

The Strategic Importance of an Unlikely Relationship

Paraguay and Taiwan

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Abstract

Taiwan stands increasingly isolated. As of May 2025, only 12 nations maintain formal diplomatic ties with Taipei, while Beijing relentlessly pressures governments to sever recognition. Yet in the heart of South America, Paraguay defies China's economic and diplomatic coercion, standing as Taiwan's last bastion on the continent. Why? This analysis traces Paraguay's unwavering support for Taipei, grounded in historical parallelism, ideological alignment, and an evolving strategic calculus. Conventional wisdom predicts Taiwan's diplomatic extinction, yet Paraguay offers a counterpoint: a nation recognizing China's economic risks and valuing Taiwan's commitment to sustainable development. Drawing on historical analysis, regional comparisons, and in-country interviews, this study argues that Asunción's risk awareness—combined with growing skepticism of China's economic influence—fortifies its ties to Taiwan. At stake is more than one bilateral relationship. Paraguay's decision will reverberate across Latin America and beyond, shaping Taiwan's diplomatic survival amid Beijing's expansionist ambitions.

Paraguay recognized Taiwan in 1957, eight years after the Kuomintang retreated from China to the island following its defeat on the mainland. From the outset, anticommunism defined their alliance. Both nations, led by US-backed authoritarian regimes, aligned against Beijing during the Cold War.¹ In 1966, Paraguay's President Alfredo Stroessner joined Chiang Kai-shek's World Anti-Communist League, cementing the ideological bond.

This partnership also rests on historical memory. Paraguay's foreign policy, shaped by its traumatic past, reflects a deep-seated fear of domination by larger neighbors. The War of the Triple Alliance (1864–1870) devastated the country, wiping out 90 percent of its adult male population.² Many Paraguayans see Taiwan's struggle against China through the same lens—a David against an encroaching Goliath.³

¹ Frank O. Mora, "From Dictatorship to Democracy: The US and Regime Change in Paraguay, 1954-1994," *Bulletin of Latin American Research* 17, no. 1 (1998): 59–79.

² "The Never-Ending War," *The Economist*, 2012.

³ Interview 1

Even after Washington shifted recognition from Taipei to Beijing in 1979, Paraguay remained steadfast. Both nations transitioned to democracy in the 1980s, replacing Cold War-era ideological solidarity with a shared commitment to liberal values. Today, those principles endure. In a 2023 letter, Paraguay’s ambassador to Taiwan, Carlos Fleitas, declared that “liberty, democracy, justice, and respect for international law” define the relationship.⁴ Article 143 of Paraguay’s Constitution mandates opposition to dictatorship, colonialism, and imperialism—principles that Fleitas argues make Taiwan a natural ally. By contrast, he describes China as a “totalitarian regime.”⁵

Cultural affinity further strengthens ties. A senior Taiwanese diplomat in Asunción notes that both societies prize hospitality and strong communal bonds.⁶ Even in daily habits, the parallels persist—Taiwan is world-famous for boba tea, while Paraguayans rarely leave home without a thermos of iced yerba mate, *tereré*.

Taiwan also backs Paraguay with significant economic incentives. Despite its distance and small market size, Taiwan ranked as Paraguay’s fifth-largest export destination in 2023, easing trade barriers to favor Paraguayan producers.⁷ It also provides direct financial support—between 2018 and 2023, Taipei sent USD 150 million in aid.⁸ Unlike Beijing’s transactional “dollar diplomacy,” Taiwan frames its assistance as long-term investment in sustainable development. Its programs span healthcare, education, agricultural technology, and women’s economic empowerment.⁹ A 2023 CSIS report by Ryan Berg and Rubi Bledsoe describes Taiwan’s aid strategy as targeted and development-driven, particularly in education.¹⁰ While Taiwan ranks among the world’s most highly educated nations,¹¹ Paraguay’s school system lags behind Latin America’s regional average.¹² In response, the two

⁴ Carlos Fleitas, “Valores que cimientan las relaciones Paraguay / Taiwán,” *Instituto de Desarrollo del Pensamiento Patria Soñada*, 2023, pg. 6.

⁵ Carlos Fleitas, “Valores que cimientan las relaciones Paraguay / Taiwán,” pg. 7.

