



August 2015

SOUTHEAST ASIA

Trends in U.S. and Chinese Economic Engagement

GAO Highlights

Highlights of [GAO-15-724](#), a report to congressional requesters

Why GAO Did This Study

Both the United States and China seek to deepen their economic engagement with the 10 ASEAN members: Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. ASEAN countries are seeking to further integrate their economies and create an economic community by the end of 2015. According to International Monetary Fund data, if ASEAN countries were a single nation, their collective 2014 GDP would represent the seventh largest economy in the world. In 2011, the President announced a renewed focus—known as the rebalance—on the Asia-Pacific region. The U.S. Department of State and U.S. Agency for International Development prepared a 5-year strategy for the rebalance.

GAO was asked to examine the United States' and China's economic engagement in the region. This report examines (1) what available data indicate about U.S. and Chinese trade and investment with ASEAN countries and (2) what actions the U.S. and Chinese governments have taken to further economic engagement with these countries. GAO analyzed publicly available economic data and Chinese government documents and reviewed documentation from 10 U.S. agencies. GAO also interviewed U.S. officials and private sector representatives.

Technical comments on a draft of this report from several agencies were incorporated by GAO where appropriate. GAO is not making any recommendations in this report.

View [GAO-15-724](#). For more information, contact David B. Gootnick at (202) 512-3149 or gootnickd@gao.gov.

August 2015

SOUTHEAST ASIA

Trends in U.S. and Chinese Economic Engagement

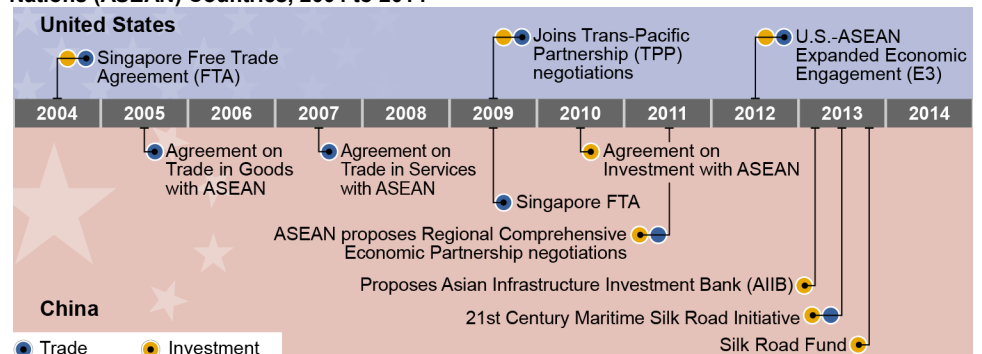
What GAO Found

China has surpassed the United States in goods trade with Association of Southeast Asian Nations (ASEAN) countries and trades a similar amount of services, but U.S. investment exceeds reported Chinese investment. China surpassed the United States in goods trade with ASEAN countries in 2007. In 2014, China's total goods trade of \$480 billion was more than twice the U.S. total goods trade of \$220 billion. Although China is their largest outside trading partner, ASEAN countries trade more with each other. Limited available data indicate that in 2011, the United States and China each traded about \$37 billion in services with ASEAN countries. From 2007 through 2012, U.S. foreign direct investment flows to ASEAN countries of \$96 billion exceeded China's reported \$23 billion.

The United States and China are furthering economic engagement with ASEAN countries in several ways.

- Trade agreements.** The United States has a free trade agreement (FTA) with one ASEAN country, Singapore, while China has an FTA with all 10 ASEAN countries. The United States and China are each party to separate regional trade agreement negotiations—the United States through the Trans-Pacific Partnership and China through the Regional Comprehensive Economic Partnership. China's existing FTAs do not address aspects of trade addressed in the U.S.-Singapore FTA, such as intellectual property, the environment, and labor rights.
- Support for firms.** From 2009 through 2014, U.S. agencies provided approximately \$6 billion in financing for U.S. firms in ASEAN countries. China reports billions of dollars more in financing than the United States worldwide, but data on China's financing in Southeast Asia are unavailable.
- Support for regional integration.** In fiscal years 2009 through 2013, U.S. agencies provided \$536 million in trade capacity building assistance to ASEAN countries. China has promised tens of billions of dollars for infrastructure development through new funds and multilateral institutions like the Asian Infrastructure Investment Bank, expected to begin operations in 2015.

Key U.S. and Chinese Trade and Investment Initiatives with Association of Southeast Asian Nations (ASEAN) Countries, 2004 to 2014



Source: GAO analysis of Chinese and U.S. documents. | GAO-15-724

Contents

Letter		1
	Background	3
	China Has Surpassed the United States in Trade in Goods with ASEAN Countries and Trades a Similar Amount of Services, but U.S. Investment Exceeds China's	11
	The United States and China Engage with ASEAN Countries through Trade Agreements, Support for Firms, and Support for Regional Integration	33
	Agency Comments	56
Appendix I	Objectives, Scope, and Methodology	57
Appendix II	Roles and Responsibilities of U.S. and Chinese Entities in ASEAN Countries	67
Appendix III	U.S., Chinese, European Union, and Japanese Goods Trade with ASEAN Countries	69
Appendix IV	Overseas Staffing in ASEAN Countries by Departments of State, Commerce, and Agriculture	77
Appendix V	U.S. Trade Capacity Building Assistance to ASEAN Countries and the ASEAN Secretariat	80
Appendix VI	U.S. and Chinese Official Development Assistance to ASEAN Countries	82
Appendix VII	GAO Contact and Staff Acknowledgments	86

Tables

Table 1: Selected Economic Indicators for ASEAN Countries, 2014	6
Table 2: Nationalities of Firms Competing with U.S. Firms That Applied for Advocacy Center Support for ASEAN Country Government Contracts, Fiscal Years 2009-2014	33
Table 3: Bilateral Goods and Services Trade between the United States and Trans-Pacific Partnership (TPP) Negotiating Partners, 2013	42
Table 4: Bilateral Goods and Services Trade between China and Regional Comprehensive Economic Partnership (RCEP) Negotiating Partners, 2013	43
Table 5: Ex-Im Authorizations and OPIC Commitments in ASEAN countries, Fiscal Years 2009 to 2014	45
Table 6: Selected U.S. Government Entities' Roles and Areas of Involvement in Association of Southeast Asian Nations Countries	67
Table 7: Selected Chinese Government Entities' Roles and Areas of Involvement in Association of Southeast Asian Nations Countries	68
Table 8: Top 10 U.S. Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Total Exports, 2014	73
Table 9: Top 10 Chinese Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Total Exports, 2014	74
Table 10: Top 10 EU Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Exports, 2014	75
Table 11: Top 10 Japanese Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Exports, 2014	76
Table 12: Department of State Economic FSO Positions by ASEAN Country, Calendar Years 2008-2014	77
Table 13: Department of Commerce FSO and LES Positions by ASEAN Country, Fiscal Years 2012-2014	78
Table 14: Department of Agriculture FSO and LES Positions by ASEAN Country, Fiscal Years 2009-2014	79
Table 15: U.S. TCB Assistance to the ASEAN Countries and Secretariat, Fiscal Years 2009-2013	80
Table 16: U.S. ODA Commitments to ASEAN Countries, 2005 to 2013	84

Figures

Figure 1: Countries in the Association of Southeast Asian Nations (ASEAN)	4
Figure 2: U.S. and Chinese Trade in Goods with ASEAN Countries, 1994-2014	13
Figure 3: U.S. and Chinese Trade in Goods with ASEAN Countries by Use, 2014	16
Figure 4: ASEAN Countries' Exports and Imports of Goods, by Trading Partner, 2003, 2008, and 2013	18
Figure 5: Individual ASEAN Countries' Exports of Goods to the United States and China, Averaged for 2011-2013	19
Figure 6: Individual ASEAN Countries' Imports of Goods from the United States and China, Averaged for 2011-2013	20
Figure 7: U.S. and Chinese FDI Flows to ASEAN Countries, 2007-2012	25
Figure 8: U.S. and Chinese FDI Flows to ASEAN Countries by Country, 2007-2012	26
Figure 9: Export Similarity Index of U.S. Exports of Goods to ASEAN Countries and Chinese, European Union, and Japanese Exports of Goods to ASEAN Countries, 2001-2014	28
Figure 10: World Bank-Financed Contracts Obtained by Firms from the United States, China, and Other Countries in ASEAN Countries, Fiscal Years 2000-2014	30
Figure 11: ADB-Financed Contracts Obtained by Firms from the United States, China, and Other Countries in ASEAN Countries, 2013-2014	31
Figure 12: Participants in Proposed Regional Free Trade Agreements with Association of Southeast Asian Nations (ASEAN) Countries	38
Figure 13: Existing Free Trade Agreements between the United States and Trans-Pacific Partnership Negotiating Partners	40
Figure 14: Existing Free Trade Agreements between China and Regional Comprehensive Economic Partnership Negotiating Partners, as of June 2015	41
Figure 15: U.S. and Chinese Imports of Goods from Association of Southeast Asian Nations Countries by Type, 2000-2014	70
Figure 16: U.S. and Chinese Exports of Goods to Association of Southeast Asian Nations Countries by Type, 2000-2014	71
Figure 17: U.S. ODA Commitments to ASEAN Countries, 2005-2013	83

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BEA	U.S. Bureau of Economic Analysis
China Ex-Im	Export-Import Bank of China
CLMV	Cambodia, Laos, Burma (Myanmar), and Vietnam
Commerce	U.S. Department of Commerce
DAC	Development Assistance Committee
EU	European Union
Ex-Im	U.S. Export-Import Bank
FDI	foreign direct investment
FSO	foreign service officer
FTA	free trade agreement
FTAAP	Free Trade Area of the Asia-Pacific
GDP	gross domestic product
IMF	International Monetary Fund
LES	locally employed staff
MCC	Millennium Challenge Corporation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
RCEP	Regional Comprehensive Economic Partnership
Sinosure	China Export & Credit Insurance Corporation
State	U.S. Department of State
TCB	trade capacity building
TIFA	Trade and Investment Framework Agreement
TPP	Trans-Pacific Partnership
UN	United Nations
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USTDA	U.S. Trade and Development Agency
USTR	Office of the United States Trade Representative
WTO	World Trade Organization

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



August 13, 2015

The Honorable Steve Chabot
Chairman
Committee on Small Business
House of Representatives

The Honorable Matt Salmon
Chairman
The Honorable Brad Sherman
Ranking Member
Subcommittee on Asia and the Pacific
Committee on Foreign Affairs
House of Representatives

Southeast Asia is a growing economic power. The 10 members of the Association of Southeast Asian Nations (ASEAN) have a combined gross domestic product (GDP) of about \$2.5 trillion and population of about 620 million.¹ Through ASEAN, these countries are seeking to further integrate their economies and create an economic community by the end of 2015.

Both the United States and China have signaled a greater interest in expanding their economic engagement in Southeast Asia through, for example, proposed and expanded free trade agreements (FTA).² In 2011, the President announced a renewed focus, known as the rebalance, on the Asia-Pacific region, including Southeast Asia. In 2014, in response to a congressional mandate,³ the U.S. Department of State (State) and U.S. Agency for International Development (USAID) issued a 5-year strategy for the rebalance. The strategy seeks, among other things, to increase economic growth and trade in the Asia-Pacific and to strengthen regional

¹The 10 members of ASEAN are Brunei Darussalam (Brunei), Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. In this report, "Southeast Asia" refers to the ASEAN members.

²An FTA is an agreement between two or more countries where the countries agree on certain obligations that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics.

³Pub. L. No. 113-76, Div. K, § 7043.

organizations such as ASEAN. In 2013, China proposed an ASEAN-China cooperation framework designed to build political consensus on deepening their relationship and focused on economic development and mutual benefits.

You asked us to review the nature of the United States' and China's economic engagement in Southeast Asia. This report examines (1) what available data indicate about U.S. and Chinese trade and investment with ASEAN countries and (2) what actions the U.S. and Chinese governments have taken to further economic engagement with these countries.⁴

To examine the United States' and China's engagement with ASEAN countries, we analyzed publicly available data on U.S. and Chinese trade in goods, trade in services, and foreign direct investment. All dollar figures in this report are in nominal terms unless otherwise specified. To determine the extent to which U.S. and Chinese firms compete in ASEAN countries, we analyzed data from the U.S. Department of Commerce (Commerce), the World Bank, and the Asian Development Bank (ADB). To identify actions that the U.S. and Chinese governments have taken to further economic engagement, we reviewed U.S., Chinese, and ASEAN trade agreements and documents and official Chinese statements. We conducted fieldwork in two ASEAN countries, Indonesia and Vietnam, and interviewed officials from U.S. and third-country agencies and private sector representatives.⁵ We tried to arrange visits with Chinese government officials in the ASEAN countries we visited and in Washington, D.C.; however, they were unable to accommodate our requests for a meeting. To assess the reliability of data, where possible, we cross-checked the data with other sources, evaluated the data for internal consistency, and consulted with U.S. officials. We consider the data we present to be reliable for our purposes and have noted caveats as appropriate regarding the limitations in some data. See appendix I for additional information about our scope and methodology.

⁴In 2013, we issued a report on U.S. and Chinese economic engagement in Sub-Saharan Africa. See GAO, *Sub-Saharan Africa: Trends in U.S. and Chinese Economic Engagement*, [GAO-13-199](#) (Washington, D.C.: Feb. 7, 2013).

⁵We plan to issue a separate report with case studies of U.S. and Chinese economic engagement in Indonesia and Vietnam.

We conducted this performance audit from April 2014 to August 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Southeast Asian nations have growing populations and economies. According to a 2014 study by the Asian Development Bank Institute, the combined populations of ASEAN countries are projected to reach 700 million by 2030.⁶ This study also found that ASEAN countries' collective nominal GDP increased by an average of 5.7 percent annually from 1992 to 2013, despite the Asian financial crisis in 1997 and 1998 and the global financial slowdown in 2008 and 2009. According to International Monetary Fund (IMF) data, if ASEAN countries were a single nation, their collective 2014 GDP would represent the seventh largest economy in the world. However, a study by the Economic Research Institute for ASEAN and East Asia found that while the average poverty level in ASEAN countries declined from about 45 percent in 1990 to about 16 percent in 2010, about 95 million people in these countries in 2010 lived in poverty.⁷ In addition, a study by the Institute of Southeast Asian Studies has estimated that ASEAN countries would need about \$600 billion from 2010 to 2020 to meet their infrastructure investment needs.⁸

ASEAN countries are located astride key sea lanes between the Persian Gulf and the economic centers of East Asia. The U.S. Energy Information Administration, based on a 2011 United Nations (UN) Conference on Trade and Development Review of Maritime Transport, estimated that more than half of the world's annual merchant fleet tonnage passed through the Straits of Malacca, Sunda, and Lombok on to the South

⁶Asian Development Bank Institute, *ASEAN 2030: Toward a Borderless Economic Community* (Tokyo: 2014).

⁷Economic Research Institute for ASEAN and East Asia, *ASEAN Rising: ASEAN and AEC Beyond 2015* (Jakarta: 2014).

⁸S. B. Das and C. R. James, *Addressing Infrastructure Financing in Asia*, (Singapore: Institute of Southeast Asian Studies, 2013). The study estimated the amount needed for ASEAN infrastructure investment in 2008 U.S. dollars.

China Sea in 2010 and that about 15 million barrels of oil passed through the Strait of Malacca between Singapore and Indonesia each day in 2013.⁹ The South China Sea also has important fishing areas and is thought to be rich in oil and natural gas reserves. Figure 1 shows the names and locations of the ASEAN countries.

Figure 1: Countries in the Association of Southeast Asian Nations (ASEAN)



Source: Map Resources (maps). | GAO-15-724

History of ASEAN

The leaders of Indonesia, Malaysia, the Philippines, Singapore, and Thailand founded ASEAN in 1967 to accelerate economic growth, social progress, and cultural development in the region through joint projects and cooperation. In 1976, ASEAN countries agreed to the Treaty of Amity and Cooperation in Southeast Asia, which called for peaceful resolution of disputes and mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations. Also in 1976,

⁹The U.S. Energy Information Administration is the U.S. Department of Energy's statistical and analytical agency.

ASEAN established the ASEAN Secretariat, an administrative body with representatives from each member nation, in Jakarta, Indonesia, to provide greater efficiency in the coordination of ASEAN organizations and more effective implementation of projects and activities. ASEAN's membership expanded to include Brunei in 1984, Vietnam in 1995, Laos and Burma in 1997, and Cambodia in 1999.

ASEAN amended the Treaty of Amity and Cooperation in 1998 to permit states outside Southeast Asia to accede to the treaty with the approval of all 10 members. China acceded to the treaty in 2003. The United States acceded to the treaty in July 2009 and the following year became the first non-ASEAN country to establish a dedicated mission to ASEAN. In 2011, the United States appointed its first resident Ambassador to ASEAN. China established a mission to ASEAN in October 2012.

ASEAN Country Economies

Economic development in the first six ASEAN members—Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, known as the ASEAN 6—is generally more advanced than in the newer members—Cambodia, Laos, Burma (Myanmar), and Vietnam, known as the CLMV countries (see table 1). The business environment also varies significantly across ASEAN countries. In Transparency International's 2014 Corruption Perceptions Index, which measures perceived levels of public sector corruption among 175 countries and territories, ASEAN countries' rankings ranged from 7 for Singapore to 156 for Cambodia and Burma.¹⁰ The World Bank's 2014 ease of doing business ranking of 189 economies ranked Singapore at 1, as having the most business-friendly regulations, and Burma at 177, the lowest ranked ASEAN country.¹¹

¹⁰Transparency International, *Corruption Perceptions Index 2014* (Berlin: 2014). Transparency International is a global organization that publishes a corruption perceptions index based on expert opinion from around the world. The index measures the perceived levels of public sector corruption, where a ranking of 1 indicates the lowest levels of perceived corruption relative to other countries included in the index.

¹¹World Bank, *Doing Business 2015: Going Beyond Efficiency* (Washington, D.C.: 2014).

Table 1: Selected Economic Indicators for ASEAN Countries, 2014

Country	GDP per capita	GDP ^a (dollars in billions)	Population (millions)	Ranking in Transparency International's 2014 Corruption Perceptions Index of 175 countries/territories ^b	Ranking in World Bank's Ease of Doing Business Index of 189 economies ^c
ASEAN-6 countries					
Singapore	\$56,319	\$308	5.5	7	1
Brunei	36,607	15	0.4	Not ranked ^d	101
Malaysia	10,804	327	30.3	50	18
Thailand	5,445	374	68.7	85 (tie)	26
Indonesia	3,534	889	251.5	107	114
Philippines	2,865	285	99.4	85 (tie)	95
CLMV countries					
Vietnam	2,053	186	90.6	119	78
Laos	1,693	12	6.9	145	148
Burma	1,221	63	51.4	156 (tie)	177
Cambodia	1,081	17	15.3	156 (tie)	135
Total	\$3,991	\$2,475	620		

Legend: ASEAN = Association of Southeast Asian Nations. CLMV = Cambodia, Laos, Burma (Myanmar), and Vietnam. GDP = gross domestic product. Source: GAO analysis of data from the International Monetary Fund's World Economic Outlook; Transparency International's Corruptions Perceptions Index, 2013 and 2014; and the World Bank's Doing Business 2015. | GAO-15-724

Note: Some values shown represent estimates by the International Monetary Fund (IMF).

^aValues are based on GDP in national currency converted to U.S. dollars using market exchange rates (yearly average). Exchange rate projections are provided by country economists for the group of other emerging market and developing countries.

^bTransparency International is a global organization that publishes a corruption perceptions index based on expert opinion from around the world. The index measures the perceived level of public sector corruption, where a ranking of 1 indicates the lowest level of perceived corruption relative to other countries included in the index.

^cThe World Bank publishes an annual report that investigates each country's regulations that enhance or constrain business activity. The report attempts to track and measure the ease of doing business, trade, or exchange in each country.

^dBrunei was not ranked in 2014 but was ranked 38 of 177 countries and territories in 2013.

Governance of ASEAN

As stated in ASEAN's Charter, ASEAN emphasizes noninterference in the domestic matters of its members and respect for their sovereignty and territorial integrity.¹² According to U.S. officials, as well as officials at the

¹²ASEAN, The ASEAN Charter, (Jakarta: 2008).

ASEAN missions of other countries, the primary mode of decision making in ASEAN is consensus. Further, according to an ADB study, the Secretariat does not direct ASEAN but instead plays a coordinating and facilitating role.¹³ The Chair of ASEAN rotates annually among members; Burma served as the 2014 Chair and Malaysia as the 2015 Chair. Biannual ASEAN summit meetings are used to make decisions on key issues, provide policy guidance, and set the objectives of ASEAN.

ASEAN Economic and Connectivity Initiatives

In 2003, ASEAN leaders adopted a plan to create an ASEAN Community by 2015, comprising security, sociocultural, and economic communities. According to the ASEAN Economic Community Blueprint (the Blueprint), the ASEAN Economic Community will be a

- single market and production base that includes the free flow of goods, services, investment, capital, and skilled labor;
- highly competitive economic region that includes consumer protection and regional cooperation for intellectual property rights;
- region of equitable economic development based on inclusive growth and narrowing the development gap; and
- region fully integrated into the global economy that negotiates for FTAs and trade facilitation.

ASEAN established a monitoring mechanism called the ASEAN Economic Community scorecard to report the progress of implementing various measures and to identify implementation gaps and challenges. According to a 2013 ADB study of progress in achieving the ASEAN Economic Community, a significant milestone of economic integration has been the substantial progress in tariff liberalization, but removal of nontariff barriers, such as import bans and subsidies, new import

¹³Sanchita Basu et al., eds., *The ASEAN Economic Community: A Work in Progress* (Singapore: Asian Development Bank and Institute of Southeast Asian Studies, 2013). The Secretariat is headed by a secretary-general who serves a term of 5 years and has approximately 260 to 270 staff members, according to an ASEAN official. ASEAN is funded through a flat annual fee—\$1.9 million per member in 2014, according to an ASEAN country representative.

procedures and requirements, and technical barriers, remain as major impediments.¹⁴

In 2010, ASEAN adopted the Master Plan on ASEAN Connectivity, which envisioned enhancing intraregional connectivity to encourage trade, investment, tourism, people-to-people exchanges, and development. The plan identifies needed improvements to physical connectivity (e.g., roads, rail, power supply, and port facilities); institutional connectivity (e.g., mutual recognition arrangements for movement of skilled labor in the region and harmonization of rules, regulations, procedures, and standards); and people-to-people connectivity (e.g., reducing visa requirements and enhancing training opportunities and outreach).

U.S. Goals for Southeast Asia

In late 2011, the President announced that the United States would rebalance its worldwide engagement to include a greater focus on the Asia-Pacific region. In April 2014, pursuant to a mandate in the Department of State, Foreign Operations and Related Programs Appropriations Act, 2014,¹⁵ State and USAID provided Congress with a strategy for the rebalance that states the following goals for the region:

- Deepen U.S. security ties and alliances in the region to, among other things, deter and defend against threats to the region and the United States and resolve disputes peacefully.
- Advance U.S. prosperity and inclusive economic growth in the region through the expansion of U.S. exports and investment, increased regional economic integration, and sustainable development.
- Strengthen partnerships with China and emerging partners to, among other things, promote trade and economic growth.
- Shape an effective regional architecture of robust regional institutions and multilateral agreements to strengthen regional stability and economic growth.

¹⁴Asian Development Bank Institute and Institute of Southeast Asian Studies, *The ASEAN Economic Community: A Work in Progress*.

¹⁵Pub. L. No. 113-76, Div. K, § 7043.

-
- Support sustainable development, democracy, and human rights by advancing regional commitment to democratic development and human rights and addressing health threats and climate change.

In addition, other U.S. agencies have stated goals specific to the region. USAID's Regional Development Mission for Asia seeks, for example, to increase regional institutions' ability to promote sustainable and inclusive regional growth. The Secretary of Commerce has stated that the economic dimension of the rebalance includes deepening trade and investment ties with existing partners; working multilaterally to build both the hard and soft infrastructure necessary for growth of emerging partners; and building new mechanisms to establish a level playing field for commerce across the region, such as the proposed Trans-Pacific Partnership (TPP) FTA. TPP is currently being negotiated by the Office of the United States Trade Representative (USTR). Other agencies also work to promote U.S. economic engagement in Southeast Asia. (See app. II for more information about selected U.S. entities' roles and responsibilities and areas of involvement in ASEAN countries.)

