



**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

Inspection of the American Institute in Taiwan



Exterior of AIT-Taipei

Taiwan's recent political changes, its tensions with Beijing, and its continued strong trade connections with the United States, all necessitate careful and strong engagement on the part of the American Institute in Taiwan (AIT). An Office of Inspector General (OIG) inspection of AIT found the institute has effectively apprised Washington of key developments in Taiwan and has conveyed American positions to local authorities. AIT's reporting officers in Taipei and Kaohsiung have provided exemplary coverage of recent developments and AIT's director has used his considerable expertise to advance U.S. interests and ensure Washington is fully aware of the nuances in the positions of the new Taiwanese government.

However, OIG also determined the director's leadership had some shortcomings and that AIT's facilities are substandard, prompting operational concerns. Construction of a new office building should be a top priority, although AIT has taken commendable steps to improve office space in the interim.

OIG also found that:

- AIT leadership has worked hard to improve operations by promoting legislation to permit the assignment of active-duty Foreign Service and military personnel to Taiwan and by establishing an eligible family member program. Both matters were long-term irritants that hindered recruitment, operations, and morale. Due to AIT leadership, some AIT housing has also been upgraded as well.
- Consular operations are exceptional and provide quick, efficient service. Administrative services are good, particularly financial management, although there are shortcomings in the human resources office.
- The branch office in Kaohsiung provides strong representation in southern Taiwan, has produced solid reporting, is well led, and has high morale. As in Taipei, new office space is needed in Kaohsiung to address operational concerns.

OIG also determined that AIT's Washington headquarters is a well-run, efficient operation. It maintains liaison with the Department and with the Taipei Economic and Cultural Representative Office. The position of the chairman has been vacant since April 2004 and the deputy managing director last visited Taipei in 2000. The management staff manages the \$55 million building fund and tracks millions of dollars in funds transfers from agencies that support AIT's activities. The office's biggest need is for more guidance on how to interpret U.S. policy toward Taiwan. Guidance is often too reactive to an individual case, resulting in hasty precedents. The Department could assist AIT and other agencies by updating and reissuing to all relevant agencies the helpful guide to U.S. policy that was last issued in 2002.

Background



Map of Taiwan

U.S. relations with Taiwan are governed by the 1979 Taiwan Relations Act, which followed U.S. diplomatic recognition of the Peoples Republic of China (PRC). Congress thereafter directed that U.S.-Taiwan unofficial relations be conducted through a nongovernmental organization, the American Institute in Taiwan (AIT), which is funded by a contract with the Department of State. The institute consists of the Washington headquarters, the Taipei office, and a branch in the southern port of Kaohsiung.

For almost 50 years, Taiwan was governed by the Kuomintang (KMT) party, which represented mainland Chinese who fled to Taipei with the fall of the Nationalist government in 1949. In 2000, Taiwan entered a new political era with the election as president of Democratic Progressive Party (DPP) candidate Chen Shui-bian. The DPP party charter officially favors independence for the island, although the KMT favors

unification of Taiwan with the mainland, albeit at some future time. The PRC has indicated that any overt move towards independence could prompt countermoves, including military action; a March 2005 PRC law on secession underlined that stance.

Taiwan and the United States share important commercial and business ties. Even as the PRC has become Taiwan's top export market, and Taiwan its top direct investor, Taiwan still is the ninth largest U.S. trade partner. In 2004, Taiwan produced \$28.1 billion in exports to the U.S. and imported \$21.6 billion in U.S. goods. Although its exports once focused on traditional manufacturing, including clothing and basic consumer goods, Taiwan's economy is increasingly centered on high tech, capital-intensive, electronic products. Taiwan is slowly privatizing and deregulating its previously state-owned, monopoly enterprises, opening up new opportunities. The United States and Japan are Taiwan's largest foreign investors. The active American Chamber of Commerce holds regular meetings in Taipei and Kaohsiung, and around 2,200 U.S. firms have offices on the island.

Office of Inspector General

The Office of Inspector General's (OIG's) mission is to assess Department of State and Broadcasting Board of Governors operations and recommend ways to strengthen their integrity, effectiveness, and accountability.

OIG's Office of Inspections provides systematic and independent evaluations of the operations of the Department of State, its posts abroad, and related activities. Inspections cover policy implementation, resource management, and management controls. As part of the inspection, particular attention is given to consular, security, and information technology operations.

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