade largely by shortening routes in between Regions. However, this country has been plagued with political crisis and underdevelopment since its Independence in 1821. Nicaragua's government has also an extensive negative relation with the Region's hegemony, the United States, since it has mostly been considered a communist state, and as a threat to destabilize the Region, by being one of the few allies to some of the United States' biggest threats, such as Iran, Russia, Cuba and Venezuela. The Central American Region has been extensively called the *US backyard*⁵², justification as to why it has undergone military and political interventions, mainly to ensure that the Government stayed in friendlier and more loyal basis towards the United States. This has made the country's economic development slower than the rest of the neighboring countries, being the second poorest nation in the Latin American Region, only topped by Haiti according to the International Monetary Fund.⁵³

Domestic Politics have also been highly troubled for the country. The most prominent political parties range between the Socialist spectrum that continues to blame Capitalism and the US's leading role in the world structure, their desire for expansionism as well as the lack of respect for the sovereign principle within countries who are specially if the left wing.⁵⁴ This party is called "Frente Sandinista de Liberación Nacional" (FSLN), and it originated as a military political party

⁵² Livingstone, Grace. *America's backyard: The United States and Latin America from the Monroe Doctrine to the War on Terror* (London; New York: Zed Books, 2013)

⁵³ International Monetary Fund, "World Economic Outlook Database," *International Monetary Fund*, October 2018.

⁵⁴ Telesur, "presidente Ortega insta a EE.UU. respetar a Nicaragua," *TeleSur*, September 6, 2018.

in honor of the leader Augusto Cesar Sandino, who fought in the second US intervention. He is often seen as a nationalist in the eyes of a lot of people. FSLN competes against 2 parties with a liberal right-wing mindset, led by traditional wealthy families, and businessmen, which don't identify with the majority of this country. These are PLI (Partido Liberal Independiente) and PLC (Partido Liberal Constitucionalista), leaving the FSLN populism policies to find more support within the impoverished population. The leader of this party is Daniel Ortega Saavedra, who was President from 1985-1990, after this term he lost his intent for re-election twice, in 1990 and 2001, the country was ruled by right wing parties for a period of 15 years, which is known as its modern neoliberal and democratic period, where the country opened its markets internationally and improved its development index. This, in part, can be traced back to foreign aid and loans being restored, due to the country's implementation of financial policies suggested by the IMF, that were designed to help the country stabilize in macro levels.⁵⁵

However, it is important to add that 'previous to the ongoing political crisis the country is struggling, Nicaragua's timeline has been filled with corrupt governments, and human rights abuse from different ideological political parties, making it a cycle.

3.2 Nicaragua's current crisis (2006-2020)

In 2006, Daniel Ortega was re-elected, this was a peaceful power transition. Although macro levels and social development had been stable, previous liberal governments had a series of Clientelism⁵⁶ scandals that demotivated the population, making them turn their eyes again to what many call the "party of the poor⁵⁷". However even though many international organizations and Nicaraguans classified these elections as fair and transparent, it wasn't the case with the following ones, in 2011 and again in 2016. The Constitution banned sitting presidents from re-electing themselves, and this happened with the purpose of avoiding power hoarding, which, as many Latin American countries had learned, was a common situation they had experienced. However, in 2009, Ortega,

⁵⁵ Manuel Agosin, Rodrigo Bolaños, and Felix Delgado, "Nicaragua: A la búsqueda del crecimiento perdido," University of Chile, Department of Economics, Working Papers, 2008.

⁵⁶Elvira Cuadra, "Las elites y los campos de disputa en Nicaragua: una mirada retrospectiva," *Science Direct*, 11, no. 1, (2016), 85-101.

⁵⁷Rolando Alvarez, *Arriba los pobres del Mundo: Cultura e identidad política del partido comunista de Chile entre democracia y dictadura 1965-1990*, (LOM Ediciones, 2011).

together with his party representatives in the Supreme Court,⁵⁸ managed to out-rule this previous mandate, and this is where opposition parties and citizens started noticing the red flags in Ortega's administration.

The commotion continued in 2014, when Ortega made legislative changes that allowed the President to run indefinitely for five-year terms, which allowed him to maintain his power again in 2016. By this time, opposition lawmakers were dismissed from office as this decision was taken. Ortega also announced that his wife, Rosario Murillo, would run as his vice-president, which was seen by many scholars as the start and intention to establish an authoritarian dynasty. Both elections in 2011 and 2016 were filled with scrupulous activities and concerns for International and domestic observation. The Carter Center in their Study Mission Report for the Nicaraguan elections of 2011 claimed:

*“Fraudulent local elections in 2008, a questionable Supreme Court decision in October 2009 to permit the candidacy of incumbent President Daniel Ortega, and a presidential decree in January 2010 extending the Supreme Electoral Council (CSE) magistrates in office after their terms expired provided the context for a deeply flawed election process. Partisan election preparations were followed by a non-transparent election day and count. The conditions for international and domestic election observation, and for party oversight, were insufficient to permit verification of compliance with election procedures and Nicaraguan electoral law, and numerous anomalies cast doubt on the quality of the process and honesty of the vote count. The most important opposition party rejected the election as fraudulent but took its seats in the legislature”.*⁵⁹

The situation started to escalate into violent repression in 2014, when Ortega signed a Concession for the Construction of an Interoceanic Canal,⁶⁰ which many years before had been intended to be built in the country by the United States, however due to its political instability, Panama was chosen instead. This time it was a Chinese billionaire behind the Project, and many sources claimed was being managed by the PRC government, since his company had been created merely 1 month

⁵⁸ Carlos Salinas, “El Tribunal Supremo de Nicaragua da vía libre a la reelección de Ortega,” *El país*, October 21, 2009.

⁵⁹ Carter Center, “The November 2011 elections in Nicaragua,” *The Carter Center*, 2.

⁶⁰ Emerging Markets Investors Association, “Nicaragua’s Inter-Oceanic Canal Flounders as China Turns Its Attention to Panama,” *Latin News*, June 14, 2018.

before the project announcement was made.⁶¹ Russia, had also made claims of its participation in this project, which of course caused concerns to American leaders, since it was seen as these countries were seeking strategic interest in the region.⁶² However, the situation didn't end there. This project was also internally questioned and sparked dozens of civilian protests, as well scholars and opposition, since it was viewed as selling out the country. First, this concession was approved in a period of 3 days, without any public or academic consultation. Second, the law-approved measure violated several constitutional articles, since it included expropriation, leaving private property rights as a secondary issue⁶³, this would affect over 2900 km² of private property, and would create a local migration wave, as well as food security in the country since it would have drained some of the most agricultural regions in the country. Third, this project was set to intervene in the Indigenous Autonomous Regions, which were protected not only by the Constitution but also by many International Treaties. Last but not least, the conditions of the concessions of this Canal were for a period of 50 years, and the Nicaraguan State would receive 1% of the earning after it started to function, as well as indirect jobs. It was also understood that there were not companies or sufficient know-how to benefit the Nicaraguan population with the jobs required for this Mega Project. Protests sparked from indigenous communities, environmentalist and agricultural sectors who were the main targets of this measure, however they were met with persecution and police violence to avoid them from performing demonstrations.

In April 2018, the President announced an extreme change affecting the National Social Security System (INSS), which consisted of an increase in percentages being paid by workers, and variation in requirements to access pension funds. Employers' contribution would increase by 3.5%, labor contribution would rise by 0.75%, pensions would be cut by 5% for retirees, while future pensions will decrease by 11.8%.⁶⁴ The results were again massive protests by all sectors of society, opposition parties, business associations, but mainly they were led by student movements and younger citizens. These protests continue to this day (April 2020). The majority of the clashes

⁶¹ Octavio Enríquez, Santiago Villa and Wilfredo Miranda, "La "telaraña" de Wang Jing y la conexión militar con China," *Confidencial*, November 3, 2014.

⁶² Matthew Miller, "China's 'ordinary' billionaire behind grand Nicaragua canal plan," *Reuters*, May 5, 2014.

⁶³ Legislación Asamblea Nacional, "Ley Especial Para El Desarrollo De Infraestructura Y Transporte Nicaragüense Atingente A El Canal, Zonas De Libre Comercio E Infraestructuras Asociadas, LEY N° 840," *La Gaceta Diario Oficial n.º 110*, June 14, 2013.

⁶⁴ Ivan Olivares, and Maynor Salazar, "Gobierno impone "paquetazo" de aumentos al INSS," *Confidencial*, April 17, 2018.

between demonstrators and police had violent inputs from authorities, and ended up in civilian fatalities, or tens taken to jails for interrogation and to what many NGOs have referred as torture. The reform bill was withdrawn, but violence response from the government and continue forms of repressions push students and young people to continue to protest, as well as vowing to overthrow the “tyrant” president. In a declaration, the OAS in August 2018 stated that 317 people had lost their lives in the demonstrations (currently, the number sparks over 600).⁶⁵ As a result Independent Media newspapers (La Prensa, El Nuevo Diario) and News Networks (Esta Noche, 100% Noticias) were sabotaged, and international journalists were not allowed in the country, which has made it harder to have reliable nonpartisan information, since the current government owns all local channels, and there are no physical newspapers in the country. The United States – which has a dubious history in Nicaragua – responded by condemning Nicaraguan officials with sanctions. In July 2019, the US House Committee on Foreign Affairs condemned the Ortega regime for destroying Democracy and violating human rights. There were no objections.

As a result of the unrest, European Parliament called for an early election, despite the fact that Ortega was unconstitutionally re-elected for the third consecutive time in 2016 in an election without the presence of international organizations.⁶⁶

The President wasn't a fan of the international criticism, claiming capitalism and western powers didn't respect matters of sovereignty, and that history was repeating itself with international intervention. This called for him to expel from the country a mission of the United Nations High Commissioner for Human Rights (OHCHR), which denounced the "high degree of repression" of the protests against the government.⁶⁷ This resulted in the UN condemning once again the regime's actions.⁶⁸

Lastly, the Inter-American Press Association also called on the Ortega administration to stop its efforts of censorship, since there is no longer any TV network or Newspaper that is not state-

⁶⁵ CBC News, "Death toll rises in Nicaragua after protests against president come under fire," *CBC News*, May 31, 2018.

⁶⁶ *Ibid.*

⁶⁷ Nation, "Nicaragua en el ojo del mundo tras expulsar Comisionado de la ONU," *La Nación*, September 1, 2018.

⁶⁸ Elizabeth Romero, "ONU Insta a gobierno de Ortega evitar ataques contra manifestantes y medios de comunicación," *La Prensa*, April 20, 2018.

owned, and independent reporters were either thrown to jail for charges of terrorism or had to flee the country.⁶⁹

In May 2020, more sanctions were added to the current government's list. Julio César Avilés Castillo, commander of Nicaragua's army, and Finance Minister Iván Acosta, were sanctioned by the US Department of Treasury for their support of government crackdown on protests. In a statement issued on May 22, 2020, Treasury Secretary said "*The Ortega regime's continued violations of basic human rights, blatant corruption, and widespread violence against the Nicaraguan people are unacceptable.*"⁷⁰

On the other hand, it was pointed out that General Aviles was specially focused upon "*his refusal to order the disbarment and dismantling of paramilitary or 'parapolice' forces during and after the political uprisings that began on April 18, 2018,*". "*The military provided weapons to the 'parapolice' who carried out acts of violence against the Nicaraguan people.*"⁷¹

Nicaragua also struggles with the global pandemic of COVID-19. In April and May 2020, international organizations, neighboring presidents and other leaders pointed out that Nicaragua was one of the few countries in the Region not taking any of the precautions and recommendations insisted upon by such associations as the WHO (World Health Organization) or the PAHO (Pan American Health Organization)⁷². Daniel Ortega's government even made headlines by minimizing the virus and claiming they weren't closing borders, they were accepting everyone in, and no quarantine was happening since it was a country living upon a day to day income, which made the low number in cases harder to believe. However, quickly the Nicaraguan people started practicing self-quarantine due to the rise of cases of what the Government calls "Atypical Pneumonia"⁷³, the overflowing of hospitals and many citizens registering night burials by hospitals. According to official countdowns from the Health Ministry (MINSAs), cases didn't overpass 20 by the second week of May 2020, although Civil Society established an Independent Citizens

⁶⁹ Molina Uriel, "Sociedad Interamericana de Prensa responsabiliza a Ortega de la violencia y censura en Nicaragua," *La Prensa*, April 20, 2018.