Chinese Goals for Southeast Asia

Chinese government leaders have stated goals regarding Southeast Asia that emphasize regional connectivity as well as mutual benefit and noninterference. For example, in 2013, Chinese President Xi Jinping spoke of increasing engagement and rapport with China's neighbors to foster China's development while benefitting countries on its periphery.¹⁶ Chinese leaders also regularly refer to the Five Principles of Peaceful Coexistence, originally espoused in a 1954 agreement between China and India: mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference, equality and mutual benefit, and peaceful coexistence. Moreover, at the 16th ASEAN-China Summit in 2013, Premier Li Keqiang proposed a framework for cooperation between China and ASEAN, known as the 2 + 7 cooperation framework, with a

¹⁶U.S.-China Economic and Security Review Commission, *2014 Report to Congress* (Washington, D.C.: 2014).

stated goal of deepening cooperation by focusing on economic development and expanding mutual benefit.¹⁷

China has also articulated policy regarding Southeast Asia in two documents. China's 2011-2015 Five Year Plan emphasizes developing infrastructure and other connections with neighboring countries, improving the quality of Chinese exports instead of export volume, increasing China's level of investment in other countries in mutually beneficial ways, and increasing its influence in international economic and financial institutions. A 2014 Chinese government white paper on foreign aid states that China actively promotes cooperation between developing nations while seeking mutually beneficial results and respecting other countries' development paths.¹⁸ According to the paper, China's assistance to ASEAN countries has focused on narrowing development gaps within ASEAN by funding infrastructure construction, supporting agricultural development, and providing technical training. (App. II provides more information about selected Chinese agencies' roles and responsibilities and areas of involvement in Southeast Asia.)

China has claimed sovereignty over the islands of the South China Sea and has illustrated its claims by marking a "nine dash line" on its maps that encircles most of the South China Sea and its land features, including the Paracels and Spratlys. The ASEAN countries of Vietnam, Brunei, Malaysia, Indonesia, and the Philippines have competing claims with China and with each other. China has also conducted dredging operations to create new above-water features in the South China Sea, raising tensions between China and ASEAN countries with interests in the South China Sea.

¹⁷The 2+7 cooperation framework proposes a two-part political consensus between China and ASEAN to (1) deepen strategic trust and friendship and (2) focus on economic development and expanding mutual benefit. The framework also lists seven action items for the China-ASEAN relationship, including upgrading the existing China-ASEAN FTA; accelerating construction of connectivity infrastructure, including a Trans-Asian Railway, and establishing the Asian Infrastructure Investment Bank; enhancing financial cooperation; promoting maritime cooperation (including the Maritime Silk Road); and strengthening security cooperation.

¹⁸Information Office of the State Council, The People's Republic of China, China's Foreign Aid (2014), (Beijing, July 2014).

China Has Surpassed the United States in Trade in Goods with ASEAN Countries and Trades a Similar Amount of Services, but U.S. Investment Exceeds China's

Chinese trade in goods with ASEAN countries has grown rapidly since 2001, surpassing U.S. trade in goods since 2007. Most of the goods that the United States and China trade with ASEAN countries are for industrial use. Although the United States and China are important trading partners of ASEAN countries, trade among ASEAN countries exceeds their trade with either the United States or China. Available data, though limited, indicate that the total value of U.S. trade in services with ASEAN countries is similar to the value of China's but U.S. foreign direct investment (FDI) in ASEAN countries has exceeded China's FDI. U.S. FDI was concentrated in four of the ASEAN 6 countries—Indonesia, Malaysia, Singapore, and Thailand—and more Chinese FDI was in the CLMV countries—Cambodia, Laos, Burma (Myanmar), and Vietnam. While Chinese and U.S. firms compete in ASEAN countries, available data indicate that U.S. firms compete more directly with firms from Europe, South Korea, and Japan.

China's Total Trade in Goods with ASEAN Countries Surpassed the United States' in 2007, but Neither Predominates in the Region

Chinese trade in goods with ASEAN countries has surpassed U.S. trade in goods and has grown as a share of China's total trade in goods, while U.S. trade in goods with ASEAN countries has declined as a share of total U.S. trade in goods. Both U.S. and Chinese firms compete with many other countries for the ASEAN market. U.S. and Chinese trade in goods with ASEAN countries reflects these countries' inclusion in global supply chains.

Chinese Goods Trade with ASEAN Countries Has Grown More Rapidly Than U.S. Goods Trade

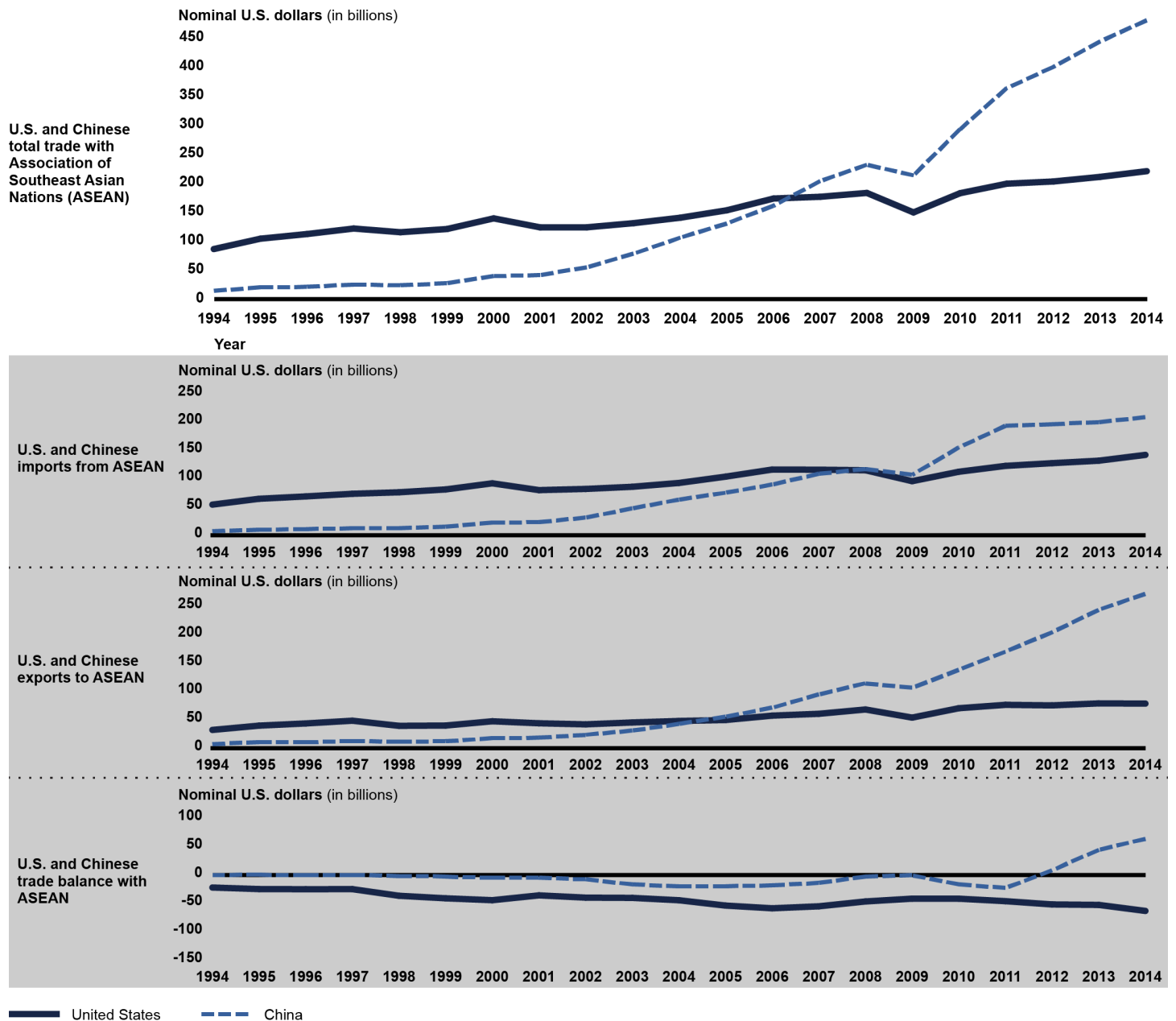
In 2014, China's total goods trade with ASEAN countries was more than double that of the United States: \$480 billion for China and \$220 billion for the United States. In 1994 through 2014, Chinese total trade in goods with ASEAN countries grew much more rapidly than U.S. total trade in goods with ASEAN countries.

- In 2007, China surpassed the United States in total goods trade with ASEAN countries, and the gap has continued to grow.
- Chinese imports from ASEAN countries surpassed U.S. imports from ASEAN countries in 2008. In 2014, China imported \$208 billion of goods from ASEAN countries, and the United States imported \$142 billion.
- Chinese exports to ASEAN countries surpassed U.S. exports in 2005. In 2014, China exported \$272 billion of goods to ASEAN countries, and the United States exported \$79 billion.

After China acceded to the World Trade Organization (WTO) in 2001, Chinese goods trade increased worldwide, and at a faster rate in ASEAN countries. Chinese goods trade in ASEAN countries increased in nominal terms every year except 2009. The United States has run a trade deficit with ASEAN countries in every year from 1994 through 2014, while China had a trade deficit or slight surplus with ASEAN countries from 1994 through 2011 before running a growing surplus from 2012 through 2014. In 2014, China had a goods trade surplus of \$64 billion with ASEAN countries, while the United States had a goods trade deficit of \$63 billion.

Figure 2 shows the growth of U.S. and Chinese trade in goods with ASEAN countries from 1994 through 2014.

Figure 2: U.S. and Chinese Trade in Goods with ASEAN Countries, 1994-2014



Source: GAO analysis of U.S. and Chinese data from the United Nations Commodity Trade database. | GAO-15-724

Note: The trade values shown are nominal—that is, not adjusted for inflation. Changes in values over time are due in part to changes in the prices of traded goods.

Most Goods That the United States and China Trade with ASEAN Countries Are for Industrial Use

The relative importance of trade in goods with ASEAN countries since 1994 has increased for China but decreased for the United States. From 1994 through 2014, Chinese trade in goods with ASEAN countries rose from 6.1 percent to 11.2 percent of total Chinese trade in goods. In contrast, during the same period, U.S. trade in goods with ASEAN countries fell from 7.2 percent to 5.5 percent of total U.S. trade in goods.

Most of the goods that the United States and China trade with ASEAN countries are goods for industrial use, reflecting ASEAN countries' integration into the U.S. and Chinese global supply chains.¹⁹

- **Total trade.** U.S. and Chinese trade in industrial goods (capital and intermediate goods) with ASEAN countries represented, respectively, about 62 percent and 80 percent of their total trade with ASEAN countries in 2014, down from 71 percent and 87 percent in 2007. In 2014, consumer goods represented 25 percent of the United States' total trade with ASEAN countries and 14 percent of China's. The remaining goods were not classified according to these categories.
- **Imports.** Goods for industrial use represented 59 percent of U.S. imports from ASEAN countries and 88 percent of Chinese imports in 2014. Among industrial goods, microchips were the top U.S. and Chinese import from ASEAN countries. Consumer goods represented 35 percent of U.S. imports from ASEAN countries and 7 percent of Chinese imports in 2014.²⁰
- **Exports.** Goods for industrial use represented 67 percent of U.S. exports to ASEAN countries and 74 percent of Chinese exports to ASEAN countries in 2014. Among industrial goods, microchips were the top export to ASEAN countries from both the United States and

¹⁹We use the term goods for industrial use to refer to goods used in the production of other goods and include capital and intermediate goods. According to the Organisation for Economic Co-operation and Development, an intermediate good is an input to the production process that has itself been produced and, unlike capital, is used up or transformed in production. Examples of intermediate goods include electronic components used in the manufacture of computers and textiles. Capital goods include, for example, construction or mining equipment. In contrast to industrial goods, we use the term consumer goods to refer to goods used without further transformation for the satisfaction of needs or wants.

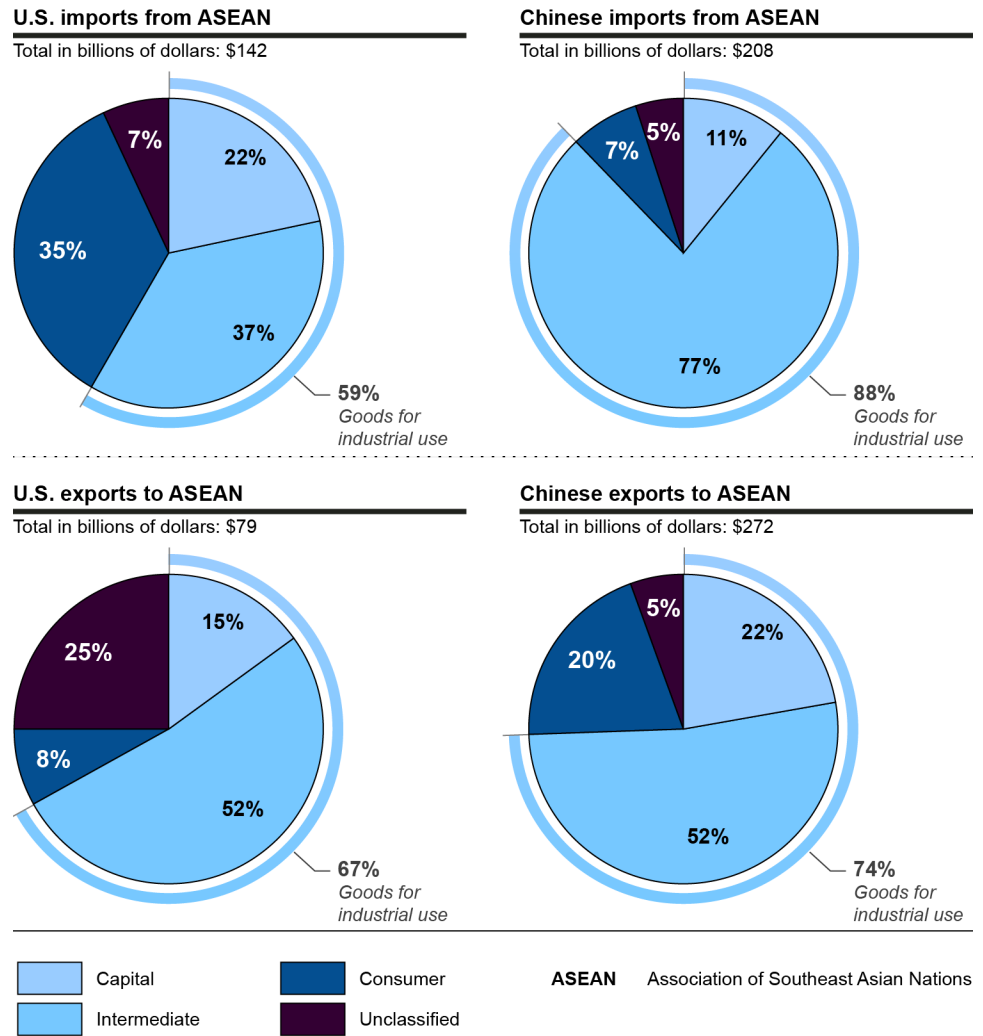
²⁰Among consumer goods, cotton sweaters and pullovers were the top U.S. import from ASEAN countries, and cameras were China's.

China. Consumer goods represented 8 percent of U.S. exports to ASEAN countries and 20 percent of Chinese exports in 2014.²¹

Figure 3 shows U.S. and Chinese trade in goods with ASEAN countries by use in 2014.

²¹Among consumer goods, fresh grapes were a top U.S. export from ASEAN countries and women's and girls' cotton jackets and blazers were one of China's top exports.

Figure 3: U.S. and Chinese Trade in Goods with ASEAN Countries by Use, 2014



Source: GAO analysis of U.S. and Chinese data from the United Nations Commodity Trade database. | GAO-15-724

Notes: We used the United Nations Statistics Division's Broad Economic Categories to classify U.S. and Chinese total trade in goods into these categories. We define goods for industrial use as capital and intermediate goods and consumer goods as consumption goods. According to the Organisation for Economic Co-operation and Development, an intermediate good can be defined as an input to the production process that has itself been produced and, unlike capital, is used up in production. Unclassified goods are goods that are not classified as capital, intermediate, or consumer goods. Some percentages do not sum to 100 due to rounding.

For more information about the composition of goods trade by ASEAN countries with the United States and China by type, see appendix III.

The United States and China Are Key Trading Partners of ASEAN Countries, but ASEAN Countries Trade Most among Themselves

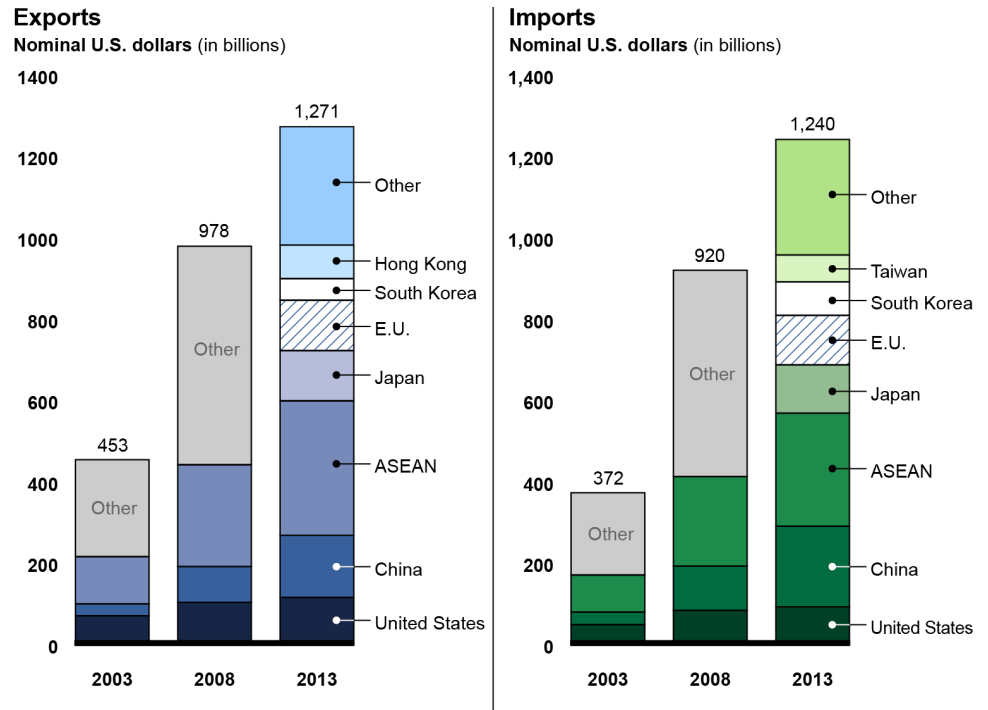
ASEAN countries trade more with each other than with other trading partners.²² China is the largest outside trading partner of ASEAN countries, followed by the European Union (EU), Japan, and the United States.

- **Exports.** In 2013, ASEAN countries exported \$330 billion in goods to other ASEAN countries, \$115 billion in goods to the United States, and \$153 billion in goods to China. The United States is the fifth largest market for ASEAN countries' goods exports, behind other ASEAN countries, China, the EU, and Japan. From 2003 through 2013, the U.S. share of ASEAN exports fell from 15.4 percent to 9.1 percent, while China's share of ASEAN exports increased from 6.4 percent to 12.2 percent.
- **Imports.** In 2013, ASEAN countries imported \$278 billion in goods from other ASEAN countries, \$92 billion from the United States, and \$198 billion from China. The United States is the fifth largest source of ASEAN goods imports, behind other ASEAN countries, China, the EU, and Japan. From 2003 through 2013, the United States' share of ASEAN imports fell from 13.0 percent to 7.6 percent, while China's share of ASEAN imports increased from 8.2 percent to 16.2 percent.

Figure 4 shows ASEAN countries' exports and imports of goods, by trading partner, in 2003, 2008, and 2013.

²²The data on trade in goods in this section are presented from the ASEAN countries' perspective. For example, ASEAN countries' exports to the United States are equivalent to U.S. imports from ASEAN countries. Because some of the ASEAN countries' trading partners do not report data to the UN Commodity Trade database, we used data from the ASEANstats database as a comprehensive set of data on trade in goods for all of ASEAN countries' trading partners. Reasons for the differences in trade values between the ASEANstats database and the UN Commodity Trade Database include differences in the valuation of goods, differences in data quality, and the omission of some ASEAN trading partners' data from the UN Commodity Trade Database. According to the Department of the Treasury, data on trade between ASEAN countries likely overstates the demand between ASEAN countries because the data likely capture the movement of intermediate goods across the value chain.

Figure 4: ASEAN Countries' Exports and Imports of Goods, by Trading Partner, 2003, 2008, and 2013



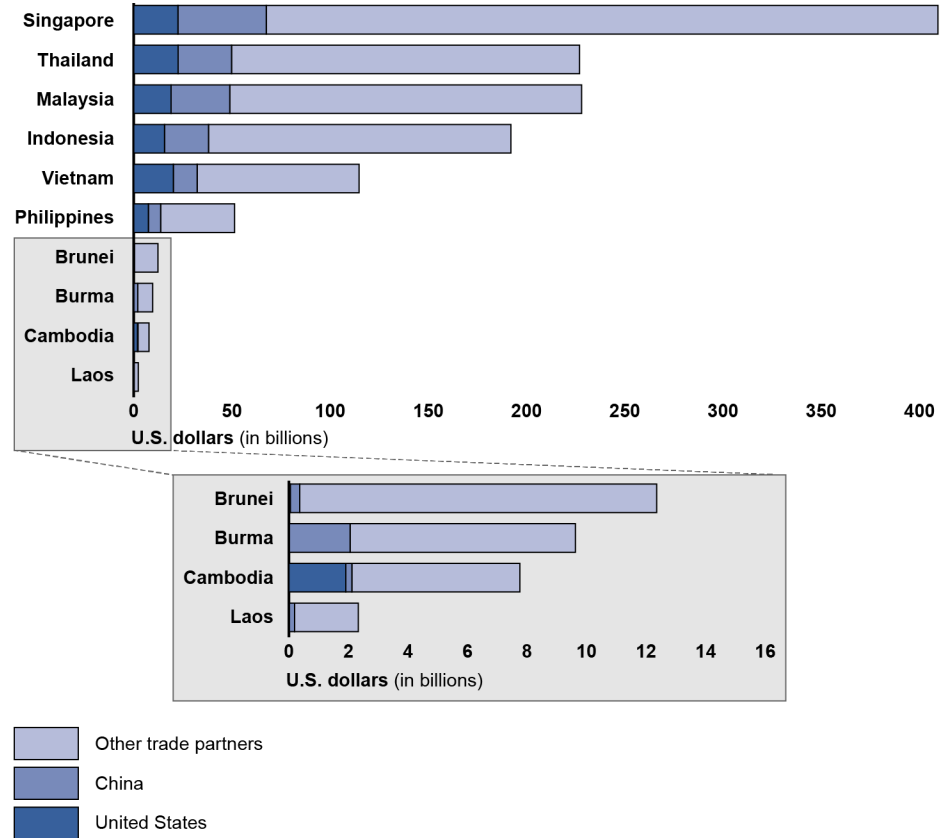
ASEAN Association of Southeast Asian Nations
EU European Union

Source: GAO analysis of data from ASEANstats database. | GAO-15-724

Notes: The trade values shown are nominal—that is, not adjusted for inflation. Changes in values over time are due in part to changes in the prices of traded goods. Hong Kong is a special administrative region of China, but we have included it in this report as a separate country because it is an economic entity separate from the rest of China and is able to enter into international agreements on its own behalf in commercial and economic matters. Although the United States does not have diplomatic relations with Taiwan, we have listed it as a separate country because whenever the laws of the United States refer or relate to foreign countries, nations, states, governments, or similar entities, such terms shall include and shall apply to Taiwan.

In 2011 through 2013, 7 of the 10 ASEAN countries exported more goods to China than to the United States: only Cambodia, the Philippines, and Vietnam exported more goods to the United States (see fig. 5). However, while most individual ASEAN countries traded more goods with China than with the United States, they exported the majority of their goods to many other countries.

