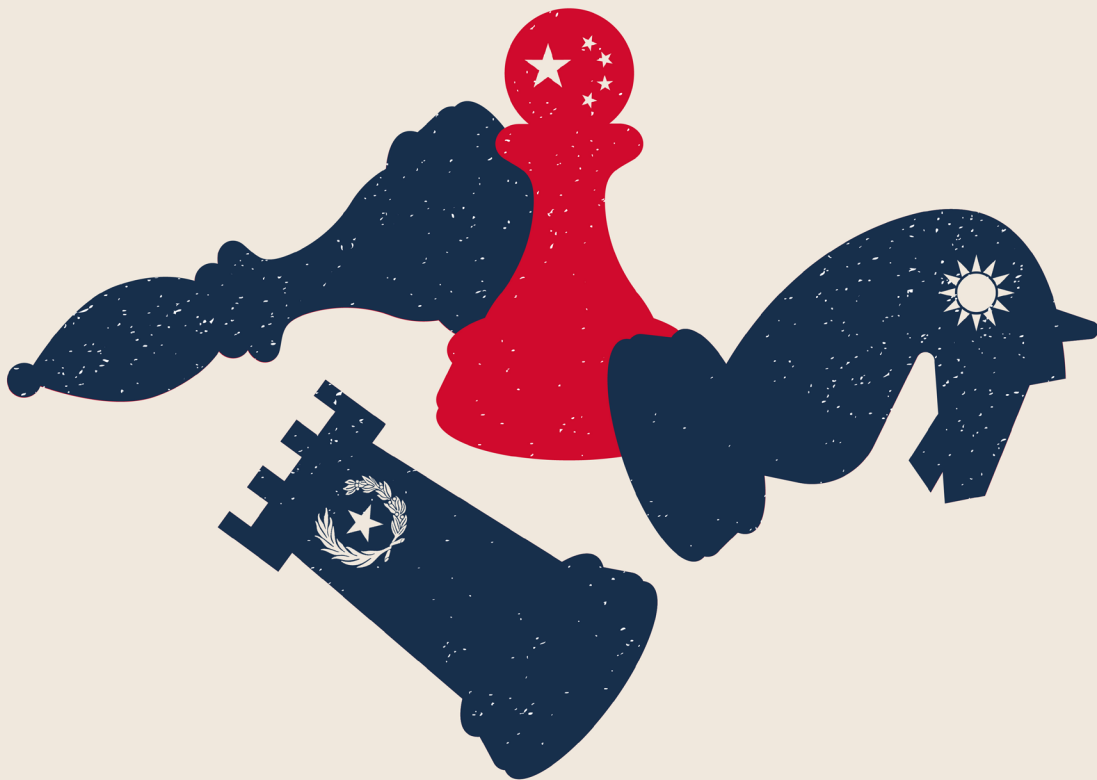


FOREIGN RELATIONS **UNDER PRESSURE:** PARAGUAY, TAIWAN, AND THE CHALLENGE OF CHINA'S RISE



APRIL 2026

Expediente Abierto's mission is to produce and disseminate quality research and journalistic content that strengthen critical analysis, citizen advocacy and the defense of democracy in Central America.



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Executive Summary

In recent years, the People's Republic of China has undergone a qualitative shift in its approach toward Paraguay, moving from a largely marginal presence to a more active—albeit still predominantly indirect—engagement strategy. This strategy has manifested through increased public interventions, strengthened contacts with political and economic actors, and a heightened diplomatic outreach aimed at positioning the debate over diplomatic recognition within Paraguay's own domestic arena.

This approach has not relied on direct coercive mechanisms, but rather on the gradual construction of economic and political incentives. Narratives centered on potential access to the Chinese market, investment opportunities, and prospects for future economic integration have helped shape the expectations of certain sectors, particularly within the agro-export and business communities. At the same time, the increase in official statements and episodes of diplomatic friction signal Beijing's growing interest in placing the issue on the public agenda and expanding its capacity for medium-term influence.

This process has exposed certain areas of permeability, primarily linked to Paraguay's economic structure and its integration into international trade. However, this increased activism has not translated into an automatic consensus in favor of diplomatic reorientation. The Paraguayan political system presents an incipiently fragmented state in which divergent positions coexist between political and economic sectors, without any single coalition consolidating sufficient support to promote a shift in foreign policy.

In this context, China's approach has contributed to broadening the scope of internal debate and increasing its visibility within Paraguay's political and economic landscape, but without altering the current strategic balance. The continuity of the current framework stems less from the absence of external incentives than from the internal configuration of interests, political balances, and the costs associated with a potential redefinition of the country's international positioning. As long as these conditions persist, it is likely that this strategy will continue operating through indirect, long-term mechanisms aimed at gradually shaping Paraguay's political and economic environment, rather than triggering an immediate rupture in its diplomatic orientation.

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Introduction

The growing presence of the People's Republic of China (PRC) in Latin America over the past two decades has profoundly reshaped the region's economic, political, and diplomatic dynamics. Through instruments such as the Belt and Road Initiative (BRI), infrastructure financing, expanding trade, and increasingly active diplomacy, China has firmly consolidated its presence in the hemisphere. This process has been accompanied by a sustained strategy aimed at reinforcing the "One China" principle, resulting in the progressive diplomatic isolation of Taiwan on the international stage, particularly in Latin America and the Caribbean. In this context, the dispute over diplomatic recognition has become a central component of contemporary geopolitical competition, where recognition no longer functions merely as a formal act of foreign policy, but rather as a symbolic and strategic asset in a broader contest for legitimacy, influence, and international status.

Within this global landscape, Paraguay represents an exceptional case. Since 1957, it has maintained uninterrupted diplomatic relations with the Republic of China (Taiwan), making it the only country in South America that still officially recognizes Taipei. This uniqueness grants Paraguay increasing symbolic and strategic value beyond its material weight in the international system, transforming it into both a key partner for Taiwan and a focal point of interest for Chinese foreign policy. Nevertheless, despite its political significance as a formal ally of Taiwan, for decades, Paraguay occupied a marginal position within the PRC's regional strategy, which was characterized by an indirect, non-coercive, and low-profile approach, reflecting limited interest with Taipei's last South American ally.