⁷⁰ US Department of the Treasury, "Treasury Sanctions Senior Nicaraguan Government Officials, Increasing Pressure on President Ortega's Regime," *US Embassy in Nicaragua*, May 22, 2020.

⁷¹ Associated Press, "US Sanctions Top Nicaraguan Officials Over Rights Abuses," *US News*, May 22, 2020.

⁷² Deutsche Welle, "OPS preocupada por "inadecuada prevención" de Nicaragua ante pandemia," *Deutsche Welle*, April 7, 2020.

⁷³ Wilfredo Miranda Aburto, "Nicaragua has unusually low number of COVID-19 cases," *Anadolou Agency*, April 21, 2020.

Observatory, with inputs from families, doctors and affected patients, which was reaching almost 1,600 by the end of May 2020.⁷⁴

The Nicaraguan Association in Pro of Human Rights (ANPDH) has asked WHO to intervene against this “genocide” Ortega is behind.⁷⁵

Jose Luis Velasquez provided his point of view about the crisis Nicaragua is currently having. He stated that *“In the current circumstances, the political crisis to which the current government has subjected the Nicaraguan People is resulting in the Government systematically destroying the people through the violation of their rights and has even committed genocide.”*⁷⁶

Most recently, in the month of May these events were called up to the attention of Taiwanese News Media, as was the case of Taiwan News which shared 2 articles about the undergoing Health crisis in the allied country. One article stated how the Health Organization is urging the President of Nicaragua to take action, since he has minimized the threat; Nicaragua is the only country in the Region which has not taken any action, and has an independent count from the government of affected people and deaths, who vary largely from official figures.⁷⁷ The second article states how PAHO hasn't been allowed access in hospitals, showing *“clear evidence of undercount”*.⁷⁸ Some of the first lady's public declarations have also been stated by the article as following *“3.7 million people have died of hunger and 14 million children were denied life through abortions. In comparison, 237,000 people have died from coronavirus in five months.”*⁷⁹

The political crisis the country has undergone hasn't just affected its Democratic values, but also its economy. The Nicaraguan Foundation for Economic and Social Development (FUNIDES)

⁷⁴ Ivette Munguia, “Curva de Contagios de COVID 19 EN Nicaragua ira para arriba por largo Tiempo” *Confidencial* May 21, 2020.

⁷⁵ EFE, “Una ONG denuncia un “genocidio viral” en Nicaragua y pide la intervención de la OMS,” *El Diario*, May 15, 2020.

⁷⁶ Valeria Holguin, and Jose Luis Velasquez, “Interview with former OAS ambassador and International Relations expert in Nicaragua,” May 13, 2020.

⁷⁷ Associated Press, “Health organization urges Nicaragua to take action,” *Taiwan News*, May 20, 2020.

⁷⁸ Associated Press, “Health organization: Nicaragua won't allow hospital access,” *Taiwan news*, May 20, 2020. 0

⁷⁹ El 19 Digital, “Compañera Rosario Murillo aboga por reducir altas cifras de muertes a nivel mundial,” *El 19 Digital*, May 19, 2020.

issued a report in which it estimated that the Central American country's economy could decrease between 7.3% and 10.9% in 2019.⁸⁰

However, by 2020, it is expected that the loss would be reduced for another 4.3 % according to World Bank Estimations, however Nicaraguan specialist are claiming it could be much worse, since it didn't take into account sanctions and financial aid that keep being reduced due to world financial conditions as well as economic sanctions.⁸¹

The International condemning and support of the situation in Nicaragua has turned out to be ideologically inclined, while liberal democracies like the US and European countries condemned this. The majority of its support continues to come from communist countries who don't practice liberal democracy and have their own set of political and human rights turmoil.

Leaving again Taiwan as the odd one out in to supporting this regime that doesn't behold what it so openly searches, human rights progression and liberal values.

3.3 Nicaragua-Taiwan Historic relation

Nicaragua has had formal ties with the Republic of China since 1930. With the triumph of the Sandinista Revolution between 1979 and 1990, Nicaragua became in 1985 the first Central American State to recognize the People's Republic of China and switch recognition. Nevertheless, according to one study, the relations between Nicaragua and PRC were established basically for ideological reasons, Nicaragua admired the country's revolutionary thrive, and economic benefits at that time were put into second. Daniel Ortega became disappointed in his visit to PRC in 1986 when the leaders of that country only offered him moral support for the revolution his country was undergoing. PRC wasn't the great power we see today (2020), and they did not want to harm their relationship with the United States (which was in a bad state with Nicaragua through the revolution) by excessively assisting Ortega's regime. Deng Xiaoping stated in a meeting that he would not provide monetary support for the Sandinista regime, which of course, angered Ortega to the point of interrupting his visit.

⁸⁰FUNIDES, "Nicaragua en Crisis Política y Socioeconómica Informe Coyuntural 2019," *FUNIDES*, May 2019.

⁸¹Wendy Alvarez and Mabel Calero, "Porque la caída de la economía de Nicaragua por el COVID 19 puede ser peor que el 3.3% proyectados por el Banco Mundial," *La Prensa*, April 13, 2020.

The country re-established relations with Taiwan in 1990, when liberal wing President Violeta Chamorro came to power. Many expected Ortega to revert to recognizing the PRC when he returned to power in 2006, however he did not do so.

Antonio Hsiang seemed to agree with this expectation, when asked upon Nicaragua-Taiwan relations: *“I am curious why Nicaragua did not break relations with Taiwan, maybe not even China wants Nicaragua, just like Haiti, it’s a hot potato.”*⁸² He was making a clear reference to both countries being more complex to deal with due to their constant political crisis and economic underdevelopment.

Hsiang also expressed how relations with Nicaragua haven’t always been on the favoring of the current party of Sandinistas, and how in the Nicaraguan Revolution and before the 90’s, the US supported the “Contra”⁸³ against the Sandinista’s government through Taiwan. *The US tried to help the Contra, and use Taiwan. They would send money through Taiwan’s Embassy in Nicaragua, and then they’d give the money to the Contra*. He mentioned how this part of Taiwan’s participation was no secret, since it was stated in the Memories of the Minister of Foreign Affairs, a book entitled: 錢復回憶錄卷一：外交風雲動 (Memories of Fredrick Chien, part 1: Diplomatic Activities).⁸⁴

We can perceive how clearly there is a constant battle to influence politically Nicaragua, with either US interventions and nowadays influence from Communist countries. Demonstrating how ties and support in critical times still maintain their ideological sources.

The article *“Taiwan, el Aliado Contradictorio de Taiwan”* by Regional Think Tank “Conectas” who focuses on Journalism in the Americas Region, also continues with the questioning of ties between the two countries. In the article, scholars from different Latin American countries put into question Nicaragua-Taiwan relations, which are not the common norm. They state that on the one hand Taiwan is fighting for their Democracy to be respected by PRC, but on the other hand it

⁸² Valeria Holguin, and Antonio Hsiang, “Interview with Director of Director at the Center for Latin American Economy and Trade Studies,” April 23, 2020

⁸³ “Contra” or “Contras” meaning Counter- Revolution, is the name of the right wing groups who fought against Sandinistas from 1979 to 1990, they were known to have been supported financially and military by the US, since President Reagan saw the Sandinista government and their leftist policies as destabilizing for the Region.

⁸⁴ Valeria Holguin, and Antonio Hsiang, “Interview with Director of Director.”

seems to support one of the regimes that has committed the greatest amount of human rights violations in the Latin American Region.⁸⁵

These are some of the thoughts of scholars and politicians about the topic, expressed in this article:

Political Scientist Julio Shiling, states that *“PRC won’t get any richer with having an embassy in Managua, they don’t need the validation because they are allies when it comes to subversion. It is easier for PRC to hold Ortega as a tactics allied, and in the current crisis they prefer to have Taiwan play the embarrassing role of being silent within the international chorus that is denouncing the humanitarian crimes this dictatorship continues to commit.”*⁸⁶

Nicaraguan Economist and former Minister of Finance in Nicaragua (2005), Mario Arana commented upon the article *“PRC exports to Nicaragua almost 900 million dollars annually, which would normally outweigh Taiwan’s relation, however to Taiwan we manage to export around 100 million dollars a year, and have a free trade agreement. Meanwhile only export around 30 million to PRC, but for us still the 900 million dollar are valid”* Arana also added that *“the position Taiwan is with Ortega is not what most Nicaraguans who have appreciated the country would like to see, but he understands how politics and Taiwan’s few allies left play an impact on their actions.”*⁸⁷

Last but not least current Congress woman and Ex Minister of Commerce in Nicaragua (2005) Azucena Castillo made a point favoring Taiwan by stating *“There has to be understanding in the Taiwanese ambassadors position, since it’s a diplomatic stance, and it doesn’t reflect Taiwanese developing vision Taiwanese have”*⁸⁸

With so many opinions toward Taiwan-Nicaragua relations, it was important to understand Taiwanese and Nicaraguans expert’s points of view on how they saw the diplomatic ties between both countries, especially if they believed them being so controversial made them fragile upon their perspective. Antonio Yang, responded to the previous question as *“Well, [as for] diplomatic*

⁸⁵ Lucydalia Baca, “Taiwan, el aliado contradictorio de Nicaragua,” *Conectas*.

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*

relations between Taiwan and Nicaragua, they can be very fragile because if China offers more aid to Nicaragua, then Nicaragua, wouldn't have a reason to stay with us."⁸⁹

Ex OAS Ambassador Velásquez from Nicaragua stated:

*"I consider that they are very fragile due to the high personalization and arbitrariness that characterizes the decision-making process of the Ortega's Government, which has destroyed the country's institutionality. Thus, I also consider that Ortega's Government already maintains important relations with the PRC since these are carried out discreetly, between the FSLN Political Party and the PRC's Communist Party without going through formal channels. An example of this has been the handling of the attempt to build the interoceanic canal in Nicaragua, all managed in secret between the personalities and the parties of both governments. If all things remained constant in the near future, the rupture between the Ortega government and the ROC (Taiwan) would be just around the corner, the second ROC ceased its economic assistance, or the PRC pressed hard towards that rupture".*⁹⁰

As an author it is important to analyze that through this crisis Taiwan has supported Nicaragua in two ways: By not making any statements about the situation the country is undergoing, and by being the only country continuing to inject funds to the Government by loans or donations to various projects.

As we can observe, most political scientist and scholars with Nicaraguan origins that were quoted in this section have an understanding about Taiwan's situation in the international sphere, arguing in favor of Taiwan, as to having no other option but to do their best to maintain their remaining allied countries even if they their values don't match with Taiwanese ones, as Azucena Castillo Former Minister of Commerce claimed previously, or Mario Arana Former Minister of Finance adding that ROC is in a situation that puts them against the wall, and they must do what they can to survive as a State.

⁸⁹ Valeria Holguin, and Antonio Yang, "Interview with Nicaraguan Expert."

⁹⁰ Valeria Holguin, and Jose Luis Velasquez, "Interview with former OAS ambassador."

Another question that was brought upon the interviews made, regarding Taiwan-Nicaragua relationships, corresponded with questioning Taiwan-Nicaraguan expert Antonio Yang and International relations expert Velasquez to see what each of them thought regarding their own countries' perspective, this was if they believed relations Nicaragua- Taiwan were merely based upon loans and foreign aid.

Yang responded “*countries not only establish friendships; the most important thing is interest. So Foreign Aid is one of the most important parts, it's about the most developed countries helping the least developed countries, it is not only us Taiwan helping.... Japan, South Korea, help, they aren't thinking if you are democratic or not, they continue to help.*”⁹¹

Velasquez agreed but upon a different perspective he stated “*Absolutely, otherwise the Ortega government would have no other motivation than commercial to maintain relations with ROC*”⁹²

Antonio Hsiang about the issue says “*That what is most important was survival and unfortunately that was done through foreign aid*”⁹³

Last, Yang in his interview remarked that “*That is the most important thing for small countries, if there wasn't Taiwan, do you think that China would give importance to small countries? China has almost 180 allied countries, they do not care about Nicaragua, but since Nicaragua is one of the few that has relations with Taiwan, they might. Nicaragua as a small country knows that it has to look for how to obtain its interests and greater benefits.*”⁹⁴

This seems to agree with scholars Lin and Lin, who have stated “*the enhancement of international status has continually been the most important determinant in Taiwan's foreign aid policy making*”⁹⁵

⁹¹ Valeria Holguin, and Antonio Yang, “Interview with Nicaraguan Expert.”

⁹² Valeria Holguin, and Jose Luis Velasquez, “Interview with former OAS ambassador.”

