

PAYMENT TO THE AMERICAN INSTITUTE IN TAIWAN

Proposed Appropriation Language

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For necessary expenses to carry out the Taiwan Relations Act (Public Law 96-8),
[~~\$21,108,000~~]*\$37,200,000*.

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Resource Summary

(\$ in thousands)

Appropriations	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
Funds	21,778	21,108	37,200	16,092

Program Description

In 1979, after the United States established diplomatic relations with the People's Republic of China, Congress, via the Taiwan Relations Act (TRA), created the American Institute in Taiwan (AIT) and charged it with the task of fostering strong but unofficial ties between the people of the United States and Taiwan. This responsibility is more important than ever.

AIT serves as the advocate to Taiwan authorities for U.S. political, economic and security interests and analyzes and reports on political and economic events critical to the United States. AIT advances U.S. economic, commercial and agricultural interests in Taiwan, including the promotion of U.S. exports. Taiwan is the 17th largest economy in the world, the ninth largest U.S. trading partner, and the sixth largest consumer of U.S. agricultural products. AIT serves as the platform for significant bilateral military, law enforcement, and intelligence cooperation, and facilitates significant U.S. arms sales to Taiwan. AIT provides the full range of consular services, including both immigrant and non-immigrant visas as well as American citizen services, and supports border protection and anti-terrorism efforts. AIT participates in broad cultural, scientific, and information exchange programs. In addition, AIT negotiates agreements on behalf of the United States with its Taiwan counterpart, the Taipei Economic and Cultural Representative Office in the United States (TECRO). AIT's Washington headquarters carries out executive functions and acts as liaison between various U.S. Government agencies and TECRO.

Financial support for AIT operations comes from three funding sources, including, this Department of State appropriation; reimbursements from U.S. Government agencies such as the Departments of Commerce, Agriculture, Defense, Energy and Homeland Security for specific staff positions; and visa processing fees charged by AIT under the Department of State authority. The FY 2012 other agency reimbursements amount to approximately \$20.3 million from other agency contracts and compensation associated with supporting the Foreign Service Institute's Chinese Language School. AIT's visa processing fees have generated approximately \$19 million in revenue.

Taiwan is quickly moving towards acceptance into the Visa Waiver Program (VWP). It is expected to qualify for VWP in FY 2012, with entry into force projected for the first quarter of FY 2013. Moving Taiwan to rapid VWP nomination and then entry into the program is one of the highest priorities for U.S.-Taiwan relations..

Justification of Request

The Department's FY 2013 request of \$37.2 million includes adjustments to maintain current services and support several key initiatives including Taiwan's entry into the VWP. The Department requests an increase of \$15.3 million to offset the revenue loss projected to occur with the VWP's entry into force in FY 2013 and subsequent years. Taiwan's entry into the VWP is among the United States' top priority goals for its relations with Taiwan. However, non-immigrant visa (NIV) fees are an essential source of

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revenue for the American Institute in Taiwan (AIT) and entry into the VWP will therefore cause a significant loss of funds.

AIT is authorized to keep NIV fees, which fund rents, utilities, and other operating expenses. NIV fees also fund consular equipment and capital projects like the seismic upgrade of AIT's consular building. NIV fees comprise about 30 percent of AIT operating funds. In FY 2011 NIV collections were approximately \$19 million, with B1/B2 visas, the class usually waived by VWP, accounting for approximately \$17 million. Once adjusted for reduced workload, the loss of NIV revenue will be approximately \$15.3 million.

The estimates of NIV revenue lost with entry into the VWP are based on the following assumptions:

- B1/B2 visas drop by 90 percent. Other categories and non-waived B1/B2s increase 3 percent yearly.
- VWP causes an "anticipatory" drop of 50 percent of B1/B2s in the quarter before VWP starts.
- 14 FSN positions are eliminated immediately with severance paid by AIT in FY 2013.
- 1 mid-level and 4 entry-level USDH positions are eliminated, phased in during two years.
- Exchange rates remain at 28.5 Taiwan Dollars = 1.00 USD.
- Annual wages increase 2 percent every year after FY 2012, rents and utilities increase by 7 percent.

Taiwan has moved faster than expected in completing its VWP requirements such that the VWP start dates were ahead of AIT's longer-term plan. As of December 2011, consultations between the Departments of State and Homeland Security (DHS) concluded that Taiwan sufficiently met key criteria to warranting a formal DHS assessment of its suitability for participation in the VWP. Therefore, with the completion of the required reviews by the DHS and the intelligence community on a policy process leading to a determination by the Secretary of Homeland Security to include Taiwan in the VWP is expected to occur by the end of FY 2012. The Department expects an early FY 2013 VWP start date, resulting in a \$15.3 million reduction in NIV revenue in FY 2013.

Funds by Program Activity

(\$ in thousands)

Activities	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
Agriculture Services	606	585	1,069	484
Commercial Services	1,721	1,661	3,036	1,375
Consular Services	5,135	4,956	9,048	4,092
Economic Services	2,058	1,987	3,614	1,627
Other Services	7,770	7,499	13,684	6,185
Public Affairs Services	2,782	2,685	4,899	2,214
Washington Headquarters	1,706	1,735	1,850	115
Total	21,778	21,108	37,200	16,092

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Funds by Object Class

(\$ in thousands)

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
1100 Personnel Compensation	17,113	16,586	29,248	12,662
1200 Personnel Benefits	3,291	3,190	5,624	2,434
2500 Other Services	1,374	1,332	2,328	996
Total	21,778	21,108	37,200	16,092