In recent years, however, a qualitative shift in the PRC's approach toward Paraguay has become evident. This shift is characterized by greater diplomatic activism, an intensification of economic signals, an expanding discursive presence in political and media spaces, and the broadening of both direct and indirect channels of engagement with local actors. This change contrasts with earlier periods, when China's relationship with Paraguay remained relatively distant, mediated almost exclusively by third parties and lacking a visible strategy aimed at contesting diplomatic recognition.

This strategic adjustment can be understood as the result of the convergence of external and internal factors. At the systemic level, escalating tensions in the Taiwan Strait, the growing centrality of the Taiwan issue in China's security strategy, and intensifying strategic competition between China and the United States in the Western Hemisphere have elevated the geopolitical value of remaining diplomatic battlegrounds. In parallel, at the domestic level, Paraguay is experiencing a gradual openness to new extra-regional partners, driven by the

pursuit of economic diversification, the need to expand export markets, and the emergence of internal debates regarding the limits and opportunities of its traditional international positioning. This context has widened the window of opportunity for external actors seeking to influence Paraguayan foreign policy, fostering greater receptiveness to alternative narratives on development, trade, and international reach.

Against this backdrop, the PRC has deployed a combination of engagement strategies that integrate instruments of soft power and economic statecraft, targeting political elites, strategic business sectors, academic spaces, and public opinion more broadly. These strategies include the construction of narratives centered on modernization, development, and market access; signaling future economic opportunities; and cultivating social, cultural, and communicational ties with key actors in Paraguay's political and productive systems. In some cases, these mechanisms mirror tools historically used by Taiwan—such as technical cooperation, public diplomacy, and parliamentary diplomacy—creating mirror policy dynamics in the struggle for legitimacy, influence, and recognition. Rather than relying on direct, coercive pressure, China's strategy appears aimed toward gradually shaping the perceptions, expectations, and incentives of domestic actors, with the objective of fostering internal debates over diplomatic recognition and generating local support for a potential realignment.

This report seeks to systematically analyze the mechanisms of influence deployed by the PRC toward Paraguay within the framework of the "One China" principle. Its objective is to understand both the strategies of engagement and their underlying motivations, and the incentives offered to promote a potential shift in diplomatic recognition, as well as examining the Paraguayan state's capacity to respond and the room for maneuver it retains in this context. On this basis, the study aims to identify the diplomatic, economic, and political instruments used by China to shape Paraguayan foreign policy, to examine the internal and external factors that condition the persistence or modification of Paraguay's relationship with Taiwan, and to analyze the role of local, regional, and transnational actors in the dispute over diplomatic recognition.

From a methodological standpoint, this research adopts a qualitative, exploratory, and analytical approach, focused on the study of diplomatic strategies, power dynamics, and interstate interactions in the context of the competition between China and Taiwan. The research design is based on the analysis of primary and secondary sources, including official statements, diplomatic speeches, government documents, reports from local and international organizations, specialized academic literature, news articles, and content disseminated by relevant actors across digital media and social networks. In addition, the study incorporates semi-structured interviews with political actors, business leaders, and journalists directly or

indirectly linked to Paraguayan foreign policy and its relations with China and Taiwan. Given the sensitivity of the topic, these interviews were conducted under conditions of anonymity, with the aim to facilitate access to perceptions, assessments, and experiences that are unlikely to emerge in public sources.

To strengthen the validity of the findings, the study employs methodological triangulation, cross-referencing information from multiple sources, actors, and levels of analysis, as well as a qualitative content analysis to identify discursive patterns, interpretive frameworks, and dominant narratives surrounding China, Taiwan, and diplomatic recognition in Paraguay. While the research adopts a flexible temporal scope, it prioritizes the past five years, allowing for a clearer understanding of recent transformations in China's strategic behavior toward Paraguay, the responses of the Paraguayan state, and shifts in the domestic public debate in a context characterized by intensifying global geopolitical competition and the growing centrality of the Taiwan issue in international politics.

Mechanisms of Influence, Economic Power, and Competition for Recognition

This study is grounded in three main conceptual pillars. First, it draws on the concept of soft power and strategies of attraction, particularly as applied to the Chinese case, where culture, cooperation, public diplomacy, and development narratives converge in what has been described as a “charm offensive.” Second, it incorporates the notion of economic statecraft, understood as the intentional use of economic tools for strategic purposes, enabling analysis of how commercial, financial, and investment incentives can function as mechanisms of political influence without resorting to coercion. Third, it examines the role of economic, business, and social actors as key intermediaries in these dynamics, particularly through the transformation of domestic interests and the formation of domestic coalitions that favor specific international alignments.

The concept of soft power was formulated by Joseph Nye (2004) to describe an actor's ability to achieve desired outcomes through attraction and persuasion, rather than resorting to coercion or direct payment. Unlike hard power, which is based on military force or explicit economic pressure, soft power operates through the construction of legitimacy, the projection of values, cultural diplomacy, and the cultivation of symbolic affinities that shape the preferences of other actors.

In the Chinese case, several authors have argued that this concept takes on an expanded form compared to its original formulation. China does not limit soft power to culture or values; rather, it incorporates economic instruments, development cooperation, investments, and financial assistance as central components of its capacity for attraction (Kurlantzick, 2007; Repnikova, 2022). This hybrid conception is articulated in Joshua Kurlantzick's analysis as a “charm offensive,” understood as a systematic strategy aimed at transforming China's international image from that of a perceived threat into a responsible partner, an economic opportunity, and a benefactor of development.

In the Paraguayan case, these tools take on a distinctive dimension, as they are not solely aimed at strengthening an existing bilateral relationship, but rather at progressively eroding the symbolic, political, and domestic costs associated with a potential shift in diplomatic recognition. Chinese soft power, rather than seeking immediate adherence, operates as a long-term strategy designed to reconfigure perceptions, expand the scope of what is politically conceivable, and legitimize alternatives previously considered unviable.