⁹³ Valeria Holguin, and Antonio Hsiang, “Interview with Director of Director.”

⁹⁴ Valeria Holguin, and Antonio Yang, “Interview with Nicaraguan Expert.”

⁹⁵ Michael Yahuda, “The International Standing of the Republic of China on Taiwan,” *The China Quarterly*, no. 148 (1996), 181.

We can start to distinguish some of the characteristic of the Realism paradigm in International Relations in this section, where the interests of the state are put above liberal values, in this case the understanding that relations might be fragile within Nicaragua if there were more to gain for the country to have relations with PRC. There is also the notion of some scholars understanding that Taiwan is supporting Nicaragua due to its own status quo, and that it has supported its different political parties in power, so an ideological tie as well as the existence or nonexistence of democracy has never pushed or diminished the support from Taiwan's side in the periods of diplomatic relations.

Taiwan's Cooperation and Aid with Nicaragua:

As we have stated, many developed countries contribute to smaller and underdeveloped ones through project donations or loans, in most cases this Aid has some sort of conditionality as to in what it can be used for, or some conditions the country must follow to have access to this, so it is a common side of diplomatic ties to engages in Cooperation. However, according to Tubilewicz, *“the case of Taiwan the lack of recognition by the majority of states due to the China Factor has led them to put a lot of the weight of their diplomatic relations within foreign aid to their allies.”*⁹⁶

In the case of Nicaragua, this has been no different, as Yang pointed out in his interview.

*“So many allies are in Latin America, and Nicaragua is one of the 15, a country like Nicaragua is not really that important in the whole world context, but for Taiwan, it is important. Remember it is a competition over the two Chinas”*⁹⁷

When we understand that majority of Taiwan's allies come from the developing world, so financial factors are of huge influence to countries who are struggling to maintain and lift their socio-economic level. It is easier to incline this research into understanding how the diplomatic relation Taiwan maintains, are more of an exchange of funds to recognition, making the foreign aid for political purposes theory a reality in Taiwan's international policy.

MOFA and ICDF agencies were both requested to assist with interviews for this Thesis, to have a better understanding in how the allocation funds towards their diplomatic allies worked, as well as

⁹⁶ Ibid, 181.

⁹⁷ Valeria Holguin, and Antonio Yang, “Interview with Nicaraguan Expert.”

to find out if there were changes in aid upon countries that had political crisis or international sections, as is the case of Nicaragua. Both Agencies respectfully declined the request. However, according to the MOFA Report from 2018⁹⁸ Taiwan's cooperation is intended to follow international regulations and its project funding show commitment to both UN sustainable goals as well as ODA⁹⁹. MOFA, in the year 2018 states that Taiwan gave around US\$302 million in cooperation funds to diplomatic allies and friendly countries in several areas such as development of social infrastructure, agriculture, healthcare, education (this includes their scholarship programs that bring hundreds of foreign students to participate in higher education programs in Taiwan), economic infrastructure and humanitarian assistance.

ICDF, as an agency under MOFA's direction, did provide us with its last Reports which are also available on their website.

However as stated previously, the data of how much it has given by Region or country was deemed confidential since 2006, according to Maggiorelli. This author also clarifies that as it has been observed before, when regional data was available, Taiwan provided around 30-50% of their aid towards the Latin American Region.¹⁰⁰

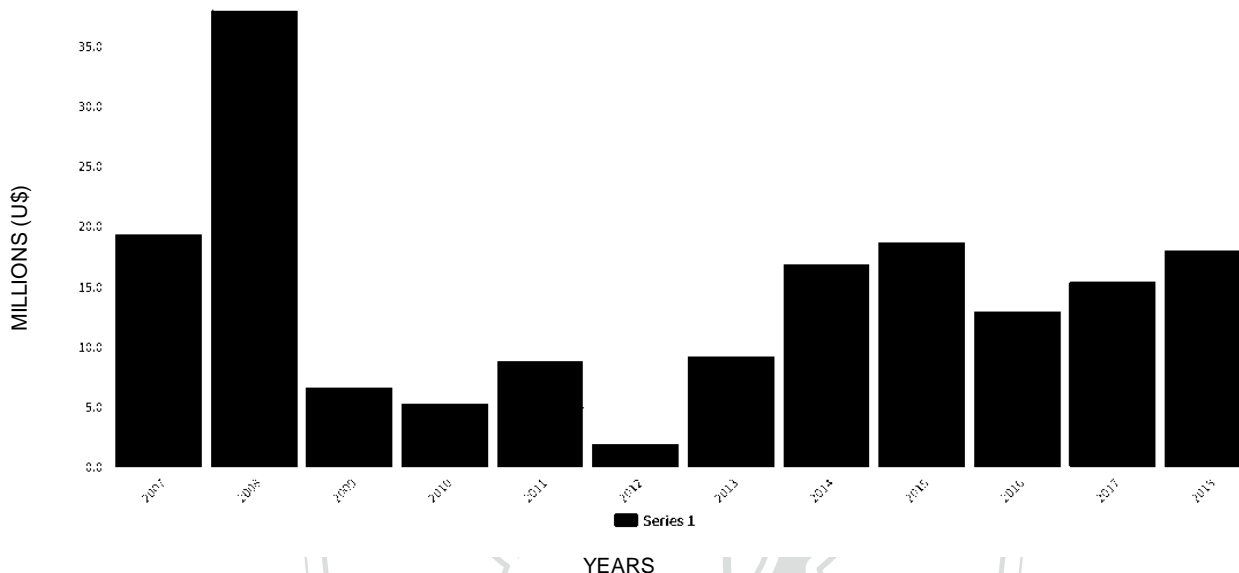
Nicaragua has seemed to maintain their own track record on Foreign Aid given by Taiwan, in the graph below provided by "Conectas", quoting data from Nicaragua's Central Bank in 2019, we can see the amounts from 2007 to 2018 as to how much aid in Millions of dollars has been provided.

⁹⁸ The previous report available went back to 2013, and it does not of direct concern for this research

⁹⁹ Official development assistance (ODA) is defined by the OECD Development Assistance Committee (DAC) as government aid that promotes and specifically targets the economic development and welfare of developing countries. The DAC adopted ODA as the "gold standard" of foreign aid in 1969 and it remains the main source of financing for development aid. <http://www.oecd.org/dac/stats/What-is-ODA.pdf>

¹⁰⁰ Lorenzo Maggiorelli, "Chinese (PRC) and Taiwanese (ROC) evolving international strategies towards Latin America and the Caribbean," *Taiwan Fellowship*, April 19, 2020, 192.

Table 1 Taiwan’s Foreign Aid towards Nicaragua 2007-2018.



Source: Reports on International Cooperation by Nicaragua’s Central Bank

As we see above, it is interesting to contrast the balances of donations which have been the highest in 2008 with 37.9 million, and later maintained a stable average since 2014 to 2017, going from 12 to 18 million dollars. Coincidentally we can see the 37.9 million increase goes in hand with the change of government, and with President Ma Ying-jeou representing KMT winning the elections, which could have indicated a change of Foreign Aid policy, however it would have to be contrasted within other countries donations received.

The following year 2009 there was a change in President Ma’s foreign aid policy, stating a more flexible diplomacy depending less on funding, and more on other types of technical and political exchanges. This was said to have repercussions in Ma’s visit to Nicaragua in 2009, where he was given some sort of “cold shoulder” by Ortega.¹⁰¹

¹⁰¹Mo Yan-chih, “Ma finally meets Nicaraguan leader”, *Taipei Times*, July 5, 2019.

There is a huge diminish after 2009, all the way to 2013 when funding in aid started to rise towards 20 million, a medium President Tsai government has maintained, compared to the average 5-10 million with President Ma, as we can see in the graph.

The website of the Taiwan Embassy in Nicaragua also offers us some insights as to what projects it is financing, with the earliest being in June 2016, a fund of 5.240 million dollars from a total of 14 million it committed to cooperate to develop over 600 houses for people affected by an Earthquake Nicaragua was affected in 2014.¹⁰² On November 2016, Taiwan supported the Program “Usura Cero”, with a budget of around 200 thousand dollars, to support ventures of 900 women of semi-rural and rural areas¹⁰³.

Meanwhile in 2017, 100 thousand dollars were given to help families affected by floods and extreme weather conditions¹⁰⁴ 2017 stated the signing of a Cooperation Agreement, and one of the points touched upon was health, this is why Taiwan provided 1.680 million dollars for medical supplies, and medications for people with chronic diseases.¹⁰⁵

In 2018 Taiwan supported Nicaragua with a donation of 1 million dollars for the maintenance of school centers in 6 Departments of the country.¹⁰⁶ After 2018, cooperation’s reports are still updated in the Embassy’s page, however they no longer include donation amounts, just the content or objective.

It is important to add that there was also a yearly benefit for 20-40 students to fulfil their university and postgraduate studies in Taiwan for durations of 3 to 5 years.

Nicaragua in 2012 explored economic relations with China, by getting involved in propositions and the passing of a law for the creation of a “Mega Project” that constituted in the development

¹⁰² Taiwan Embassy in Nicaragua, “SINAPRED recibe 5.24 millones de dólares para Ciudad Belén,” *Taiwan Embassy in Nicaragua*, July 7, 2016.

¹⁰³ Taiwan Embassy in Nicaragua, “Taiwán colabora con el Programa “Usura Cero,” *Taiwan Embassy in Nicaragua*, November 17, 2016.

¹⁰⁴ Taiwan Embassy in Nicaragua, “Gobierno de Taiwán entrega donación para damnificados de las lluvias,” *Taiwan Embassy in Nicaragua*, October 13, 2017. 1

¹⁰⁵ Taiwan Embassy in Nicaragua, “Taiwan entrega valiosa donación al MINSA,” *Taiwan Embassy in Nicaragua*, November 4, 2017.

¹⁰⁶ Taiwan Embassy in Nicaragua, “Se rehabilitarán Centros Escolares de Nicaragua con apoyo de Taiwá,” *Taiwan Embassy in Nicaragua*, September 5, 2018.

of an Interoceanic Grand Canal, which could be seen from a broader perspective as part of China’s Belt and Road Initiative.¹⁰⁷ The International Relations specialist Carmen Grau observed how Nicaragua was playing both sides by maintaining diplomatic relations with Taiwan and getting involved in a “Mega Project” with China.

Since the Interoceanic Canal proposal, the official Taiwanese agenda in Nicaragua became more active, and there have been uninterrupted donations to the Nicaraguan government. In addition to the activities described below and various donations to the Army of Nicaragua, during this period (2012-2016) there were bilateral visits between the two Governments, Taiwanese authorities visited Nicaragua five times while Nicaraguan authorities visited Taiwan four times.

During this period some of the aid Taiwan provided Nicaragua with consisted of the following, according to Taiwan's Embassy in Nicaragua:

Table 1: Taiwan’s foreign aid to Nicaragua during the 2014-2016 Grand Canal Negotiation Period.

Dates	Amount or Given:	Activity
April 2014	200,000 USD	Support for national Program “Usura Cero.”
May 2014	3,000 USD	-Support for childbirth and medical supplies for needy families
	850,000 USD	
	5000,000 USD	
	163,000 USD	
June 2014	850,000 USD	Building new capacity centers for kids
July 2014	New Treaty signed	
August 2014	Commercial Expo Taiwan-Nicaragua	
September 2014	2000,000 USD	Local Market support

¹⁰⁷ Carmen Grau Vila, “Between China and Taiwan: the case of Nicaragua and the Grand Interoceanic Canal,” *Revista CIDOB d’Afers Internacionals*, 114, (2016): 207-231.

	150,000 USD +1,400 tons of rice	
October 2014	800,000 USD	Fight against Chikungunya Virus
	200,000 USD	
	The signing of Technical Cooperation Treaty	
November 2014	20,000 USD	
December 2014	57,000 USD	
February 2015	3,000 USD	Support for students
	Nine scholarships	
May 2015	200,000 USD	Financing Usura 0
June 2015	500,000 USD	Embassies and special service allowance and Ministry of Foreign Affairs Nicaragua
July 2015	1,500,000USD	Major Office
August 2015	357,0000 USD	Donation to MOFA Minister
September 2015	82,250 USD	Medication against Dengue
October 2015	790,000 USD	Construction of a Kindergarten
December 2015	1,450,000 USD	Prevention of Natural Disasters
	1,660,000 USD	
	5,350,000 USD	The building of Community Belen

Source: Taiwan's Embassy in Nicaragua.