Figure 5: Individual ASEAN Countries' Exports of Goods to the United States and China, Averaged for 2011-2013



ASEAN Association of Southeast Asian Nations

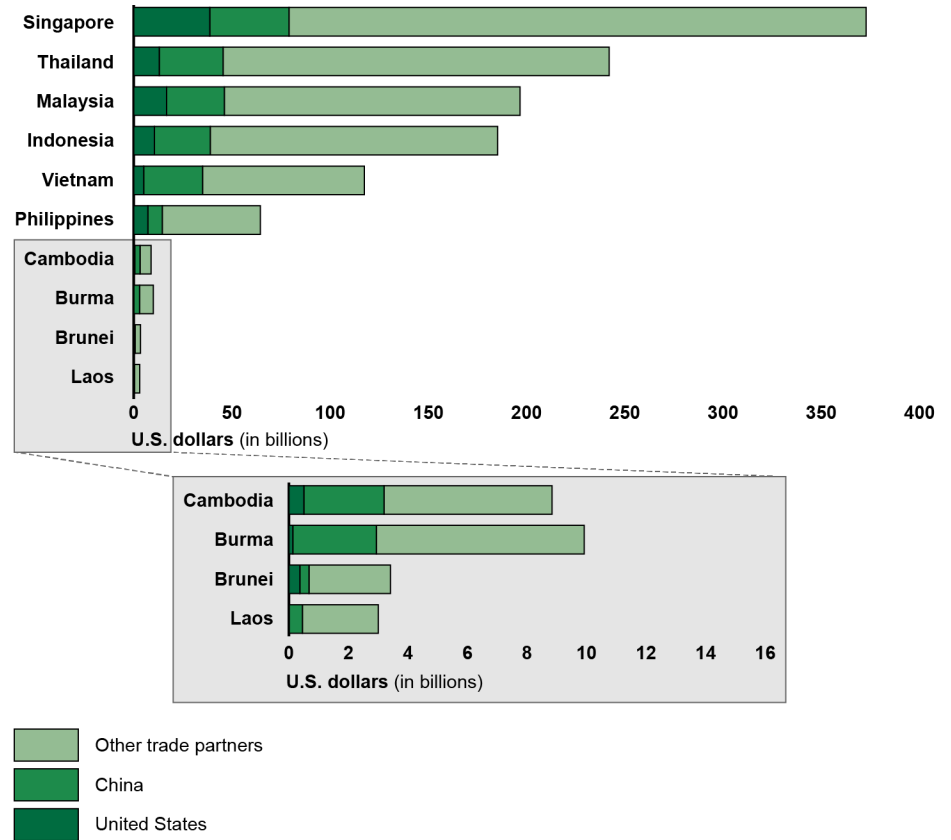
Source: GAO analysis of data from ASEANstats database. | GAO-15-724

Notes: We report the average trade in goods between individual ASEAN countries and the United States and China for 2011 through 2013 because trade with some countries, such as Brunei, can fluctuate significantly across years.

According to data reported by the United States and China to the United Nations (UN) Commodity Trade Database, only Cambodia and Vietnam exported more goods to the United States than to China on average from 2011 through 2013. However, data from the ASEANstats database show that the Philippines, in addition to Cambodia and Vietnam, exported more goods to the United States than to China on average from 2011 through 2013. Reasons for the variation between the data from the UN Commodity Trade Database and the ASEANstats database include differences in the valuation of goods and in data quality.

In 2011 through 2013, 9 of the 10 ASEAN countries imported more goods from China than from the United States. Brunei was the only exception, importing slightly more goods from the United States (see fig. 6). Individual ASEAN countries imported goods from a diverse set of trading partners.

Figure 6: Individual ASEAN Countries' Imports of Goods from the United States and China, Averaged for 2011-2013



ASEAN Association of Southeast Asian Nations

Source: GAO analysis of data from ASEANstats database. | GAO-15-724

Notes: We report the average trade in goods between individual ASEAN countries and the United States and China for 2011 to 2013 because trade with some countries, such as Brunei, can fluctuate significantly across years.

According to data reported by the United States and China to the United Nations Commodity Trade Database, all ASEAN countries imported more goods from China than from the United States on average from 2011 through 2013. However, data from the ASEANstats database show that Brunei imported more goods from the United States than from China on average from 2011 through 2013. Reasons for the difference include differences in the valuation of goods and differences in data quality.

The United States' role relative to China's in ASEAN countries' goods and services trade may be greater when the amount of intermediate inputs to the traded goods and services is taken into account. For example, because of the nature of global supply chains, a consumer phone from a

U.S. company may be assembled in China but incorporate components from Germany, Japan, South Korea, and other countries.²³ Although components of a country's exports may originate in other countries, export data from the United Nations Commodity Trade database count the full value of the export for only the exporting country. Data from the Organisation of Economic Co-operation and Development (OECD) and the WTO attempt to account for the value added to a finished export by each contributing country. Data from the United Nations, WTO, and the International Trade Centre, as well as our estimates, showed that ASEAN countries imported more in total goods and services from China in 2009 than from the United States. However, OECD-WTO's data show that ASEAN countries imported \$41 billion in value-added goods and services from China in 2009 and \$52 billion from the United States. This suggests that Chinese exports contained a higher portion of components produced elsewhere than did U.S. exports. Similarly, some components of the goods and services that ASEAN countries exported to the United States and China were produced outside ASEAN countries. Data from the United Nations, WTO, and the International Trade Centre, as well as our estimates, showed that ASEAN countries exported more in total goods and services from China in 2009 than from the United States. However, according to OECD-WTO data, ASEAN countries exported \$86 billion in value-added goods and services to the United States in 2009 and \$47 billion to China.²⁴

²³See Organisation for Economic Co-operation and Development and World Trade Organization, *Trade in Value-Added: Concepts, Methodologies and Challenges*, Joint OECD-WTO Note (2012).

²⁴OECD analyzed data for eight ASEAN countries: Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. By this measure, only Vietnam imported more from China than the United States and all eight exported more to the United States than China.

Total U.S. Trade in Services with ASEAN Countries Is Similar to China's, but Available Data Have Limitations

Although our analysis of U.S. and Chinese trade in services with ASEAN countries represents broad estimates rather than precise values, these data indicate that the United States and China traded approximately the same total value of services in 2011. Our calculations, based on data from the U.S. Bureau of Economic Analysis (BEA) and other sources,²⁵ indicate that the U.S. trade in services with ASEAN countries totaled approximately \$37 billion in 2011.²⁶ According to UN, WTO, and International Trade Centre estimates of Chinese trade in services for 2011, China's trade in services with ASEAN countries also totaled approximately \$37 billion. In 2011, the United States exported more services to ASEAN countries than it imported from them, and China imported more services from ASEAN countries than it exported to them.

- **U.S. and Chinese imports.** We calculated that the United States imported approximately \$14 billion in services from ASEAN countries in 2011 and approximately \$16 billion in 2012.²⁷ In 2012, the top categories for U.S. service imports from ASEAN countries were (1) business, professional, and technical services (approximately \$6

²⁵“Trade in services” refers to the buying and selling of intangible products and activities, such as tourism, financial services, and telecommunications. Contracted activities, such as construction and consulting services, are also examples of services. BEA has not released data on U.S. trade in services for several ASEAN countries because of confidentiality concerns and data limitations. BEA identified ways to estimate the value of U.S. trade in services for selected ASEAN countries that required us to make various assumptions. See app. I for details of our methodology.

²⁶As we have previously reported, BEA faces several challenges to collecting comprehensive and accurate data. In 2005, we found that BEA had experienced challenges in identifying all U.S. service importers and obtaining high-quality survey data from importers. However, since 2005, BEA has implemented methods to better identify all U.S. service importers. In addition, BEA's data on trade in services may differ from other countries' data, including China's, because of differences in definitions, coverage, and methods used to measure services. For example, we found that BEA's data on trade in services differed from data collected by India because of differences in the methodologies used to define and collect the data. See GAO, *International Trade: U.S. and India Data on Offshoring Show Significant Differences*, GAO-06-116 (Washington, D.C.: Oct. 27, 2005). According to BEA, its survey data are from mandatory surveys of U.S. businesses with services trade that exceed certain thresholds. BEA does not survey a random sample of U.S. businesses and therefore does not report the data with margins of error.

²⁷BEA publishes data on U.S. imports of services from the five largest ASEAN economies—Indonesia, Malaysia, the Philippines, Singapore, and Thailand. According to BEA's data, the United States imported \$14.1 billion in services from these five countries in 2012. The United States imported the most from Singapore at \$5.6 billion, followed by \$4.0 billion from the Philippines, \$2.4 billion from Thailand, \$1.4 billion from Malaysia, and \$0.7 billion from Indonesia.

billion) and (2) travel and passenger fares (approximately \$5.7 billion). Estimates from the UN, the WTO, and the International Trade Centre on Chinese trade in services for 2011 indicated that China imported approximately \$23 billion in services from ASEAN countries. China does not publish data on its service imports from ASEAN countries by category of service.

- **U.S. and Chinese exports.** We calculated that the United States exported approximately \$23 billion in services to ASEAN countries in 2011 and approximately \$25 billion in 2012.²⁸ In 2012, the top categories for U.S. service exports to ASEAN countries, totaling approximately \$15 billion, were (1) business, professional, and technical services and (2) royalties and license fees. Estimates from the UN, the WTO, and the International Trade Centre on Chinese trade in services for 2011 indicated that China exported approximately \$13 billion in services to ASEAN countries. China does not publish data on service exports to ASEAN countries by category of service.

Both U.S. and Chinese trade in services with ASEAN countries are small in value compared with their goods trade. In 2011, total U.S.-ASEAN services trade was 19 percent of the value of U.S.-ASEAN goods trade, while the estimated total China-ASEAN services trade was 10 percent of the value of China-ASEAN goods trade.

²⁸BEA publishes data on U.S. exports of services to the five largest ASEAN economies by country: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. According to BEA's data, U.S. exported \$23.1 billion in services to these five countries in 2012. The United States exported the most to Singapore at \$13.2 billion, followed by \$2.6 billion to Malaysia, \$2.6 billion to Thailand, \$2.5 billion to the Philippines, and \$2.2 billion to Indonesia.

U.S. Investment in ASEAN Countries Exceeded Chinese Investment from 2007 through 2012, but Available Data Have Limitations

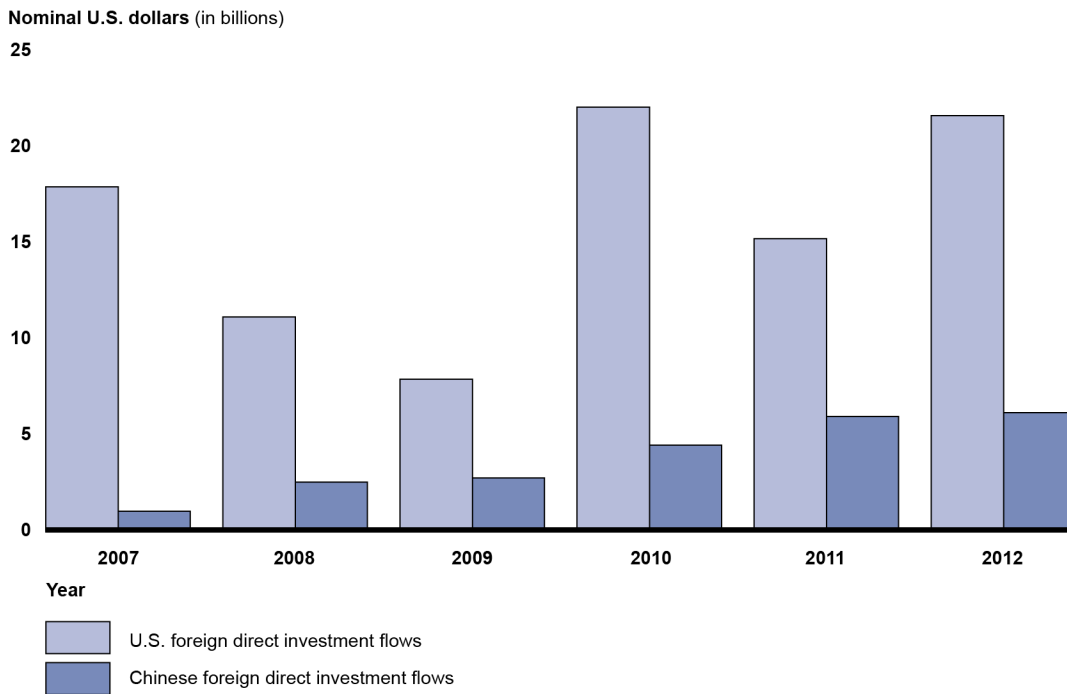
Data on FDI in ASEAN countries from the United States and China have limitations, in that U.S. and Chinese FDI data may not accurately reflect the countries to which U.S. and Chinese FDI ultimately flows.²⁹ However, available data show that from 2007 through 2012, U.S. FDI flows to ASEAN countries totaled about \$96 billion, exceeding China's reported FDI of about \$23 billion.³⁰ However, annual Chinese FDI flows increased each year during this period, from \$1 billion in 2007 to \$6 billion in 2012 in nominal terms (see fig. 7). According to BEA, U.S. FDI in ASEAN countries in 2003 through 2013 was concentrated in holding companies, which accounted for about half of total U.S. FDI.³¹ Manufacturing, especially computer and electronic products manufacturing, was the second largest category of U.S. FDI.

²⁹For example, U.S. and Chinese firms can set up subsidiaries in non-ASEAN countries, which can be used to make investments in ASEAN countries. Such investments would not be captured by U.S. and Chinese data on FDI in ASEAN countries. Conversely, U.S. and Chinese firms can set up subsidiaries in ASEAN countries, which can be used to make investments in ASEAN or non-ASEAN countries.

³⁰According to OECD, FDI is the ownership by a foreign person or business of 10 percent or more of the voting equity of a firm located in the host country. FDI flows provide information about FDI activity within a given period of time, while FDI stock indicates the level of FDI at a given point in time. FDI flows are outflows (e.g., when the foreign investor establishes a firm in the host country) minus inflows (e.g., when the firm in the host country extends a loan to the foreign investor). We use data on FDI flows instead of data on FDI stock. According to BEA, data on FDI stock in ASEAN countries are available only by historical cost and do not reflect changes in the market value of FDI. When using a U.S. GDP deflator to deflate the nominal data, we calculated that cumulative U.S. and Chinese FDI flows for 2007 through 2012 were \$94 billion and \$22 billion, respectively, in 2009 dollars.

³¹A holding company typically does not produce goods or services itself but instead exists to own assets of other companies, which may be located in countries other than that of the holding company.

Figure 7: U.S. and Chinese FDI Flows to ASEAN Countries, 2007-2012



Source: GAO analysis of data from the U.S. Bureau of Economic Analysis and Chinese data from the United Nations Conference on Trade and Development. | GAO-15-724

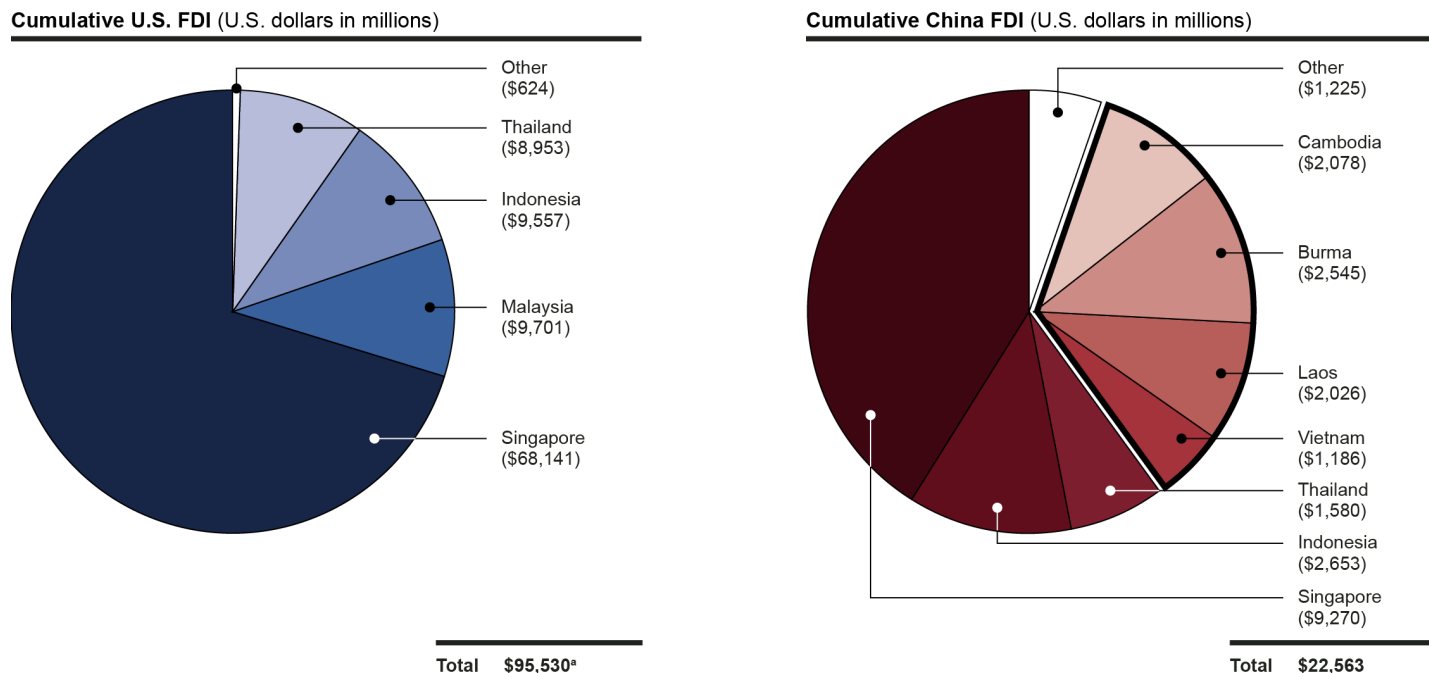
Notes: Foreign direct investment (FDI) flows to the Association of Southeast Asian Nations (ASEAN) countries represent FDI activities within a given period of time. Although China has reported investment data since 2003, it began including financial investment in its total investment data in 2007. Chinese FDI does not include Hong Kong. Investment data are reported in nominal values—that is, not adjusted for inflation. When using a U.S. gross domestic product deflator, we calculated that cumulative U.S. and Chinese FDI flows for 2007 through 2012 were \$94 billion and \$22 billion, respectively, in 2009 dollars. We rounded data reported by the U.S. Bureau of Economic Analysis to the nearest million dollars.

From 2007 through 2012, U.S. investment was concentrated in several of the ASEAN 6 countries whereas a larger share of Chinese investment was in the CLMV countries (see fig. 8). Almost all U.S. FDI flows were to four of the ASEAN 6 countries—Indonesia, Malaysia, Singapore, and Thailand. U.S. FDI flows exceeded China’s FDI flows in these countries. U.S. FDI flows in the four ASEAN 6 countries represented 99 percent of all U.S. FDI flows to ASEAN countries during this period.³² However, Chinese FDI flows exceeded U.S. FDI flows for the four CLMV countries.

³²We excluded U.S. FDI flows to the Philippines in this calculation because U.S. FDI flows to the Philippines from 2007 through 2012 were negative.

Chinese FDI flows to these four countries totaled \$7.8 billion for 2007 through 2012, whereas U.S. FDI flows to those countries totaled around \$0.5 billion. China's FDI in CLMV countries represented 35 percent of Chinese FDI in ASEAN countries in this time period. For both the United States and China, the largest FDI flows were to Singapore. Singapore is a regional financial hub; therefore, according to BEA, a portion of FDI in Singapore is likely to have been reinvested in other countries, which may include other ASEAN countries.

Figure 8: U.S. and Chinese FDI Flows to ASEAN Countries by Country, 2007-2012



FDI foreign direct investment
ASEAN Association of Southeast Asian Nations

Source: GAO analysis of data from the U.S. Bureau of Economic Analysis and Chinese data from the United Nations Conference on Trade and Development. | GAO-15-724

Note:

^aTotal U.S. cumulative FDI flows to ASEAN include U.S. cumulative FDI flows to the Philippines. U.S. cumulative FDI flows to the Philippines were negative (-\$1.4 billion) from 2007 through 2012 and are not depicted in the figure. Flows from U.S. affiliates in the Philippines to the U.S. parent companies were larger than flows from the U.S. parent companies to U.S. affiliates in the Philippines.

U.S. and Chinese Firms Often Compete in Different Sectors

Data on competition between U.S. and Chinese firms in ASEAN countries are limited but indicate that the United States competes more often with firms from Europe, South Korea, and Japan than with Chinese firms. In

Goods Export Data Indicate That U.S. Firms Exporting to ASEAN Countries Compete More with Japanese and European Firms Than with Chinese Firms

addition, U.S. firms tend to obtain World Bank and ADB contracts in different sectors than Chinese firms.

From 2001 through 2014, U.S. exports of goods to ASEAN countries were more similar to Japanese and EU exports than to Chinese exports, suggesting that U.S. firms are more likely to compete directly with Japanese and EU firms than with Chinese firms for exports to ASEAN countries.

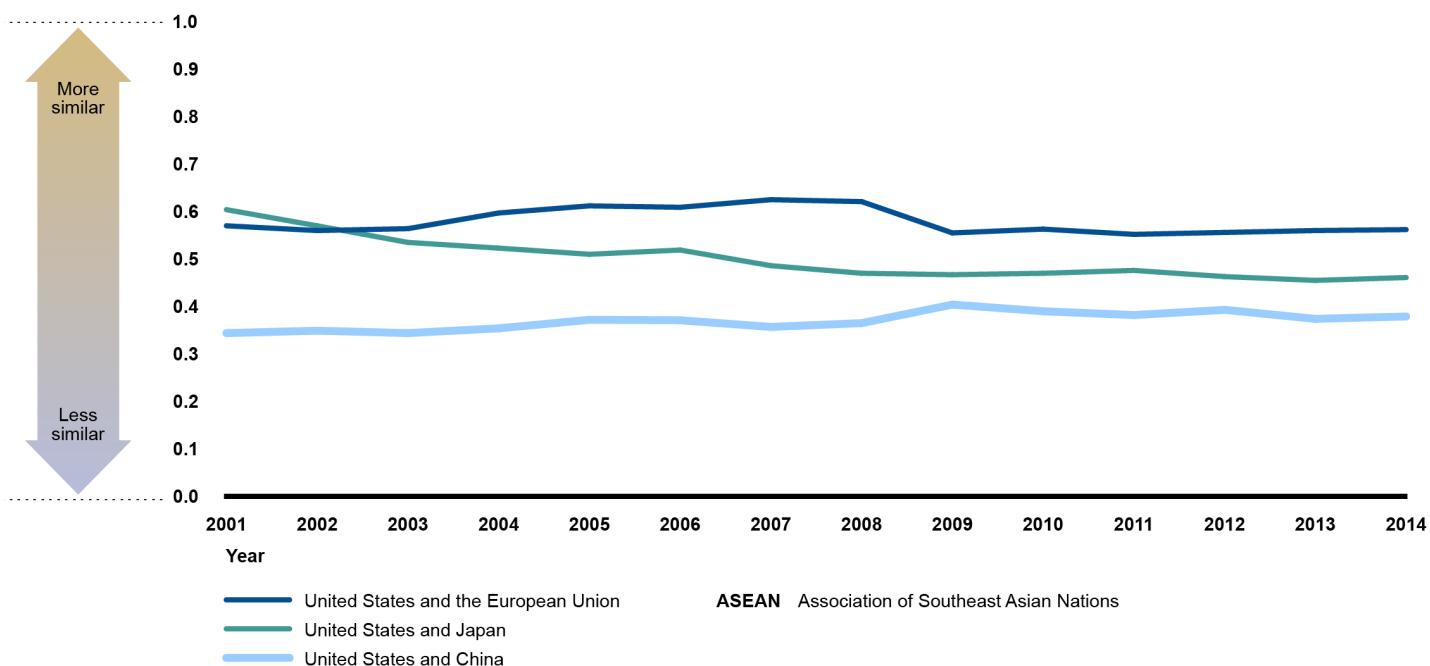
To assess the extent of the similarity of exports, we calculated a commonly used index to compare U.S., Chinese, and other countries' exports to ASEAN countries.³³ From 2001 through 2014, U.S. exports to ASEAN countries have consistently been more similar to EU and Japanese exports than to Chinese exports (see fig. 9). However, during this period, Chinese exports to ASEAN countries have grown more similar to U.S. exports, while Japanese exports have grown less similar to U.S. exports.³⁴ This is consistent with the pattern for Chinese exports globally. According to an IMF study, China has traditionally competed with other Asian countries, and although large differences remain, China's exports are becoming more similar to those of advanced economies, such as Germany and the United States. China's export similarity index with the

³³The export similarity index is described in J. M. Finger and M. E. Kreinin, "A Measure of 'Export Similarity' and Its Possible Uses," *The Economic Journal*, 89.356 (1979), 905-912. The World Bank includes the export similarity index as an indicator to describe export trends. An IMF study stated that the index is a common indicator to gauge export competitiveness. See International Monetary Fund, *Changing Patterns of Global Trade* (June 15, 2011). Other academic studies have also used the index to compare the similarity of exports. For example, see Marcus Noland, "Has Asian Export Performance Been Unique?," *Journal of International Economics*, 43 (1997), 79-101, and Peter K. Schott, "The Relative Similarity of China's Exports to the United States vis a vis Other U.S. Trading Partners" (July 2004). We provide a brief description of how we calculated the export similarity index in app. I.