⁶ Interview 2

⁷ S.W.I. swissinfo.ch, “Paraguay logra acuerdo con Taiwán que da preferencia arancelaria a 19 productos,” *SWI swissinfo.ch*, March 24, 2024.

⁸ “Aprueba El Memorando de Entendimiento Sobre La Cooperación Entre El Gobierno de La República Del Paraguay y El Gobierno de La República de China.” Pub. L. No. 6275, Biblioteca y Archivo Central del Congreso de la Nación de Paraguay, 2019.

⁹ “International Cooperation and Development Affairs.” Ministry of Foreign Affairs Republic of China (Taiwan), August 2023.

¹⁰ Interview 2

¹¹ “Education GPS - Chinese Taipei - Student Performance,” 2022.

¹² “Education GPS - Paraguay - Student Performance,” 2022.

nations co-founded a bi-national polytechnic university in 2018, and Taiwan sponsors more than 40 Paraguayan students annually to study at its top universities.¹³

Yet, despite these benefits, Taiwan struggles with visibility. Interviews with Paraguayan analysts and students reveal a perception that Taipei's contributions, though valuable, lack public awareness.¹⁴ This information gap leaves an opening for Beijing, which wields economic clout and aggressive diplomacy to lure Paraguay into its orbit.

The Future of Paraguay–Taiwan–China

Paraguay remains Taiwan's last foothold in South America, but for how long? As China intensifies its campaign to isolate Taipei, economic and political forces in Asunción pull in opposite directions. Taiwan offers stability, shared democratic values, and long-term investment. China wields immediate economic rewards and the sheer gravitational pull of its global influence. The contest over Paraguay is not merely a bilateral dispute—it is a microcosm of a larger struggle between democratic resilience and authoritarian expansionism.

China's Global Ambitions and Diplomatic Offensive in Paraguay

Beijing's contest for global influence hinges on isolating Taiwan. Paraguay stands as a stubborn holdout. But as China's economic footprint expands across Latin America, Taiwan's grip on its last South American ally grows precarious.

At the heart of Beijing's strategy is the One-China Principle, a doctrine declaring Taiwan an inseparable part of China. Under this policy, Beijing refuses to engage diplomatically with any nation that recognizes Taipei. China has paired this rigid stance with an increasingly aggressive campaign to erase Taiwan's international standing.¹⁵ A 2020 RAND report warns of a "shadowy and subversive" dimension to Beijing's global outreach, noting that the Chinese Communist Party (CCP) now wields the full spectrum of national power—economic, political, and diplomatic—to advance its objectives abroad. At the core of this strategy: the promise of economic rewards for compliance and the threat of economic punishment for defiance.¹⁶

China exploited this leverage at the height of the COVID-19 pandemic. As Paraguay struggled with a spiraling healthcare crisis in 2021, protests erupted in Asunción, with demonstrators demanding the resignation of President Mario Abdo

¹³ Interview 2

¹⁴ Interviews 1 and 3

¹⁵ Andrew Scobell et al., "China's Grand Strategy: Trends, Trajectories, and Long-Term Competition," *RAND Corporation*, July 2020, pg. 11.

¹⁶ Andrew Scobell, "China's Grand Strategy." pg. 42.

Benítez.¹⁷ Unlike its neighbors—Panama, the Dominican Republic, and El Salvador, all recent switchers to Beijing—Paraguay found itself at the back of the line for vaccines.¹⁸ In April 2021, Taiwan’s Foreign Minister Joseph Wu accused China of offering Paraguay millions of vaccine doses in exchange for a diplomatic break with Taipei.¹⁹ Paraguayan officials later confirmed that intermediaries claiming ties to Beijing approached the government with a deal.²⁰

The vaccine crisis laid bare Taiwan’s diplomatic limitations. Excluded from the World Health Organization, Taipei lacked the resources to deliver vaccines at scale. Within Paraguay’s government, a rift emerged. Then-Foreign Minister Euclides Acevedo urged a reevaluation, arguing that “: ‘President Xi Jinping has keen interest in partnering with us, it’s a political debate that should draw input from all segments of the state and all of society.’”²¹ But Beijing’s tactics backfired. Some Paraguayan officials saw the episode not as an opportunity, but as a warning—a demonstration of China’s willingness to strong-arm smaller nations into submission.²² In the end, Paraguay held firm.