Complementing this perspective, this work also draws on the concept of economic statecraft, developed by David Baldwin (1985), who defines it as the deliberate use of economic tools to achieve foreign policy and security objectives. Unlike approaches that focus exclusively on sanctions or economic coercion, Baldwin emphasizes that economic statecraft encompasses both negative and positive instruments, from punishments and restrictions to incentives, rewards, and promises of cooperation.

From this perspective, trade, financial, and investment relationships are not merely market exchanges, but potential arenas of political influence, in which states can alter the cost-benefit calculations of both external and domestic actors (Mastanduno, 1999). However, the effectiveness of these tools depends heavily on domestic variables within the recipient country, such as the degree of state autonomy, institutional structures, and the configuration of internal coalitions.

In recent decades, China has developed a particularly sophisticated form of economic statecraft, anchored in its expanding financial capacity, its role as a key trading partner, and the global expansion of its state-owned enterprises (Deng, 2022). Blackwill and Harris (2016) conceptualize this phenomenon as part of a broader geoeconomic strategy, in which economic instruments are systematically deployed to produce geopolitical effects, reconfigure alignments, and influence state behavior without resorting to the direct use of force.

In Latin America, this logic has translated into the provision of concessional loans, high-profile infrastructure projects, investments in strategic sectors, and expanded market access for primary exports. While Paraguay has not historically been a central recipient of these dynamics, China's growing interest in the country suggests a shift from a strategy of relative indifference toward one of greater engagement, aimed not only at direct economic benefits but also at indirect political impacts on its diplomatic stance toward Taiwan.

This framework is particularly useful for analyzing how the PRC can leverage promises of market access, potential investments, or financial cooperation as positive incentives that alter the expectations of local economic, business, and political elites, without the need for explicit coercion (Norris, 2016). In this sense, economic statecraft is understood here not as a form of direct pressure, but as a strategy for the gradual reconfiguration of preferences and foreign policy horizons.

A third axis of the theoretical framework relates to the role of non-state actors—particularly firms, productive sectors, and interest groups—as key intermediaries in processes of international influence. Far from acting in isolation, modern states project power through complex networks that include both public and private, formal and informal actors, which function as transmitters of incentives, expectations, and strategic narratives.

Baldwin (1985) already warned that the effectiveness of economic power depends less on its absolute magnitude than on its capacity to influence relevant domestic coalitions in the target country. Blackwill and Harris (2016) argue that such dynamics enable major powers to generate indirect political effects by reshaping the incentives of domestic groups, which, once economically benefited, tend to support foreign policy orientations more aligned with the interests of the external partner.

Applied to the Paraguayan case, this perspective allows for an examination of how productive, business, academic, or media sectors may become vectors for the dissemination of pro-China narratives, or advocates for debates over the opportunity costs associated with maintaining diplomatic recognition of Taiwan. Rather than imposing a decision from the outside, this strategy seeks to generate endogenous transformations in the perceptions and preferences of key domestic actors, thereby exerting indirect pressure on state decision-makers.

Finally, this work engages with the literature on international legitimacy and symbolic competition among states (Hurd, 1999; Nye, 2004; Chong, 2023). The dispute between China and Taiwan over diplomatic recognition is not limited to a legal or protocol issue, but a central component of China's broader strategy to assert sovereignty, territorial integrity, and political authority. From this perspective, each of Taiwan's diplomatic allies acquires a symbolic value that exceeds its material weight in the international system. Paraguay, as the last South American country recognizing Taipei, thus becomes a particularly sensitive node in this competition, not only due to its practical impact, but also for its normative significance regarding the acceptance or contestation of the "One China" principle.

This study integrates insights from soft power, economic statecraft, and the literature on interdependence and geoeconomics to analyze how China deploys a multifaceted strategy of engagement and influence toward Paraguay. Rather than focusing on coercive mechanisms or abrupt ruptures, the adopted theoretical framework captures dynamics of incremental influence, transformation of domestic interests, and the construction of symbolic legitimacy that are particularly relevant for understanding the room for maneuver of small states in contexts of great-power competition.

The central objective is to approach the Paraguayan case not as an isolated anomaly, but as an analytical laboratory to examine how a small state navigates a structural dispute between major powers, facing indirect pressures, competing incentives, and contests over international legitimacy. In the following sections, these approaches will be developed more comprehensively and applied empirically to the analysis of the outreach and influence strategies employed by China toward Paraguay in the context of competition with Taiwan.

Regional Context of the China–Taiwan Dispute

The dispute between the People's Republic of China (PRC) and Taiwan over diplomatic recognition and international legitimacy constitutes one of the most enduring dimensions of the contemporary international order. Its reach extends particularly significantly into Latin America and the Caribbean, a region that currently hosts the majority of Taiwan's formal diplomatic allies. In this sphere, recognition functions not merely as a bilateral relationship, but as a strategic resource that articulates narratives of sovereignty, international status, and belonging to the global order, granting states of relatively limited material power a position of significant political centrality.

This process also unfolds within a broader context of intensifying competition among major powers, particularly between the United States and China, which has reconfigured the room for maneuver available to Latin American countries. Historically situated within the U.S. sphere of influence, the region has progressively become an arena of economic, technological, and normative competition between Washington and Beijing. This rivalry heightens the structural pressures on states to manage divergent interests simultaneously, whether through explicit alignment decisions, strategies of selective balancing, or attempts to preserve margins of strategic autonomy within the constraints imposed by their position in the international system. In this framework, decisions regarding recognition of Taiwan or the establishment of relations with the PRC cannot be understood solely as bilateral choices, but rather as components of broader geopolitical configurations that shape the costs, benefits, and risks associated with each course of action.

Historically, Latin America served as an important diplomatic stronghold for Taiwan, which managed to maintain formal ties with numerous states through a combination of ideational affinities, financial and technical cooperation, and an active public diplomacy strategy focused particularly on small and medium-sized countries. However, this equilibrium began to shift rapidly starting in the mid-2000s, in parallel with China's economic rise and the expansion of its political and commercial presence in the region.