³⁴As of 2014, three of the top 10 U.S. exports to ASEAN are among the top 10 Japanese exports. One of the top 10 U.S. exports to ASEAN countries is among the top 10 Chinese exports to ASEAN and among the top 10 EU exports to ASEAN. Four of the top 10 U.S. exports to ASEAN countries are agricultural products. See app. III for lists of the top exports from each of these countries.

United States grew from 0.248 in 1995 to 0.333 in 2008, according to the IMF study.³⁵

Figure 9: Export Similarity Index of U.S. Exports of Goods to ASEAN Countries and Chinese, European Union, and Japanese Exports of Goods to ASEAN Countries, 2001-2014



Source: GAO analysis of U.S., Chinese, European Union countries', and Japanese data from UN Commodity Trade database. | GAO-15-724

Note: An index value of 1 would mean that each good a country exported to ASEAN countries represented the same percentage of the country's total exports to ASEAN countries as that of the other country. A zero value would indicate no overlap—the countries export entirely different goods. Our analysis excludes exports of special transactions and commodities not classified by kind, because those exports include many different types of goods.

³⁵According to the IMF study, among a selected group of countries, the United States' highest export similarity index in 2008 was 0.587 with Germany and its lowest was 0.312 with Hong Kong. The authors calculated the export similarity index using the more detailed six-digit product categories, whereas we calculated the index using four-digit product categories. Higher digit product categories tend to result in lower export similarity index values. See International Monetary Fund, *Changing Patterns of Global Trade*.

Available Data Suggest That U.S. and Chinese Firms Compete Most Often with Other Countries' Firms for Government Contracts in ASEAN Countries and Obtain Contracts in Different Sectors

We identified three data sources that provide some information on individual contracts competed for, or obtained by, U.S. and Chinese firms. These data indicate that in ASEAN countries, U.S. firms compete more often with firms from countries other than China and tend to be awarded contracts in different sectors. We analyzed data for contracts funded by the World Bank and ADB as well as data from Commerce's Advocacy Center on host-government contracts. The World Bank and ADB track the awardees of their contracts, as well as contract size and sector. The Advocacy Center tracks contract competitors and awardees for the U.S. firms that apply for and receive its support, as well as the size and sector of the contract. Although these data represent a small share of activity in the region, they provide insights into the degree of competition between U.S. and Chinese firms for the projects represented.

World Bank Contracts

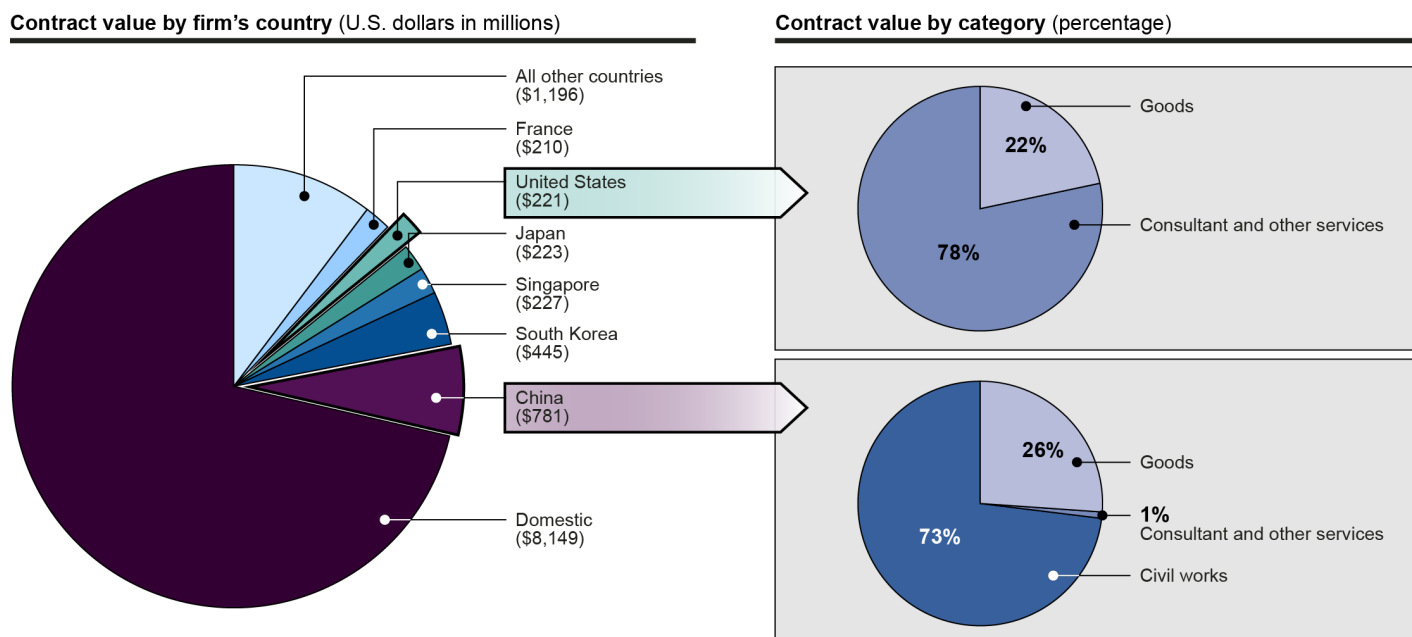
From 2000 through 2014, both U.S. and Chinese firms were awarded hundreds of World Bank-financed contracts in ASEAN countries, but they tended to obtain contracts in different sectors (see fig. 10).³⁶ Excluding contracts that went to domestic firms, our analysis of World Bank data showed that Chinese firms were awarded a higher dollar value of World Bank contracts in ASEAN countries (\$781 million) than firms from any other country.³⁷ Civil works projects accounted for about 73 percent of the value of World Bank contracts that Chinese firms were awarded in ASEAN countries, and contracts for consulting services accounted for less than 1 percent. In contrast, U.S. firms did not obtain any World Bank contracts for civil works in ASEAN countries, and contracts for consulting services accounted for about 78 percent of the value of World Bank contracts obtained by U.S. firms. Contracts for goods accounted for about

³⁶Services provided by U.S. firms under World Bank-funded contracts represent a small fraction (less than 1 percent) of annual U.S. trade in service exports to ASEAN countries. However, World Bank contracts represent one of the few instances where data are available for examination of potential competition between U.S. and Chinese firms. According to the World Bank, the data include only major contract awards reviewed by World Bank staff prior to award, approximately one-fifth of all contracts. The nationality of a firm reflects the country where it is registered, although the firm's parent may be headquartered in another country. In addition, although subcontractors may perform a majority of the awarded contract, the data reflect the nationality of only the prime contractor.

³⁷Domestic firms from the borrower countries obtained 71 percent of the total value of World Bank contracts in ASEAN countries.

22 percent of the value of the contracts that U.S. firms obtained in ASEAN countries and about 26 percent of the value of contracts obtained by Chinese firms.

Figure 10: World Bank-Financed Contracts Obtained by Firms from the United States, China, and Other Countries in ASEAN Countries, Fiscal Years 2000-2014



ASEAN Association of Southeast Asian Nations
 Source: GAO analysis of World Bank data. | GAO-15-724

Notes: Civil works include construction and maintenance of all types of infrastructure, such as roads, dams, power plants, and buildings. The World Bank fiscal year is from July 1 to June 30.

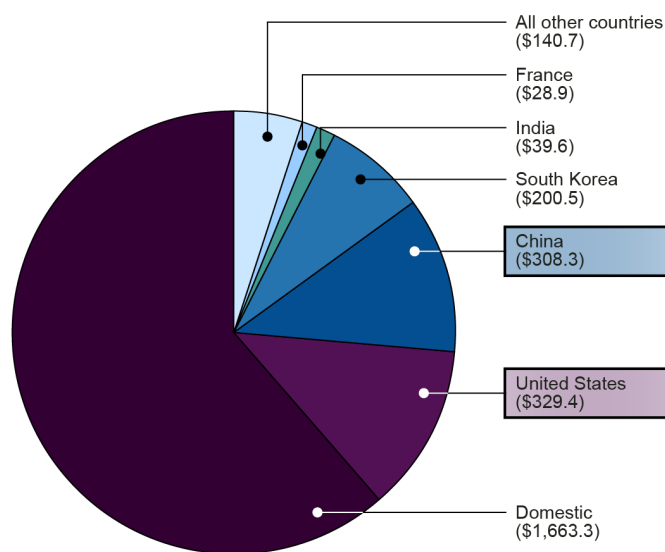
ADB Contracts

ADB has also predominantly awarded contracts to U.S. and Chinese firms in different sectors in ASEAN countries (see fig. 11). Similar to World Bank contracts, most ADB contracts in 2013 and 2014 went to domestic firms in the project country. However, U.S. firms received the largest amount of contract value (\$329 million) awarded to foreign firms and Chinese firms received the second largest (\$308 million). Nearly all ADB contract value awarded to U.S. firms was for management of emergency assistance to typhoon-affected areas of the Philippines. In contrast, Chinese firms received 84 percent of their contract value for construction. Of Chinese construction contracts, the largest share, \$242 million, was for road transportation projects in Vietnam, Cambodia, and

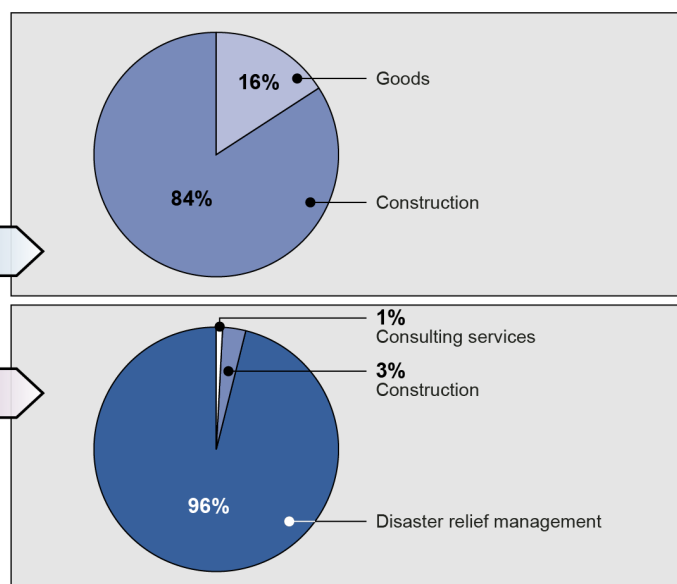
Laos. Chinese firms received 16 percent of their contract value (\$50 million) for goods to be used in the electricity and renewable energy sectors, such as transformers, wires, and hydraulic equipment. U.S. firms received one contract for a renewable energy construction project, a \$9 million contract for a geothermal plant in Indonesia.

Figure 11: ADB-Financed Contracts Obtained by Firms from the United States, China, and Other Countries in ASEAN Countries, 2013-2014

Contract value by firm's country (U.S. dollars in millions)



Contract value by category (percentage)



ASEAN Association of Southeast Asian Nations
ADB Asian Development Bank

Source: GAO analysis of ADB data. | GAO-15-724

Note: ADB publishes data only for consulting contracts with a contract value above \$0.1 million and for construction and goods contracts with a value above \$1.0 million. We determined the country of a firm based on its address in ADB's data, although the firm's parent may be headquartered in another country.

Commerce Advocacy Center Data

U.S. firms that received support from Commerce's Advocacy Center in fiscal years 2009 through 2014 competed less often with Chinese firms than with firms from other countries. The Commerce data cover those public sector contracts competed for by U.S. firms in ASEAN countries for

which the Advocacy Center received an application by a U.S. firm for commercial advocacy.³⁸ Chinese firms competed for 30 out of these 172 contracts (see table 2). The value of the contracts for which Chinese firms competed was \$6.8 billion—6 percent of the \$112 billion in total contract value for which U.S. firms were competing and less than the total value competed for by nine other countries' firms. U.S. firms that applied for Advocacy Center support competed against firms from only China or from China and other developing countries in only five cases. U.S. firms were most likely to compete with Chinese firms in the telecommunications sector, where U.S. and Chinese firms competed for 5 of 8 contracts; and the energy and power sector, where U.S. and Chinese firms competed for 7 of 19 contracts.

³⁸Commerce's Advocacy Center is responsible for coordinating the U.S. government's advocacy efforts on behalf of U.S. exporters bidding on public sector contracts overseas. From fiscal years 2009 through 2014, the Advocacy Center received applications from U.S. firms for commercial advocacy for 184 contracts in ASEAN countries. Our analysis excludes 12 contracts in which the nationality of competing firms was not identified. While the total number of contracts for which U.S. firms competed in ASEAN countries is unknown, contracts supported by the Advocacy Center represent only a portion of the total number of contracts.

Table 2: Nationalities of Firms Competing with U.S. Firms That Applied for Advocacy Center Support for ASEAN Country Government Contracts, Fiscal Years 2009-2014

Nationalities of firms competing with U.S. firms	Contracts competed	
	Value (dollars in millions)	Number
France	\$75,472	70
South Korea	25,483	24
Russia	22,066	11
Sweden	18,871	14
Japan	17,310	23
Switzerland	15,608	11
Germany	13,614	38
United Kingdom	9,829	27
Bulgaria	8,610	1
China	6,827	30
Spain	6,755	19
Italy	6,450	32
All contracts (U.S. total)	\$112,473	172

Legend: ASEAN = Association of Southeast Asian Nations

Source: U.S. Department of Commerce Advocacy Center. | GAO-15-724

Notes: Firms from at least 25 other countries competed against U.S. firms for the contracts, but none of those countries' firms competed for more than \$5 billion in contracts. For several contracts, the U.S. firm or firms that applied for Advocacy Center support were competing against a consortium of firms from more than one country; those contracts and their entire value is included in each known participating country's total.

The United States and China Engage with ASEAN Countries through Trade Agreements, Support for Firms, and Support for Regional Integration

To further economic engagement with ASEAN countries, the United States and China each have entered into existing trade agreements and are parties to ongoing negotiations. The two countries also support their domestic firms by providing export financing and other services. The United States supports regional economic development and integration as part of its trade capacity building (TCB) assistance to strengthen institutions and governance. China supports regional economic development and integration through capacity building and has provided billions of dollars for infrastructure development. China has also promised additional billions of dollars for future infrastructure construction in the region, including through the creation of the new multinational Asian Infrastructure Investment Bank, headquartered in Beijing.

The United States and China Have Existing and Proposed FTAs with ASEAN Countries

The United States Has an FTA with Singapore, while China Has Free Trade and Investment Agreements with All ASEAN Countries

The United States has an FTA with Singapore, while China has free trade and investment agreements with all 10 ASEAN countries as well as a separate FTA with Singapore.³⁹ The United States is party to the ongoing TPP negotiations, which include 4 ASEAN countries. China is party to the Regional Comprehensive Economic Partnership negotiations, which include all ASEAN countries.

U.S.-Singapore FTA. The January 2004 U.S.-Singapore FTA eliminated tariffs for U.S. exports to Singapore and phased out tariffs for Singapore's exports to the United States over a 10-year period.⁴⁰ As a result of the U.S.-Singapore FTA, goods from the United States and Singapore no longer face any tariffs in each other's markets. For example, Singapore faces no tariff on its exports to the United States of a type of medicine, a top Singapore export in 2014, for which other U.S. trading partners with normal trade relations face a tariff of 6.5 percent. In addition to eliminating tariffs, the U.S.-Singapore FTA provided greater access for U.S. service providers⁴¹ and addressed trade issues, such as strengthening

³⁹The United States has also signed trade and investment framework agreements (TIFAs) with ASEAN and with all ASEAN countries except Singapore and Laos. TIFAs, in contrast to FTAs, are short agreements that provide principles and structure for dialogue on trade and investment issues. Under the U.S.-ASEAN TIFA, the 2012 U.S.-ASEAN Expanded Economic Engagement (E3) Initiative seeks to increase efficiency and competitiveness of supply chains and other trade flows and to negotiate initiatives to lay the groundwork for ASEAN countries to prepare to join high-standard agreements. In addition, the U.S. Generalized System of Preferences extends trade preferences to Cambodia, Indonesia, Philippines, and Thailand that provides duty-free treatment for over 3,500 products for these countries and, according to USTR, an additional 1,473 products for Cambodia.

⁴⁰The United States has also signed bilateral trade agreements with two ASEAN countries—Vietnam in 2000 and Laos in 2005. These agreements included elements modeled on WTO agreements and enabled the United States to extend normal trade relations.

⁴¹In 2010, the Congressional Research Service reported that Singapore made key concessions on financial services under the FTA and may have contributed to U.S. banks increasing their presence in Singapore. See Congressional Research Service, *The U.S.-Singapore Free Trade Agreement: Effects After Five Years* (Washington, D.C.: Mar. 26, 2010).

Singapore's intellectual property rights protection,⁴² government procurement, protection of the environment, and protection of labor rights.⁴³ According to USTR, the U.S. goods trade surplus with Singapore was \$14.1 billion in 2014; and the U.S. services trade surplus with Singapore was \$5.8 billion in 2013, the latest data available.⁴⁴

China-ASEAN Framework Agreement on Comprehensive Economic Cooperation. China's framework agreement with the ASEAN countries comprises a series of trade and investment agreements focused on expanding access to each other's markets. From 2004 through 2009, China and the ASEAN countries signed three agreements:

- The China-ASEAN Trade in Goods Agreement entered into force in July 2005. The agreement separates goods into different groups, each with different timelines for tariff reduction. For example, under the agreement the parties committed to reduce tariffs to zero for most goods traded between the ASEAN 6 and China by 2012; CLMV countries agreed to reduce most tariffs to zero by 2018. The parties also agreed to reduce tariffs for goods categorized by a country as sensitive or highly sensitive for its economy to no more than 5 percent by 2018 for ASEAN 6 countries and by 2020 for CLMV countries. CLMV countries may also designate more goods as sensitive or

⁴²In 2003, the U.S. International Trade Commission stated that the U.S.-Singapore FTA's provisions on intellectual property rights protection generally go further than the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. For example, the FTA addresses Internet piracy by including provisions to ensure that only authors, composers, and other copyright holders have the right to make their works available online. See U.S. International Trade Commission, *U.S.-Singapore Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, USITC Publication 3603 (Washington, D.C.: June 2003).

⁴³In 2009, we reported that Singapore generally had strong protections for workers before signing the FTA and had since improved them. We also reported that Singapore was continuing to strengthen its environmental laws and that the United States and Singapore had signed a memorandum of intent to cooperate on environmental matters. See GAO, *International Trade: Four Free Trade Agreements GAO Reviewed Have Resulted in Commercial Benefits, but Challenges on Labor and Environment Remain*, [GAO-09-439](#) (Washington, D.C.: July 10, 2009).

⁴⁴Office of the U.S. Trade Representative, *2015 National Trade Estimate Report on Foreign Trade Barriers* (March 2015). In 2009, we reported that the U.S.-Singapore FTA appeared to have helped increase bilateral trade in goods as well as improved market access for services and the climate for FDI. In addition, the enhanced intellectual property rights protections also appeared to have had a positive impact on commerce and investment. See [GAO-09-439](#).

highly sensitive than China and the ASEAN 6 countries.⁴⁵ According to the WTO, the average Chinese tariff on imports from ASEAN countries in 2013 was 0.7 percent (0.8 percent for Laos and Cambodia), compared with an average of 9.4 percent for all of China's trading partners.⁴⁶ For example, according to WTO data, ASEAN countries face no tariff on a type of rubber, a key export from ASEAN countries to China in 2014, for which other Chinese trading partners with normal trade relations face a tariff of 8 percent.⁴⁷ Similarly, for example, according to WTO data, China faces a 10 percent tariff on women's cotton jackets and blazers, a top Chinese export to Vietnam in 2014, for which other Vietnamese trading partners with normal trade relations face a 20 percent tariff.

- The China-ASEAN Trade in Services Agreement entered into force in July 2007. The agreement provides market access for participant countries' companies and requires that firms located in participant countries be given treatment equal to domestic service providers in agreed-upon sectors. All countries signing the agreement agree to the specific service sectors to which the agreement applies in each country. The agreement permits CLMV countries to open fewer sectors and liberalize fewer types of transactions.
- The China-ASEAN Investment Agreement entered into force in February 2010. Under the agreement, China and ASEAN countries commit to treat each other's investors as equal to domestic investors and investors from other countries with which China and ASEAN countries have signed investment agreements. The agreement also included a provision on how disputes between the investor and the invested country are to be settled.

In August 2014, China and ASEAN announced discussions to upgrade these agreements. The second round of discussions, held in February 2015, focused on investment, economic cooperation, and other areas.

⁴⁵Under the agreement, CLMV countries could designate up to 500 tariff lines as sensitive, while the ASEAN 6 and China could designate up to 400 lines as sensitive.

⁴⁶See World Trade Organization, *Trade Policy Review Report by the Secretariat: China* (May 2014).

⁴⁷The latest available World Trade Organization data on China's tariff schedule is for 2013.

China-Singapore FTA. The China-Singapore FTA, which entered into force in 2009, included tariff reductions for goods beyond those covered under the China-ASEAN Trade in Goods Agreement. All of China's exports to Singapore, and almost all of Singapore's exports to China, enter the respective countries tariff free.⁴⁸ As of 2014, Singapore generally did not apply any tariffs on any imports, including those from the United States and China. According to Singapore's Ministry of Trade and Industry, the FTA also included provisions to expand access for Singapore's and China's service providers beyond each country's WTO commitments for certain sectors such as business and hospital services.

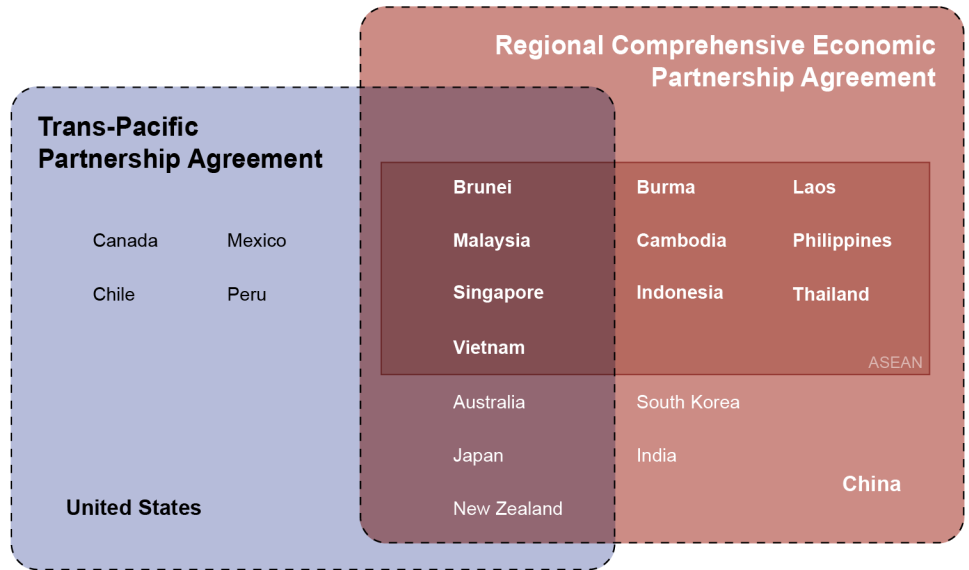
Unlike the U.S.-Singapore FTA, China's FTAs with ASEAN and Singapore do not address issues such as protection of intellectual property rights and labor rights. For example, the China-ASEAN FTA does not address protection of the environment and labor rights and only reaffirms each country's commitments to WTO provisions on the protection of intellectual property rights. According to USTR, China's existing FTA covers only three areas—goods, services, and investment—while the U.S.-Singapore FTA has 21 chapters covering a wide range of areas, including intellectual property rights, government procurement, environment, and labor rights. In addition, according to USTR, China's FTA is significantly less ambitious in the areas of services and investment than the U.S.-Singapore FTA. USTR expects that, although negotiations are ongoing, TPP will be a more ambitious and comprehensive agreement than the proposed Regional Comprehensive Economic Partnership (RCEP).