China’s economic pressure campaign extends beyond crises. Despite having no formal ties, Beijing is already Paraguay’s second-largest trading partner, accounting for 22.7 percent of its total commerce as of January 2024.²³ The relationship, however, is deeply unbalanced. China floods Paraguay with consumer goods while purchasing little in return. Paraguay, a major exporter of soy and beef, is blocked from selling directly to the world’s largest buyer—China.²⁴ Instead, Paraguayan producers must rely on third-party middlemen. *The Global Times*, a CCP mouthpiece, makes Beijing’s position explicit: Paraguay’s adherence to the One-China Principle is the “pre-condition for more economic and trade ties.”²⁵

This economic disconnect fuels domestic unrest, particularly within Paraguay’s powerful agricultural sector. The 2023 presidential election exposed the fault lines.

¹⁷ Santi Carneri and Daniel Politi, “Rage Spreads in Paraguay as Virus Surges, Exposing Corruption,” *The New York Times*, March 11, 2021.

¹⁸ Ernesto Londoño, “Paraguay’s ‘Life and Death’ Covid Crisis Gives China Diplomatic Opening,” *The New York Times*, April 16, 2021.

¹⁹ “Taiwan Accuses China of ‘vaccine Diplomacy’ in Paraguay,” *BBC News*, April 7, 2021.

²⁰ “Taiwan Accuses China of ‘vaccine Diplomacy’ in Paraguay,” *BBC News*, April 7, 2021.

²¹ Ernesto Londoño, “Paraguay’s ‘Life and Death’ Covid Crisis Gives China Diplomatic Opening.”

²² Interview #4

²³ “Reporte de Comercio Exterior (RCE),” *Ministerio de Economía y Finanzas Paraguay*, 2024.

²⁴ “Reporte de Comercio Exterior (RCE),” *Ministerio de Economía y Finanzas Paraguay*, 2024; and Lucinda Alice Elliott and Daniela Desantis, “Taiwan or China? Paraguay’s Dilemma Puts Election Race in the Spotlight,” *Reuters*, April 24, 2023.

²⁵ “Paraguay Urged to Follow One-China Principle, Pre-Condition for More Economic and Trade Ties,” *Global Times*, September 2023.

Opposition candidate Efraín Alegre ran on a platform of pragmatism, arguing that Paraguay's refusal to engage with China imposed an unnecessary economic cost: "We are going to be where it is convenient, otherwise it would be a betrayal of the country. How can I deny a relationship that is beneficial for all Paraguayans, a people that need development, need investment, need industry?"²⁶ Alegre lost by a wide margin. Santiago Peña, representing the long-dominant Colorado Party, reaffirmed Paraguay's commitment to Taiwan, declaring that the two nations are "not just allies, but also brothers."²⁷

Still, China plays the long game. Many analysts predict that Paraguay's resistance will eventually collapse under the weight of economic pressure. As China deepens its foothold in Latin America and opposition forces chip away at the Colorado Party's dominance, Taiwan's hold on Paraguay remains far from secure.²⁸

Regional Comparative Analysis of Economic Risks with China in Latin America

Much of the existing literature on Paraguay's relationship with Taiwan fixates on the supposed economic cost of defying Beijing. Tom Long and Francisco Urdinez (2021) estimate that Latin American nations that refuse to recognize China have forfeited an average of USD 850 million in investment, aid, and loans since 2005.²⁹ Their analysis frames Paraguay's position as a self-imposed burden—the so-called "Taiwan cost." But this narrow cost-benefit calculation ignores a larger reality: the risks of economic overreliance on China.³⁰

Paraguay's Finance Minister Carlos Fernández Valdovinos, formerly president of the country's central bank, warns against this tunnel vision. Those pushing for a diplomatic switch, he argues, "are not seeing the risks" that Beijing presents. While China may be a lucrative market for raw materials, he cautions that "as a strategy for the economic and social development of Paraguay, it is not convenient for us to continue betting solely and exclusively on the main export sectors."³¹ His warning is well-founded. Across Latin America, Chinese investment comes with heavy

²⁶ Elliott and Desantis, "Taiwan or China?"

