



United States Government Accountability Office

Report to the Ranking Member
Subcommittee on National Security and
International Trade and Finance
Committee on Banking, Housing, and
Urban Affairs, U.S. Senate

April 2023

FEDERAL SPENDING

Information on U.S. Funding to Entities Located in China

Accessible Version

GAO Highlights

Highlights of [GAO-23-105538](#), a report to the Ranking Member, Subcommittee on National Security and International Trade and Finance, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

Why GAO Did This Study

U.S. agencies provide funding through assistance awards and contracts to foreign recipients to support U.S. goals. Some of these foreign recipients are entities located in China—a major U.S. trading partner and strategic rival. EXIM also provides financing, such as loans, guarantees, and insurance, to Chinese or other entities, to facilitate U.S. exports to China.

GAO was asked to review U.S. funding and financing of entities located in China. This report examines (1) funding obligated by U.S. agencies through assistance awards and contracts to entities located in China from fiscal years 2017 through 2021; and (2) financing provided by EXIM for U.S. exports to China, or to Chinese state-owned entities, from fiscal years 2012 through 2021.

GAO analyzed assistance award and contract data in USAspending.gov from fiscal years 2017 through 2021 and validated these data with five U.S. agencies that accounted for about 99 percent of the funding obligated to entities in China. GAO also analyzed subaward data in USAspending.gov for two U.S. agencies whose award recipients reported providing the largest amount of funding through subawards to entities in China and discussed subaward data limitations with these agencies. GAO analyzed EXIM financing data on U.S. exports to China from fiscal years 2012 through 2021—a 10-year scope that includes a 4-year period when EXIM lacked full funding authority, according to EXIM. GAO interviewed agency officials about these funding and financing activities.

View [GAO-23-105538](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or gianopoulosk@gao.gov.

APRIL 2023

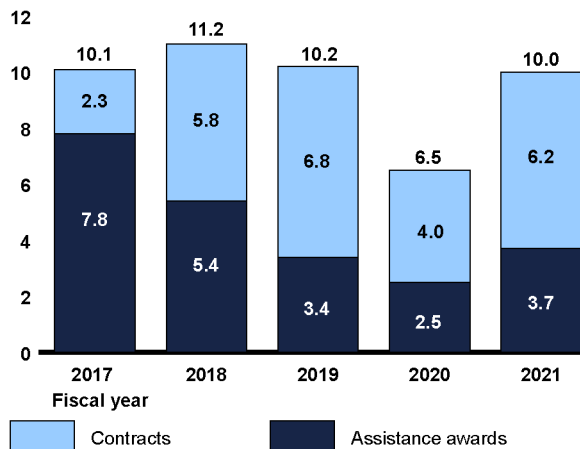
FEDERAL SPENDING

Information on U.S. Funding to Entities Located in China

What GAO Found

U.S. agencies reported providing at least \$48 million in obligations for various purposes to entities located in China from fiscal years 2017 through 2021. Of this amount, agencies obligated about \$22.8 million through assistance awards and about \$25.2 million through contracts. For example, the Department of Health and Human Services obligated funding through assistance awards to study infectious diseases, and the Department of State obligated funding through contracts to purchase goods and services for U.S. government operations in China. U.S. award recipients also provided funding through subawards to entities located in China. However, the full extent of these subawards is unknown because of limitations in the completeness and accuracy of subaward data reported in government systems. For example, subaward data may be incomplete because award recipients are required to provide information only for subawards valued at \$30,000 or more, in accordance with federal subaward reporting requirements. Limitations in subaward data is a government-wide issue and not unique to U.S. funding to entities in China. GAO is currently examining the state of federal government-wide subaward data as part of a separate review.

U.S. Agencies' Obligations to Entities Located in China, Fiscal Years 2017–2021
Dollars (in millions)



Note: Amounts shown may not sum to totals because of rounding.

GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

From fiscal years 2012 through 2021, the Export-Import Bank (EXIM) supported U.S. exports to China through loan guarantees and export credit insurance. Prior to 2016, EXIM provided most of its financing through loan guarantees to support U.S. aircraft exports to China. According to EXIM data, EXIM's largest single loan guarantee totaled \$830 million to support Air China's purchase of aircraft manufactured by The Boeing Company in fiscal year 2012. EXIM's annual financial exposure to China (i.e., EXIM's outstanding credit risk attributable to entities in China) has declined every year since fiscal year 2015. EXIM defines Chinese state-owned entities as entities owned by the government of China in addition to those entities that, since EXIM's 2019 reauthorization, EXIM identified as partially owned by the government of China. Chinese state-owned entities accounted for less than 5 percent of total exposure to China at the end of fiscal year 2021, according to EXIM data.