The diplomatic transitions in countries such as Panama (2017), the Dominican Republic (2018), El Salvador (2018), Nicaragua (2021), and Honduras (2023) did not result from sudden impulses or isolated, circumstantial events. On the contrary, the evidence shows that these shifts were the result of cumulative processes, characterized by informal contacts and gradual reconfigurations of expectations within state apparatuses and among key economic actors. The decision-making moment tended to be concentrated in the executive branch, reflecting the presidential nature of foreign policy in the region, while the speed with which administrative

and regulatory adjustments were implemented following public announcements suggests that these processes were planned with strict secrecy and executed as part of broader diplomatic strategies (Heduvan, 2025).

The evolution of official Chinese policy toward Latin America parallels and reflects these structural transformations. China's 2008 and 2016 Policy Papers on Latin America and the Caribbean already underscored the importance of the "One China" principle as a political foundation for relations with the region, albeit in relatively limited terms, embedding it within a broader framework of respect for sovereignty, non-interference, and South-South cooperation. In those documents, the recognition of Beijing as the sole legitimate government of China appeared as a formal prerequisite for the establishment of diplomatic relations, but without an explicit discursive articulation of the Taiwan issue.

This formulation undergoes a qualitative shift with the publication of the China's 2025 Policy Paper on Latin America and the Caribbean, which, for the first time, explicitly names Taiwan and directly inscribes it in the normative core of the relationship between China and the region. The document affirms that the "One China" principle constitutes the essential political basis of Beijing's foreign relations and highlights that the "overwhelming majority" of Latin American and Caribbean countries recognize that "there is but one China in the world, Taiwan is an inalienable part of China's territory, and the government of the People's Republic of China is the sole legal government representing the whole of China." It further links this position explicitly to cooperation on vital interests and fundamental concerns, such as state sovereignty, national security, and territorial integrity.

A central element of the 2025 policy paper is its definition of areas of cooperation based on the diplomatic status of the interlocutors. By expressing its willingness to deepen strategic trust and mutual support specifically with countries with which it "has established diplomatic relations," China formalizes a structure of incentives and reciprocity. From an analytical perspective, this establishes a differentiated benefits framework, wherein access to certain levels of financial, technological, and security cooperation is presented as a function of official diplomatic recognition. For Taiwan's allies, this explicit emphasis introduces new symbolic and diplomatic pressures, positioning their stance within a broader regional narrative that Beijing seeks to consolidate as the norm.

Although Latin America is not a central theater of potential military conflict between Taiwan and the PRC, it does play a significant role in the global diplomatic dispute between the two parties. Each state in the region faces the need to decide whether to maintain or alter its ties with Taiwan or with Beijing based on foreign policy calculations that combine economic

incentives, financing needs, geopolitical pressures, and domestic priorities. Moreover, these decisions are made within an environment of intensifying rivalry between the United States and China, further complicating decision-making processes by introducing alignment costs, risks of indirect retaliation, and dilemmas associated with preserving margins of strategic autonomy.

Paraguay in the Context of Strategic Competition

Paraguay constitutes a singular case within the global diplomatic landscape associated with the dispute between the People's Republic of China and Taiwan. The country has maintained uninterrupted relations with Taipei for nearly seven decades, making it the only state in South America that maintains this formal diplomatic recognition.

At the same time, Paraguay has maintained a virtually nonexistent political relationship with the People's Republic of China. This distance is reflected in recent comparative indicators, such as the China Index¹ published in 2024, which ranks Paraguay among the countries with the lowest levels of Chinese influence globally, placing it 96th out of 101 countries evaluated. This ranking confirms that, in relative terms, Paraguay remains largely outside the networks of political, economic, and media influence that China has more intensely developed across other parts of Latin America.

The persistence of this alignment with Taiwan is the result of a combination of internal and external factors that have collectively contributed to consolidating the stability of this relationship. Domestically, historical and ideational elements have played a central role, subsequently reinforced by active public diplomacy, technical and financial cooperation programs, and the development of direct ties with political, economic, and bureaucratic elites (Heduvan, 2023). The continuity of the Colorado Party as the dominant force in the Paraguayan political system for most of the recent democratic period has also helped sustain a relatively consistent foreign policy orientation, reducing the likelihood of abrupt shifts in diplomatic recognition.

These internal factors are complemented by external conditions that have reinforced continuity of the bond. Paraguay has historically maintained a close orientation towards the United States, both politically and strategically, which has contributed to aligning its international positioning in line with Washington's geopolitical priorities, including support for Taiwan. At the same time, for much of the past decades, China did not actively prioritize establishing diplomatic relations with Paraguay, focusing its efforts instead on countries where it perceived greater immediate economic or strategic opportunities. This combination of prior political alignment and limited Chinese activism helped sustain the diplomatic status quo (Heduvan, 2023).

As a result of these conditions, official contact between Paraguay and China has historically remained minimal. Despite China's consolidation as the primary source of Paraguayan

imports, this trade relationship has developed in the absence of formal diplomatic ties or direct institutional channels between the two governments. There are no embassies, consulates, trade offices, or diplomatic representations within or outside the territories of either state. Furthermore, as confirmed in interviews with Paraguayan politicians, formal political contacts have been virtually nonexistent, with both sides avoiding the establishment of institutionalized mechanisms for official dialogue.

This situation reflects a structural paradox: while indirect economic ties between Paraguay and China have grown steadily, political and diplomatic relations have remained frozen, constrained by Paraguay's recognition of Taiwan and Beijing's refusal to maintain official relations with states that do not adhere to the One China principle. However, this low-intensity political engagement with the PRC has begun to shift. The hardening of Beijing's stance on its territorial integrity, as reflected in its recent foreign policy documents, has increased Paraguay's strategic value as a target of engagement.

This new phase of Chinese influence does not necessarily manifest through direct coercive pressure, but rather through a gradual and multidimensional engagement strategy. There has been a noticeable increase in China-related discourse within local business and political circles, alongside growing visibility of the economic "opportunity costs" associated with the absence of formal relations. The PRC appears to be moving toward a diversification of its channels of interaction, seeking to create conditions that, over time, may facilitate a reconfiguration of Paraguay's domestic overtures.