²⁷ "New Paraguay President Stresses South American Country's Ties with Taiwan at Swearing-in Ceremony," *AP News*, August 2023.

²⁸ Elliott and Desantis, "Taiwan or China?"

²⁹ Tom Long and Francisco Urdinez, "Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China," *Foreign Policy Analysis*, January 2021, pg 11.

³⁰ Long and Urdinez "Status at the Margins," pg 13.

³¹ Daniela Desantis, Lucinda Elliott, and Lucinda Elliott, "Paraguay Courts Taiwanese Investors, Warns against China Reliance," *Reuters*, August 1, 2023.

strings attached: economic dependency, asymmetric trade benefits, corruption, and a troubling pattern of democratic backsliding.³²

In the early 2000s through the mid-2010s, Paraguay's neighbors—Chile, Brazil, Peru, and Uruguay—prospered during China's commodities boom. Now, that boom is over. Beijing's post-COVID economy has struggled to regain its footing, and many analysts believe this slowdown is structural, not cyclical. The Lowy Institute forecasts that China's GDP growth will decelerate to 3 percent by 2030 and just 2 percent by 2040, even under optimistic policy conditions.³³ Latin America, deeply tethered to Chinese demand for raw materials, will feel the impact. In June 2024, the World Bank slashed its regional growth forecast to a meager 1.8 percent, explicitly citing China's economic downturn as a primary drag on Latin American exports.³⁴ Table 1 displays the percent of total exports of South American countries to China using a five-year average to mitigate single-year fluctuations.

Table 1. Percent of total exports to China 2018–2023

Country	Percentage
Argentina	8.6%
Bolivia	6.2%
Brazil	29.6%
Chile	36.9%
Colombia	8.0%
Ecuador*	13.7%
Paraguay	0.2%
Peru*	29.5%
Uruguay	21.8%

Source: UN Comtrade

*Missing export data for Ecuador and Peru in 2023

Yet Paraguay, often portrayed as the economic loser for siding with Taiwan, now finds itself in a position of relative insulation. While its neighbors rode the China wave, Paraguay remained on the sidelines—excluded from Beijing's aid, loans, and direct investment. As a result, it also remains less vulnerable to China's economic contraction. Between 2018 and 2023, only 0.2 percent of Paraguay's exports went

³² Damares Lopes Afonso, Suzana Quintet de Andrade Bastos, and Fernando Salgueiro Perobelli, "Latin America and China: Mutual Benefit or Dependency?" *CEPAL Review* 135, December 2021; Jonathan E. Hillman, "Corruption Flows Along China's Belt and Road," *CSIS*, January 18, 2019; and Kelly Piazza and Max Lasco, "China's Role in Democratic Backsliding in Latin America," *Global Americans*, May 2024.

³³ Roland Rajah and Alyssa Leng, "Revising down the Rise of China," *Lowy Institute*, March 2022.

³⁴ "Global Economic Prospects: Latin America and the Caribbean Region," *World Bank*, June 2024.

to China. This trade marginalization, once considered a liability, now appears to be a form of economic diversification.

The data bears this out. According to the World Bank's 2024 *Latin America and the Caribbean Economic Outlook*, Paraguay leads South America in projected GDP growth through 2026 (see fig. 1). Unlike its neighbors, whose growth projections swing wildly with China's economic health, Paraguay's trajectory remains stable. Only Argentina briefly surpasses Paraguay in projected growth for 2025 and 2026, but that figure reflects a rebound from Argentina's deep economic crises in 2023 and 2024.