The United States and China
Are Each Party to Different
Proposed Regional FTAs

The United States and China are actively engaged in ongoing negotiations for TPP and RCEP, respectively. Several countries in the Asia-Pacific region, including ASEAN countries, are parties to negotiations for both agreements (see fig. 12).

⁴⁸For example, according to WTO data, Singapore faces no tariff on a type of plastic, a key export from Singapore to China in 2014, for which other Chinese trading partners with normal trade relations face a tariff of 6.5 percent. See also Ministry of Trade and Industry Singapore, *Free Trade Agreement Between the People's Republic of China and The Republic of Singapore Media Info-Kit* (Oct. 23, 2008). The report cited Chinese beer exports and Singapore's exports of petrochemicals, processed foods, and electronics and electric products as key exports that the agreement would affect.

Figure 12: Participants in Proposed Regional Free Trade Agreements with Association of Southeast Asian Nations (ASEAN) Countries



----- Proposed agreement

Source: GAO analysis of proposed free trade agreements. | GAO-15-724

Trans-Pacific Partnership (TPP) Agreement Negotiations

As of August 2015, the United States Trade Representative is engaged in TPP negotiations with 11 other Asia-Pacific region countries, including 4 ASEAN countries—Brunei, Malaysia, Singapore, and Vietnam. According to our analysis of World Bank and UN data, in 2013, the 12 Asia-Pacific countries negotiating TPP had a combined population of approximately 800 million people; had a combined GDP of almost \$28 trillion, about 37 percent of global GDP; and covered about 26 percent of world goods trade.⁴⁹ The four ASEAN countries that are engaged in TPP negotiations accounted for 58 percent of U.S. trade with ASEAN countries. Launched in 2002, with the United States joining in 2009, TPP has had several rounds of negotiation, the most recent in July 2015. Although TPP’s text

⁴⁹In comparison, according to our analysis, the North American Free Trade Agreement between the United States, Canada, and Mexico, all of which are also engaged in TPP negotiations, had a combined population of about 470 million people; had a combined GDP of around \$20 trillion, roughly 26 percent of global GDP; and covered about 15 percent of world goods trade in 2013.

is not finalized, in 2011 negotiators agreed that it would address, for example, ensuring a competitive business environment; providing TCB in developing countries; improving customs procedures; addressing impediments to e-commerce; creating clear rules for addressing disputes; and protecting the environment, labor rights, and intellectual property rights, among other issues. USTR is seeking to finalize TPP in 2015.⁵⁰

Regional Comprehensive Economic Partnership Agreement Negotiations

China, the 10 ASEAN countries, and five other countries are currently negotiating RCEP to expand trade and investment access. In 2011, ASEAN proposed establishing RCEP to broaden and deepen existing FTAs between the ASEAN countries and six others—Australia, China, India, Japan, New Zealand, and South Korea. According to our analysis of World Bank and UN data, RCEP negotiating partners have a combined population of more than 3.4 billion people, have a combined GDP of more than \$21 trillion—more than 28 percent of global GDP—and account for about 29 percent of world goods trade.⁵¹ According to U.S. officials we spoke with, RCEP will not greatly expand the six existing ASEAN agreements but will synthesize their provisions in a single comprehensive agreement. RCEP negotiation working groups include those for trade in goods, trade in services, investment, intellectual property, competition, and economic and technical cooperation. The eighth round of RCEP negotiations was held in Kyoto, Japan, in June 2015. Details of RCEP, like those of TPP, are not finalized, but the negotiating parties have stated that they hope to complete the agreement in 2015.

Existing FTA Relationships between FTA Negotiating Partners

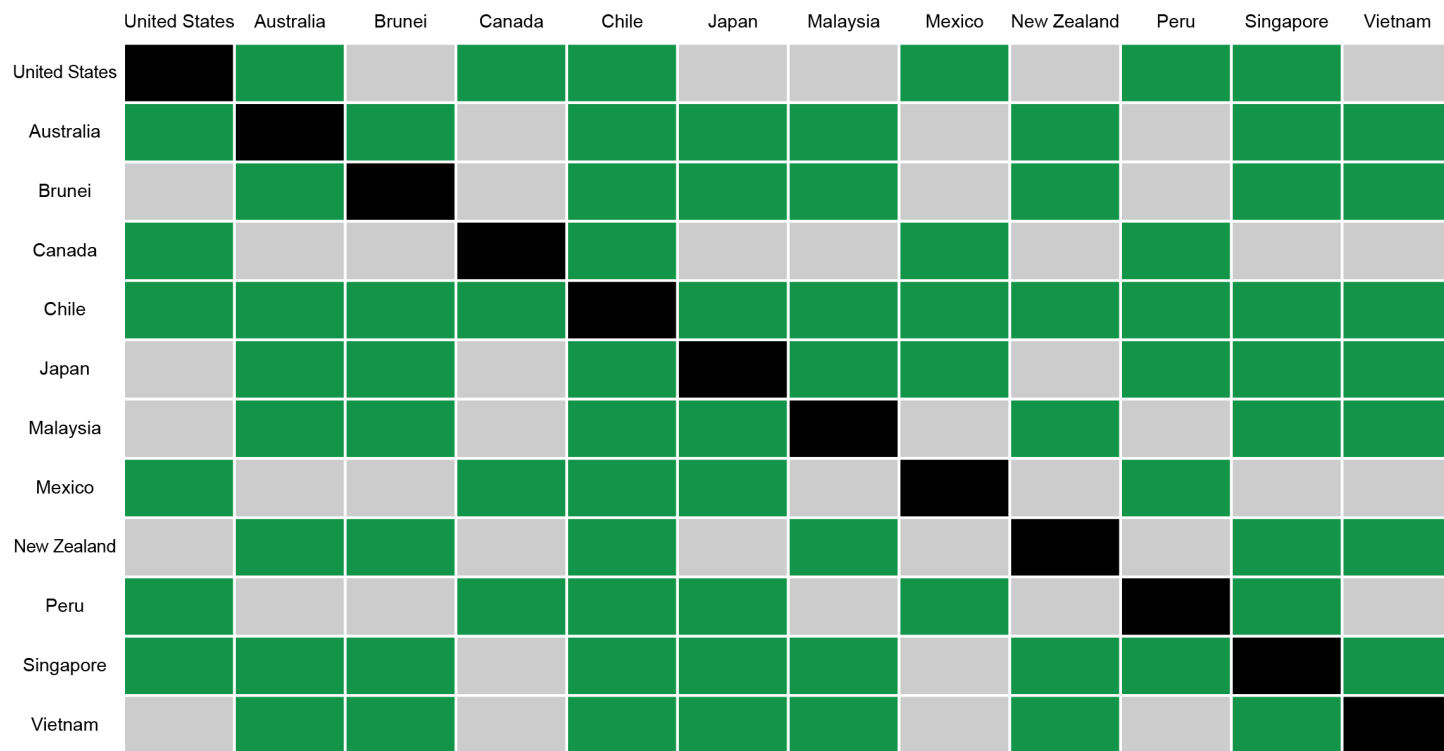
China and the United States each have existing FTAs with a number of their negotiating partners in the proposed regional FTAs. The United

⁵⁰Although the potential impacts of TPP are uncertain, U.S. officials have cited a recent study that estimated gains from TPP for U.S. GDP of 0.4 percent in 2025 and 0.2 percent for world GDP over GDP without TPP. Since China is not a negotiating partner of TPP, the study estimated that TPP would decrease China's GDP by 0.2 percent in 2025. The study was based on a projection of TPP's impact on current trade flows. See Peter A. Petri and Ali Abdul Raheem, "Can RCEP and the TPP Be Pathways to FTAAP?" in *State of the Region, 2014-2015*, eds. Pacific Economic Cooperation Council (Singapore: Pacific Economic Cooperation Council, 2014), 31-43.

⁵¹The World Bank's world development indicators do not include data on GDP for Burma.

States has existing FTAs with 6 of its 11 TPP negotiating partners (see fig. 13). Of the 66 possible FTA pairings among the 12 TPP participants, 42 FTAs are currently in place. China has FTAs with ASEAN and New Zealand and, in June 2015, signed FTAs with Australia and South Korea. The Australia and South Korea FTAs have not entered into force (see fig. 14). Counting ASEAN as a single negotiating partner, there are 21 possible FTA pairings among RCEP participants, 12 of which are currently in place.⁵²

Figure 13: Existing Free Trade Agreements between the United States and Trans-Pacific Partnership Negotiating Partners



Existing free trade agreement
 No existing free trade agreement

Source: GAO analysis of country documents. | GAO-15-724

⁵²The existing agreements between TPP negotiating partners and between RCEP negotiating partners may be bilateral or multilateral.

Figure 14: Existing Free Trade Agreements between China and Regional Comprehensive Economic Partnership Negotiating Partners, as of June 2015

	China	ASEAN	Australia	India	Japan	New Zealand	South Korea
China			(A)				(A)
ASEAN							
Australia	(A)						
India							
Japan							
New Zealand							(B)
South Korea	(A)					(B)	

Existing free trade agreement
 No existing free trade agreement
ASEAN Association of Southeast Asian Nations

(A) In June 2015, China signed a free trade agreement with Australia and a separate free trade agreement with South Korea; neither agreement has entered into force
 (B) New Zealand and South Korea signed a free trade agreement in March 2015, but it is not yet in effect

Source: GAO analysis of ASEAN and country documents. | GAO-15-724

Both TPP and RCEP include major trading partners with which China and the United States do not currently have FTAs. According to our analysis of UN and BEA data, TPP negotiating partners with which the United States does not have an existing FTA represented approximately 7 percent of both U.S. goods trade and U.S. services trade in 2013 (see table 3). In 2013, bilateral goods trade between the United States and Japan, the largest U.S. trading partner engaged in TPP negotiations without a U.S. FTA, represented 5 percent of total U.S. goods trade and 7 percent of U.S. services trade. The six TPP negotiating partners with which the United States has an existing FTA constituted 33 percent of U.S. goods trade in 2013 and 16 percent of U.S. services trade. According to our analysis of data from the UN, the WTO, and the International Trade Centre, Chinese trade with India and Japan—the two countries in RCEP with which China has not negotiated an FTA—represented 9 percent of total Chinese goods trade in 2013 and more than 8 percent of Chinese services trade in 2011 (see table 4). Chinese trade with ASEAN, Australia, New Zealand, and South Korea represented

21 percent of total Chinese goods trade in 2013 and more than 18 percent of Chinese services trade in 2011.

Table 3: Bilateral Goods and Services Trade between the United States and Trans-Pacific Partnership (TPP) Negotiating Partners, 2013

Nominal dollars in billions

	Total goods trade with the United States	Percentage of total U.S. goods trade	Total services trade with the United States	Percentage of total U.S. services trade
TPP negotiating partners with existing U.S. free trade agreements				
Australia	\$35.3	1	\$26.1	2
Canada	637.4	16	93.7	8
Chile	28.7	1	4.8	0
Mexico	509.1	13	47.6	4
Peru	18.5	0	^a	^a
Singapore	48.7	1	17.0	1
Subtotal	\$1,277.8	33	\$189.2	16
TPP negotiating partners without existing U.S. free trade agreements				
Brunei	\$0.6	0	^a	^a
Japan	207.4	5	\$76.3	7
Malaysia	41.0	1	4.2	0
New Zealand	6.9	0	3.6	0
Vietnam	31.0	1	^a	^a
Subtotal	\$286.9	7	\$84.1	7
Total^b	\$1,564.6	40	\$273.3	24

Source: GAO analysis of U.S. data on trade in goods from the United Nations Commodity Trade database and U.S. data on trade in services from the Bureau of Economic Analysis. | GAO-15-724

Notes: U.S. 2014 trade in services data are not available. Some numbers do not sum to totals because of rounding.

^aThe Bureau of Economic Analysis has not released data on U.S. trade in services for these countries because of confidentiality and data limitations.

^bServices trade totals do not include the countries with no reported data. These countries are likely to represent 1 percent or less of U.S. services trade.

Table 4: Bilateral Goods and Services Trade between China and Regional Comprehensive Economic Partnership (RCEP) Negotiating Partners, 2013

Nominal dollars in billions

	Total goods trade with China, 2013	Percentage of total China goods trade, 2013	Total services trade with China, 2011 ^b	Percentage of total China services trade, 2011 ^b
RCEP negotiating partners with existing China free trade agreements				
ASEAN	\$443.6	11	\$36.9	9
Australia ^a	136.5	3	13.7	3
New Zealand	12.4	0	No data	No data
South Korea ^a	274.2	7	23.3	6
Subtotal	\$866.7	21	\$73.9	18
RCEP negotiating partners without existing China free trade agreements				
India	\$65.4	2	No data	No data
Japan	312.4	8	33.8	8
Subtotal	\$377.8	9	\$33.8	8
Total	\$1,244.5	30	\$107.7	26

Source: GAO analysis of Chinese data from the United Nations Commodity Trade database and estimates from a United Nations Conference on Trade and Development, World Trade Organization, and International Trade Centre joint dataset. | GAO-15-724

Notes: The latest data on Chinese trade in services are for 2011. Some numbers do not sum to totals because of rounding.

^aIn June 2015, China signed a free trade agreement with Australia, and a separate free trade agreement with South Korea; neither agreement has entered into force.

^bServices trade totals do not include the countries with no reported data.

In 2014, leaders of economies that belong to the Asia-Pacific Economic Cooperation (APEC) forum, which includes seven ASEAN economies, the United States, and China, among others, agreed to undertake a study of issues related to the realization of a Free Trade Area of the Asia-Pacific (FTAAP).⁵³ The study is to be completed by the end of 2016. According to a statement issued at APEC’s 2014 meeting, FTAAP is not viewed as an alternative to TPP and RCEP but will build on current and developing

⁵³APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. Achieving region-wide free trade in the Pacific has been a long-standing goal of APEC. In 1994, APEC leaders established the goal of achieving free trade among all members by 2020. APEC consists of 21 member economies, including all ASEAN economies except for Burma, Cambodia, and Laos. APEC’s 21 member economies are the United States; Australia; Brunei; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; South Korea; Chinese Taipei; Thailand; and Vietnam.

regional architectures. APEC identified TPP and RCEP as possible steps toward eventual realization of FTAAP.

The United States and China Each Support Firms in ASEAN Countries

The United States and China provide support and financing to their firms that trade and invest in ASEAN countries. U.S. agencies provide financing and maintain overseas personnel to promote U.S. policies and support U.S. firms. While country-specific data on Chinese financing are unavailable, the Chinese government provides significantly greater financing than the United States worldwide and has taken steps to support Chinese investment in ASEAN countries.

The United States Has Provided More Than \$6 Billion in Financing for Exports to, and Investments in, ASEAN Countries since Fiscal Year 2009

According to our analysis of U.S. agency data, from fiscal years 2009 through 2014, the United States provided more than \$6 billion in financing to support U.S. exports to, and investment in, ASEAN countries (see table 5). During that period:

- The U.S. Export-Import Bank (Ex-Im) authorized about \$5.4 billion in loans, loan guarantees, and insurance to support U.S. exports to ASEAN countries.⁵⁴ Worldwide, Ex-Im authorizations were \$27.3 billion in 2013 and \$20.5 billion in 2014.
- The Overseas Private Investment Corporation (OPIC), the United States' development finance institution, committed about \$664 million in financing to support U.S. investment projects in ASEAN countries.⁵⁵

U.S. financing is provided under the OECD Arrangement on Officially Supported Export Credits, which governs the United States' and other member countries' official export financing. Under the arrangement, OECD countries transparently report their financing transactions and agree to notify, consult, and share information with other participants if

⁵⁴Ex-Im is the United States' official export credit agency. Ex-Im makes fixed-rate loans directly to international buyers of goods and services and also guarantees loans made by private lenders to international buyers of goods or services, promising to pay the lenders if the buyers default. Export credit insurance products protect the exporter from the risk of nonpayment by foreign buyers for commercial and political reasons. For more information on Ex-Im products, see GAO, *Export-Import Bank: Recent Growth Underscores Need for Continued Improvements in Risk Management*, [GAO-13-303](#) (Washington, D.C.: Mar. 28, 2013).

⁵⁵OPIC supports U.S. investment projects in overseas countries by providing U.S. private sector investors with direct loans, loan guarantees, political risk insurance, and support for private equity investment funds.

they offer loan terms more generous than those the arrangement specifies.

Table 5: Ex-Im Authorizations and OPIC Commitments in ASEAN countries, Fiscal Years 2009 to 2014

Nominal U.S. dollars (in millions)

Fiscal year	Ex-Im authorizations in ASEAN countries ^a	OPIC commitments in ASEAN countries	Total ^b
2009	\$551.0	\$7.0	\$558.0
2010	807.4	1.4	\$808.8
2011	777.4	265.8	\$1,043.2
2012	689.3	28.5	\$717.8
2013	2,106.2	311.0	\$2,417.3
2014	499.3	50.0	\$549.3
Total	\$5,430.7^c	\$663.8^d	\$6,094.5

Legend: ASEAN = Association of Southeast Asian Nations; Ex-Im = U.S. Export-Import Bank; OPIC = Overseas Private Investment Corporation.

Source: GAO analysis of OPIC data and Ex-Im annual reports and data. | GAO-15-724

^aEx-Im generally provides financing to businesses when private financing is unavailable; therefore, fluctuations in its financing activity may reflect changes in the business and banking environment rather than Ex-Im's initiative.

^bThese data do not include Ex-Im multibuyer insurance, which may include multiple countries, or OPIC funds recorded as provided to the Asia and the Pacific Region, which have not been used in ASEAN countries.

^cWorldwide, Ex-Im's authorizations totaled \$161.8 billion in fiscal years 2009 through 2014 in nominal terms.

^dWorldwide, OPIC's commitments totaled \$19.7 billion in fiscal years 2009 through 2014 in nominal terms.

According to our analysis of Ex-Im data, in fiscal years 2009 through 2014, Ex-Im's authorizations in ASEAN countries largely consisted of loan guarantees and were concentrated in Indonesia and Singapore. For example, about half of the \$2.1 billion that Ex-Im authorized to support U.S. exporters in ASEAN countries in fiscal year 2013 was for a loan guarantee to a U.S. firm exporting commercial aircraft to Indonesia. According to our analysis of OPIC data, OPIC's two largest individual commitments in ASEAN countries from 2009 through 2014, each for \$250 million, were for investment guarantees in fiscal year 2013 for a research center, medical school, and teaching hospital in Malaysia and in fiscal

China Provides Competitive Financing but Does Not Publish Country-Specific Data

year 2011 for construction and development of solar power projects in Thailand.⁵⁶

U.S. Ex-Im estimates and data from China's export credit agencies indicate that China provides significantly more financial support to its exporters worldwide than does the United States. In 2014, Ex-Im estimated in an annual report to Congress that China provided \$111 billion worldwide in official export support in calendar year 2013, far more than Ex-Im's \$15 billion in calendar year 2013.⁵⁷ Ex-Im's report noted that Chinese export credit agencies—along with those of Japan and South Korea—have multiple advantages, including greater funding capacity, the ability to lend in dollars at competitive rates, and lending programs that are not bound by OECD agreements. China is not a participant in the OECD Arrangement on Officially Supported Export Credits. The Ex-Im report also expressed concern that Chinese concessional loans provided to other governments as development assistance—including some loans with terms likely outside the range allowed by OECD agreements—may affect the competitiveness of U.S. exports.⁵⁸

Three Chinese state-owned institutions offer various types of financing to support Chinese firms engaged in international business, including business in ASEAN countries. These three institutions do not publish data by country on their financing for exports, imports, and investment by private and state-owned enterprises.

⁵⁶According to Ex-Im officials, Ex-Im does not maintain staff overseas. OPIC has one regional staff person in Bangkok, Thailand.

⁵⁷This amount includes estimates of financing by the Export-Import Bank of China, the China Development Bank, and Sinosure in 2013. The estimates are based on extrapolated totals from data officially reported by China and press coverage of Chinese financing in 90 countries. For more information, see U.S. Export-Import Bank, *Report to the U.S. Congress on the Export-Import Bank of the United States and Global Export Credit Competition* (Washington, D.C.: June 2014).

⁵⁸In our previous report on U.S. and Chinese economic engagement in sub-Saharan Africa, we analyzed specific Chinese government loans to Angola, Kenya, and Ghana and found that that these loans were generally less costly and more concessional than U.S. government loans to Angola, Kenya, and, to a lesser extent, Ghana. See app. II of [GAO-13-199](#). According to Ex-Im officials, absence of information on the cost of China's loans may prevent Ex-Im from offering competitive loans for U.S. exports and thus disadvantage U.S. firms interested in exporting their goods and services. In rare cases, OECD rules allow Ex-Im to match a non-OECD participant's financing terms and conditions, if there is evidence or specific information about its offer. However, according to Ex-Im, such information is typically difficult to obtain from the borrower.

-
- **Export-Import Bank of China (China Ex-Im).** China Ex-Im provides support for the import and export of goods and services, including Chinese companies' overseas construction and investment projects. China Ex-Im is also the conduit for China's official concessionary lending to developing countries. No data are publicly available on China Ex-Im financing for specific countries in Southeast Asia. According to its 2014 annual report, China Ex-Im provided a total of \$70 billion in export and import credits worldwide that year.⁵⁹
 - **China Development Bank.** The China Development Bank supports state-backed projects, such as airports, railways, and bridges. Although the bank does not publish country-specific data on its overseas lending, it reported that of its net loan balance of \$1.24 trillion for 2014, 12.7 percent (\$157 billion) was provided to recipients outside mainland China. The bank did not specify whether those recipients included foreign governments, Chinese companies operating overseas, or both.⁶⁰
 - **China Export & Credit Insurance Corporation (Sinasure).** Sinasure provides credit insurance to protect against nonpayment of commercial debt, including by buyers of exports, and also provides investment insurance. Sinasure's most recent publicly available annual report from 2011 does not include country-specific data but states that Sinasure insured more than 11 percent of China's total exports that year. Also in 2011, Sinasure provided 36 percent of its short-term export credit insurance coverage—the type of insurance it most commonly provided—for exports in Asia, compared with 29 percent in Europe and 20 percent in North America. According to a

⁵⁹These numbers are based on the December 31, 2014, exchange rate of 6.205 Chinese yuan per U.S. dollar. The largest category of credit provided to Chinese exporters—30 percent—was for the export of new and high-tech products, followed by 20 percent for exports of ships, 15 percent for overseas investment, 10 percent for exports of general mechanical and electronic products, and 8 percent for overseas construction projects. Import financing supported the import of products such as technical equipment and raw materials by Chinese enterprises.

⁶⁰These numbers are based on the December 31, 2014, exchange rate of 6.205 Chinese yuan per U.S. dollar.

U.S. and Chinese Entities
Support Business and
Investment in ASEAN
Countries

report published by the OECD, Sinosure insured almost 15 percent of China's exports in 2013.⁶¹

Multiple U.S. entities, such as the U.S. Departments of State (State), Commerce, and Agriculture (USDA), provide export promotion services and other support to help U.S. firms enter ASEAN markets or expand their presence in ASEAN countries.⁶² For example:

- **State.** State maintains economic officers in each of the 10 ASEAN countries. State supports U.S. export promotion efforts by engaging with foreign governments on policies that affect U.S. economic and commercial interests and by supporting other U.S. agencies' export promotion efforts, among other things.
- **Commerce.** Commerce maintains a presence in seven ASEAN countries and a regional office in Singapore.⁶³ Commerce provides export promotion services to U.S. firms, including advocacy and commercial diplomacy, market intelligence, matchmaking with local firms, trade counseling, and trade promotion programs. Commerce also leads or supports trade missions.⁶⁴ From 2009 through 2014, Commerce led 11 trade missions to ASEAN countries covering a range of industries, such as aerospace, education, energy, and textiles.

⁶¹Organization for Economic Co-Operation and Development, Trade and Agriculture Directorate, Trade Committee, Working Party on Export Credits and Credit Guarantees, *Chinese Export Credit Policies and Programmes*, TAD/ECG(2015)3 (March 16, 2015).

⁶²Other U.S. entities, such as USTR, the Department of the Treasury, and the U.S. Trade and Development Agency, support U.S. business and investment in ASEAN countries by developing U.S. trade and investment policy, technical assistance to support the development of strong financial sectors, and feasibility studies to facilitate the export of U.S. goods and services, among other things. For more information about the roles and activities of U.S. agencies in ASEAN countries, see app. II.