Emergence of Political Dissent and Public Diplomacy Dynamics

The cohesion of political elites around the recognition of Taiwan has historically been one of the fundamental pillars of stability in the bilateral relationship. This alignment enabled a steady flow of interaction between the leadership of both countries, shielding the diplomatic bond from fluctuations in Paraguay's domestic politics. However, in recent years, this consensus has begun to show signs of fragmentation, giving rise to a more public debate that positions relations with the People's Republic of China (PRC) as a relevant issue on the political agenda.

The debate over the reconfiguration of Paraguay's foreign policy has gained increasing visibility following the recent electoral cycle. During the 2023 presidential elections, the possibility of reassessing diplomatic recognition was openly raised by opposition candidate Efraín Alegre. Likewise, in the lead-up to the elections, Taiwan's then Vice Minister of Foreign Affairs, Alexander Yui, stated during a parliamentary hearing that "it is a fact that China has been obviously courting candidates from all parties," suggesting the existence of an active Chinese strategy of political outreach (Swissinfo, 2023).

Although the electoral results initially postponed institutional discussion of this proposal, the issue returned to the center of public scrutiny following an investigation published by the media outlet Al Jazeera (2025). According to the international media outlet's report, during the electoral period, monthly contributions of approximately 8,000 USD were allegedly channeled from China to Santiago Peña's campaign, and approximately 3,000 USD to Efraín Alegre's campaign. The report also referenced alleged economic links involving current Vice President Pedro Alliana and Humberto Domínguez Stroessner (grandson of Alfredo Stroessner), as well as the provision of gifts to the then-mayor of Ciudad del Este, Miguel Prieto Vallejos. While all individuals mentioned denied the existence of such contributions or ties, the report significantly amplified the issue within the public debate (Ultima Hora, 2025a).

Additionally, according to the Al Jazeera report, Shi Dizi, president of the Paraguay-China Chamber of International Development and Mutual Assistance (CADAMI), based in the border region between Paraguay and Brazil, has been identified as one of the key facilitators of China's informal networks in the country. This assessment is based on his connections with the All-China Federation of Returned Overseas Chinese and his work from Foz do Iguacu, reportedly in coordination with the embassy of the People's Republic of China in Brazil. However, China's diplomatic representation in Brazil has denied any formal association with these activities to Paraguayan media.

Meanwhile, since mid-2024, there has been a notable increase in initiatives linked to what can be described as an emerging form of parliamentary diplomacy promoted by Chinese actors. Delegations of Paraguayan legislators and political leaders were invited to visit China, trips that have received considerable media attention and contributed to the visibility of new channels of direct political engagement. In September 2024, a delegation of eleven Paraguayan legislators, the largest in many years, undertook an exploratory visit to China (Hoy, 2024). A year later, in 2025, a new delegation comprising eight legislators participated in a visit of a similar nature (Ñandutí, 2025). According to testimonies gathered in confidential interviews with political actors, additional trips are expected in 2026, driven by personal invitations channeled through intermediaries and actors linked to China with a presence in the east of the country.

These delegations have been composed primarily of opposition lawmakers, particularly members of the Authentic Radical Liberal Party (PLRA, Partido Liberal Radical Auténtico), as well as leaders from independent political groups. However, isolated voices have also begun to emerge from within the ruling coalition, arguing for the need to review current foreign policy. This suggests that the debate is gradually permeating sectors that had traditionally remained relatively aligned with the diplomatic status quo.

**Table 1.****Delegation of Legislators Visiting China**

National Deputies	Political Party
Carlos Pereira	PLRA
Federico Franco	PLRA
Ariel Villagra	PLRA
Carlos M. López	PLRA
Dalia Estigarribia	PLRA
Pastor Vera	PLRA
Roya Torres	PLRA
Leidy Galeano	Yo Creo

Source: Prepared by the author based on data from ABC (2025)

The prevailing discourse among legislators who have participated in these visits centers on the economic opportunities associated with a potential rapprochement with China. In particular, they highlight the potential of access to the Chinese market, the possibility of attracting investment in strategic sectors, and concerns over the risk of marginalization in an international system where China plays an increasingly central role (La Política Online, 2025a). These perceptions reflect a growing internalization, by some political sectors, of the structural shifts in the global economy and of China's role as a dominant economic actor.

The emergence of this dissent within the legislative sphere is not solely a response to internal factors, but is also a part of a competition of public diplomacy mechanisms. It is significant that, in the same month as the 2025 visit to the People's Republic of China (PRC), a delegation of legislators—including representatives from both the ruling party and the opposition—undertook an official visit to Taiwan organized by Taipei. This parallel suggests that China has begun to implement a “mirror policy,” adopting the same tools that Taiwan has historically used to consolidate its ties with Paraguay's political class.

Given the geographic distance and the significant cultural differences between Paraguay and Asia, visits by legislators, business leaders, and civil society representatives play a fundamental strategic role. These missions are not merely ceremonial visits; they function as instruments of political socialization designed to present an appealing vision of each host's development model and national reality. While Taiwan uses such visits to reaffirm the vitality of cooperation and shared values, the PRC's invitations seek to demystify the Chinese system and showcase the potential of its economic architecture to decision-makers.

This competition for influence also extends into the realm of communication and public opinion formation. According to testimonies from journalists at major Paraguayan media outlets, the PRC has begun sponsoring trips for media professionals on an individualized basis. Although no large-scale press delegations comparable to legislative visits have been observed to date, there is an expectation that China may adopt this approach in the near future, integrating the media into its strategy of gradual engagement.

At the same time, there has been a noticeable, albeit still incipient, increase in public debate regarding the advisability of relations with China versus Taiwan across traditional media and national streaming platforms. The issue, which for years remained relatively confined to diplomatic and economic circles, has begun to gain traction in interviews, political panels, and economic analysis programs. An example is the program *Made in Paraguay*, hosted by Leo Rubín, which has dedicated special episodes in which political, economic, and academic actors present their perspectives on the country's ties with Taiwan and China, thereby broadening the conversation to more diverse audiences. However, to date, there is no substantial evidence of a sustained presence or systematic influence of Chinese media within the Paraguayan media ecosystem.