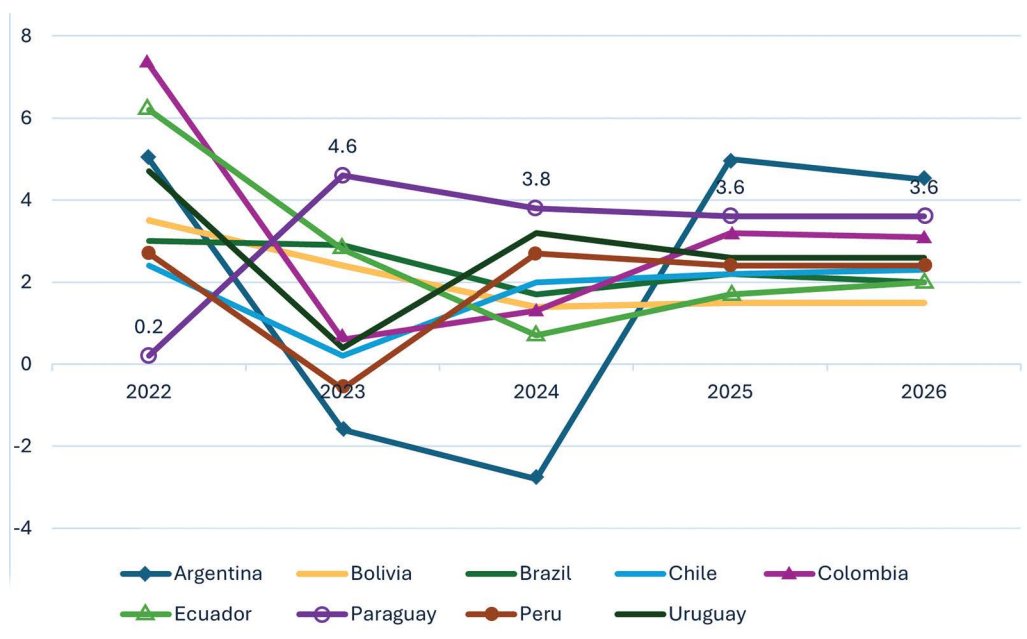


Figure 1. GDP growth in South America. (Source: World Bank April 2024.)

If Paraguay is a test case, the results are clear. Across South America, deepening economic ties with China has correlated with increased volatility, not stability. Paraguay, by resisting the pull of Beijing's economic sphere, is charting a more sustainable path—one that prioritizes long-term resilience over short-term windfalls.

A Reassessment of the “Taiwan Cost”

Taiwan cannot match China's economic firepower in Paraguay. Nor can Washington, despite its status as Taiwan's most powerful ally. As of 2024, the United States accounts for only 5.2 percent of Paraguay's trade—trailing behind Brazil

(25.1 percent), China (22.7 percent), and Argentina (18.9 percent).³⁵ In raw economic terms, Paraguay pays a price for standing with Taipei. Yet the conventional narrative of the “Taiwan Cost” ignores a fundamental shift: China’s slowing economy and Taiwan’s long-term investment strategy.

Taiwan’s former President Tsai Ing-wen captured this reality in 2023 after Honduras severed ties with Taipei in favor of Beijing. Rejecting the premise of dollar diplomacy, she declared: “For many years, we have upheld the belief that working within the full extent of our capabilities, and by taking a forward-looking and pragmatic approach, we can support the long-term, substantive development of our diplomatic allies. We will not engage in a meaningless contest of dollar diplomacy with China.”³⁶

Tsai’s point is backed by data. Berg and Bledsoe found that Taiwan’s development assistance to Latin America, measured per capita, dwarfs China’s—USD 21.30 versus Beijing’s USD 2.05.³⁷ Taiwan’s model prioritizes sustainable development, funding initiatives in education, agriculture, and governance. By contrast, Beijing’s economic engagements often follow a familiar pattern: opaque deals, short-term infrastructure projects, and debt-fueled dependence.

Conclusion and Policy Recommendations

Paraguay stands as an anomaly in Latin America—resisting China’s diplomatic coercion while maintaining a 67-year partnership with Taiwan. This relationship endures not just out of tradition, but because it serves Paraguay’s long-term interests. Shared history, democratic values, and sustainable development form the backbone of Asunción’s commitment to Taipei. Yet Beijing, wielding economic might and political leverage, seeks to break this bond.

China’s influence in Latin America has limits, and Paraguay’s resilience offers proof. Excluded from Beijing’s state-backed economic largesse, Paraguay has nonetheless charted steady growth, largely insulated from the volatility that afflicts neighbors more entangled with China. Taiwan cannot match China dollar-for-dollar, but Asunción increasingly recognizes the risks of overreliance on Beijing and the advantages of Taiwan’s transparent, long-term investment model.

