

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), [\$37,200,000]
\$36,221,000.

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Resource Summary

(\$ in thousands)

Appropriations	FY 2012 Actual	FY 2013 CR ⁽¹⁾	FY 2014 Request	Increase/Decrease From FY2012
Positions - Enduring	0	0	0	0
Enduring Funds	21,778	21,237	36,221	14,443

(1) The FY 2013 CR is based on the annualized continuing resolution calculation for FY 2013 (P.L. 112-175).

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 non-diplomatic 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, scientific, and agricultural interests in Taiwan, including the promotion of U.S. exports. Two-way trade between the United States and Taiwan, the U.S.'s eleventh largest trading partner, totaled \$63.2 billion in 2012 bilateral shipments. Taiwan is the 16th largest export market for U.S. goods, reaching \$24.4 billion in value despite market barrier challenges, and the seventh largest export destination for U.S. food and agricultural products. Sales of services in Taiwan by majority U.S.-owned affiliates were \$9.5 billion in 2010, while sales of services in the United States by majority Taiwanese-owned firms were \$2.0 billion. The United States is Taiwan's largest foreign direct investor (FDI) with a stock of investment totaling \$15.8 billion in 2011, a 27.5 percent increase from 2010, while Taiwan's stock of FDI in the United States is \$5.2 billion as of 2011.

AIT also serves as the platform for significant bilateral defense, security and law enforcement cooperation, supporting border protection and anti-terrorism efforts, and also facilitates significant U.S. defense articles sales to Taiwan. In 2012, Taiwan ranked first in Asia in the value (\$4.73 billion) of U.S. defense articles and services purchased through Foreign Military Sales, and ranked second globally (behind Saudi Arabia).

AIT provides the full range of consular services, including both immigrant and non-immigrant visas as well as American citizen services. Registered Americans living in Taiwan increased 11 percent in 2011, and the United States remained one of Taiwan's most popular tourist destinations, which is expected to increase dramatically with Taiwan's enrollment in the Visa Waiver Program.

AIT participates in broad cultural, scientific, and information exchange programs; strategic media outreach efforts and a touring exhibit on the history of U.S. support for Taiwan have generated positive publicity and enhanced the overall U.S. image. In addition, AIT supports the operations of a wide variety of U.S. agencies by negotiating cooperation 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.

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Financial support for AIT operations has come primarily from a line item in the Department of State appropriation and from reimbursements from U.S. Government agencies such as the Departments of Commerce, Agriculture, Defense, Energy and Homeland Security for specific staff positions.

Performance

AIT will work to enhance regional stability by strengthening ties with Taiwan, thereby giving its leaders the confidence to engage the People's Republic of China to further stabilize cross-Strait relations. A robust bilateral relationship with Taiwan also sends a clear signal of continued U.S. engagement in a region of critical strategic importance.

Strategic Goal 1: Counter threats to the United States and the international order, and advance civilian security around the world					
Strategic Priority	Conflict Prevention, Mitigation, and Response				
Active Performance Indicator	NEW APP INDICATOR: Strengthened U.S.-Taiwan Relations, as measured by the annual number of formal talks, formal USG visits to Taiwan, third-party consultations to promote Taiwan's participation in international organizations, and Taiwan's progress towards meeting visa-waiver requirements.				
PRIOR YEAR RATINGS TREND					
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
N/A	N/A	N/A	N/A	N/A	◀▶ On Target
TARGETS AND RESULTS					
FY 2014 Target	At least one U.S. official at a Cabinet level visits Taiwan. The Department allows direct correspondence between USG officials and counterparts in Taiwan. Regular senior interagency talks occur with Taiwan officials. Taiwan gains participation in an international organization where it previously lacked status.				
FY 2013 Target	At least one U.S. official at a Cabinet-level visits Taiwan. Senior-level political-military talks occur. U.S. missions worldwide increase their contacts with Taiwan in line with the new 2012 guidelines. Taiwan is admitted to the Visa Waiver Program. The United States continues to notify to Congress proposed defensive arms sales and services for Taiwan. Taiwan participates in regional and technical meeting of International Civil Aviation Organization (ICAO).				
FY 2012 Target	At least one U.S. official at the equivalent of the Department's Under Secretary level or higher visits Taiwan. The Secretary of State nominates Taiwan as a candidate for the Visa Waiver Program. The Department revises its guidelines for contacts with Taiwan to encourage increased contacts. Taiwan raises the level of its representation in U.S.-Taiwan political-military talks. The United States continues to notify to Congress proposed defense articles sales and services for Taiwan. Taiwan retains its participation in the World Health Assembly (WHA).				
FY 2012 Rating and Result	<p>Rating: On Target</p> <p>Department of Energy Deputy Secretary Poneman, USAID Administrator Shah, Commerce Under Secretary Sanchez and State Assistant Secretary Fernandez visited Taiwan in FY12, giving a strong boost to the bilateral relationship. In December 2011, the Secretary nominated Taiwan as a candidate for entry into the Visa Waiver Program. Taiwan was again invited to participate in the annual assembly of the WHA in 2012.</p>				