⁶³According to Commerce officials, the Singapore office offers U.S. firms a regional perspective on operating in ASEAN countries. Commerce's personnel in Thailand and Singapore are also responsible for providing support to U.S. businesses interested in exporting to Brunei, Cambodia, and Laos, where Commerce maintains no presence.

⁶⁴Trade missions can include one-to-one meetings with foreign industry executives and government officials, networking events with local industry representatives, briefings and roundtables on local business practices and opportunities, and site visits to local facilities where U.S. firms' technologies or services may be applied. Commerce also provides support for trade missions organized by state and private sector organizations.

-
- **USDA.** USDA maintains a presence in seven ASEAN countries.⁶⁵ USDA provides export promotion services for U.S. agricultural exporters, such as market intelligence and international trade missions. USDA also offers multiple market development programs in partnership with U.S. food and agriculture industry groups.⁶⁶

For information about State, Commerce, and USDA staffing in ASEAN countries, see appendix IV.

The Chinese government also pursues agreements with other countries to facilitate trade and investment by Chinese firms in other countries, including ASEAN countries. For example:

- **Special economic zones.** China's Ministry of Commerce has worked with some ASEAN countries to set up special economic cooperation zones to facilitate cross-border investment and trade. According to China's Ministry of Commerce, the Chinese government supports Chinese firms that establish and invest in the zones by offering financing, and facilitating movement of materials, equipment, labor, and foreign exchange between China and the zones. China also negotiates with the host government in the areas of tax, land, and labor policies to support firms that choose to invest in the zones. According to Chinese embassy websites, as of 2012, Chinese firms had set up five zones in four countries—Cambodia, Thailand, Vietnam, and Indonesia—91 enterprises had established businesses, and more than \$930 million had been invested in the zones.
- **Currency swaps.** China also facilitates cross-border trade in local currencies with ASEAN countries.⁶⁷ Chinese agencies have publicly

⁶⁵While USDA does not maintain a presence in Brunei, Cambodia, or Laos, its personnel in Malaysia and Vietnam are responsible for supporting USDA activities in those countries in accordance with USDA's strategic goals.

⁶⁶These programs provide, among other things, cost-share assistance to eligible U.S. organizations for activities such as consumer advertising, participation in trade fairs and exhibits, and market research and technical assistance. For more information about USDA's market development programs, see GAO, *Agricultural Trade: USDA Is Monitoring Market Development Programs as Required but Could Improve Analysis of Impact*, [GAO-13-740](#) (Washington, D.C.: July 31, 2013).

⁶⁷The exchange of currencies by the central banks of two countries is called a currency swap. Currency swap agreements allow countries to exchange local currency for foreign currency through another country's central bank or monetary authority's currency reserves. Currency swap agreements are generally designed for short-term support, with the exchange to be reversed at a future date.

reported that China has currency swap agreements with the central banks of Indonesia, Malaysia, Thailand, and Singapore totaling 650 billion Chinese yuan.⁶⁸ Currency exchanges help to facilitate trade and investment between the countries by eliminating the cost of converting to a third currency, ensuring that sufficient amounts of foreign currency are available for transactions, and reducing the risk of exchange rate fluctuation. These agreements encourage trade between China and the countries involved in the agreements to be settled in those countries' currencies rather than in dollars. Chinese Premier Li Keqiang, the second-highest ranked Chinese Communist party official, has stated that China also plans a pilot program to allow currency swaps for cross-border transactions with other countries of the Greater Mekong Subregion (Vietnam, Laos, Cambodia, and Burma).⁶⁹

The United States Supports Capacity Building to Foster ASEAN Economic Development, while China Supports Infrastructure Development

The United States and China both provide assistance to ASEAN countries to support regional economic development and integration. U.S. initiatives have included enhancing governance and regional connectivity by, for example, efforts to improve customs procedures across ASEAN countries. Chinese initiatives have focused on infrastructure development. China has promised billions of dollars for infrastructure investment through new funds and multilateral institutions, such as the Asian Infrastructure Investment Bank.

⁶⁸At the June 1, 2015, exchange rate of 6.199 Chinese yuan per U.S. dollar, China's currency swap agreements with ASEAN countries totaled \$104.9 billion. China also has currency swap agreements in place with other countries, such as the United Kingdom and Russia.

⁶⁹China is also part of a \$240 billion multilateral currency swap agreement, the Chiang Mai Initiative Multilateralisation, with the 10 ASEAN countries, Japan and South Korea. The initiative provides for liquidity among participant economies experiencing short-term liquidity difficulties.

The United States Has Supported Economic Development in ASEAN Countries by Enhancing Governance and Regional Connectivity

In fiscal years 2009 through 2013, the United States identified \$536 million of its assistance to ASEAN countries and the ASEAN Secretariat as TCB assistance—that is, development assistance intended to improve a country’s ability to benefit from international trade.⁷⁰ U.S. TCB assistance has supported initiatives aimed at, among other things, helping ASEAN countries draft laws and regulations, improve public financial management, train government officials, meet WTO commitments, and increase accountability and transparency. U.S. TCB assistance has supported multiple initiatives to advance ASEAN’s goal of increased connectivity and integration throughout the region.⁷¹ For example:

- **ASEAN Connectivity through Trade and Investment.** This 5-year, \$16.2 million USAID program, begun in 2013, seeks to facilitate trade through improving standards and systems, boosting the capacity of small and medium-sized enterprises, accelerating the deployment of clean energy technologies, and expanding connectivity. One of the program’s objectives is to provide support for the ASEAN Single Window, which will integrate ASEAN’s 10 national single customs windows to enable electronic exchange of data to expedite cargo clearance and lower the cost of doing business.⁷² According to USAID officials, four ASEAN countries were ready to use the system as of January 2015, and it is planned to be operational by the end of the year.
- **ASEAN-U.S. Partnership for Good Governance, Equitable and Sustainable Development and Security.** This 5-year, \$14 million program supported by USAID and State, also begun in 2013, seeks to

⁷⁰Since at least 2001, the United States has committed to providing TCB assistance to developing countries to help them participate in, and benefit from, global trade. USAID maintains a database to track this assistance. For more information about TCB, see GAO, *Foreign Assistance: USAID Should Update Its Trade Capacity Building Strategy*, [GAO-14-602](#) (Washington, D.C.: Aug. 11, 2014).

⁷¹Our analysis does not include any support provided by multilateral institutions to which the United States contributes funds, such as the World Bank.

⁷²A national single window is a system that enables a synchronous processing of data for customs clearance through one channel. In addition to the single window, ASEAN Connectivity through Trade and Investment also includes efforts for trade and investment facilitation (such as harmonizing standards), small and medium-sized enterprise development, clean energy and energy efficiency, and information and communication technology development.

support ASEAN integration by harmonizing approaches to the rule of law across countries; supporting people-to-people links through, for example, fellowships; collaboration on disaster response; and enhancing the ASEAN Secretariat's management capabilities, including information technology and public outreach capacities.⁷³

- **U.S.-ASEAN Connectivity Cooperation Initiative.** Launched in 2011, this U.S. Trade and Development Agency (USTDA) initiative seeks to support ASEAN integration by leveraging private sector resources and expertise to support activities that increase connectivity and investment in the energy, transportation, and information and communications technology sectors. For example, USTDA has led reverse trade missions and workshops to increase U.S. trade and investment in electric smart grids, rail development, and other infrastructure areas in ASEAN countries. In September 2013, USTDA sponsored the ASEAN Connectivity through Rail Workshop in Indonesia that highlighted U.S. firms' capabilities in operation and maintenance of rail systems. In addition, USTDA is sponsoring the Global Procurement Initiative with the goal of fostering procurement systems that will make awards based on the best value offered, rather than on the lowest cost.⁷⁴

Approximately \$333 million of U.S. TCB assistance to ASEAN countries in fiscal years 2009 through 2013 was committed as part of a 5-year, \$600 million Millennium Challenge Corporation (MCC) compact with Indonesia.⁷⁵ MCC commits funds at the time of compact signature, but disburses them over the 5 years of the compact. As of December 2014,

⁷³ASEAN Connectivity through Trade and Investment and ASEAN-U.S. Partnership for Good Governance, Equitable and Sustainable Development and Security represent a continuation of a previous State and USAID project. From 2008 to 2013, State and USAID's ASEAN Development Vision to Advance National Cooperation and Economic Integration supported other technical support and capacity-building assistance for national single windows and support for the growth of supply chains in textiles and garments across ASEAN countries.

⁷⁴For more than 10 years, USTDA has maintained an office in Bangkok, Thailand, supported with a personal service contractor, to advance and oversee its programs in ASEAN countries.

⁷⁵MCC is a U.S. government corporation that seeks to reduce global poverty through economic growth. The Indonesia compact's Green Prosperity Project is designed to increase productivity in rural areas and reduce reliance on fossil fuels by expanding renewable energy, and to increase productivity and reduce greenhouse gas emissions by improving land use practices and management of natural resources.

China Supports Trade Capacity Building and Infrastructure Development and Proposes Tens of Billions of Dollars for Future Infrastructure Projects

MCC had expended \$1.2 million of its \$333 million commitment to Indonesia. For more information about U.S. TCB in ASEAN countries, see appendix V.

Like the United States, China has supported capacity-building efforts in ASEAN countries, but it also provides billions of dollars for infrastructure construction. According to the Chinese government's July 2014 white paper on foreign aid China's capacity-building efforts in ASEAN countries since 2010 have included setting up experimental crop stations, building three agricultural technology demonstration centers, dispatching 300 agricultural experts to provide technical guidance, and helping to establish systems for animal and plant disease prevention and control.⁷⁶ The paper states that China has also provided training to more than 5,000 officials and technicians from ASEAN countries in fields such as business promotion, culture and arts, Chinese language, finance, energy, and agriculture.

China has also contributed to regional development and integration through infrastructure construction, generally in the form of loans for specific projects, many of which are carried out by Chinese firms. The 2014 white paper states that China appropriated \$14.4 billion for global foreign assistance from 2010 to 2012, 64 percent of which was interest-free or concessional loans. The white paper also indicates that China emphasized assistance in infrastructure construction, with 45 percent of China's total aid for economic infrastructure and 28 percent for social and public infrastructure. The white paper did not break out information on foreign aid in ASEAN countries.⁷⁷ According to expert testimony before the U.S.-China Economic and Security Review Commission in May 2015, as a result of overcapacity in the domestic Chinese construction market, projects overseas have become more attractive to Chinese state-owned enterprises.⁷⁸

⁷⁶Information Office of the State Council, "China's Foreign Aid" (2014) (Beijing: July 2014).

⁷⁷See app. VI for information on U.S. and Chinese official development assistance to ASEAN countries.

⁷⁸U.S.-China Economic and Security Review Commission hearing, "China's Relations with Southeast Asia," May 13, 2015. The commission was created by Congress to report on the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China.

China has also provided loans to neighboring countries to finance transportation links that will facilitate trade and other exchanges. Some of these projects are part of the Greater Mekong Subregion (GMS) Economic Cooperation Program, supported by ADB.⁷⁹ Burma, Cambodia, Laos, Thailand, Vietnam, and China's Yunnan Province and Guangxi Zhuang Autonomous Region are members of the subregion. According to Chinese government publications and other sources, China funded construction of part of a highway in Laos on a route between Kunming and Bangkok, has upgraded its own highways that connect to other GMS countries, has built other roads financed by ADB, and has financed and built bridges in the subregion. The Chinese and Burmese governments recently completed construction of crude oil and natural gas pipelines from an Indian Ocean port in Burma to China. China also recently signed a memorandum of understanding with Thailand to build a railway in Thailand from the Thai-Laos border to Bangkok and the southeastern province of Rayong and is negotiating with Laos to build a railway connecting China with Laos' capital of Vientiane and the Thai border.

China has promised billions of dollars for new funds and multilateral institutions for the purpose of investing in infrastructure, including in ASEAN countries. For example:

- **Silk Road Fund.** China announced the creation of the \$40 billion Silk Road Fund to finance infrastructure construction and other development in support of two initiatives announced by Chinese President Xi Jinping in 2013: the Silk Road Economic Belt and 21st Century Maritime Silk Road. According to a document released by the Chinese government in March 2015, these initiatives aim to improve land and maritime cooperation and connectivity along routes between China and the rest of Asia, the South China Sea, the Indian Ocean, Africa, and Europe.⁸⁰ In February 2015, the Chinese central bank announced that an initial \$10 billion had been contributed to the fund by state-owned financial institutions and the Chinese foreign

⁷⁹The GMS Program was established in 1992. The program supports regional development and economic cooperation through programs and projects that promote infrastructure linkages; facilitate cross border trade, investment, and tourism; enhance private sector competitiveness; develop human capital; and protect the environment.

⁸⁰National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (Mar. 28, 2015).

exchange reserves.⁸¹ In April 2015, China announced the fund's first investment, in support of a hydropower project in Pakistan.

- **Asian Infrastructure Investment Bank (AIIB).** In 2013, Chinese President Xi Jinping proposed the creation of an international institution, AIIB, to finance infrastructure projects throughout the Asia-Pacific region.⁸² Under the bank's initial agreement, the bank's authorized capital is \$100 billion.⁸³ According to AIIB documents, 57 countries are prospective founding members of the bank, including each of the 10 ASEAN countries, and the bank anticipates beginning operations before the end of 2015.⁸⁴ The bank will be headquartered in Beijing. Chinese officials have said that all countries are welcome to join the bank; the United States and Japan have so far declined to do so. U.S. Treasury officials have stated that the United States welcomes the creation of new development institutions but have also expressed concerns about the governance and standards of the new bank.
- **Other funds.** In addition, in November 2014, Chinese Premier Li Keqiang pledged \$20 billion in loans to boost infrastructure connectivity in Southeast Asia, including \$10 billion in loans to ASEAN countries. He also announced that China would raise another \$3

⁸¹China's foreign exchange reserves provided the largest portion of the funds. Contributions also came from China Ex-Im, the China Investment Corporation, and the China Development Bank.

⁸²The Chinese government stated that it was willing to subscribe up to 50 percent of AIIB's capital, but prospective members have since agreed to determine share allocation primarily by GDP; as a result, China will be the bank's largest shareholder but will contribute \$29.8 billion of the \$100 billion.

⁸³In comparison, as of December 31, 2013, ADB's capitalization was \$78.8 billion. The United States held 15.6 percent of total shares in ADB—slightly less than Japan's leading 15.7 percent—and China held 6.5 percent. The combined total resources of ADB and AIIB are still far below the \$60 billion per year through 2020 that ADB estimates is needed to meet ASEAN countries' infrastructure needs.

⁸⁴AIIB's 57 prospective founding members are Australia, Austria, Azerbaijan, Bangladesh, Brazil, Brunei, Burma, Cambodia, China, Denmark, Egypt, Finland, France, Georgia, Germany, Iceland, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Luxembourg, Malaysia, the Maldives, Malta, Mongolia, Nepal, the Netherlands, New Zealand, Norway, Oman, Pakistan, the Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uzbekistan, and Vietnam.

billion for the China-ASEAN Investment Cooperation Fund, a dollar-denominated equity fund that targets investment opportunities in infrastructure, energy, and natural resources in ASEAN countries. As of June 2015, the fund reported that its current size was \$1 billion, and it had set a target to ultimately raise \$10 billion.

Agency Comments

We are not making recommendations in this report. We sent a draft of this report for review and comment to the Departments of Agriculture, Commerce, State, and the Treasury and to MCC, OPIC, USAID, Ex-Im, USTDA, and USTR. We received technical comments from Agriculture, Commerce, State, the Treasury, and USTR, which we incorporated as appropriate.

We are sending copies of this report to the Secretaries of Agriculture, Commerce, State, and the Treasury; the Chairman of Ex-Im; the Administrator of USAID; the United States Trade Representative; the Director of USTDA; the Chief Executive Officers of OPIC and MCC; and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-3149 or gootnickd@gao.gov. Contact points for our Offices of Public Affairs and Congressional Relations may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix VII.



David B. Gootnick, Director
International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

We were asked to review the nature of the United States' and China's economic engagement in Southeast Asia.¹ Our objectives were to examine (1) what available data indicate about U.S. and Chinese trade and investment with the Association of Southeast Asia Nations (ASEAN) countries and (2) what actions the U.S. and Chinese governments have taken to further economic engagement with these countries.

As part of this review, we conducted fieldwork in Jakarta, Indonesia—where the ASEAN Secretariat is located—and Hanoi and Ho Chi Minh City, Vietnam. We based our selection of these two countries, among the 10 ASEAN countries, on the amounts of U.S. and Chinese exports and imports, foreign direct investment (FDI), and development assistance in each country. We also considered whether a country participated in U.S. and Chinese trade agreements or was a negotiating partner in the Trans-Pacific Partnership, whether a country was the location of any regional institutions, whether it was an emerging partner, and whether it was a South China Sea claimant. The information on foreign law in this report is not a product of GAO's original analysis but is derived from interviews and secondary sources.

To describe U.S. and Chinese engagement with ASEAN countries, we analyzed data on U.S. and Chinese trade in goods, trade in services, and FDI. We also analyzed trade and contract data to determine the extent to which U.S. and Chinese firms compete. To assess the reliability of these data, where possible, we cross-checked the data with other sources, conducted checks on the data for internal consistency, and consulted with U.S. officials. Because of the limited availability of data and the context for different sets of data we report, the time period for each set of reported data varied. We determined that the data were sufficiently reliable for the purposes of our report and have noted caveats where appropriate to indicate limitations in the data.

- To obtain data on U.S. and Chinese trade in goods from 1994 through 2014, we accessed the United Nations' (UN) Commodity Trade Statistics Database by means of the Department of Commerce's (Commerce) Trade Policy Information System. This database provides data for comparable categories of exports and imports of

¹In this report, Southeast Asia refers to the 10 countries of the Association of Southeast Asian Nations: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

goods for the United States and China. In reporting the value of exports, we used data on total exports, which include re-exports—goods that are imported but then exported in substantially the same condition. China does not report export data to the UN Commodity Trade database that separates re-exports from total exports. Therefore, we used data on total exports to ensure the comparability of U.S. and Chinese data on goods exports. For imports, we used data on general imports, which include goods that clear customs and goods that enter into bonded warehouses or foreign trade zones. We determined that data on trade in goods for the United States and China were generally reliable for comparing trends over time and the composition of trade.

To categorize the U.S. and Chinese trade in goods into capital, intermediate, and consumer goods, we assigned each good from the UN Commodity Trade database to one of these three categories using the UN's Broad Economic Categories. For goods that the UN does not classify as capital, intermediate, and consumer goods, we created an unclassified category. For example, the UN does not classify passenger motor cars as capital or consumer goods.

We analyzed data from the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO) on trade in value-added goods and services to illustrate the importance of accounting for components of a country's exports that originate in other countries.

- We analyzed data from the ASEANstats database for 2003, 2008, and 2013 to examine ASEAN countries' trade in goods with their trading partners over time. Because some of the ASEAN countries' trading partners do not report data to the UN Commodity Trade database, we used data from the ASEANstats database as a comprehensive set of data on trade in goods for all of ASEAN countries' trading partners. We compared trade data from the ASEANstats database and the UN Commodity Trade Database and found some differences in values of bilateral trade between ASEAN countries and their trading partners. Reasons for the differences include differences in the valuation of goods and differences in data quality.
- We calculated U.S. trade in services for 2011 and 2012, based on tabulations prepared for us by the Commerce's Bureau of Economic Analysis (BEA) and other sources, including the U.S. Census Bureau. BEA's data on trade in services for several categories—travel and passenger fares, transportation, education, and other private

services—are based on data from various sources. According to BEA, its survey data are from mandatory surveys of primarily U.S. businesses with services trade that exceeds certain thresholds. BEA does not survey a random sample of U.S. businesses and therefore does not report the data with margins of error. Our estimates of U.S. trade in services represent broad estimates rather than precise values. We extrapolated values for certain services at the country level from broader data (e.g., travel service data are based on multiplying the number of travelers for a country by data on average expenditures for travelers and average passenger fees for the region) We calculated values for other services (e.g., business, professional, and technical services) from a range of estimates based on survey data. In instances where the volume of trade for a service was presented to us as a range, we used the midpoint value to estimate the volume of trade for that service. In instances where the volume of trade for a service was presented as a range and described by BEA as trending upward, we used the lowest value for the earlier years and the highest value for the later years and assumed that the growth was linear.

For China's trade in services in 2011, we used estimates from the UN Conference on Trade and Development, the World Trade Organization (WTO), and the International Trade Centre downloaded from the International Trade Centre's Trade Map database. The estimates for 2009 from the Trade Map database are the same as data on China's trade in services from a report by China's Ministry of Commerce.²

- For data on U.S. firms' investments from 2007 through 2012, we used data that we obtained directly from BEA. For Chinese firms' investments, we used data from the UN Conference on Trade and Development as reported by China's Ministry of Commerce. To identify patterns in, and to compare, U.S. and Chinese FDI, we report U.S. and Chinese data on FDI while noting their limitations. First, as we have previously reported, both U.S. and Chinese FDI may be underreported, and experts have expressed particular concern regarding China's data.³ U.S. and Chinese firms set up subsidiaries in places such as the Netherlands and the British Virgin Islands, which

²China Ministry of Commerce, *China Trade in Services Report, 2010* (Apr. 6, 2012).

³[GAO-13-199](#).

can be used to make investments that are not captured by U.S. and Chinese data on FDI. Experts state that this could be a significant source of underreporting for China's data. For U.S. data, according to BEA, U.S. data on FDI are based on quarterly, annual, and benchmark surveys. BEA's benchmark survey is the most comprehensive survey of such investment and covers the universe of U.S. FDI. According to BEA, quarterly and annual surveys cover samples of businesses with FDI that exceed certain thresholds. BEA does not survey a random sample of businesses and therefore does not report the data with margins of error; therefore, we have not reported margins of error. Second, China does not report its definition of FDI when reporting its data. However, the types of data included by China in its FDI (e.g., equity investment data and reinvested earnings data) appear similar to data reported for U.S. FDI, which the United States defines on the basis of the OECD definition of FDI. Despite these limitations, various reports, including those published by international organizations such as the IMF, government agencies, academic experts, and other research institutions, use China's reported investment data to describe China's FDI activities. In addition, despite some potential underreporting of FDI data, we determined that the U.S. FDI data were reliable for reporting general patterns, when limitations are noted.

Given challenges in determining appropriate deflators for some data, we used nominal rather than inflation-adjusted values for U.S. and Chinese trade and for investments in ASEAN countries. However, we did test to see what the impact would be of deflating these data and found that deflating these values made a limited difference in describing the overall trends. For example, if the goods trade values that we report were adjusted using the U.S. gross domestic product (GDP) deflator, total Chinese trade in goods would surpass total U.S. trade in goods in 2007—similar to trends we found in nominal trade values. U.S. total trade in goods increased by a factor of 2.4 from 1994 through 2013 if not adjusted for inflation and by a factor of 1.7 if adjusted for inflation. Over the same period, Chinese total trade in goods increased by a factor of 30.9 if not adjusted for inflation and by a factor of 21.4 if adjusted for inflation.

To determine the extent to which U.S. and Chinese firms compete in ASEAN countries, we interviewed U.S. agency and private sector representatives and analyzed available data. To assess the extent to which exporters from the United States, China, and other countries

compete, we calculated an export similarity index to compare U.S., Chinese, and other countries' exports to ASEAN countries from 2001 through 2014.⁴ The export similarity index is a measure of the similarity of exports from two countries to a third country. For example, to calculate the index for U.S. and Chinese exports to ASEAN countries, for each type of good that the United States and China exports, we first calculate the share of that good in the United States' and China's total exports to ASEAN countries. We then identify the minimum of the United States' and China's shares. The index is the sum of the minimum shares for all types of goods that the United States and China export to ASEAN countries. We used data on goods exports from the UN Commodity Trade database at the four-digit level and calculated each country's export of a particular good as a share of that country's total exports to ASEAN countries.

We also analyzed data from Commerce's Advocacy Center on host-government contracts and data for contracts funded by the Asian Development Bank (ADB) and World Bank. Although these data represent a small share of activity in the region, they provide insights into the degree of competition between U.S. and Chinese firms for the projects represented.