Controversies surrounding the Foreign aid given by Taiwan to Nicaragua

The Taiwan Embassy in Nicaragua as well as news media have demonstrated that much of the Aid Nicaragua is receiving from ROC is following patterns that might push for development in the country. However, it has come to the attention of many scholars that, while the political crisis continued to rise, and human fatalities were added, a huge part of the developing world responded with sanctions towards Nicaragua, as well as diminishing or cutting their foreign aid. Not only did Taiwan keep financially aiding the country, but there was also a noteworthy lack of transparency and thought concerning the final destination of the money. Newspaper articles such as “Taiwan the contradictory ally of Nicaragua”, “Taiwan donates 3 million dollars to repressive pole institution”, and “The juggling of Taiwan’s funds” led headlines. This might have turned the once grateful and positive look towards cooperation that Nicaraguans once had into a more realist view of their interest to survive. Baseball stadiums, donations toward the police, purchase of national funds, the sudden cancelation of scholarships, as well as a stranded 100-million-dollar loan, have all been highly questioned as we will try to understand below.

Before 2018, some projects management had been questioned. This was the case with the agreement for the construction of a baseball stadium in July 2013, for which Taiwan donated 30 million dollars and which was expected to be ready in 2016. However, by 2014 there was no sign of the Stadium, at the same time Nicaragua experienced an earthquake in April 2014. A month later the construction of “Ciudad Belen” began, which was intended to house people who were affected by the disaster. In December 2014 another agreement was signed with the Embassy of Taiwan for 30 million dollars to execute “Ciudad Belen”, although the project could already benefit from resources from the Inter-American Development Bank (IADB) as well as from the Central American Bank for Economic Integration (CABEI), and had been executed for 7 months already, with even families already residing in the housing¹⁰⁸.

By January 2015, Daniel Ortega gave declarations stating that the funds for the stadium had been used to construct “Ciudad Belen”, the government was also instructed to acquire a private debt with a Private Institution whose name was not released.¹⁰⁹ The Presidential Secretary informed

¹⁰⁸Moises Martinez, and Roy Moncada, “Los Malabares con los fondos de Taiwan,” *La Prensa*, March 1, 2015. n

¹⁰⁹ Aburto, Wilfredo, “La “diplomacia de los estadios” chinos en Latinoamérica,” *Agencia Andalou*, Decemeber 18, 2019.

that 12 million were executed for the development of “Ciudad Belen”, and that the remaining 18 million would be used in the period of 2015-2016. The questions upon many news media, economist and NGOs comes from several lack of transparency movements. First, before the construction started there was an emergency National Budget redistribution, where 11.8 million dollars were destined to help support construction of housing as well as provide temporal shelter for those affected. Taiwan’s representation overseas and former ambassador Ingrid Hsing has stated that the re-allocation of funds is completely transparent, since they were consulted before, for which Taiwan took notice of Nicaragua’s immediate needs, she also stated that both agreements were signed upon the same donation of funds, not two different amounts. Carlos Langrand former congress official for the opposition party and member of the Economic Committee in Congress states that the issues is that both donations weren’t included in the National Budget, timing approval and other donations as well as loans that were intended for the earthquake crisis make it very hard to tell if Taiwan’s funds were in fact used for this, on the other hand there is no internal process , document or evidence other than the President’s word that they were used for this. As a result, Nicaraguan citizens also obtained another national debt to finance the actual stadium.^{110 111}

One of the most controversial donations, occurred during the peak of the political crisis in 2018, took place when Taiwan donated 3 million dollars to the Police Institution, who happened to be the main repressor during this crisis causing the fatalities of over 600 protestors. This event also called the attention of many news media, scholars and international news. The funds were to be managed by the Institution to strengthen the service of the Hospital Roberto Huembes, and to build more clinics. The biggest issue with this donation was the fact that it was given to the Chief of Police Francisco Diaz, who had recently been sanctioned by the Magnitsky Act¹¹², with which the US searches to sanction foreign government official who have been involved in human rights abuse as well as corrupt activities affecting general citizens, this once again brought the question upon if there would be a proper use of the funds by that institution which held a burden during those times. The Permanent Commission of Human Rights (CPDH) showed some concerns as to the funds which can indirectly be supporting the oppression

¹¹⁰ 100% Noticias, “Donación de Taiwán a policía represiva es para comprar reconocimiento a nivel internacional, dicen exembajadores,” *100% Noticias*, December 7, 2018.

¹¹¹ Juan Daniel Treminio, “La estafa del nuevo estadio,” *Coyuntura*, August 16, 2017.

¹¹² Edición Digital, “Gobierno de Taiwán dona 3 millones a la policía orteguista,” *La prensa*, December 6, 2018.

of Nicaraguan people. Jose Luis Velasquez, in this time commented to the local News source *100% noticias*, that:

*“Taiwan providing funds to and Institution and chief being charged with crimes against humanity, is expected to be critiqued even if it’s a donation”*¹¹³ The same article featured Pablo Cueva from CPDH, expressed that he is sure *“Taiwan has good intentions to help the Nicaraguan people, but there should be more awareness”*¹¹⁴

One of the biggest controversies which was later dismissed by Taiwan’s government happened in October 2018, when independent news local media in Nicaragua, claimed by 2 official government sources that Taiwanese government would be purchasing over 280 million dollars’ worth of government bonds from Nicaragua, this would have supported Nicaragua through the economic crisis the country was experiencing. These bonds were previously put into the international market, however none of the left-wing allies in Latin America would have the solvency to make such aid¹¹⁵. If this were to happen it would be deemed as external debt for the country. However, a week later Taiwan’s ambassador to Nicaragua Jaime Wu, denied these claims completely by accepting an interview with the same news media *Confidencial*¹¹⁶ stating he had no knowledge of Taiwanese government or any private enterprise from his country to be purchasing such bonds. He also stated: *“Nicaragua has maintained good relations with Taiwan along the years. You understand we have some difficulties internationally, and that is why we need some friends to support us”*¹¹⁷

Also adding that Taiwan’s international cooperation remained invariable, with any large rises. During this interview he also stated that:

“Taiwan works here without any other intention, we support Nicaragua in an unconditional way, he also assured that it is normal for countries to put for sale their bonds, and “that the questionings to Nicaragua’s government over human rights violations, are internal issues, all countries have people who support or oppose the government, but it is not in our place to comment upon internal issues.” Lastly the ambassador added *“A diplomat can’t*

¹¹³ 100% Noticias, “Donación de Taiwán a policía represiva.”

¹¹⁴ Ibid.

¹¹⁵ Ivan Olivares, “Espaldarazo de Taiwán a la dictadura: 280 millones de dólares,” *Confidencial*, October 2, 2018. /

¹¹⁶ Ivan Olivares, “Taiwán niega compra de Bonos a la dictadura de Ortega,” *Confidencial*, October 6, 2018.

¹¹⁷ Ibid.

*lie if something is going on, we cannot confirm, but in this case, we redundantly deny any involvement.”*¹¹⁸

Some significant Taiwanese, local and international news media also shared the news and the denied allegations.^{119 120 121}

However, his last statement also gives in many of the times Taiwan hasn't clarified or confirm previous controversies. In 2019 as well there isn't much information, but this time Taiwan's yearly scholarship programs through ICDF and MOFA institutions went according to schedule, however after the acceptance of students and confirmation they would be receiving their scholarships packages, ICDF program was cancelled, leaving 15 students with no other explanation, more than alleged cancellation of funds. According to “La Prensa”, a local newspaper in Nicaragua the controversial part was that ICDF did not cancel this program to any other country, and even Universities who manage this program did not have much understanding since the funds were apparently there. ICDF neither Taiwan's embassy gave any official statements providing a clearer explanation to the cancelation.

Both institutions scholarships work differently in the application process, ICDF scholarship is given to those who Taiwanese universities accept into their programs. MOFA applicant go through more political filters since there is a committee constituted by a representative of the National University Council (CNU) in Nicaragua, a Taiwan embassy member and a Nicaraguan government official. ICDF applicants can only apply to one university, meanwhile MOFA applicants can apply to as many universities as they consider.

It has been questioned and it is of common conversation between Latin-American students in Taiwan that MOFA scholarships serve as a Clientelism tool, supporting in majority students who withhold any relationship to political parties in power or government officials. There is not enough evidence to back this although it helps the claims of the 15 students whose scholarships were cancelled stated that it was due to some of them not being affiliated with the Nicaraguan governments party FSLN. An anonymous scholarship holder whose scholarship was cancelled

¹¹⁸ Ibid.

¹¹⁹ Havana Times “Taiwan niega millonaria compra de bonos a Nicaragua,” *Havana Times*, October 27, 2018.

¹²⁰ Edición Digital, “Taiwán Niega compra de bonos al Banco Central de Nicaragua,” *Nuevo Diario*, October 26, 2018.

¹²¹ Stacy Hsu, “Nation not buying Nicaraguan bonds: MOFA,” *Taipei Times*, November 7, 2018.

mentioned that the excuse of ICDF running out of funds made no sense, since governments approve programs a year before, and they wouldn't have opened the applications for that year if no funds were there. Other mismatches mentioned were, for instance, the fact that ICDF never gave official communications, all were done through the overseas representation office in Nicaragua.¹²² Until this day there were not any more comments or statements from either the embassy or ICDF regarding this issue. However, in 2020 the call for scholarship applications from ICDF opened again in the country.

Velasquez, when questioned if he believed Taiwanese funds were helping the development of the country seemed to contribute to the Clientelism claims previously noted he stated:

*“Under no circumstances, this is because there is a complete politicization with which the Ortega Government manages and invests international cooperation funds. These funds are used exclusively to provoke support for the government from the political clientele of DOS to whom they are directed. These resources are not invested in development programs or projects, but in gifts and perks for the Ortega electorate”*¹²³

This could mean that even though Taiwan is pushing for development through aid within the Nicaraguan people, their government might be the one utilizing them in a political manner. The foreign aid is being directed for Clientelism to continue to reward their supporters and maintain in power through hardship. Nicaraguan governments are very prone to this tactic having a common authoritarian phrase *“plata para mis amigos, palo para los indiferentes y plomo para mis enemigos”* meaning silver for my friends, violence for the indifferent and bullets for my enemies, which originally was practiced also by Somoza.¹²⁴

However, considering the fact that Taiwan isn't demanding the regime to be more transparent in the use of the funds and is promoting the political parties, is what amplifies more the realism spectrum. In one of the ceremonies Silvia Rosa Aróstegui¹²⁵ a woman who is a FSLN party member and was benefited from a housing program that was funded by Taiwanese aid, claimed to

¹²² Lidia Lopez, “Taiwan cancela beca a 15 estudiantes nicaragüenses,” *La Prensa*, August 15, 2019.

¹²³ Valeria Holguin, and Jose Luis Velasquez, “Interview with former OAS ambassador and International Relations expert in Nicaragua,” May 13, 2020.

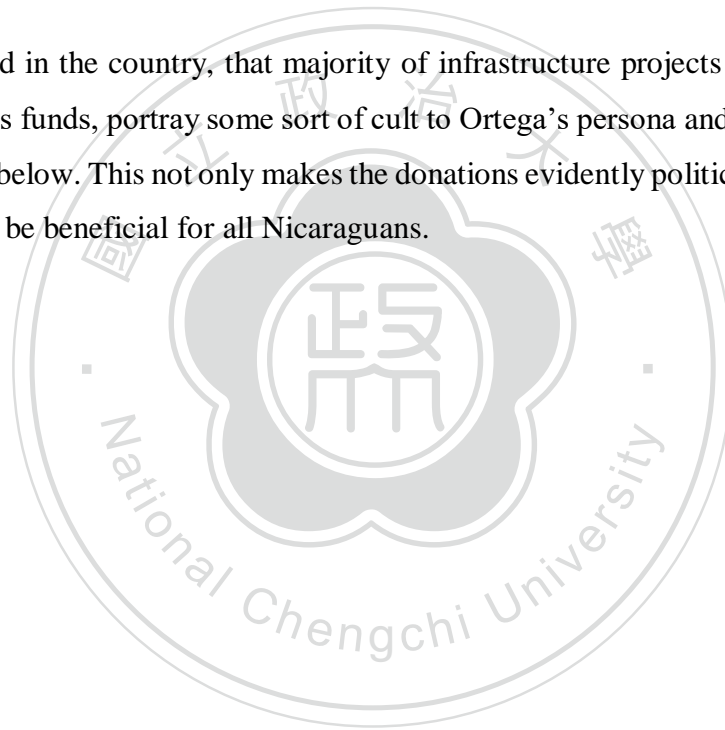
¹²⁴ Diego Leal, “¿Régimen Del Terror O Aceptación Pasiva?: Cultura Política Nicaragüense Durante El Régimen De Los Somoza (1936 –1979),” Universidad Colegio Mayor de Nuestra Señora del Rosario (Master thesis), 2016.