Internal and External Responses to Legislative Initiatives

Unlike similar initiatives undertaken in the past, the October 2025 visit of Paraguayan legislators to the People's Republic of China, organized by the Chinese embassy in Brasília, was marked by a context of both internal and external pressures aimed at discouraging its realization.

From within the ruling party, the Honor Colorado movement—the main internal faction of the National Republican Association (ANR, *Asociación Nacional Republicana*, or Colorado Party)—publicly announced that it would not take part in the delegation, thereby reaffirming its support for ties with the Republic of China (Taiwan). Through official statements, representatives of the faction indicated that the caucus supported “100 percent the consolidation and strengthening of relations with Taiwan,” signaling clear alignment with the historical stance of the Executive Branch and Paraguay's traditional foreign policy orientation (La Nación, 2025). This decision served to weaken the delegation's political representativeness and reinforced the perception that the visit was primarily driven by opposition sectors.

At the same time, several political actors pointed to the existence of external pressures, particularly from the United States, aimed at discouraging the participation of Paraguayan. These pressures reportedly included informal warnings regarding the potential review or revocation of visas for officials who participated in the trip, as well as the monitoring of financial flows linked to political actors, with the aim of preventing potential political financing mechanisms associated with Chinese actors (La Política Online, 2025b; 2025c). Although these actions were not publicly confirmed through official channels, their circulation within the political sphere contributed to fostering a climate of caution and reducing the number of legislators willing to join the delegation.

As a result of these dynamics, the delegation that ultimately traveled to China was smaller in size and composed exclusively of opposition legislators, reflecting the deterrent effect of the political and diplomatic pressures surrounding the initiative. However, these interventions also generated critical reactions from within the ruling party itself. The Vice President of the Chamber of Deputies, Hugo Meza, questioned what he described as lobbying efforts aimed at limiting the decision-making autonomy of Paraguayan legislators, denouncing the existence of external pressures intended to influence the direction of the country's foreign policy (Última Hora, 2025b).

These criticisms were further amplified by Chinese diplomacy itself. The Spokesperson for the Ministry of Foreign Affairs of the People's Republic of China, Guo Jiakun, publicly addressed the issue, urging the Paraguayan government to adopt a more favorable stance toward bilateral rapprochement. In his remarks, the representative stated that China hoped “the Paraguayan government would sincerely heed these calls and make the right decision that truly serves the fundamental and long-term interests of Paraguay, as well as those of its people and its people,” marking an unusual instance of direct commentary on Paraguayan foreign policy (RDN, 2025).

Direct Statements and Government-Level Exchanges

Direct exchanges between the Chinese and Paraguayan governments have become more frequent, moving away from what were previously exceptional or broadly framed statements. This type of intervention reflects a qualitative change in China's positioning toward Paraguay, demonstrating heightened political sensitivity regarding the South American country's international positioning.

In March 2024, during a media interview, President Santiago Peña defended the continuation of diplomatic relations with Taiwan, arguing that this position did not preclude the existence of indirect trade relations with China. In particular, he noted that a significant portion of Paraguay's soybean production reached the Chinese market through intermediary countries, thereby making it possible to reconcile its diplomatic recognition of Taiwan with economic integration into the primary Asian market (Valor Agrícola, 2024).

These remarks provoked an immediate response from the Ministry of Foreign Affairs of the People's Republic of China, which sought to publicly discredit the Paraguayan president's position. Spokesperson Lin Jian stated that direct imports of Paraguayan soybeans by China were nonexistent and urged the Paraguayan government to align with the One China principle, noting that it had the majority support of the international community and that Paraguay "should be aware of the trend and choose to stand on the right side of history, rather than trying to be clever and exploit loopholes" (Ultima Hora, 2024a). A few months later, during the 54th General Assembly of the Organization of American States (OAS), held in Paraguay, another episode of diplomatic friction occurred.

During a brief intervention in the assembly, a member of China's permanent observer delegation to the organization asserted that "there is only one China in the world, and Taiwan is an inseparable part of Chinese territory," thereby conveying Beijing's official position regarding the One China principle to the hemispheric forum (Ultima Hora, 2024b). This statement triggered an immediate response from the Embassy of the Republic of China in Paraguay, which publicly rejected said assertions and defended Taiwan's international legitimacy (Embassy of the Republic of China (Taiwan) in the Republic of Paraguay, 2024).

The sequence of public exchanges in Paraguay reached a point of maximum diplomatic tension in late 2024 following the visit of Xu Wei, a senior envoy of the People's Republic of China for Latin America. The official, who was on Paraguayan soil with the formal purpose of attending an annual UNESCO meeting, opted instead to prioritize a parallel political agenda.

Xu Wei appeared at Paraguay's National Congress to hold meetings with legislators favorable to the PRC and later addressed the press, emphasizing Beijing's strong interest in establishing official relations, though he asserted that the first move should come from the Paraguayan Executive itself. His statement was emphatic in pointing out that the choice was mutually exclusive, declaring, "it is China or Taiwan," and he urged the government to make what he called the "right decision" as soon as possible (Infobae, 2024).

The Paraguayan government's reaction was immediate and unusually forceful. Considering that the Chinese envoy's actions had exceeded the purpose of his visit, having utilized the context of an international forum to exert direct political pressure, the Paraguayan administration ordered the revocation Xu Wei's visa, giving him 24 hours to leave the country under the formal charge of "interference in the internal affairs" of the State (CNN, 2024). In turn, the Ministry of Foreign Affairs of the People's Republic of China categorically rejected the accusations, with spokesperson Lin Jian describing them as unfounded and unjustified, defending the legitimacy of the Chinese envoy's actions (ABC, 2024).

This episode stands as one of the clearest examples of the progressive hardening of interactions between the two parties. The active presence of a high-ranking Chinese official in Paraguay's Congress, followed by his expulsion and a public exchange of accusations, illustrates how the dispute over diplomatic recognition has begun to shift from a structural, long-term dynamic to a more immediate and confrontational one. At the same time, it reveals a shift in China's strategic calculus, which has demonstrated a greater willingness to incur diplomatic costs in order to place the debate on recognition on Paraguay's public agenda.