- Commerce's Advocacy Center data were for a limited number of cases (184) where U.S. firms requested the agency's assistance in bidding for host-government contracts in ASEAN countries in 2009 through 2014. Because these data included the nationality of other firms bidding on a host-government contract, we used this information to determine the extent to which Chinese firms or firms of other nations were competing with U.S. firms for these contracts. We counted the numbers of contracts and summed the value of contracts in the Advocacy Center data for which each foreign country's firms competed against U.S. firms. We excluded 12 contracts for which the nationality of competitors was not identified, and in cases where the

⁴The export similarity index is described in J. M. Finger and M. E. Kreinin, "A Measure of 'Export Similarity' and Its Possible Uses," *The Economic Journal*, 89.356 (1979): 905-912. The World Bank includes the export similarity index as an indicator to describe export trends. An IMF study stated that the index is a common indicator to gauge export competitiveness; see International Monetary Fund, *Changing Patterns of Global Trade* (June 15, 2011). Other academic studies have also used the index to compare the similarity of exports; for example, see Marcus Noland, "Has Asian Export Performance Been Unique?," *Journal of International Economics*, 43 (1997), 79-101, and Peter K. Schott, "The Relative Similarity of China's Exports to the United States vis a vis Other U.S. Trading Partners" (July 2004).

U.S. firm(s) competed against a consortium of firms from different countries, we counted the whole value of the contract in each country's total. We also used the Advocacy Center's classification of contracts by sector to determine the sectors in which Chinese firms competed for the highest proportion of contracts. To determine the reliability of these data, we manually checked the data for missing values and reviewed information about how the data were collected. In addition, we interviewed Advocacy Center staff about the data. Advocacy Center staff told us that data from before 2010 may be less complete, because the center switched databases at that time, and some contracts that had been closed may not have been transferred. Overall, we found the data to be reliable for reporting on competition between U.S. and other firms, including Chinese firms, in ASEAN countries.

- The World Bank publishes data on the value, sector, and suppliers of its contracts in ASEAN countries. We used the World Bank's classification of contracts into procurement categories (goods, civil works, consultant services, and nonconsultant services) to compare the value and types of contracts that U.S. and Chinese firms were awarded from 2001 through 2014. However, we combined the consultant services and nonconsultant services categories into one category that we titled "consultant and other services". The data include contracts (generally large-value) that World Bank staff reviewed before the contracts were awarded. We analyzed all contracts in individual ASEAN countries as well as Mekong and ASEAN regional contracts. To determine the reliability of these data, we electronically checked the data for missing values and possible errors. We also contacted World Bank personnel to determine how the data were collected and any limitations of the data. We found that the data for contracts funded by the World Bank were generally reliable for the purpose of demonstrating U.S. and Chinese competition in ASEAN countries over time.
- To compare the value and types of contracts obtained by U.S. and Chinese firms, we used ADB's published data on the value, sector, and recipient of its contracts for consulting services, goods, and civil works provided as technical assistance or funded by loans and grants to ASEAN countries in 2013 and 2014. We also included regional contracts for Southeast Asia or the Greater Mekong Subregion in our analysis. ADB publishes data only for consulting contracts over \$0.1 million in value and other contracts over \$1.0 million, so our analysis of ADB contracts does not include some smaller ADB contracts. In addition, a portion of the ADB data did not have the contracts

classified according to the nature of the contract (construction, consulting services, goods, turnkey, and others). Therefore, we classified contracts obtained by U.S. and Chinese firms that were missing these categories according to those used in the rest of the data. To determine the reliability of these data, we checked the data for missing values and other types of discrepancies. We found that the ADB data were generally reliable for our purpose of reporting on U.S. and Chinese competition in ASEAN countries in 2013 and 2014.

To examine the actions that the U.S. and Chinese governments have taken to further economic engagement, we reviewed regional and country studies and U.S., Chinese, and ASEAN agency documents and interviewed U.S. and third-country officials, officials from private sector business associations, and experts from think tanks. We tried to arrange visits with Chinese government officials in the ASEAN countries we visited and in Washington, D.C.; however, they were unable to accommodate our requests for a meeting. U.S. agencies included in the scope of our study are the U.S. Departments of Agriculture (USDA), Commerce, State (State), and the Treasury; the Office of the U.S. Trade Representative (USTR); the Millennium Challenge Corporation; the U.S. Agency for International Development (USAID); the Export-Import Bank of the United States (Ex-Im); the Overseas Private Investment Corporation (OPIC); and the U.S. Trade and Development Agency.

- To obtain information about U.S. and Chinese trade agreements with ASEAN countries, we reviewed the trade agreements; U.S., Chinese, and ASEAN documents; academic and government studies; prior GAO reports; and documents from multilateral organizations, such as the WTO. We also interviewed U.S. officials in Indonesia and Vietnam, officials from private sector business associations, and experts from think tanks. To calculate examples of tariff reductions from these trade agreements, we used data on trade in goods from the UN Commodity Trade database to identify top traded goods and data from the WTO and the U.S. International Trade Commission on U.S., Chinese, and ASEAN countries' tariffs.
- To calculate the percentage of world goods trade for the participants in the Trans-Pacific Partnership negotiations, the Regional Comprehensive Economic Partnership negotiations, and the North American Free Trade Agreement, we used data on trade in goods from the UN Commodity Trade Database. As of July 2015, some countries such as Malaysia and Italy had not reported data on trade in goods for 2013, so we used the average of those countries' available data from 2010 through 2012 as an estimate of its 2013 trade in

goods.⁵ In addition, Laos did not report data for 2010 through 2013, so we excluded it from the calculations. To calculate the total population and percentage of world GDP for these participants, we used data on population and GDP from the World Bank's World Development Indicators.

- To obtain information about U.S. financing, we compiled Ex-Im and OPIC data from these agencies' annual reports and congressional budget justifications and interviewed agency officials to provide additional context and to clarify elements of the data. Where relevant, we note that additional Ex-Im insurance may include ASEAN countries but do not include these in our totals. To determine the reliability of these data, we interviewed agency officials and checked their published annual reports against agency-provided summary data to determine any limitations of the data or discrepancies in the data. We determined that data from Ex-Im and OPIC were generally reliable to present trends and aggregate amounts by year.
- To document U.S. efforts to provide export promotion services in ASEAN countries, we reviewed State's Foreign Affairs Manual and information about Commerce and USDA's export promotion policies and trade missions. We also interviewed State, Commerce, and USDA officials in Washington, D.C., and in Vietnam and Indonesia. We obtained data from State, Commerce, and USDA on the agencies' staffing in ASEAN countries. To determine the reliability of the data, we obtained information about how the data were collected and tabulated. We determined that the data were sufficiently reliable to show staffing trends over time (see app. IV).
- To document Chinese financing and support for firms, we used publicly available information from the websites of the Export-Import Bank of China, the China Development Bank, and the China Export & Credit Insurance Corporation. We converted financing numbers from Chinese yuan to U.S. dollars using exchange rates reported by the Federal Reserve. We supplemented this information with estimates from U.S. Ex-Im on Chinese export finance in 2013. We also used information reported by China's Ministry of Commerce about Chinese investment in special economic zones and from Xinhua, China's state

⁵To calculate the average, we did not include data on trade in goods for years when the country reported no exports or imports.

press agency, about currency swap agreements between China and other countries' central banks.

- To obtain data on U.S. official development assistance, we used data from the OECD's Development Assistance Committee. To obtain data on China's grants and aid, we used data from China's 2014 white paper on foreign aid, which describes China's foreign assistance activities from 2010 through 2012.⁶ To determine the reliability of U.S. development assistance data, we interviewed a knowledgeable USAID official about the definitions and collection of the data. We determined that U.S. development assistance data were generally reliable for showing the trends and composition of aid to ASEAN countries over time. China's white paper does not break out the data that it provides by country; thus, we were unable to provide data on China's provision of aid to ASEAN countries.
- To document U.S. support for economic development and integration in ASEAN countries, we used the USAID trade capacity building (TCB) database to capture U.S. development assistance efforts related to trade in ASEAN countries and at the ASEAN Secretariat. USAID collects data to identify and quantify the U.S. government's TCB activities in developing countries through an annual survey of agencies on behalf of USTR. We also reviewed agency project summaries and interviewed agency officials in Washington, D.C., Indonesia, and Vietnam. Where relevant, we noted that funds provided in a larger region (for example, funds provided to the East Asia and Pacific region) may include ASEAN countries, but we did not include these regional funds in our totals. To determine the reliability of these data, we interviewed agency officials regarding their methods for compiling and reviewing the data. We determined that data from the TCB database were sufficiently reliable for our purposes.
- To describe China's support for regional integration, we assessed publicly available information from China's July 2014 white paper on foreign aid; from Chinese ministries, such as the Ministry of Foreign Affairs; and from Xinhua, China's state news agency. We determined that the white paper and web publications from the Ministry of Foreign Affairs represented official Chinese statements. We relied on Xinhua

⁶Information Office of the State Council, The People's Republic of China, China's Foreign Aid (2014) (Beijing: July 2014).

for translation of statements by Chinese officials about Chinese initiatives and strategies and for other factual information, such as the location of infrastructure built in ASEAN countries with Chinese support.

We conducted this performance audit from April 2014 to August 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Roles and Responsibilities of U.S. and Chinese Entities in ASEAN Countries

Multiple U.S. and Chinese entities have roles in managing and conducting economic engagement with member countries of the Association of Southeast Asian Nations (ASEAN). Tables 6 and 7 provide more information about the roles and responsibilities of 10 U.S. entities and 6 Chinese entities that seek to promote trade and investment in, and provide aid to, ASEAN countries.

Table 6: Selected U.S. Government Entities' Roles and Areas of Involvement in Association of Southeast Asian Nations Countries

U.S. government entity	Role(s) and responsibilities	Area(s) of involvement
Department of Agriculture (USDA)	Expands and maintains access to foreign markets for U.S. agricultural products by removing trade barriers, enforcing U.S. rights under existing trade agreements, and providing market development programs; partners with the U.S. Agency for International Development to administer U.S. food aid programs.	Trade, investment, aid
Department of State (State)	Oversees policy development and bilateral relations; provides diplomatic presence supporting U.S. aid, trade, and investment activities, including for other federal agencies as appropriate.	Trade, investment, aid
Department of the Treasury (Treasury)	Engages on macroeconomic, development, and financial policy-related issues, including through multilateral economic and financial institutions; provides bilateral technical assistance to support the development of strong financial sectors and public financial management; advocates for transparency, accountability, and effectiveness in helping to foster private sector investment through multilateral development banks, such as the World Bank.	Trade, investment, aid
Department of Commerce (Commerce)	Facilitates U.S. export and investment opportunities; helps U.S. firms resolve market access problems; assists U.S. firms competing for foreign-government contracts.	Trade, investment
Office of the U.S. Trade Representative (USTR)	Develops and coordinates implementation of U.S. trade and investment policy; leads discussions with trade and investment framework agreement partners; negotiates bilateral investment treaties and other trade agreements; seeks to reduce trade and investment barriers and distortions; enforces U.S. rights under trade agreements.	Trade, investment
U.S. Trade and Development Agency (USTDA)	Funds project-planning activities, such as feasibility studies, and U.S. visits for foreign decision makers to observe the design, manufacture, and operation of U.S. products and services to help them achieve their development goals.	Trade, investment
Export-Import Bank of the United States (Ex-Im)	Provides financing of U.S. goods and services—such as working capital guarantees (pre-export financing), export credit insurance, loan guarantees, and direct loans—to promote U.S. exports.	Trade
Overseas Private Investment Corporation (OPIC)	Provides development financing to assist U.S. private sector investors overseas through direct loans, loan guarantees, political risk insurance, and support for private equity investment funds.	Investment
Millennium Challenge Corporation (MCC)	Implements bilateral compacts for grant-funded development projects.	Aid
U.S. Agency for International Development (USAID)	Formulates and implements U.S. development policies to promote broad-scale human progress through the advancement of, among other things, economic prosperity, democracy, and good governance in developing countries.	Aid

Source: GAO analysis of information from State, Agriculture, Commerce, Treasury, USTR, USTDA, Ex-Im, OPIC, MCC, and USAID. | GAO-15-724

**Appendix II: Roles and Responsibilities of U.S.
and Chinese Entities in ASEAN Countries**

Six Chinese entities manage China’s economic relationship with ASEAN countries. (See table 7.)

Table 7: Selected Chinese Government Entities’ Roles and Areas of Involvement in Association of Southeast Asian Nations Countries

Chinese government entity	Role(s) and responsibilities	Area(s) of involvement
China Development Bank	Provides medium- to long-term financing through loans for development projects.	Trade, investment, aid
Ministry of Commerce	Formulates and implements policies on foreign trade and investment activities; leads efforts to provide assistance to foreign countries.	Trade, investment, aid
Ministry of Foreign Affairs	Coordinates with other Chinese ministries on issues including foreign trade and economic cooperation and assistance.	Trade, investment, aid
Export-Import Bank of China	Provides export and import credits, international guarantees, and concessional loans for overseas construction and investment.	Trade, investment
SINOSURE – The China Export & Credit Insurance Corporation	Provides firms with short-, medium-, and long-term export credit insurance, investment insurance, loan guarantees, and credit rating services.	Trade, investment
Ministry of Finance	Supervises the implementation of the foreign aid budget.	Aid

Source: GAO analysis of information from the Brookings Institution, the Center for Global Development, the government of China, the World Bank, and China scholar Deborah Brautigam. | GAO-15-724

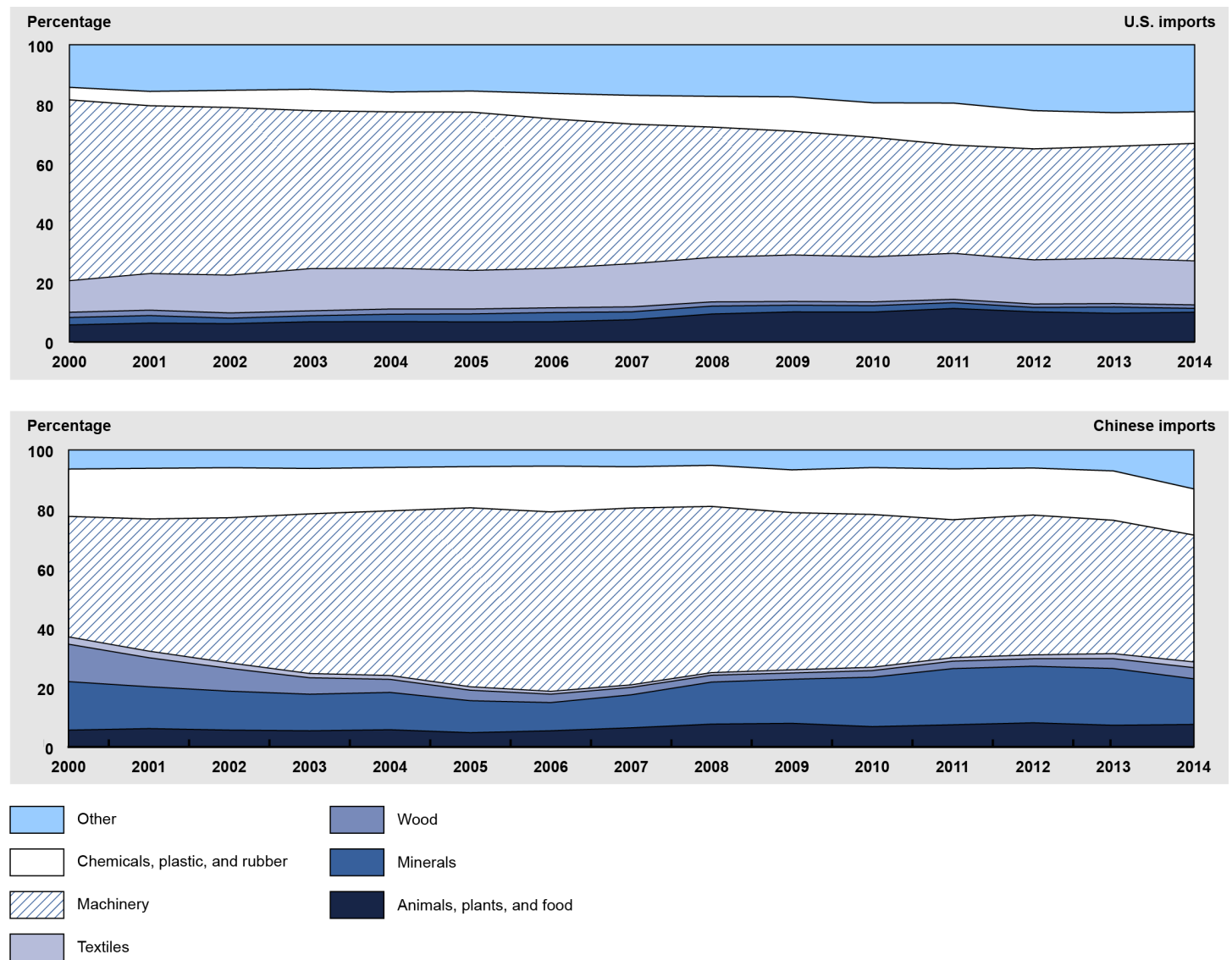
Appendix III: U.S., Chinese, European Union, and Japanese Goods Trade with ASEAN Countries

Machinery is the largest component of both the United States' and China's total goods exports and imports with the Association of Southeast Asian Nations (ASEAN) countries, but machinery's share of goods trade is falling. From 2007 through 2014, approximately 95 percent of U.S. and Chinese traded machinery was for industrial use, to produce other goods. For example, integrated circuits, a top machinery good, are used for producing computers and other electronic goods. The significant role of trade in machinery indicates that ASEAN countries are integrated into the U.S. and Chinese supply chains.

- **Imports.** From 2000 through 2014, U.S. imports of machinery from ASEAN countries declined from 61 percent to 40 percent of U.S. imports from ASEAN countries. As of 2014, the next largest categories of U.S. imports from ASEAN countries consisted of "other" (23 percent); textiles (15 percent); chemicals, plastic, and rubber (11 percent); and animals, plants, and food (10 percent). Machinery as a percentage of Chinese imports from ASEAN countries ranged from a low of 41 percent in 2000 to a high of more than 60 percent in 2006 before falling to 43 percent in 2014. Other leading Chinese imports in 2014 were chemicals, plastic, and rubber (16 percent) and mineral products (15 percent).
- **Exports.** From 2000 through 2014, machinery declined from 64 percent to 34 percent of U.S. exports to ASEAN countries, as the export share of U.S. transportation products grew from a low of 5 percent in 2000 to a high of 15 percent in 2013. In 2014, the other large categories of U.S. exports to ASEAN countries were "other" (17 percent); animals, plants, and food (14 percent); chemicals, plastic, and rubber (12 percent); and mineral products (6 percent). Machinery as a percentage of Chinese exports to ASEAN countries fell from a high of 46 percent in 2004 to 33 percent in 2014. Other leading Chinese exports in 2014 were "other" (30 percent); metals (13 percent); chemicals, plastic, and rubber (10 percent); and transportation (5 percent).

Figure 15 shows the United States' and China's total goods imports from ASEAN countries, by type of goods, in 2000 through 2014.

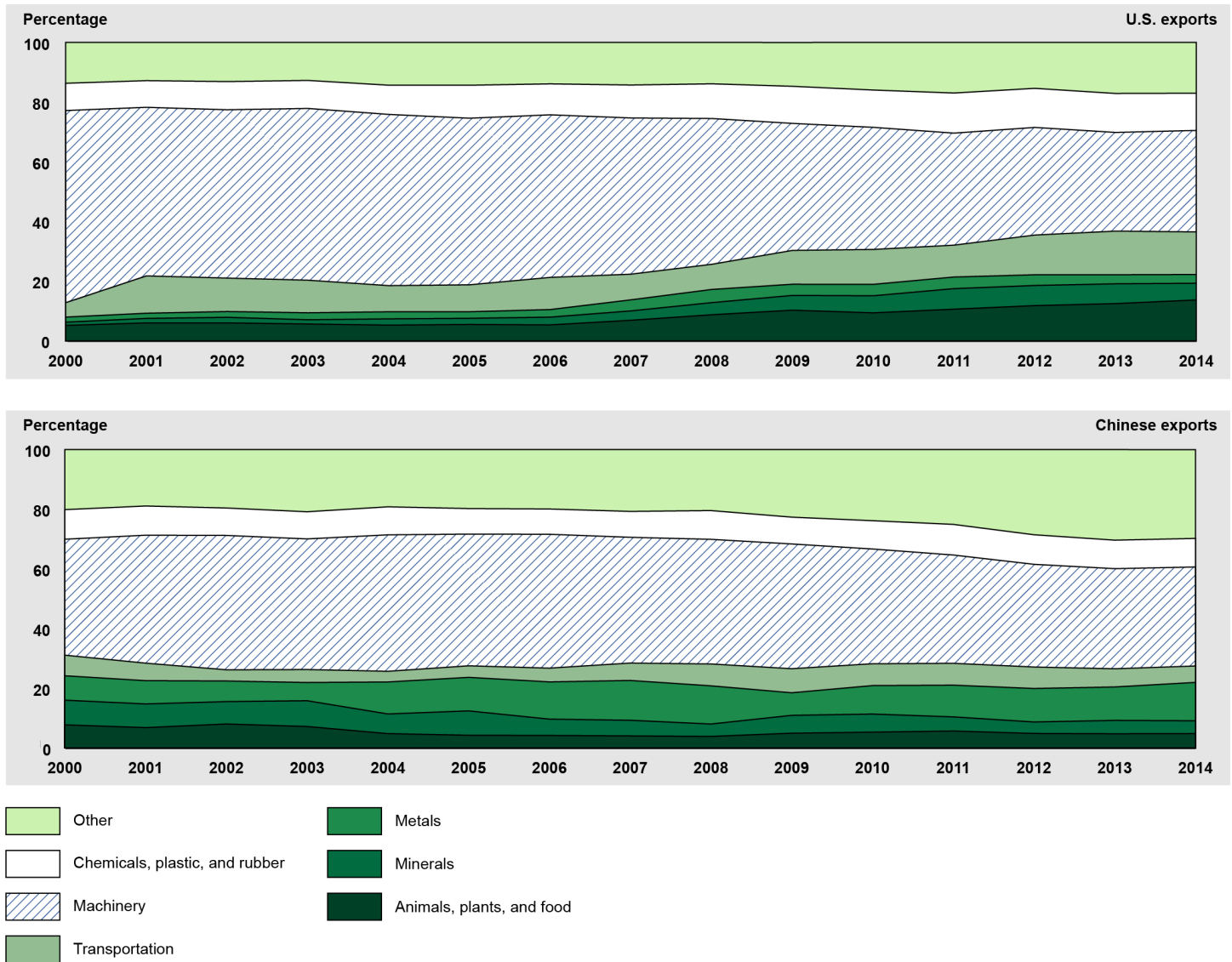
Figure 15: U.S. and Chinese Imports of Goods from Association of Southeast Asian Nations Countries by Type, 2000-2014



Source: GAO analysis of U.S. and Chinese data from the United Nations Commodity Trade database. | GAO-15-724

Figure 16 shows the United States' and China's total goods exports to ASEAN countries, by type of goods, from 2000 through 2014.

Figure 16: U.S. and Chinese Exports of Goods to Association of Southeast Asian Nations Countries by Type, 2000-2014



Source: GAO analysis of U.S. and Chinese data from the United Nations Commodity Trade database. | GAO-15-724

Tables 8 through 11 show the top 10 exports by the United States, China, the European Union (EU), and Japan to ASEAN countries in 2014. In 2014, electronic integrated circuits and microassemblies was the top

export to ASEAN countries for both the United States and China; otherwise, U.S. and Chinese top 10 exports to ASEAN countries did not overlap.¹ Electronic integrated circuits and microassemblies was also the only top 10 U.S. export to ASEAN that was among the top 10 EU exports to ASEAN. Three of the top 10 U.S. exports to ASEAN: (1) electronic integrated circuits and microassemblies; (2) diodes, transistors and similar semiconductor devices and photosensitive semiconductor devices, light emitting diodes; and (3) gold, nonmonetary (excluding gold ores and concentrates) were among the top 10 Japanese exports.

¹We ranked the value of U.S., Chinese, EU, and Japanese exports to ASEAN countries using the four-digit Standard International Trade Classification code. According to the United Nations (UN), it developed the Standard International Trade Classification to classify traded goods not only on the basis of their material and physical properties, but also according to their stage of processing and economic functions.