¹²⁵ Carmen Grau Vila, “Between China and Taiwan: the case”.

be surprise when Taiwanese Ambassador Jaime Wu stated the houses were “*a sign of commitment from the government of Unity and Reconciliation*” as the Sandinista party calls themselves. This leaves a lot for interpretation either evidencing the dollar diplomacy involved between Nicaragua’s ties with Taiwan, understanding that because the government has continued to support Taiwan over China, Taiwan is supporting Nicaragua, or could just be again a political tool where even the Taiwanese embassy emphasizes the great work of Ortega, and doesn’t even take credit.

Yang explained this behavior as: “*I have worked many years in embassies, and the reality is that it will be done, if governments ask, we need this and this. What is the ambassador going to do, say no? We have to help them. Is a reality.*”¹²⁶

It is also easily noted in the country, that majority of infrastructure projects as well as activities financed by Taiwan’s funds, portray some sort of cult to Ortega’s persona and party FSLN. As we can see in the image below. This not only makes the donations evidently political, but also partisan, which intends to not be beneficial for all Nicaraguans.



¹²⁶ Valeria Holguin, and Jose Luis Velasquez, “Interview with former OAS ambassador.”



Table 2 Image of the Center for Agricultural purposes donated by Taiwan..¹²⁷

(In the infrastructure we can observe the President's signature and political party logo)

When asked if he believed this economic pressure was normal procedure between relations held between 2 countries, Yang stated:

“I think more with Taiwan, they (allies) will take advantage. But we have always demanded public acts of donation, to make it more legitimate so in the end there is less chance that this will happen. Did you hear about what happened with one of our ambassadors in Haiti? He didn't get along with the President, and they requested change. This is a problem, a reality of Diplomacy. Sometimes these countries might feel like if they

¹²⁷ Taiwan Embassy in Nicaragua Website

are being told what to do, there is a sense of superiority, like we can't tell them how to use the money because there has to be a principle of sovereignty."¹²⁸

Yang also added that because of a previous case of corruption between governments, Taiwan has taken measures *"Years ago, several presidents of Central America were imprisoned for mismanagement of funds, one of them was Portillo from Guatemala, for accepting a bribe, from Costa Rica we also had problems, and one from El Salvador. The diplomatic reality is like that; they just ask for things"*.¹²⁹ Referring to former Guatemalan President Alfonso Portillo who in 2014, accepted to have received bribes from Taiwan in exchange for diplomatic recognition.

Yang also added *"If you were our ambassador in one of these countries and told them something about the police repression, they send you back, in practice cannot be like this."*¹³⁰

Lu, when discussing whether Taiwan should be still giving funds towards country with political crisis such as Nicaragua, he stated: *"personally think Taiwan should reconsider the situation on the ground. Nevertheless, given the policy process, the government may have different considerations"*¹³¹

The last and most recent fund allocation controversy surrounding Nicaragua and Taiwan occurred in February 2019, when Taiwan approved a 100-million-dollar loan to Nicaragua to help the government get back on their feet after the political crisis and abandonment from other international agencies and aid from other countries. The loan was approved the Exportation and Importation Bank of Taiwan (EXIMBANK), this fund was intended to support the Public Investment Program of Nicaragua. Many Nicaraguan public official, didn't agree with this decision, categorizing this loan as to be making Nicaragua's external debt bigger in moments when the country was already undergoing financial crisis.¹³² On February 2019, news media Taiwan News shared an article titled *"Taiwan loans Nicaragua US\$100 million despite deteriorating human rights"* stating *"no leading politician in Taiwan has yet criticized Ortega's*

¹²⁸ Valeria Holguin, and Antonio Yang, "Interview with Nicaraguan Expert."

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Valeria Holguin, and Yeh chung Lu, "Interview with Professor from the Diplomacy Department NCCU," *International Relations expert in Nicaragua*," May 13, 2020.

¹³² Jose Issac Espinoza, "Taiwan dona y presta fondos para encubrir déficit fiscal," *El nuevo diario*, February 19, 2019.

crackdown. The country, on the contrary, has only been lauded for supporting Taiwan's participation in international politics and had its envoys warmly greeted during official diplomatic visits."¹³³ Nevertheless, by January 2020 the loan still hadn't been transferred to Nicaragua. This would seem to appear Taiwan is starting to mark a limit for Nicaragua however it was later confirmed by "La Prensa"¹³⁴, that the loan had been put on hold, these sources claim it has happened due to the US pressure, as well as well as the sanctions previously stated against Nicaragua. For Velasquez it makes sense that to make the transfer Taiwan's bank has to make use of the US financial system, an intermediate bank and this bank might be sanctioned for providing funds to such government. According to this article the Taiwanese Embassy also claims they have no information about the state of the loan since it would be a transaction between EXIMBANK and the Nicaraguan government.

Antonio Yang seems to agree with Velasquez's idea. In his interview he mentioned this donation and explained how the donation disbursement didn't occur because of US pressure and that "*the US opinion is more important to Taiwan*" He also mentioned "The US factor" and the "China factor" playing key roles in Taiwan's diplomatic and foreign aid decision.

*"Honestly if it weren't for the China factor, the existing possibility that Nicaragua can change its policy towards China. We wouldn't be helping Nicaragua as much. It's truth. However, they (Nicaragua) have to play their cards. They have options." There is a lot in stake in politics. It would stay more in words (talking about aid), there must be a Taiwan factor and a United States factor. The security and interests of each to push this. It is not by ideology."*¹³⁵ Yang said

Here it is evident how many people see the thin line between diplomatic relations and foreign aid, within diplomatic ties one does not usually break ties if there are sanctions involved, such is the case of Venezuela, Russia and middle Eastern countries with the US, however in Taiwan's relations foreign aid plays such a fundamental role it could be seen this way.

¹³³ Ryan Drillsma, "Taiwan loans Nicaragua US\$100 million despite deteriorating human rights," *Taiwan News*, February 20, 2019.

¹³⁴ Wendy Alvarez, and Lucia Navas, "Sanciones de Estados Unidos podrían estar bloqueando entrega del Prestamo a Nicaragua," *La Prensa*. August 18, 2019.

¹³⁵ Valeria Holguin, and Antonio Yang, "Interview with Nicaraguan Expert."

It might be also questioned up to what point is Taiwan's aid, helping to maintain the regime, since powers such as Venezuela, Cuba, Russia, and even Iran, still support the regime with aid. For the matters concerning this research, the impact the aid is having might not be as relevant, as well as the assumption of the aid stopping, would it make the Regime disappear. However, to observe that Taiwan is the only democratic nation still supporting Nicaragua, even though its aid may not maintain the entire regime, it contributes to give credibility to the government by financing the policies they promote, resulting in indirectly maintaining them in power. This is contradictory to what Taiwan so openly seeks for itself which is to maintain its democracy against tyrant China.

Velasquez expressed his opinion on Taiwan and how they continue to support the Nicaraguan regime

*"It continues to happen given that if ROC (Taiwan) suspended financial assistance, the Ortega, government would have no motivation or incentive to maintain relations with them, which means the Nicaraguan Government would decide to break relations and establish them with PRC(China). In this case, it means discontinuing this assistance would case the ROC to jeopardize diplomatic relations with one of its few international allies and result in weakening its position in the international arena and counter to the PRC."*¹³⁶

Within both scholar's opinions one can conclude that Diplomatic Relations are being sustained within Foreign Aid, and if this were to happen relations would be discontinued. Realism takes an evident role when understanding how Taiwan has put upon their interest of survival ahead of any value internationally.

It is a common question in the International Relations Arena for countries to support Authoritarian states as we have expressed however there is a clear difference as to majority of these countries, developed (US,UE) to underdeveloped regions (Latin America and Africa) have stated conditionality factors as to in what to make those loans or assistance towards, and have also publicly called out these governments when behaving in a different spirit than the respect of general modern day democracy's characteristics such as freedom of speech, repression and issues surrounding the main pillar of democracy elections.

¹³⁶ Valeria Holguin, and Jose Luis Velasquez, "Interview with former OAS ambassador."

It has not been a different response from the Asian Region, when in 2018 Japan started to question their donations to Nicaragua as well. The Japan International Cooperation Agency, expressed its concerns over the incorrect use of donated vehicles for activities which weren't its purpose.¹³⁷

This concern comes from images of these vehicles being used by the police and para-military to repress protests and civilians opposing the regime. This would leave aside the assumption discussed with Yang on whether maybe western values of democracy were the ones been used to “perceive” the situation with Nicaragua, and we should look for the “Asian model of democracy”, which might have a different evaluation from Taiwan towards the political situation to what he responded that this perception was too idealist as well.



¹³⁷ EFE, “Japón expresa preocupación a Nicaragua por uso inadecuado de autos donados,” *El Diario.es*, July 5, 2018.

Chapter 4: “Taiwan’s Alliance of Democratic Values”

4.1 Taiwan’s allies

Taiwan’s cross-strait relations have caused international isolation; however, their fast economic growth, economic liberalization of markets and key geographical position has made Taiwan have a different set of allies, which are 3: full diplomatic allies, unofficial governmental relations (no diplomatic representation) and Security allies.

a. Full Diplomatic allies: ROC –Taiwan recognizes all UN members with the exception of PRC, territory which they consider as their own and North Korea since they view one Korea as well. However, only 15 countries recognize Taiwan as the true representative of China., and hold diplomatic relations with. These are:

Table 3: Allied Countries and their relations period with Taiwan

Allied Countries	
Eswatini (1968)	Tuvalu (1979)
Haiti (1956)	
Saint Kitts and Nevis (1983)	
Saint Lucia (1984–1997, 2007)	
Saint Vincent and the Grenadines (1981)	
Guatemala (1933)[59]	
Honduras (1941)	
Nicaragua (1962–1985, 1990)	
Paraguay (1957)	
Belize (1989)	
Holy See (1942)	
Marshall Islands (1998)	
Nauru (1980–2002, 2005)	
Palau (1999)	

Source: MOFA

Between 2019-2020, sources like Taiwan News and MOFA have reported on the contributes allied countries have done to Taiwan's survival.

In 2019, eleven out of the fifteen allies showed their support towards Taiwan during the UN General Assembly Session. Honduras, Paraguay, the Vatican, and Nicaragua however didn't acknowledge the island during their short interventions.

Honduras and Paraguay made their support evident by sending letters, and The Vatican doesn't usually make statements regarding political power struggles.

Many news media, such as Taiwan News ¹³⁸ quickly noticed that this made Nicaragua the only the only diplomatic allied that did not publicly support Taiwan, but added that MOFA was aware that Nicaragua decided this year to focus on issues related to their internal affairs, their spokesperson stated *“The Central American ally has previously spoken up for Taiwan in various international occasions, showing that bilateral ties remain strong and stable”* she added.

On the economic levels, Taiwan has benefited the Central American Region by promoting some of their expert products within its domestic market; this has been done by the creation of free trade agreements with Honduras, Guatemala, Nicaragua, and former allies Salvador and Panama.

b. Unofficial Government Representation-Non Diplomatic Representation (TECRO):

Taiwan holds relations with 48 countries/ territories, mostly based on cultural and economic exchange. These recognize PRC, however, hold some interactions with ROC, the relations are not inter-governmental, nor are they officially diplomatic or political. All these countries hold offices known as (TECRO): Taipei Economic and Cultural Representative Office. In most cases, the offices have all the services as embassies, without the diplomatic immunity and status as it would commonly uphold.

The countries that hold the previous description go as following:

¹³⁸ Central News Agency, “Eleven of Taiwan's allies speak up at UN debate: MOFA” *Taiwan News*, September 29, 2019.

Australia, New Zealand, Papua New Guinea, Brunei, Hong Kong, India, Indonesia, Israel, Japan, Jordan, South Korea, Macau, Malaysia, Mongolia, Myanmar, Philippines, Russia, Saudi Arabia, Singapore, Thailand, Vietnam, Nigeria, South Africa, European Union, Turkey, Canada, Mexico, United States, Argentina, Brazil, Chile, and Peru.

