

English summaries

Beijing's anti-Taiwan "dollar diplomacy"

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In August, El Salvador severed diplomatic relations with the Republic of China (Taiwan, ROC) and established ties with the People's Republic of China (PRC). It is a fifth country to do so (after Panama, Dominican Republic, Sao Tome and Principe and Burkina Faso) since the Taiwan's Democratic Progress Party (DPP) won presidential and parliamentary elections in January 2016. Beijing accuses DPP government of undermining the cross strait relations and seeking the formal establishment of the Taiwanese state. For PRC's Communist leadership, Taiwan's reunification with mainland China has been perceived as an indispensable component of the "the great rejuvenation of the Chinese nation".

The Taiwan's ruling party has not renounced its ultimate goal of establishing the Taiwan statehood, independent and distinct from China, which remains a thorny issue in the island's relations with Beijing. The approach of Tsai Ing-wen, Taiwan's current President, has been very cautious and balanced. She has officially pledged to maintain status quo and avoid confrontation with China but she has also refused to uphold the One China policy. The majority of Taiwanese remain sceptical about the prospects of reunification with China and opts for maintaining status quo or gaining independence. The DPP's members and supporters also largely reject the idea of softening the party's stance on independence. Tsai needs to address their demands.

Despite Tsai's conciliatory tone, the Communist Party of China (CPC) leadership is suspicious about her intentions. The 2016 elections marked the end of a diplomatic truce and the Chinese authorities have intensified actions aimed at limiting Taiwan's international reach. In this context, a group of states still maintaining formal diplomatic relations with Taipei is Beijing's key target. In encouraging Taiwan's remaining allies to switch allegiance, the Chinese government has adopted a double-track approach. In exchange for establishing formal diplomatic relations with PRC and adhering to One

China policy, Beijing is offering a package of economic benefits such as investments, loans, and trade facilitation mechanisms but also uses its grasp over domestic economy and enterprises to impose pressure.

Governments of the countries that have recently broken relations with Taiwan expect that Chinese investors would establish factories and create jobs, as in the case of Salvador, Panama or the Dominican Republic. Authorities of Burkina Faso need financial aid, concessionary loans, and the participation of Chinese companies as contractors in infrastructural projects. Sao Tome and Principe also shares hopes related to potential cooperation with China. The African island state counts on the financial aid and investments in airport and deep sea port construction but also on the inflow of Chinese tourists. In Panama, Chinese enterprises have won several bids for infrastructure construction projects. Panama authorities are also negotiating an FTA with China to boost export. Other countries also expect easier access to the Chinese market.

Countries that have cut ties with Taiwan consider the Chinese offer as an attractive opportunity to boost economic development. The negative aspects of economic cooperation with PRC (e.g. unprofitable projects and mounting debt connected to the infrastructure projects implemented by Chinese companies, mediocre increase in exports often dwarfed by the rapidly rising imports that are experienced by other countries) have not discouraged new partners from seeking China's partnership. Tsai's administration renounces the checkbook diplomacy but in practice still delivers various forms of assistance to the remaining allies. Taiwan, however, has limited financial and operational capabilities to challenge China's offer. Other countries can follow suit and Taiwan's group of allies can shrink further. Among others, Haiti and eSwatini are named by analysts as the next defectors from the Taiwanese camp.

Taipei is intensifying informal economic and cultural ties with the states that maintain informal relations with the self-governing island. The New Southbound Policy is Tsai administration's flagship initiative aimed at improving Taiwan's integration with Asian countries. The objective is to promote Taiwan's economic interests but also to create a

shield against Chinese aggression and intervention. Formal recognition, however, is also very important. Taiwan's diplomatic allies are Taipei's voice on the forum of various international organizations, such as United Nations agencies, to which Taiwan has been refused membership. They undertake initiatives that other countries are unwilling to roll out.

So far, the reaction of the EU and other key members of the international community to Chinese "dollar diplomacy" has been very limited. Great Britain, France, and Australia pledged to increase their presence in the Pacific and Southeast Asia to counter China's rising influence and have undertaken steps in this direction. Those initiatives can be useful for Taiwan if they result in decreasing Chinese pressure on the island's allies in the region. US, however, remain the key ally and the guarantor of Taiwan's security, as it provides diplomatic and military support. US is by far the most important arms supplier to Taiwan. In response to the recent Chinese actions, White House has put pressure on Central American states that have recently established relations with the PRC and cut their ties with Taiwan. Officially, US do not support Taiwan's independence and do not recognize ROC as a *de iure* state. Taiwan's authorities and analysts also fear that their country could be used as a bargaining chip in US-China negotiations. The direction of the US foreign policy under next administrations is also uncertain. Those factors push Taipei to seek wider international recognition and to put efforts into maintaining a network of countries that recognize ROC as an independent state.

Poland, as a responsible member of the international community and a non-permanent member of the United Nations Security Council, should oppose and voice concerns over any forms – including economic – of Chinese aggression against Taiwan. In this context, any potential actions initiated by Poland should take into account our country's capabilities, position, and level of engagement in Asia. Any sovereign state's decision to establish relations with the PRC and to sever ties with Taiwan should not be, however, the subject of criticism or pressure from other countries. The direction of political and social developments in Taiwan is uncertain and the situation should be closely monitored. Further actions of Chinese and Taiwanese governments as well as the reactions of the US, regional