The escalation of tensions during 2024 and 2025 was not limited to the realm of parliamentary statements or in-person diplomatic incidents, but rather extended into the dimensions of strategic security and the digital space. A significant milestone in this regard occurred within the framework of a joint cybersecurity review between the Government of Paraguay, through the Ministry of Information and Communication Technologies (MITIC, Ministerio de Tecnologías de la Información y Comunicación), and the United States Southern Command.

Within the scope of this audit, the activity of the cyber-espionage group Flax Typhoon, an organization that several international agencies link to the government of the People's Republic of China, was identified. According to technical reports produced in collaboration with the United States, this group reportedly managed to infiltrate Paraguayan government systems, highlighting the vulnerability of the State's digital infrastructure to highly sophisticated external actors (El Nacional, 2024). Confidential sources stated that one of the targets of the cyberattack was the information systems of Paraguay's Ministry of Foreign Affairs.

Beijing's response to these allegations was swift and characterized by a strong rejection of the cyber-threat narrative. Chinese authorities described the accusations as part of a "sensationalist campaign" orchestrated by Washington, asserting that the claims of cyber-espionage lacked technical foundation and were part of an international smear campaign. In a peculiar diplomatic turn, given the absence of an official mission in Asunción, the PRC Embassy in Panama was tasked with issuing the formal response, dismissing the allegations as "slander" and turning the accusation back against the United States, identifying it as the true perpetrator of cyberattacks that are subsequently attributed to third countries (Europa Press, 2024).

The identification of alleged cyber-espionage activities linked to actors associated with Beijing, in coordination with U.S. agencies, situates the country within a security cooperation network that transcends the technical realm and carries deeper geopolitical implications. In line with this, the legislation governing the public tender for 5G technology in Paraguay is also situated within this geopolitical framework.

Among other considerations, the terms and conditions include a commercial reciprocity clause in Chapter VI, which stipulates that bidding companies "much attach to its proposal a report issued by the Diplomatic Mission of the Republic of Paraguay in the country of origin of the manufacturer of the RAN equipment included in the technical and services proposal." In practice, this functions as a deterrent mechanism that limits the participation of Chinese technology companies, such as Huawei or ZTE, given the absence of formal diplomatic representation (National Telecommunications Commission, 2025).

Trade and Investment as Vectors of Pressure

In contexts of geopolitical competition, trade and investment function not only as instruments of economic cooperation, but also as tools capable of shaping the political incentives of states. In the case of the People's Republic of China, the use of economic instruments has been particularly relevant in countries that maintain diplomatic relations with Taiwan, where access to the Chinese market and its investment flows operates as a potential incentive that can gradually reconfigure the preferences of key domestic actors. In this process, business elites play a central role as intermediaries between external economic opportunities and the domestic political decision-making process, by transmitting to the political system the costs and benefits associated with specific foreign policy orientations.

Paraguay represents a paradigmatic case of this dynamic. Despite the absence of formal diplomatic relations, China has established itself as the primary source of Paraguayan imports and its second-largest trading partner, reflecting a high level of de facto economic interdependence (Ministry of Economy and Finance of the Republic of Paraguay, n.d.).

However, this relationship exhibits a significant asymmetry. While the Paraguayan market remains open to Chinese products, direct access for Paraguayan exports to the Chinese market is constrained by the lack of diplomatic ties. This restriction forces Paraguayan exporters to diversify into smaller markets or rely on triangulation mechanisms through third countries, increasing costs, reducing competitiveness, and limiting the expansion potential of strategic sectors, particularly the agro-export sector.

In 2024, Taiwan accounted for only 1.02 percent of Paraguay's total trade, while China represented 20.2 percent of the country's global trade, almost exclusively concentrated in imports (Ministry of Economy and Finance of the Republic of Paraguay, n.d.). A similar situation exists with regard to direct investment, although the figures represent a more modest share of Paraguay's overall total. In this area, China's presence also exceeds that of Taiwan, amounting to 18,068,929 USD compared to 4,656,193 USD, respectively (Central Bank of Paraguay, n.d.). These figures not only underscore the scale of China's economic footprint, but also contribute to fueling a growing perception of potential economic opportunity, particularly among export-oriented productive sectors.

Table 2.**Foreign Direct Investment Balances in Paraguay (in Millions of USD)***

Country of Residence	2021	2022	2023	2024	Trend 2021-2024
Brazil	1.041,6	1.203,3	1.494,2	1.517,7	↑+45,7%
United States	1.101,8	1.181,4	1.195,6	1.076,2	↓-2,3%
China	9,9	13,6	19,8	18,1	↑+82,8%
Taiwan	5,5	5,1	5,1	4,7	↓-14,5%

Source: Prepared by the author using data from the Central Bank of Paraguay / *Comparison with the main investor countries in Paraguay.

Table 3.**Paraguay's Recorded Imports in Thousands of dollars FOB (2021–2024)**

	2021	2022	2023	2024	Share of Total (2024)
Taiwan	41.300	43.200	60.200	57.500	0,36
China	3.715.406	4.223.566	5.113.270	5.183.125	32,5
Total (All Countries)	12.525.478	14.605.935	15.081.805	15.932.632	100

Source: Prepared by the author using data from the Central Bank of Paraguay

Table 4.**Paraguay's Recorded Exports in Thousands of dollars FOB (2021–2024)**

	2021	2022	2023	2024	Share of Total (2024)
Taiwan	158.800	221.900	224.100	228.800	2,10
China	30.564	21.829	20.590	25.070	0,23
Total (All Countries)	10.570.970	9.948.286	11.869.066	10.914.402	100

Source: Prepared by the author using data from the Central Bank of Paraguay

In this context, the agricultural and livestock sector has emerged as one of the primary actors interested in direct trade access to China. Sector representatives have repeatedly argued that access to the Chinese market could generate significant benefits, particularly for beef exports, one of the country's main strategic products. According to an interview with a former executive of the Rural Association of Paraguay, exploratory contacts were even held with Chinese representatives in Brasília with the goal of assessing trade opportunities. However, these initiatives failed to advance, as Beijing has consistently maintained that market access is conditional upon the establishment of formal diplomatic relations. This position reinforces the political nature of access to the Chinese market, transforming it into an instrument of indirect influence over Paraguay's domestic debate.