Many scholars in the last years have stated that Taiwan's unofficial ties ultimately outweigh its official ones, even representing economic trade earnings and safety. Which is the case of the US more than 400 American diplomats reside, the same way this institution aids Taiwanese citizens for consular services, more than any other country. At the economic level, these partners represent the majority of trade and foreign investment in Taiwan, more than all diplomatic allies combined. However, it is logical due to the size of their economies. In 2018 there was a registered 11.4 Billion USD in Investment in Taiwan, the top 5 sources were Netherlands, Luxembourg, Japan, British Territories, and Germany. Clearly stating the relevance of these non-official partnerships for Taiwan's continuing development and growth.

c. Security allies:

We can claim that the third group of allies come due to security reasons. Regarding Taiwan's security, Japan and the United States have stated they could support the country, due to the isolation it has gone through, as a consequence of PRC's campaign. Taiwanese officials have accomplished almost official level visits since 2019 in Australia, New Zealand, Japan, and South Korea as well as to the United States at a political level and especially in the cooperative military guidance, which is the case for the US.

Taiwan's Relation act discusses an important point, which is going as following "*The United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain sufficient self-defense capabilities.*"¹³⁹ It is important to understand that this may vary according to the decision-makers and context within the period.

¹³⁹ American Institute in Taiwan, "Taiwan Relations Act (Public Law 96-8, 22 U.S.C. 3301 et seq.)," *American Institute in Taiwan*, January 1, 1979.

Although this alliance does not assure the US would take military action if PRC were to attack, we must see this as a security issue for the US as well. Taiwan's economy, resources, and location would benefit China greatly and result in a stronger China, by having more territory their military presence would also expand and might end up finally kicking the US out of the Region. This would result in leaving China to have a full dominance politically, economically and socially in this side of the World, which would, of course, weakens the US leading world hegemony role. The realization of this consequence is the reason why the "Taiwan Issue" is always positively supported by both parties in the US. ¹⁴⁰

Debates on the importance of Taiwan's Diplomatic allies

As we have seen, if it came to the benefits received by Diplomatic Allies vs. other Economic Partners, the second outweighs the first, taking into consideration Diplomatic allies are small states with fewer capacities in the economic field, as well as struggling to develop their own country, which causes their contributions to be less in International Organizations that results in less policy power.

Many experts claim the danger of Taiwan being left with zero diplomatic allies, might result in PRC taking it as a victory and resorting to taking military measures to accomplish unification¹⁴¹. The fact is that President Tsai's government had given declarations on not falling into the dollar diplomacy game when El Salvador and Panama broke ties due to better economic opportunities offered by China; however, the economic demands of smaller countries undergoing International sanctions and receiving funds from Taiwan show otherwise.¹⁴²

Taiwanese citizens have expressed unconformity for the financial burden to supply impoverished allies with large sums of economic aid, getting almost nothing in return, which has resulted in many DPP suggesting that Taiwan would be better off losing all its allies, taking it one step higher claiming this might be the push Taiwan needs to proclaim its independence. ¹⁴³

¹⁴⁰ Chris Horton, "Taiwan's Status Is a Geopolitical Absurdity," *The Atlantic*, July 8, 2019.

¹⁴¹ Robert Evan Ellis, a research professor of Latin American Studies at the US Army War College Strategic Studies Institute who focuses on Latin America's relationship with China,

¹⁴² Haiti and Nicaragua.

¹⁴³ Chung Lawrence, "Should Taiwan be worried if it loses all its allies?" *South Morning Post*, September 1, 2018.

In December 2019, National Chengchi University's Election Study Center made an internet poll regarding general citizens perception towards diplomatic allies, and the foreign aid, allocated to these¹⁴⁴. The poll had 4 statements that asked to be qualified from strongly agree to strongly disagree, these went as following:

“Version 1: Currently fifteen countries recognize Taiwan. It is important for Taiwan to maintain these formal diplomatic relations.

Version 2: Currently fifteen countries recognize Taiwan. It is important for Taiwan to maintain these formal diplomatic relations, even if this hurts relations with China.

Version 3: Currently fifteen countries recognize Taiwan. It is important for Taiwan to maintain these formal diplomatic relations, even if this encourages these countries to ask for more international aid from Taiwan.

Version 4: Currently fifteen countries recognize Taiwan. It is important for Taiwan to maintain these formal diplomatic relations, even if this hurts relations with China and encourages these countries to ask for more international aid from Taiwan.”¹⁴⁵

One of the most important findings was that support to maintaining relations decreased, when it was put up in the context of giving more aid.

Another question that sparked diverse opinions was the following: *“In your opinion, who or what is to blame for Taiwan losing diplomatic partners since 2016?”¹⁴⁶*

The results showed a huge partisan split with DPP supporters mentioning the China factor while KMT supporters mentioning more of President Tsai and foreign policies.

Deputy Wu Chih-chung gave a general measure of how much Taiwan is spending in its economic cooperation programs specifically with Latin American allies, which go around NT\$9 billion (US\$293 million) within the 2017-2018 period. However, the variable of legitimacy and formality of recognition for the existence of a state always comes to mind. Declarations by Legislator Wang

¹⁴⁴ Timothy Rich, and Andi Dahmer, “Taiwanese Perceptions of Diplomatic Recognition.” *Taiwan Insight*, February 3, 2020.

¹⁴⁵ Ibid.

¹⁴⁶ Timothy S. Rich, “Taiwanese Perceptions of Diplomatic Recognition,” *Taiwan Insight*, 2020.

has shown cases like El Salvador and the Dominican Republic that have demanded enormous quantities of money to Taiwan, and has claimed they can compete with that, but also added is due to moral clauses and expert advice where these projects would not result in an economic return as far as the investment required, also emphasizing President Tsai added that Taiwan's projects tend to include employment opportunities for the populations as well as development opportunities.

Recently the support for Taiwan's participation in international spaces such as WHO has been vocal by many of Taiwan's non-diplomatic allies, and countries with more prominent economic status, making by far a greater impact in the International community than many of the vocal support consistently expressed by small allied states.

However, even if there are expert and citizen opinions in favor or against diplomatic allies, President Tsai's government has declared it has a contingency plan if the allied account reached 0; however, no details upon action plans were discussed.¹⁴⁷

Freedom Status on allied countries

An essential factor to support this topic is the level of democratic values the allied countries hold. Our point of reference for this variable derives from Freedom House, an International Organization that measure the challenges of freedom pushes for political rights and civil liberties, and lastly supports activists to defend human rights and promote democratic change, as stated in their website.¹⁴⁸ Founded in 1941, Freedom House was the first American organization to follow the improvements and status of freedom globally.

These measurements are based on such indicators as free and fair elections, the political and civil rights of minorities, freedom of the press, the rule of law, respect for civil rights and liberties, existence of political parties.

The methodology goes as following, as published on their website:

"A country or territory is awarded 0 to 4 points for each of 10 political rights indicators and 15 civil liberties indicators, which take the form of questions; a score of 0 represents the smallest degree of freedom and four the most significant degree of freedom. The

¹⁴⁷ Stacy Hsu, "Government has 'zero allies' plan: Presidential Office," *Taipei Times*, August 25, 2018.

¹⁴⁸ Freedom House International, "About us," *Freedom House International*, 2020.

political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). The political rights section also contains an additional discretionary question. For the discretionary question, a score of 1 to 4 may be subtracted, as applicable (the worse the situation, the more points may be subtracted). The highest overall score that can be awarded for political rights is 40 (or a score of 4 for each of the ten questions). The highest overall score that can be awarded for civil liberties is 60 (or a score of 4 for each of the 15 questions).

Political Rights and Civil Liberties Ratings – A country or territory is assigned two ratings—one for political rights and one for civil liberties—based on its total scores for the political rights and civil liberties questions. Each rating of 1 to 7, with 1 representing the most significant degree of freedom and seven the smallest degree of freedom, corresponds to a specific range of total scores.¹⁴⁹

The conversion, according to Freedom House’s methodology of separate sections in the questionnaire would turn as follows:

Table 4: Methodology Scores to Measure Freedom within countries

Political Rights:	Civil Liberties:	
Total Scores:		Ratings:
36-40	53-60	1
30-35	44-52	2
24-29	35-43	3
18-23	26-34	4
12-17	17-25	5

¹⁴⁹ Ibid.

6-11	8-16	6
0-5	0-7	7

Source: Freedom House

The combined average of the previous two sections will give us this as a result: Free, Partly Free, and Not Free. Each is belonging to 1-2.5 (Free), 3-5.0 (Partly Free), 5.5 to 7.0 (Not Free).

When viewing Taiwan's current allies, their current scores (2018) are as following:

Table 5: Current Diplomatic Allies and their Freedom Status

Country	Status
1. Belize	Free
2. Eswatini	Not Free
3. Guatemala	Partly Free
4. Haiti	Partly Free
5. Honduras	Partly Free
6. Marshall Islands	Free
7. Nauru	Free
8. Nicaragua	Not Free
9. Palau	Free
10. Paraguay	Partly Free
11. St. Kitts and Nevis	Free
12. Saint Lucia	Free
13. St. Vincent and the Grenadines	Free
14. Tuvalu	Free
15. Holy See (Vatican)	Free

Source: Freedom House (2020)¹⁵⁰

¹⁵⁰ Ibid.

Where six out of fifteen countries are considered to some degree not free, meaning they lack civil liberties, fundamental human rights are not being respected, and in the one that result not free, there exists a level of oppression.

We can also look for supporting evidence in the annual Transparency International Index of Corruption. As we might understand, corruption and Democracy have a negative correlation, being the more democratic a country it is, less corruption should be present.¹⁵¹ It is not a surprise that the countries that appear as not free or partly free in the Freedom House Report present themselves in the higher rankings of corruption worldwide.

Transparency International measures and ranks 180 countries each year, since its founding in 1993, and as an organization is present in over 100 countries, their non-political sided publications and calls for awareness worldwide have made this Institution a relevant name in the social, economic, and political aspects of corruption in the domestic and international field.

Their methodology works as follows:

The construction of this index comes from 13 data sources that include organizations such as World Bank, Index of Multiple Deprivation (IMD), World Economic Forum as well as the other index utilized as a reference in this paper, Freedom House International. All of the data is standardized to 100 and covers a variety of regions; however, it touches upon the same variables. This is later converted, and an average is calculated to create the ranking.¹⁵²

In 2018, Taiwan's allies presented the following positions in this index. Out of 180 countries being measured, one being the least corrupt and 180 the most corrupt, as well as scores coming from the variables the were graded ranging 0-100, 0 being highly corrupt to a 100 score meaning very clean, the results were as following:

¹⁵¹ Michael Rock, "Corruption and Democracy," *Journal of Development Studies* 45, 2007.

¹⁵² Transparency International, "Corruption Perceptions Index 2017," *Transparency International*, February 21, 2018. Short Methodology Note.

Table 6: Allied country's Freedom score and Ranking

Country	Scores	Ranking
Belize		
Eswatini	38	113
Guatemala	27	146
Haiti	20	168
Honduras	29	146
Marshall Islands	-	-
Nauru	-	-
Nicaragua	25	161
Palau	-	-
Paraguay	29	137
St. Kitts and Nevis	-	-
Saint Lucia	48	55
St. Vincent and the Grenadines	58	39
Tuvalu	-	-
Holy See (Vatican)		

Source: Transparency International, Corruption Perception Index. (2018) ¹⁵³

Some of the data regarding the allied countries is not available in this index; however, none of these countries seem to have a current or recent issue with their democracy status, human rights crisis or has been an issue of questioning their freedom; however, the ones presented in Freedom House Index as Not Free and Partly free all show up in this index, repeating the same pattern in negativity.

We can observe the six countries (Eswatini, Guatemala, Honduras, Haiti, Nicaragua, and Paraguay) that did not result free, to also show a predominant low score and high ranking when it comes to

¹⁵³ Ibid.

their corruption status. Moreover, as many as 5 of these countries have been undergoing political and humanitarian crisis in the last two years (2018-2019).

An interesting point to focus on is that 2 of the lowest-scoring countries and ranked lower in both indexes are also 2 of the countries with the top 3 lowest Gross National Income in the Latin American Region, these being Nicaragua and Haiti.¹⁵⁴

4.2 Taiwan's use of an "alliance of democratic values"

Given Taiwan's international isolation and lack of inclusion surrounding multilateral organizations mostly due to the China factor and its "One China policy", we have seen only few states continue to support Taiwan by recognizing it over China. Since Taiwan's expulsion out of the UN in 1971, allied situation for ROC has only gotten worse. China's rise as a world and regional hegemony, economic factors such as trade, non-conditionality aid as well as dollar diplomacy practices have made Taiwan's number drop even lower. However, this hasn't set back Taiwan from accomplishing impressive economic development being listed as one of the four Asian Tigers, same as countries in the region that have standard recognition. Taiwan has also managed to do all this while defending its democracy, avoiding PRC's intention of 'one country two system' which would surrender to unification to mainland, as is the case of Hong Kong, who struggles to maintain some sense of autonomy. ROC has also raised the flag in Asia of political transparency, human rights and peaceful power transition, while other countries in Asia that maintain same economic levels have been deemed to take more authoritarian approaches to it governing to accomplish such development¹⁵⁵.