Yet, Taiwan’s diplomatic position grows ever more precarious. The loss of any remaining allies could accelerate Beijing’s push toward forcibly reclaiming the island—a scenario that risks a direct US-China confrontation. The 2022 National

³⁵ “Reporte de Comercio Exterior (RCE),” Ministerio de Economía y Finanzas Paraguay, 2024.

³⁶ “President Tsai Delivers Remarks on the Termination of Diplomatic Relations with the Republic of Honduras,” March 2023.

³⁷ Ryan Berg and Rubi Bledsoe, “Divergent Approaches to Development,” CSIS, August 2023.

Security Strategy emphasizes the United States' "abiding interest in maintaining peace and stability across the Taiwan Strait" and "commitments under the Taiwan Relations Act and to support Taiwan's self-defense."³⁸ However, without official recognition of Taiwan itself, Washington's traditional policy options are constrained. It thereby behooves the United States to bolster diplomatic and economic backing for nations that directly stand with Taipei. Supporting Paraguay helps preserve Taiwan's place in the world and aligns with America's national security interests.

Here are key recommendations:

1. **Deploy Economic Counterweights to China**— The United States and its democratic allies ought to offset the so-called "Taiwan cost" by delivering tangible economic alternatives. This support should include expanded preferential trade agreements, targeted foreign direct investment, and infrastructure development aligned with Taiwan's model of sustainable growth. Bolstering Paraguay's economic resilience is not charity—it is a strategic imperative to prevent Beijing from weaponizing trade while advancing US economic, military, and diplomatic interests.
2. **Harness Security Cooperation as Strategic Leverage**— Washington and Taipei should deepen security ties with Asunción through joint military training, intelligence sharing, and cybersecurity cooperation. These measures would not only reinforce Paraguay's sovereignty but also signal a broader commitment to regional stability. Security engagement offers a powerful tool to counterbalance China's growing influence and embed Paraguay more deeply within a network of like-minded states.
3. **Amplify Taiwan's Public Diplomacy in Paraguay**— Taiwan's role in Paraguay's development—spanning education, health care, and technological advancement—remains underappreciated. Taipei must elevate its visibility through targeted public diplomacy campaigns that underscore these achievements and contrast them with Beijing's opaque and often predatory practices. The United States should support these efforts, leveraging its own public affairs assets to frame Taiwan as a force for development—not debt.
4. **Forge a Democratic Bloc in Latin America**— Paraguay should lead a coalition of Latin American democracies that remain cautious of China's enticements. With US backing, this alliance could institutionalize and scale resistance to Beijing's divide-and-conquer strategy, reinforcing democratic

³⁸ Michael Green and Bonnie Glaser, "What Is the U.S. 'One China' Policy, and Why Does It Matter?," *CSIS*, January 2017.

norms across the region. Formalizing such a bloc would not only dilute Chinese influence but also revitalize liberal multilateralism in a hemisphere increasingly pulled toward authoritarian temptation.

Paraguay's stance is not merely symbolic—it is strategic. In choosing Taipei over Beijing, Asunción aligns itself with a vision of the world where sovereignty is respected, development is transparent, and democracy is defended. The United States must treat this not as a diplomatic footnote but as a frontline to strengthen its network of like-minded countries in a highly contested hemisphere. Now is the time to act—not just to preserve a partnership aligned with US global interests, but to affirm a principle: that nations still have the right to choose allies based on values, not coercion. 🇺🇸

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Cadet Lasco stands at the forefront of a new generation of scholar-warriors, blending academic rigor with operational acumen. A top-ranking cadet at the United States Air Force Academy, he majors in foreign area studies with minors in Chinese and Spanish, complementing his studies with immersive experiences in Taiwan and Colombia. A Stamps Scholar and Martinson Honors participant, he has authored incisive analyses on China's influence in Latin America, publishing in the *Journal of Indo-Pacific Affairs* and *Global Americans*. His research, informed by fieldwork across Paraguay, Argentina, and Chile, underscores his commitment to understanding great-power competition in the Global South. He will begin a Master in Public Policy at the Harvard Kennedy School in Fall 2025. Beyond academia, he embodies discipline as a marathoner and military leader, exemplifying the intellect and endurance demanded of tomorrow's strategic thinkers.

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