For its part, the Paraguay–China Chamber of Industry and Commerce has also promoted sporadic talks and meetings aimed at exploring logistical pathways for trade between Paraguayan firms and the Chinese market, as well as opportunities to participate in international business fairs. In the same vein, in July 2025, a forum for Paraguayan entrepreneurs was organized, sponsored by the Chinese chambers of commerce with Argentina, Brazil, Colombia, and Uruguay (La Política Online, 2025d). This initiative demonstrates an interest to create regional platforms for economic engagement that include Paraguayan actors, even in the absence of formal diplomatic relations.

However, this economic pressure does not operate uniformly, nor has it produced a domestic consensus in favor of shifting diplomatic recognition. Other business stakeholders have adopted more pragmatic positions, prioritizing adaptation to the current landscape. The president of the Paraguayan Meat Chamber, Daniel Burt, has noted that the sector seeks to capitalize on opportunities available within the existing structure, including benefits granted by Taiwan and other alternative markets. Similarly, the Paraguayan Industrial Union has highlighted, in a recent report, the benefits of Taiwanese cooperation, including technical assistance programs, financing, and support for local industrialization (Union Industrial Paraguaya, 2025). These positions reflect the coexistence of divergent interests within the private sector, which has contributed to limiting the consolidation of a cohesive economic bloc capable of decisively lobbying for diplomatic realignment.

In response to this dynamic, Taiwan has reinforced its economic engagement strategy toward Paraguay in an effort to sustain the viability of the bilateral relationship. This has included the implementation of a Preferential Trade Agreement and a significant increase in imports of Paraguayan products, which have multiplied ninefold over the past decade. These measures seek to reduce the opportunity costs associated with maintaining diplomatic recognition, thereby offsetting (albeit only partially) the structural limitations stemming from the smaller size of the Taiwanese market.

At the same time, China's economic presence in Paraguay, although limited compared to other countries in the region, has shown signs of gradual expansion. A report by the Center for Analysis and Dissemination of the Paraguayan Economy (CADEP) identified the presence of at least 56 Chinese companies operating in the country, many of them through regional subsidiaries or indirect corporate structures. Among the most prominent actors are COFCO International Paraguay S.A., a subsidiary of the Chinese state-owned corporation COFCO dedicated to grain trading, and the technology firm Huawei, which participates in the local market through its regional affiliates (CADEP, 2025). Likewise, several Paraguayan companies act as importers and distributors of Chinese industrial goods and automobiles, suggesting levels of investment that may exceed officially recorded figures.

Meanwhile, political sectors favoring a reconfiguration of the relationship have sought to highlight, through public statements, the potential for financing infrastructure projects similar to those undertaken in Peru, although, no formal expressions of interest have been issued by Beijing. Given the lack of direct contact between the governments, such claims tend to circulate through indirect channels and involve vague figures—for instance, statements by Senator Ever Villalba suggesting that China could provide five times the contributions of any other country (Pedrojuaninos News, 2024).

The lack of easily verifiable data is consistent with the PRC's strategy of maintaining a low-profile economic relationship in order to generate internal pressure based on diffuse future potential. Although relatively discreet, this form of economic pressure reinforces a narrative of unrealized economic potential, in which diplomatic recognition is framed as the principal barrier to the development of a deeper relationship. In this sense, China's economic influence is not based solely on existing investment flows, but also on expectations of future opportunities.

Over the years, the Paraguayan government has attempted to propose a favorable alternative through a strategy of relational duality, seeking to strengthen commercial ties with China without compromising its political relationship with Taiwan. This idea, promoted both during the administration of Mario Abdo and at the outset of Santiago Peña's government, aims to achieve trade liberalization either unilaterally (El Trueno, 2022) or as a bloc through Mercosur (Ultima Hora, 2025c). However, Beijing has rejected this alternative, as it posits the One China principle as an indispensable prerequisite for full market access.

By hindering the entry of good, the People's Republic of China is betting that pressure from domestic economic sectors will generate the need to open the debate on changing the recognition. Under this framework, China does not incur commercial losses, as its products continue to enter Paraguay without restriction, while the costs of triangulation and offshoring

fall exclusively on Taiwan's ally. Given the lack of a clear consensus among Paraguayan elites, the situation tends to be defined between a policy of duality that lacks effectiveness in the face of Beijing's demands or a situation of strategic paralysis where the country maintains the status quo by default, without fully responding to international incentives (Heduvan, 2023).

Conclusion

The influence of the People's Republic of China in Paraguay in recent years has been structured around a gradual strategy that prioritizes indirect mechanisms of engagement over high-profile, explicit pressure tactics. This strategy seeks to expand channels of interaction with political, economic, and social actors, as well as to position the debate over diplomatic recognition within Paraguay's public sphere. The increased frequency of official statements and the growing interest on the issue of bilateral relations reflect Beijing's effort to progressively transform the political conditions that have sustained the country's current international alignment, without abruptly disrupting the existing equilibrium.

The effectiveness of this approach has been conditioned both by the characteristics of Paraguay's political system and by the state's own response, which has oscillated between reaffirming its diplomatic position and pragmatically managing its economic constraints. While a more fragmented environment has emerged—where certain sectors have begun to advocate for diversifying foreign relations—this fragmentation has not translated into a concrete political coalition capable of driving a change in the country's strategic orientation. In this regard, the absence of domestic consensus remains a central factor explaining the continuity of Paraguay's relationship with Taiwan, beyond the structural pressures stemming from China's growing centrality in the global economy.

In this context, the primary vector of vulnerability lies in the economic domain, where market asymmetries and opportunities for trade access function as potential incentives for a future reassessment of foreign policy. Nevertheless, as long as domestic political conditions continue to favor the stability of the current framework of relation and no sustained convergence emerges between economic interests and political will, China's strategy will continue to face structural constraints.

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