Krumbein summarizes how democracy is part of Taiwanese's identity in his article "The Significance of Taiwan as The First and Only Chinese Democracy", he states three main reasons as to why democracy and human rights play an important part for Taiwan. First he quotes in his study a poll from National Chengchi University Election Study Center, about Taiwanese preference to living in a democracy, seeing as the best system, meaning people are truly content

¹⁵⁴ The World Bank, "The World Bank in Haiti."

¹⁵⁵ Jerome Keating, "Taiwanese value their democracy," *Taipei Times*, March 7, 2020.

with the decisions and the way that the country is being handled. Taiwan also maintains great mechanisms for accountability making citizens comfortable to push for further demands. Second he states that is in Taiwan's best interest to promote democracy as a liberal value, in order to push and be of example to a growing liberal order world, this means if other countries observe all the accomplishment Taiwan has undertaken, it might push for more liberal world order, and its inclusion in the international arena. And third it also a huge cause of the support USA provides the country. He also adds how the government even holds an institution to promote these values which is Taiwan's Foundation for Democracy, but does not dismiss to add how Taiwan due its status "*can't afford to offend other countries by criticizing them*"¹⁵⁶

On the other hand it is important to mention the several controversies surrounding PRC's authoritarian state, human rights abuse, lack of civil and political freedoms, which contradict liberal practice as to why bilateral and international organizations would take their side while PRC stands for most, and again Realism afloat, PRC holds one of the a spots in the UN's Security Council, gives major contributions, and withholds large sums of trade with majority of powerful and developed nations that participate in these institutions.

This has made Taiwan to be in a position to holds its alignments based on strategic interests and not on terms of ideologies, or economic development, having all of them except the Vatican to be underdeveloped states according to the World Bank, or having 40 % of them to be considered Not Free or Partly Frees by Freedom House.

Many scholars, as is the case of those who contributed to this research have stated it is a matter of survival as to an exchange of needs, for Taiwan to support countries who do not hold their same values. When asked upon the importance for Taiwan as to having diplomatic allies Taiwan, scholars who contributed to this research gave their thoughts:

Hsiang took a realist view on "what if's" of Taiwan stating "*If there were no diplomatic relations with any country, then... how do you live in this world? It knows it cannot declare independence, they can't change name. I don't think they have the guts to declare. that's a problem, so for Nicaragua state relations with Taiwan is very important, they can get*

¹⁵⁶ Frederic Krumbein, "The Significance of Taiwan as the First And Only Chinese Democracy," *Taiwan Insight*, February 4, 2020.

money, we get recognition. Take El Salvador or any other country recently changed, they are only one of 200 countries, they (PRC) don't care about them.

This is a good example... They (Taiwan) don't care about them (allied countries) They only care... please.... if one day it breaks with all countries, then what will you do?"¹⁵⁷

Yang also maintained the same train of thought, stating causes like the China factor *"The principle of one China is very important to them (PRC), because in the world there is only one China and Taiwan is part of that China, and Peoples Republic of China is the only legal representative government. It is a principle, and the principle is a value. So why are they important? Because of the One-China principle. China has about 180 allied countries; do you think another one would be important to them? No.... but it would be important to Taiwan. That is why they are important to us (Diplomatic allies)"¹⁵⁸*

When asked if this just meant survival Yang response was *"Yes, for international recognition, because now most countries (....) Many countries like the United States can be very good to us, but we do not have diplomatic relations, we have diplomats over there enjoying privileges, but they cannot say anything, that is realism. It is the reality, so as you see any joint declaration of any Latin American country with China, it has clause of a One China"¹⁵⁹*

Lu's comments are seeing on reality when Taiwanese ambassador in Nicaragua when involved in controversy has refrained from commenting, the same way the entire Tsai government hasn't commented on Nicaragua's situation.

Lu on the other hand stated that *"Yes. It is quite essential for Taiwan to have support from diplomatic allies, which is a way to showcase the world that Taiwan is a sovereign state. For diplomatic allies, it is the Republic of China (Taiwan)."¹⁶⁰*

However, as and author we have understood the fundamental of ideologies between both PRC and ROC and the importance of allies towards Taiwan due to PRC, this brings us to the interesting

¹⁵⁷ Valeria Holguin, and Antonio Hsiang, "Interview with Director."

¹⁵⁸ Valeria Holguin and Antonio Yang "Interview with Nicaragua expert"

¹⁵⁹ Ibid.

¹⁶⁰ Valeria Holguin, and Yeh chung Lu, "Interview with Professor from the Diplomacy."

interaction within allies and ROC, and one of the main context in this thesis is the dichotomy of what we would like to analyze the term “alliance of democratic values”. President Tsai’s government to in multiple occasions refer to Taiwan’s diplomatic allies, as an alliance of democratic values, which at the beginning one would assume it is called like that for supporting ROC democratic status instead of PRC although it might bring more benefits. Conversely, President’s Tsai as well as other members of her cabinet have used this term making an emphasis that these countries share the same values of democracy, by supporting liberty, freedom and human rights, which sounds contradictory to whoever understands the political situation in many of these countries as was pointed out in Antonio Hsiang’s article for the News Lens, “*Meet the Monarchs and Dictators of Tsai Ing-wen’s ‘Alliance of Democratic Values’*”¹⁶¹

This phrase was mentioned in some of her official visits and speeches, also the case in her recent Times Magazine Interview, in where she accredited these diplomatic allies as to sharing the principles of Democracy Taiwan relies upon, as well as supporting Taiwan instead of PRC due to them not being swayed by this country’s economic inducements and believing in freedom by recognizing formally the existence of ROC.

The Taiwanese government has also used it to refer to the United States' current administration and their anti-China position on many occasions, seeing as an opportunity to invite many countries into not falling for the PRC economic trap.¹⁶²

President Tsai administration has made use of similar terms, referring to shared democratic values in other contexts. This was the case at her seventh official trip to the Latin American Region, where MOFA (Ministry of Foreign Affairs in Taiwan) announced the Journey of Freedom, Democracy and Sustainability, directed to the Caribbean islands that form part of the remaining 15 allies.¹⁶³ In her departing speech, she mentioned the importance of this trip in times of democratic stress. She added that “*the trip is an opportunity for Taiwan to work with same minded partners in defending shared values such as freedom and democracy*”¹⁶⁴. Focus Taiwan article also quotes her speech where she adds “*This visit is termed the 'Tour for Freedom, Democracy and Sustainability' because*

¹⁶¹ Antonio Hsiang, “Meet the Monarchs and Dictators of Tsai Ing-wen’s ‘Alliance of Democratic Values,’” *The news lens*, August 20, 2019.

¹⁶² Office of the President Republic of China (Taiwan), “President Tsai's remarks.”

¹⁶³ James Baron, “Why Taiwan should maintain.”

¹⁶⁴ Ibid.

freedom, democracy and sustainability are the Taiwanese values we want to share with all our good friends in the world,"¹⁶⁵ One of these partners being Haiti who aside from being the poorest country in the Western Hemisphere, is also the second most corrupt experiencing over 15 presidents in the last 33 years, with a series of coups.

In the case of Nicaragua President Tsai attended President Ortega's inauguration in 2017, where according to the Presidential official website in her visit "*President Tsai stated that before coming to Nicaragua she had already heard a lot about President Ortega's past as a revolutionary. This is very different from what many people from Taiwan's current generation experienced as they grew up, so she said she feels both curiosity and respect for President Ortega*", the article also quotes how "*President Tsai said that President Ortega, as a revolutionary, is a person who stands up for what is right*"¹⁶⁶

It is also important to state that Institutions such as the Democratic Foundation which is still a government institution's main objective is "*consolidating democracy and fortifying its commitment to human rights*, according to their website, yet they haven't made any allegations or comments up to diplomatic allies' political situations, and are more prone to staying and promoting democracy domestically and within the Region.

An interesting observation is as we have mentioned before that it was upon the intention of this research to not only obtain input from international relations scholars from Latin America, Nicaragua and Taiwan, but also from the Institutions that are in charge of foreign policy as well as aid, (MOFA and ICDF), which both declined interviews to cooperate with this Thesis research. Many would consider its not upon their place to critique or get involve within domestic politics, as has stated the Taiwanese ambassador in Nicaragua before¹⁶⁷, however MOFA and President Tsai have recently given statements supporting democratic values and human rights in political

¹⁶⁵ Stacy Hsu, "Tsai pledges to promote 'Taiwanese values' during visit to allies," *Focus Taiwan*, July 11, 2019. 9

¹⁶⁶ Office of the President Republic of China Taiwan, "President Tsai meets Nicaraguan President Daniel Ortega," *Office of the President Republic of China Taiwan*, January 10, 2017.

¹⁶⁷ Ryan Drillsma, "Taiwan loans Nicaragua US\$100."

crisis in Hong Kong¹⁶⁸ and most recently in the United States with massive protest against racism and police brutalities.¹⁶⁹

We can identify how reactions from authorities towards allies' vs others, in political crisis show liberalist values of democracy and human rights are important as long as it does not affect Taiwan's interest, this being its international legitimacy. Reinforcing Yang's previous statement in the interview provided, on how "*the government cannot say no to these regimes, and how this is realism.*"¹⁷⁰

4.3 Diplomatic Allies struggles with Democracy

As stated above democracy for Taiwanese's is part of their identity, making it fundamental for newer generations who grew up in open and liberal society, where protests are allowed, and citizens are heard. We have discussed what is democracy in general terms, as well as Taiwanese perception of it in the literature review, seeing at it is so relevant for Taiwan's society and how it has resulted in socio economic development levels, why is there such a contrast when it comes to considering allied countries to withhold the same values?

We observed in Chapter 3 the main focus of this research within the Nicaraguan crisis, how the country has struggled within democratic cycles, and it currently maintained under a 14-year regime under Ortega that has escalated to international sanctions due to human casualties, political prisoners, and a continued lack of careless actions through the world pandemic in 2020.

Nevertheless, the issue in allies not falling into democratic patterns isn't only in Nicaragua, according to Freedom House and Transparency International index since 2018, 6 out 15 countries, representing 40 % of allies fall in the not free or partly free category, with the most prominent cases being Nicaragua, Haiti and Eswatini, yet only Nicaragua and Eswatini being classified as

¹⁶⁸Office of the President Republic of China Taiwan, "President Tsai issues a statement regarding the situation in Hong Kong," *Office of the President Republic of China Taiwan*, June 13, 2019.

¹⁶⁹ Ching -Tse Chrng, "Taiwan Governments speaks out on US protests against racial injustice," *Taiwan News*, June 5, 2020.

¹⁷⁰ Valeria Holguin, and Antonio Yang, "Interview with Nicaraguan Expert."

Not Free. However, Haiti is considered the second most corrupt country in Latin American and 12th worldwide in 2019.¹⁷¹

Haiti's situation is far more complex than a revolving political crisis with natural disasters, growing poverty and a serious of coups, since 2004 UN peacekeepers have been stable in the area, and in 2010 protest spark due to inconclusive presidential election results, former presidents have faced corruption and human rights abuse with the country having experienced 33 presidents in 15 years¹⁷², and stable protesting against corruption and unbearable human conditions have continued in the country since, making 2018-2019 the most recent wave.¹⁷³ Haiti is one of the countries that has received the most amount of Foreign Aid in Latin America, and hasn't still been able to rise from the poorest country in the Region.¹⁷⁴

Eswatini, itself called the last absolute monarchy in Africa, has led to the King Mswati to have almost complete control over the kingdom, as well as its resources. His reign has been controversial for the 34 year he has led the country, basing it on suppression in freedom and liberties and enormous state spending for a developing country. In 2008 the king approved terrorist acting, which basically criminalized all sorts of opposition and protest towards his ruling. Moreover, in 2017, he made quite a sensation with a Public order act, which limits gatherings, this working against freedom of speech, and other civil liberties.¹⁷⁵ The country also presents alarming numbers of HIV cases having the highest prevalence in the world, out of almost 1.2 million people, 210,000 are living with it.¹⁷⁶

Guatemala and Honduras two Central American countries classified as partly free convey lots of the same issues. Honduras last election in 2018 was highly questioned due to a re-election filled with corruption and Clientelism concerns, considered unconstitutional. Honduras since 2009 where it experienced a coup, has been filled with protest to demand the government to take action in some of its most prominent issues, as is criminality rates, as well as proper rights to its

¹⁷¹Transparency International, "Corruption Perceptions Index," *Transparency International*, 2019.

