

# The Heritage Foundation **Backgrounder**

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## TIME TO END TAIWAN NEGLECT

(Updating Asian Studies Center Backgrounder No. 47, "Honoring the Taiwan Relations Act Strengthens East Asian Stability," May 27, 1986.)

U.S. China policy since 1979 has proceeded on two tracks. While formal diplomatic relations exist with the People's Republic of China, the Taiwan Relations Act governs continued unofficial ties with the Republic of China on Taiwan. Passed overwhelmingly by the Congress after President Jimmy Carter precipitously broke diplomatic relations with the ROC, the Act created the American Institute in Taiwan (AIT) to continue "commercial, cultural and other relations" with the ROC.

Recent budgetary problems, however, threaten to undermine seriously the effectiveness of trade, cultural, educational, and other programs. Curtailment or dramatic reduction of AIT services may create unnecessary political anxiety in Taipei by suggesting a tacit downgrading of relations. Given the growing uncertainty of the future character of the government in the PRC, the U.S. should do nothing that could inadvertently signal a lessening of the commitment to the ROC that was so carefully crafted by Congress in the Taiwan Relations Act. Congress should use the upcoming State Department budget hearings for a serious review of the potential adverse consequences of continued inadequate funding of the AIT.

The unique character of the U.S.-ROC relation has become particularly vulnerable to budget reductions mandated by the Office of Management and Budget. Unlike any other overseas diplomatic mission, all of the funding for the American Institute in Taiwan derives from one source, a specific line item appropriation in the budget of the State Department. Usually U.S. embassies secure funding from their respective departmental subdivisions, such as information and education programs funded directly by the United States Information Agency. Thus reductions of funding for one aspect of the work of an embassy does not have repercussions on the entire diplomatic mission.

In recent years this situation has led to the formal freezing of funding for the American Institute in Taiwan, which means a

substantial reduction of real resources. Thus the budget in FY 1985 stood at \$9.38 million, in FY 1986 \$9.37 million, and it remained at the same level in FY 1987. During this same period, fixed costs, which account for 80 percent of the AIT budget, have risen at about 6 percent per year; program operations thus have had to absorb much of the remaining reduction of resources available. In FY 1988 an OMB proposed level of \$10 million for the AIT would represent the first increase in dollar terms in four years. But even this will not cover the recent economic dislocations being caused by a 14 percent decrease in the value of the dollar against the local New Taiwan dollar.

Even prior to currency exchange problems specific programs have been drastically affected by "freeze-down" in appropriations for Taiwan. For example, while overall educational exchange programs around the world roughly doubled in size under USIA auspices from 1982 to 1986, funding for the comparative program in Taiwan only rose slightly, due partly to contributions from Taiwan. But in the current fiscal year actual American contributions to the program will fall by an estimated 20 percent or \$100,000 so that the overall program is now less than two-thirds the size of comparative programs in other countries in East Asia, such as Thailand and Korea. This comes at a time when Taiwan leads the world in the number of foreign students attending universities in the United States.

In another important area, lawmakers have urged the promotion of American exports to countries such as the Republic of China, with which the U.S. runs a substantial trade deficit. Yet no resources are available within the AIT budget for fulfilling such a vital function in Taiwan and will not until at least fiscal year 1989.

Having created the Taiwan Relations Act, Congress should look closely at whether the American Institute in Taiwan has been provided with adequate means of effectively carrying out its assigned tasks. The Congress previously acted decisively at the time of the formal termination of diplomatic relations with the Republic of China to devise the ingenious TRA mechanism to preserve and expand American relations with the Chinese on Taiwan. This process has promoted both the broadening economic prosperity in Taiwan and recent major advances in the creation of multi-party democratic political system. The time has come for careful congressional review of growing problems in the administration of the Taiwan Relations Act.

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