**Appendix III: U.S., Chinese, European Union,
and Japanese Goods Trade with ASEAN
Countries**

**Table 8: Top 10 U.S. Exports to ASEAN Countries by Four-Digit Standard
International Trade Classification Code and Share of Total Exports, 2014**

U.S. exports		Share of U.S. exports to ASEAN countries by value (percentage)
1	7764: electronic integrated circuits and microassemblies	13.9
2	2222: soybeans	3.0
3	7763: diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices; light emitting diodes	2.7
4	0412: wheat (including spelt) and meslin, unmilled, not elsewhere specified	2.1
5	9710: gold, nonmonetary (excluding gold ores and concentrates)	1.7
6	2631: cotton (other than linters), not carded or combed	1.5
7	8722: instruments and appliances used in medical, surgical or veterinary sciences (excluding electrodiagnostic and radiological instruments and apparatus)	1.5
8	0222: milk and cream, concentrated or sweetened	1.4
9	8747: oscilloscopes, spectrum analyzers, etc. (except meters), for measuring, etc. electricity; instruments, etc. measuring or detecting ionizing radiations	1.4
10	7599: parts and accessories for use solely or principally with office machines (except photo- or thermo-copy) and automatic data process machines, etc.	1.3

Legend: ASEAN = Association of Southeast Asian Nations UN = United Nations

Source: GAO analysis of data from the UN Commodity Trade database | GAO-15-724

Notes: Our analysis does not include exports categorized as "9310: special transactions and commodities not classified according to kind" because these include many different types of goods. According to the UN, it developed the Standard International Trade Classification to classify traded goods not only on the basis of their material and physical properties, but also according to their stage of processing and economic functions.

Table 9: Top 10 Chinese Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Total Exports, 2014

Chinese exports		Share of Chinese exports to ASEAN countries by value (percentage)
1	7764: electronic integrated circuits and microassemblies	3.4
2	7649: parts and accessories suitable for use solely or principally with the apparatus of telecommunications and sound recording and reproducing equipment	2.8
3	7643: transmission apparatus for radiotelephony, telegraphy, broadcasting or television, whether or not including reception, sound recording, etc. apparatus	1.9
4	8719: liquid crystal devices, not elsewhere specified; lasers (other than laser diodes); other optical appliances and instruments, not elsewhere specified	1.8
5	8131: Lamps and lighting fittings (including searchlights and spotlights) not elsewhere specified	1.5
6	6842: aluminum and aluminum alloys, worked	1.4
7	6762: bars and rods of alloy steel, not elsewhere specified, not further worked than hot-rolled, drawn or extruded, but including those twisted after rolling	1.4
8	8442: suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, women's or girls' text fabric knit	1.4
9	7932: ships, boats and other vessels (other than pleasure craft, tugs, pusher craft, special purpose vessels and vessels for breaking up)	1.4
10	7522: digital automatic data processing machines containing in the same housing a central processing unit and an input and output unit	1.3

Legend: ASEAN=Association of Southeast Asian Nations UN = United Nations

Source: GAO analysis of data from the UN Commodity Trade database | GAO-15-724

Notes: Our analysis does not include exports categorized as "9310: special transactions and commodities not classified according to kind" because these include many different types of goods. According to the UN, it developed the Standard International Trade Classification to classify traded goods not only on the basis of their material and physical properties, but also according to their stage of processing and economic functions.

**Appendix III: U.S., Chinese, European Union,
and Japanese Goods Trade with ASEAN
Countries**

**Table 10: Top 10 EU Exports to ASEAN Countries by Four-Digit Standard
International Trade Classification Code and Share of Exports, 2014**

EU exports		Share of EU exports to ASEAN countries by value (percentage)
1	7924: airplanes and other aircraft, mechanically propelled (other than helicopters), of an unladen weight exceeding 15,000 kg	7.2
2	7764: electronic integrated circuits and microassemblies	5.4
3	7149: parts of turbojet engines and gas turbines, not elsewhere specified	2.8
4	7812: motor vehicles for the transport of persons (other than public transport), not elsewhere specified	2.5
5	5429: medicaments, not elsewhere specified	2.0
6	7284: machinery and mechanical appliances specialized for a particular industry, not elsewhere specified	1.6
7	1124: spirits for beverages (except ethyl alcohol 80 percent or more alcohol by volume); liqueurs, etc., not elsewhere specified	1.5
8	7843: parts and accessories not elsewhere specified for tractors, motor cars and other motor vehicles, trucks, public-transport vehicles and road motor vehicles not elsewhere specified	1.4
9	5416: glycosides; glands or other organs and extracts; antisera, vaccines and similar products	1.4
10	7452: dish washing machines (not household type); machinery for cleaning, filling, sealing, labeling, etc. containers; machinery for aerating beverages	1.2

Legend: ASEAN=Association of Southeast Asian Nations; EU=European Union; UN = United Nations
Source: GAO analysis of data from the UN Commodity Trade database | GAO-15-724

Notes: Our analysis does not include exports categorized as “9310: special transactions and commodities not classified according to kind” because these include many different types of goods. According to the UN, it developed the Standard International Trade Classification to classify traded goods not only on the basis of their material and physical properties, but also according to their stage of processing and economic functions.

Table 11: Top 10 Japanese Exports to ASEAN Countries by Four-Digit Standard International Trade Classification Code and Share of Exports, 2014

Japanese exports		Share of Japanese exports to ASEAN countries by value (percentage)
1	7843: parts and accessories not elsewhere specified for tractors, motor cars and other motor vehicles, trucks, public-transport vehicles and road motor vehicles not elsewhere specified	5.8
2	7764: electronic integrated circuits and microassemblies	5.2
3	7812: motor vehicles for the transport of persons (other than public transport), not elsewhere specified	2.9
4	7284: machinery and mechanical appliances specialized for a particular industry, not elsewhere specified	2.6
5	9710: gold, nonmonetary (excluding gold ores and concentrates)	2.1
6	7821: motor vehicles for the transport of goods	2.1
7	7763: diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices; light emitting diodes	1.9
8	7932: ships, boats and other vessels (other than pleasure craft, tugs, pusher craft, special purpose vessels and vessels for breaking up)	1.8
9	7139: parts, not elsewhere specified for internal combustion piston engines for road vehicles, etc., for marine propulsion engines and internal combustion engines, not elsewhere specified	1.8
10	7768: piezoelectric crystals, mounted, and parts, not elsewhere specified of thermionic, cold cathode or photocathode valves and tubes, diodes, transistors, etc.	1.7

Legend: ASEAN=Association of Southeast Asian Nations; UN = United Nations

Source: GAO analysis of data from the UN Commodity Trade database | GAO-15-724

Notes: Our analysis does not include exports categorized as "9310: special transactions and commodities not classified according to kind" because these include many different types of goods. According to the UN, it developed the Standard International Trade Classification to classify traded goods not only on the basis of their material and physical properties, but also according to their stage of processing and economic functions.

Appendix IV: Overseas Staffing in ASEAN Countries by Departments of State, Commerce, and Agriculture

Overseas staffing in the member countries of the Association of Southeast Asian Nations (ASEAN) by the Departments of State (State) and Commerce (Commerce) generally increased in recent years, while the Department of Agriculture's (USDA) overseas staffing remained relatively constant.

State's economic foreign service officer (FSO) positions in ASEAN countries increased from 2008 through 2014, with the largest increase in positions from 2011 through 2012. However, State attributed the increase in positions in 2011 and 2012 to a worldwide reclassification of some positions from generalist interfunctional to economic. State economic FSO positions in ASEAN countries as a percentage of economic FSO positions worldwide remained from 6 to 7 percent from 2008 to 2014 (see table 12).

Table 12: Department of State Economic FSO Positions by ASEAN Country, Calendar Years 2008-2014

Country	2008	2009	2010	2011	2012	2013	2014
Brunei	0	0	0	0	1	1	2
Burma	2	3	3	3	4	5	6
Cambodia	1	2	2	2	3	3	3
Indonesia	13	14	15	16	18	17	17
Laos	0	1	1	1	3	4	4
Malaysia	6	6	6	6	6	6	6
Philippines	6	6	8	8	9	9	10
Singapore	4	4	4	4	4	4	4
Thailand	7	7	8	9	11	11	11
Vietnam	9	9	9	9	10	10	10
Total	48	52	56	58	69	70	73
Economic FSO positions in ASEAN countries as a percentage of such positions worldwide	6.4	6.8	6.6	6.8	6.4	6.5	6.8

Legend: ASEAN = Association of Southeast Asian Nations. FSO = foreign service officer.

Source: GAO analysis of U.S. Department of State data. | GAO-15-724

Notes: Economic FSO positions are as of the end of each calendar year. These positions may include officers whose job responsibilities require that they work on both economic and political issues. According to the Department of State, the increase in economic FSO positions from 2011 to 2012 can be attributed to a reclassification of generalist interfunctional positions to economic positions.

Commerce's FSO positions in ASEAN countries increased in fiscal years 2012 through 2014, while its locally employed staff (LES) positions remained about the same (see table 13).

**Appendix IV: Overseas Staffing in ASEAN
Countries by Departments of State, Commerce,
and Agriculture**

Table 13: Department of Commerce FSO and LES Positions by ASEAN Country, Fiscal Years 2012-2014

Country	Type of position	2012	2013	2014
Brunei	FSO	0	0	0
	LES	0	0	0
Burma	FSO	0	0	1
	LES	0	0	0
Cambodia	FSO	0	0	0
	LES	0	0	0
Indonesia	FSO	3	3	3
	LES	15	15	13
Laos	FSO	0	0	0
	LES	0	0	0
Malaysia	FSO	2	3	3
	LES	6	6	6
Philippines	FSO	2	2	2
	LES	12	12	12
Singapore	FSO	3	3	3
	LES	10	10	11
Thailand	FSO	2	2	2
	LES	13	14	12
Vietnam	FSO	4	4	4
	LES	18	17	18
Total	FSO	16	17	18
	LES	74	74	72

Legend: ASEAN=Association of Southeast Asian Nations. FSO = foreign service officer. LES = locally employed staff.

Source: GAO analysis of U.S. Department of Commerce data. | GAO-15-724

Notes: The Department of Commerce's ASEAN FSO positions comprised about 7 percent of its worldwide FSO positions (excluding its Multilateral Development Bank staff) in fiscal year 2014. The department's ASEAN LES positions comprised about 10 percent of its worldwide LES positions in fiscal year 2014.

The Department of Agriculture's (USDA) FSO and LES positions in ASEAN countries did not change significantly in fiscal years 2009 through 2014. USDA positions in ASEAN countries as a percentage of its global presence gradually increased for FSO positions during these years but decreased somewhat for LES positions from fiscal years 2009 through 2014 (see table 14).

**Appendix IV: Overseas Staffing in ASEAN
Countries by Departments of State, Commerce,
and Agriculture**

Table 14: Department of Agriculture FSO and LES Positions by ASEAN Country, Fiscal Years 2009-2014

Country	Type of position	2009	2010	2011	2012	2013	2014
Brunei	FSO	0	0	0	0	0	0
	LES	0	0	0	0	0	0
Burma	FSO	0	0	0	0	0	0
	LES	1	1	1	1	1	1
Cambodia	FSO	0	0	0	0	0	0
	LES	1	1	1	0	0	0
Indonesia	FSO	2	2	2	2	2	2
	LES	10	10	10	7	7	8
Laos	FSO	0	0	0	0	0	0
	LES	1	1	1	0	0	0
Malaysia	FSO	1	1	1	1	1	1
	LES	5	5	5	5	4	4
Philippines	FSO	3	3	3	3	3	3
	LES	9	9	9	9	9	9
Singapore	FSO	0	0	0	0	0	0
	LES	2	2	2	2	2	2
Thailand	FSO	3	3	3	3	3	3
	LES	9	9	9	9	9	9
Vietnam	FSO	3	3	3	3	3	3
	LES	8	8	8	8	8	10
Total	FSO	12	12	12	12	12	12
	LES	46	46	46	41	40	43
Positions in ASEAN countries as a percentage of such positions worldwide	FSO	6.8	6.6	6.9	7.6	7.8	8.2
	LES	9.7	9.6	7.6	7.0	7.2	7.9

Legend: ASEAN=Association of Southeast Asian Nations. FSO = foreign service officer. LES = locally employed staff.

Source: GAO analysis of U.S. Department of Agriculture data. | GAO-15-724

Notes: Department of Agriculture staff in Malaysia are responsible for supporting the department's activities, in accordance with its strategic goals, in Brunei, Papua New Guinea, and Singapore. Department of Agriculture staff in Vietnam provide support for the department's activities in Laos and Cambodia. The department plans to add one additional FSO position in Indonesia and one additional FSO and two LES positions in Burma.

Appendix V: U.S. Trade Capacity Building Assistance to ASEAN Countries and the ASEAN Secretariat

U.S. agencies have identified certain official development assistance to member countries of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Secretariat as trade capacity building (TCB) assistance. TCB assistance addresses areas including the regulatory environment for business, trade, and investment; constraints such as low capacity for production and entrepreneurship; and inadequate physical infrastructure, for example, poor transport and storage facilities. Table 15 shows U.S. TCB assistance to ASEAN countries, including the ASEAN Secretariat, in fiscal years 2009 through 2013.

Table 15: U.S. TCB Assistance to the ASEAN Countries and Secretariat, Fiscal Years 2009-2013

Nominal dollars in millions							TCB assistance as percentage of total ASEAN TCB assistance
2009	2010	2011	2012	2013	Total		
Brunei	-	-	-	-	-	-	0
Burma	-	-	0.2	-	6.4	6.6	1
Cambodia	4.2	4.5	3.9	11.7	3.0	27.4	5
Indonesia	13.4	3.8	7.4	339.3	9.1	373.1	70
Laos	2.4	2.2	2.0	1.6	0.7	8.9	2
Malaysia	1.2	1.8	0.8	0.8	1.1	5.7	1
Philippines	10.8	6.0	22.0	2.1	5.7	46.5	9
Singapore	-	-	-	-	-	-	0
Thailand	1.4	10.3	1.5	1.3	0.8	15.4	3
Vietnam	8.7	8.0	6.4	5.2	3.7	31.9	6
ASEAN Secretariat	3.5	9.1	1.0	3.4	3.8	20.8	4
ASEAN Total	\$45.5	\$45.6	\$45.2	\$365.5	\$34.3	\$536.2	100
TCB assistance to ASEAN countries as a percentage of TCB assistance worldwide	2	3	3	35	5	8	

Legend: ASEAN=Association of Southeast Asian Nations. TCB=trade capacity building.

Source: U.S. Agency for International Development TCB Database. | GAO-15-724

Notes: The United States also provided TCB assistance categorized to the broader region during these years, such as to the Asia-Pacific Economic Cooperation Secretariat (\$626,000), to Asia (countries not specified, \$26.6 million), and to East Asia and Pacific (countries not specified, \$2.6 million). Some of these funds may have been used in or benefitted ASEAN countries.

As table 15 shows, in fiscal years 2009 through 2011, U.S. TCB assistance to ASEAN countries and the ASEAN Secretariat remained relatively constant at approximately \$45 million annually. In fiscal year 2012, the Millennium Challenge Corporation (MCC) signed a \$600 million compact with Indonesia. MCC categorized its Indonesia compact's \$332.5 million Green Prosperity Project as TCB assistance, resulting in an increase to \$365.5 million in identified TCB assistance that year. In fiscal year 2013, U.S. TCB assistance fell to approximately \$34 million.

Indonesia was the largest recipient of TCB assistance among ASEAN countries in recent years. Indonesia received almost 70 percent of the TCB funding in fiscal years 2009 to 2013, primarily because of funding from the MCC compact. The Philippines, Vietnam, and Cambodia were the next largest recipients of TCB assistance, with the Philippines receiving about 9 percent of total TCB assistance to ASEAN countries and the Secretariat in fiscal years 2009 through 2013, followed by Vietnam with 6 percent and Cambodia with about 5 percent. Singapore and Brunei did not receive TCB assistance during this period.

Appendix VI: U.S. and Chinese Official Development Assistance to ASEAN Countries

U.S. official development assistance (ODA) to member countries of the Association of Southeast Asian Nations (ASEAN) has increased in recent years due to Millennium Challenge Corporation (MCC) commitments and has focused on social infrastructure and services. China does not report ODA by country and does not use the definitions used by the United States and other members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC).¹

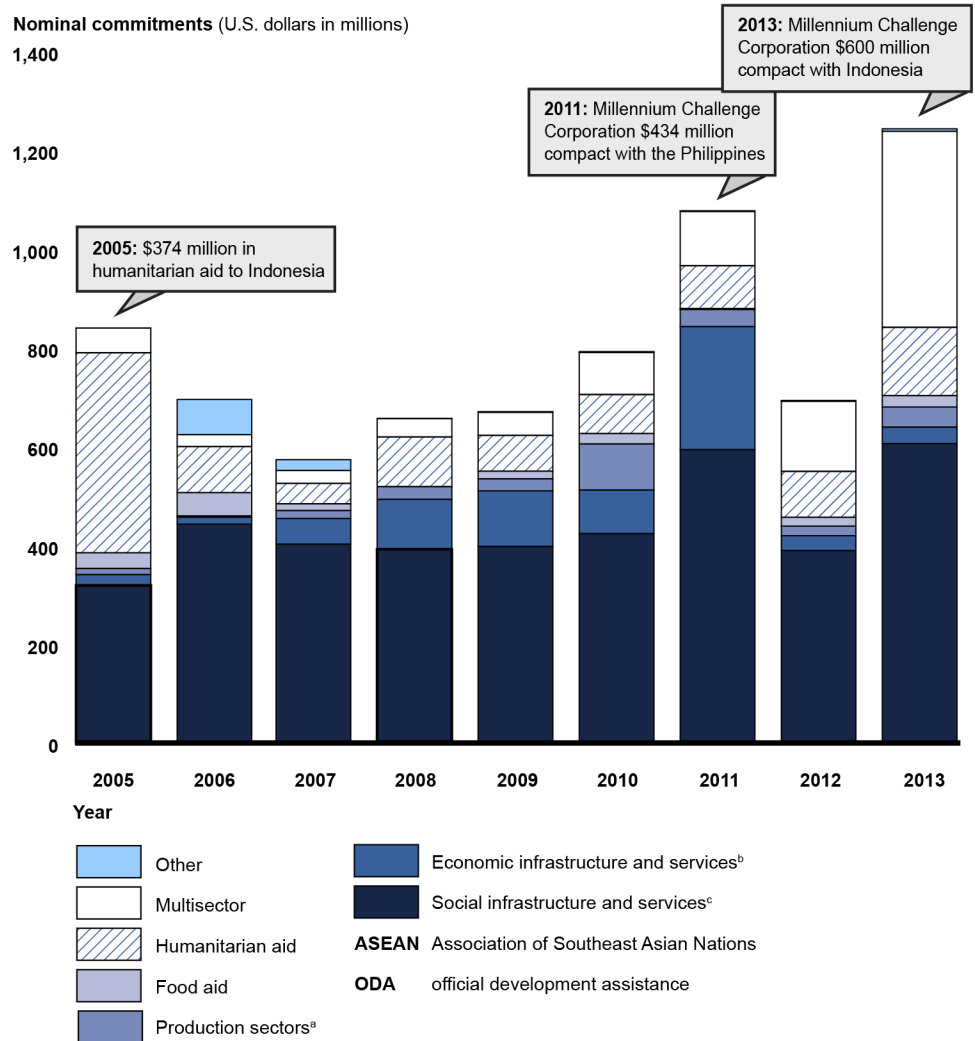
MCC Commitments Have Increased U.S. ODA to ASEAN Countries

In calendar years 2005 through 2013, the United States provided approximately \$7.2 billion in ODA to ASEAN countries, approximately 2.8 percent of U.S. ODA worldwide for that period. In calendar year 2013, U.S. ODA to ASEAN countries was 4.5 percent of total U.S. ODA. More than half of U.S.-provided ODA to ASEAN countries was for "social infrastructure and services," which includes categories such as education, health, and assistance to government and civil society. In accordance with the 2005 Paris Declaration on Aid Effectiveness, the U.S. government generally does not condition its aid on, or tie it to, the recipient country's use of the aid to procure goods or services from the United States. From 2005 through 2013, the three highest U.S. ODA commitment levels to ASEAN countries resulted from large one-time commitments. In 2005, the United States committed \$374 million in humanitarian aid to Indonesia. The 2011 and 2013 peaks reflect the entry-into-force of MCC compacts with the Philippines and Indonesia, respectively (see fig. 17).²

¹OECD defines official development assistance as those flows to countries and territories on OECD's list of ODA recipients and to multilateral development institutions that are provided by official agencies, have the promotion of economic development and welfare of developing countries as their main objective, and are concessional and convey a grant element of at least 25 percent.

²MCC's compacts with the Philippines and Indonesia entered into force several months after compact signature. MCC's Philippines compact was signed in September 2010 and entered into force in May 2011. MCC's Indonesia compact was signed in November 2011 and entered into force in April 2013. MCC funds are disbursed over the 5 years of the compact.

Figure 17: U.S. ODA Commitments to ASEAN Countries, 2005-2013



Source: GAO analysis of data from the Organisation for Economic Co-operation and Development. | GAO-15-724

^aIncludes agriculture, forestry, fishing, industry, mining, construction, trade, and tourism.

^bIncludes transport, communications, energy, and financial services.

^cIncludes education, health, civil society, and water supply and sanitation.

MCC's 5-year \$434 million Philippines compact consists of rehabilitation of a 222-kilometer road on Samar to improve access to markets and social services (\$214.4 million); funding for projects selected by communities, such as water systems, clinics, and schools (\$120 million); efforts to improve tax administration (\$54.3 million); and \$45.1 million for

program administration, monitoring, and evaluation.³ MCC's 5-year, \$600 million Indonesia compact consists of the Green Prosperity Project (\$332.5 million) to provide technical and financial assistance for locally identified projects in renewable energy and natural resource management; the Community-Based Health and Nutrition to Reduce Stunting Project (\$131.5 million) to improve child health and nutrition; and the Procurement Modernization Project (\$50 million) to increase institutional capacity and employee knowledge of good procurement practices; and \$86 million for program administration, monitoring, and evaluation.⁴ Supported by the large commitments by MCC, Indonesia and the Philippines, the first and second-largest ASEAN countries by population, received the largest percentages of U.S. ODA to ASEAN countries in 2005 through 2013. Vietnam, the third largest, received the third-largest percentage (see table 16).

Table 16: U.S. ODA Commitments to ASEAN Countries, 2005 to 2013

Nominal dollars in millions

³None of the Philippines compact was categorized as trade capacity building assistance.

⁴The entirety of the Green Prosperity project was categorized as trade capacity building assistance.

**Appendix VI: U.S. and Chinese Official
Development Assistance to ASEAN Countries**

Country	Total	Percentage of total commitments to ASEAN countries
Burma	\$371.89	5.2
Brunei	-	0
Cambodia	706.24	9.8
Indonesia	2,950.19	40.9
Laos	69.75	1.0
Malaysia	130.93	1.8
Philippines	1670.35	23.1
Singapore	-	0
Thailand	550.19	7.6
Vietnam	770.88	10.7
Total	\$7220.42	

Legend: ASEAN = Association of Southeast Asian Nations; ODA = official development assistance
Source: GAO analysis of data from the Organisation for Economic Co-operation and Development's Development Assistance Committee database. | GAO-15-724

Note: Numbers do not sum to totals because of rounding.

**China Does Not Publish
Aid Data Disaggregated
by Country**

China is not a member of the OECD-DAC and does not provide data according to OECD-DAC definitions and categories. In recent years, however, China has published some information about its foreign assistance. In 2011 and again in July 2014, China released a white paper on its foreign aid.⁵ The white paper stated that China appropriated a total of \$14.4 billion for global foreign assistance as grants (36 percent of the total), interest-free loans (8 percent), and concessional loans (56 percent) in 2010 through 2012. The white paper also stated that 31 percent (\$4.4 billion) of China's aid was provided to Asia, but did not break out this aid by country. According to the white paper, 45 percent of China's total aid was for economic infrastructure, 28 percent was for social and public infrastructure, and from 2010 to 2012 China emphasized assistance in infrastructure construction. Unlike OECD-DAC countries, China has not agreed to eliminate tying aid to the use of its own goods and services.

⁵Information Office of the State Council, The People's Republic of China, China's Foreign Aid (2014) (Beijing: July 2014).

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

David B. Gootnick, (202) 512-3149 or gootnickd@gao.gov

Staff Acknowledgments

In addition to the contact named above, Emil Friberg (Assistant Director), Charles Culverwell, Fang He, Kira Self, Michael Simon, and Eddie W. Uyekawa made key contributions to this report. Benjamin A. Bolitzer, Lynn A. Cothorn, Mark B. Dowling, Justin Fisher, Michael E. Hoffman, Reid Lowe, J. Daniel Paulk, and Oziel A. Trevino provided technical assistance.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#).
Listen to our [Podcasts](#) and read [The Watchblog](#).
Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