¹⁷² Sarah Marsh, "Exclusive: Haiti's Moise plans to use new powers to overhaul constitution," *Reuters*, January 17, 2020.

¹⁷³ BBC News, "Haiti's country profile," *BBC News*, January 11, 2019.

¹⁷⁴ Vijaya Ramachandran, and Julie Walz, "Haiti's earthquake generated a \$9bn response – where did the money go?" *The Guardian*, January 14, 2013.

¹⁷⁵ Amnesty International, "Eswatini: Next government must seize opportunity to end suppression of human rights," *Amnesty International*, September 21, 2018.

¹⁷⁶ Avert, "HIV and AIDS in Eswantini," *Avert*, April 22, 2020.

indigenous communities,¹⁷⁷ however in 2019 protests that resulted in casualties sparked when the President overpassed Ministries and congress, and instructed to pass a bill to privatize health and education services, this caused huge anger in an underdeveloped population, and also condemned many to not afford these rights.¹⁷⁸

Guatemala on the other hand, has dominantly been rule by elites, while having more than 60% of its population belong to indigenous minorities. All ruling parties after their government period has ended have disappeared, creating an unstable political history and a lack of continuity in policies. Since 2015 with President Jimmy Morales, enormous corruption scandal aiming to fraud elections, where even the United Nations called for him to be taken his immunity.¹⁷⁹ The concern of minority oppression is a big issue, since death and disappearance of indigenous activist, who protest again use of their land in continuous concessions and exploitations which the government is involved.¹⁸⁰ It is important to remember that Guatemalan government had issues concerning corruption with Taiwan's government. When ex-President of Guatemala Alfonso Portillo (2000-2004) accepted receiving funds to avoid a change of diplomatic ties from ROC to PRC.¹⁸¹

Paraguay is the only allied country left in the South American region, this country holds more economic development and more stable governments than mentioned before, however it managed to land itself a Partly Free status. In 2013, former president managed to obtain all military power in order to forcer fiscal policies in the country.¹⁸² In 2017 Paraguay's president try to force reelections, which violated the country's constitution. Nevertheless, since 2019 the issues surrounding this country come from the exploitation of natural resources with private concessions for projects, and the lack of inclusion for indigenous minorities.¹⁸³

Out of all these cases Nicaragua and Eswatini are the only ones where democracy has decreased and human rights oppression has gotten worse under the same regime, in the case of Nicaragua a

¹⁷⁷ Sarah Kiniosian, "Crisis of Honduras democracy has roots in US tacit support for 2009 coup," *The guardian*, December 7, 2017.

¹⁷⁸ Ricardo Gonzalez, "The democratic crisis in Honduras has reached a boiling point," *The Washington Post*, May 9, 2019.

¹⁷⁹ Human Rights Watch, "Guatemala. Events of 2018," *Human Rights Watch*.

¹⁸⁰ Sandra Cuffe, "Land, environmental activist killings surge in Guatemala: report," *Aljazeera*, July 30, 2019.

¹⁸¹ Associated Press, "US court sentences former president of Guatemala to prison for taking bribes," *The Guardian*, May 22, 2014.

¹⁸² Paulo Cesar Lopez, "Paraguay: ¿a quién beneficia la nueva crisis política?" *Nueva Sociedad.org*, April 2017.

¹⁸³ Página 12, "Crisis política en Paraguay, tras un acuerdo secreto sobre Itaipú," *Página 12*, August 1, 2019.

14 year ruling by Ortega, and in Eswatini 34 under King Mswati III. The rest of the countries being from Latin America unfortunately fall under the common cycle of the region to withhold up and downs of the Region.

We could claim how many democratic countries somehow have ties within authoritarian or corrupt states, however the case of Taiwan due to PRC's pressure to other states, makes it impossible for ROC to separate diplomatic ties with foreign aid, meanwhile other nations like is the case of the US with Cuba, Venezuela and other controversial states, who have managed to hold diplomatic ties but pressure through sanctions calling out on situations to maintain a liberal order.

Yang thinks when discussing this dual behavior thinks *"It is not necessary to be so idealistic in politics, otherwise we would be left without friends."* Nicaragua is said to have repression and political crisis, but which country has cut diplomatic relations with them? I have not seen any do this.¹⁸⁴

On the other hand, the sense of calling in any way these allies as democratic or some to withhold the same values as Taiwan, makes rhetoric out of Taiwan's claims against China oppression and totalitarian system.

When speaking upon sharing of Taiwan's democratic values in the aid to these countries, Hsiang:

*"If the economy grows or maintains, it's also gives legitimacy, just like they give Taiwan. So, if their economy is very good, their regime can survive, when you help them to improve the economy, then the authoritarian will remain."*¹⁸⁵

This powerful statement gives us an eye on how even if there is a liberal effort to foreign aid for development purposes, it will only help the authoritarian regimes stay in power since it will be seeming as good, so at the end of the day we could also state aid to these countries is not beneficial to the general value of democracy.

Former OAS ambassador Velasquez as well sees the rhetoric in this behavior however he states its understandable *"I consider that they are contradictory and do not go hand in hand. I believe that*

¹⁸⁴ Valeria Holguin, and Antonio Hsiang, "Interview with Director."

¹⁸⁵ Ibid.

the ROC's policy towards Nicaragua is deviated from its values and is motivated by the imperative of survival in an international environment that has so far evolved against it."¹⁸⁶

Speaking on the case of Nicaragua he added *"The ROC, which faces a challenge of survival in the international arena due to the policies of the PRC and its expansionism, is forced to maintain relations and cooperate with a genocidal regime for the sole purpose of securing its international support. In this case, the ROC (Taiwan) adheres to a political strategy of international survival."*¹⁸⁷

In this case democratic values would come second in the international relations spectrum, to manage to maintain the democratic values in Taiwan's domestic governance.

However, Lu, responded to the question as to why Taiwan still maintained relations with countries going through authoritarian paths, that did not converge with Taiwan's.

*"I cannot be the judge of that. What Taiwan can and should do is not being judgmental, but when needed, Taiwan can and should share our experiences with friends around the world. But of course, this is not that Taiwan is the "teacher" to any country in the world. In other words, we should respect the cultural and social roots and people's choices in given societies. In the meantime, protecting human rights should be taken as universal standard. Taiwan and like-minded countries, if possible, should work together to share our views and values on those issues."*¹⁸⁸

Democracy and Human rights might be characterized as an idealist variable when it does not involve any interest upon the country making the decision, which does not only happen in the case of Taiwan. Only leaving the use of this terminology, which ends up pointing only one-sided interests which revolve around the preserving of Taiwan's democratic values by this alliance.

¹⁸⁶ Valeria Holguin, and Jose Luis Velasquez, "Interview with former OAS ambassador."

¹⁸⁷ Ibid.

¹⁸⁸ Valeria Holguin, and Yeh chung Lu, "Interview with Professor from the Diplomacy."

Chapter 5 Conclusion

Taiwan's status, or lack of it, internationally has not only had consequences for its own, but on other smaller developing nations. Current Latin American, Pacific and African allies take the role or bargain chips in the middle of PRC and ROC's push for their own preservation. However, the winners of these are the smaller countries with questionable regimes who are undergoing political, economic and human rights crisis, these get to maintain their bad governance on behalf of aid from whatever side offers more.

As we have seen, the "China Factor" is a common variable mentioned by both sides, to maintaining unlikely relations and contributing to foreign aid within unstable democracies. Even if bigger hegemonies such as the United States, European Union maintain diplomatic ties with authoritarians and abusive regimes, they are also maintaining liberal order by promoting financial sanctions within them, however Taiwan's relations are based primality in this exchange. Taiwan as expressed by 3 out of 4 scholars that contributed to this research with the understanding of Latin American relations, Taiwan's foreign aid policy in Central America and Nicaragua's political crisis, agree Taiwan has no other choice than to continue to support these regimes to secure its survival.

However, it is concerning the minimizing of human rights violations made by the Nicaraguan regime, and it is evident how Realism plays a more significant role in diplomatic relations as well as in foreign aid. Where the maintenance of one democracy in this case ROC is set upon financially supporting regimes who do not promote these values to its people. The notion that foreign aid might push these countries to develop and on the long term would make its people seek to demand more liberal values.

As the United States could demonstrate with President Nixon and the Soviet Union, financial aid origins did have its beginning as an international policy tool, to condition some sort of support or mutual benefit, however this exchange usually being monetary from a developed country in contrast with some sort of support by the weaker country, made this situation highly critical, as to why finance states that aren't maintaining a new world liberal order, which is when the conditionality clauses for liberal values came in, and have continued to be executed until today

through Multilateral Organizations such as the IMF, World Bank, the European Union and the UN, making it not necessary to cut diplomatic ties with countries who were acting upon settled matters such Universal Human Rights, but just show some pressure from the International community.

The use of terms such as an “alliance of democratic values” in countries like Nicaragua where everyday citizens are undergoing repression, limited access to basic rights, violence and bad distribution of the countries funds, which have been pointed out by all major powers, as well a international organizations, leaves a questionable moral grounds for ROC.

The claims that there are no interference when it comes to domestic issues of other nations are highly contradictive with statements that have been given by MOFA to support Hong Kong, as well as the United States in times of turmoil, and which are beneficial to the maintenance of Taiwan’s status.

This smaller picture presents us with the sense that fight for democracy as an international standard, only occurs by those who do aren’t affected by the claim, meaning they don’t have any similar political behavior or by those who can benefit from this pointing out. Which has been again the situation with the United States military interventions in many middle eastern countries and Latin America, who behold some sort of direct benefit. Meanwhile other states struggling with worse human rights crisis such as North Korea are condemned and critiqued, but less action is taken apart from Sanctions.

This case study demonstrates that liberal modern values are seeing as second-hand conditions when maintaining relations within states that promote liberalist values. The direction that funds have been taking for the period looked upon by this research can agree to comply with the liberalist model, as to develop since their aim has been in matter of humanitarian air, infrastructure, agricultural management, health, education and technical cooperation, which could only mean Taiwan is putting citizens from Nicaragua first, and leaving as a secondary condition liberal values the government withholds, on the other hand the criticism that these projects are used as a Clientelism tool for only Daniel Ortega supporters is well known in the case of housing donation or scholarship allocations, w turn us back into the conclusion of foreign aid as a policy tool in both dimensions international and domestic for Nicaragua, which Taiwan could have more control of. Second the fact that Taiwan maintains to be the only country currently supporting Nicaragua

with aid, and hasn't called out upon the regimes abuse portray that was said by scholars demonstrates Taiwan's main interest when providing the Aid is to continue to have allies that can support their status quo in the international world Arena, in their search for their role in the World order, and against their biggest threat China.

Taiwan has accomplished greatness while overcoming the pressure from China to be isolated, managing democratic stability and economic development, as well as high social standards. It is important for Taiwan to continue their push for international inclusion, as it has done recently with the use of Soft Power and the #TaiwancanHelp motto during Pandemic times in 2020. If does not wish to make statements of allies' crisis, it would be fundamental to take into account countries situation and hold more accountability to what aid they provide and to who. ROC should also be empowered by understanding that to countries like Nicaragua, Taiwan is as valuable as an ally as Nicaragua is to them, mainly due to their own current status in the world, which has been condemned by international organizations and hegemonies. Second to learn from previous experiences in the Latin American Region where corruption is well known and not to fall into the game which might crash Taiwan's reputation, and might in the future affect what it so openly seeks, as a result of not promoting the standards set by these institutions who have condemned some of the allies Taiwan supports. There is also awareness of opposition parties and scholars, of the support Taiwan has given to these regimes, which might cause a future shift in support if there were to be a democratic transition in countries like Nicaragua.

As Oscar Arias former President of Costa Rica and Nobel Prize winner argued economic reasons when breaking ties with Taiwan “ It all about elemental realism”,¹⁸⁹ we can refer it not only to economic motives from allies shifting to seek better conditions, but also to Taiwan's elemental purpose of maintaining its democracy and values at all cost.

¹⁸⁹ EFE, “Costa Rica establece relaciones con China y 'rompe' con Taiwán tras 60 años,” *elmundo.es internacional*, June 7, 2007.

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