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Impact	The visits by senior officials reinforced the strong economic ties between Taiwan and the United States and underscored the improvement in our trade relationship following Taiwan's successful efforts to resolve the beef ractopamine issue.
FY 2011 Rating and Result	Rating: N/A
FY 2010 Rating and Result	Rating: N/A
FY 2009 Rating and Result	Rating: N/A
FY 2008 Rating and Result	Rating: N/A
FY 2007 Rating and Result	Rating: N/A
VERIFICATION AND VALIDATION	
Methodology	AIT annually measures this indicator by tracking the number of formal talks led by State or with State participation; the number of high-level USG visits; progress through State clearance on a DHS-drafted Visa Waiver Program's designation report, and resolution of associated AIT funding challenges upon its implementation; and number of consultations with third parties on support for Taiwan's participation in international organizations.
Data Source and Quality	AIT collects data on the frequency of visits by senior U.S. officials to Taiwan, statements from Taiwan authorities, USG data on the number of Taiwan passport holders traveling to the U.S., evidence of Taiwan's participation in international organizations, and DOD provided data on Taiwan investment in U.S. defense articles and services. Data quality is extremely high as it is derived from AIT and USG data and authoritative statement and actions by Taiwan's senior leadership indicating political will to support U.S. objectives.

Justification of Request

As the steward of the U.S.-Taiwan relationship, AIT must work to ensure that this partnership can adapt to a world in which China is an increasingly dominant and assertive actor. Now is a critical time to increase U.S. engagement with Taiwan, and AIT's appropriation must reflect that priority. Despite improving cross-Strait ties, Beijing remains determined to circumscribe much of Taipei's engagement with the outside world and the United States in particular. Certain areas, particularly security cooperation and anything that might be construed as political engagement with Taiwan will remain especially problematic.

Nonetheless, the U.S.-Taiwan relationship is extraordinarily deep, broad, and complex. The United States must continue to expand its economic, commercial, and scientific relationship with Taiwan, support Taiwan's membership of meaningful participation in international organizations, cooperate to combat transnational crime, ensure the safety of approximately 60,000 Americans on the island, promote the already-strong cultural, educational and personal connections between the two peoples, and put in place the physical infrastructure necessary to ensure AIT is equipped to handle the challenges of the 21st century. In particular, the U.S. must continue to develop a strong, multi-faceted and growing U.S.-Taiwan relationship which promotes cross-Strait dialogue and gives Taipei the assurance to engage confidently with Beijing.

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The Department's FY 2014 Request of \$36.2 million includes \$1.6 million to maintain current services, including \$421,000 for overseas price inflation, \$1 million for locally-engaged staff wage and step increases, and \$103,000 for the U.S. pay raise. The request includes \$3.3 million for Overseas Comparability Pay. The request also includes an increase of \$9.4 million to offset the revenue loss projected to occur now that the Visa Waiver Program (VWP) is in effect. Additionally, this request includes \$700,000 for upgrading AIT's financial management system to provide for increased transparency and oversight of AIT's finances.

The request provides necessary resources to maintain and grow this important relationship in light of reduced income for AIT caused by Taiwan's entry into the VWP in 2012. Visa fees retained by AIT will no longer be sufficient to cover consular activities. The Department is realigning AIT's financial operations in order to apply Border Security Program revenues to cover consular-related costs that exceed AIT's remaining visa revenues.

Funds by Object Class

(\$ in thousands)

Payment to the American Institute in Taiwan (AIT)	FY 2012 Actual	FY 2013 CR	FY 2014 Request	Increase/Decrease From FY2012
1100 Personnel Compensation	17,256	16,827	19,180	1,924
1200 Personnel Benefits	3,190	3,111	6,390	3,200
2500 Other Services	1,332	1,299	10,651	9,319
Total	21,778	21,237	36,221	14,443