Contents

Letter

	1
Background	4
U.S. Agencies Obligated at Least \$48 Million to Entities Located in China, but the Full Extent Is Unknown Because of Data Limitations	7
EXIM Supported U.S. Exports to China through Loan Guarantees and Insurance	20
Agency Comments	28

Appendix I	Objectives, Scope, and Methodology	30
------------	------------------------------------	----

Appendix II	Entities Located in China That Received Obligations through Prime Assistance Awards	36
-------------	---	----

Appendix III	Entities Located in China That Received Obligations through Prime Contracts	39
--------------	---	----

Appendix IV Development	Comments from the United States Agency for International Development	43
----------------------------	--	----

Appendix V	Comments from the Export-Import Bank of the United States	46
------------	---	----

Appendix VI	GAO Contact and Staff Acknowledgments	48
-------------	---------------------------------------	----

Tables

Table 1: U.S. Agency-Reported Obligations through Prime Awards Provided to Entities Located in China, by Agency, Fiscal Years 2017–2021	9
Table 2: Examples of Prime Assistance Awards Provided to Entities Located in China, Fiscal Years 2017–2021	13

Table 3: Examples of Prime Contracts to Entities Located in China, Fiscal Years 2017–2021	15
Table 4: Entities Located in China That Received Obligations through Prime Assistance Awards, Fiscal Years 2017–2021	36
Table 5: Entities Located in China That Received Obligations for Prime Contracts, Fiscal Years 2017–2021	39

Figures

Figure 1: Pathways for Providing U.S. Funds to Foreign Entities	5
Figure 2: U.S. Agency-Reported Obligations through Prime Awards to Entities Located in China, Fiscal Years 2017–2021	9
Figure 3: U.S. Agency-Reported Obligations through Prime Assistance Awards to Entities Located in China, Fiscal Years 2017–2021	11
Figure 4: U.S. Agency-Reported Obligations through Prime Contracts to Entities Located in China, Fiscal Years 2017–2021	12
Figure 5: Availability of U.S. Funding Data for Prime Awards and Subawards	18
Figure 6: Annual Amount of EXIM Loan Guarantees and Export Credit Insurance Supporting U.S. Exports to China, Fiscal Years 2012–2021	21
Figure 7: Amount and Percentage of EXIM Loan Guarantees to Different Types of Businesses for U.S. Exports to China, Fiscal Years 2012–2021	23
Figure 8: Amount and Percentage of EXIM’s Export Credit Insurance Policies for Different Types of Businesses for U.S. Exports to China, Fiscal Years 2012–2021	25
Figure 9: EXIM’s Financial Exposure to China and Chinese State-Owned Entities, by Financial Product, Fiscal Years 2012–2021	26

Abbreviations

CDC	Centers for Disease Control and Prevention
DATA Act	Digital Accountability and Transparency Act of 2014
EXIM	Export-Import Bank of the United States
FFATA	Federal Funding Accountability and Transparency Act of 2006
FSRS	FFATA Subaward Reporting System
HHS	Department of Health and Human Services
NIH	National Institutes of Health
OMB	Office of Management and Budget
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture

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.



April 12, 2023

The Honorable Bill Hagerty
Ranking Member
Subcommittee on National Security and International Trade
and Finance
Committee on Banking, Housing, and Urban Affairs
United States Senate

Dear Mr. Hagerty:

U.S. agencies sometimes provide funding through assistance awards or contracts to foreign entities to support a variety of U.S. goals. Some of these foreign entities are located in China—a major trading partner and strategic rival of the United States. For example, U.S. agencies may obligate¹ funding through assistance awards to entities in China, such as universities, for research.² Agencies may also obligate funding through contracts with entities located in China to purchase goods and services that support agencies' operations in country. The Export-Import Bank (EXIM) also provides financing such as direct loans, loan guarantees, and export credit insurance to Chinese or other entities, to facilitate U.S. exports to China. For example, EXIM may provide U.S. exporters with insurance against non-payment.

You asked us to review U.S. funding and financing of entities located in China. This report examines what is known about (1) the amount, type, and purpose of funding obligated by U.S. agencies through assistance awards and contracts to entities located in China³ from fiscal years 2017

¹An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party, beyond the control of the United States. Payment may be made immediately or in the future.

²We previously reported on U.S. funding for U.S.-China research collaborations. See GAO, *Federal Research: Information on Funding for U.S.-China Research Collaboration and Other International Activities*, [GAO-22-105313](#) (Washington, D.C.: Sept. 29, 2022).

³For the purposes of this report, entities located in China are recipients of U.S. funding with a legal business address in mainland China. We excluded Hong Kong, Macau, and Taiwan from the scope of our review.

through 2021; and (2) EXIM financing for U.S. exports to China, or to Chinese state-owned entities, from fiscal years 2012 through 2021.⁴

To address our first objective, we analyzed data from USAspending.gov⁵ for prime awards and subawards⁶ provided to entities in China from fiscal years 2017 through 2021.⁷ To understand the amount of U.S. agency obligations provided to entities located in China through prime assistance awards and contracts, we selected three departments and two agencies (within a fourth department) that obligated about 99 percent of all U.S. funding through prime awards and contracts to entities located in China from fiscal years 2017 through 2021, according to the data available on USAspending.gov.⁸ The three departments we selected are the

⁴For the purposes of this report, Chinese state-owned entities are entities owned by the government of China in addition to those that, since EXIM's 2019 reauthorization, have been identified as partially owned by the government of China, as defined by EXIM. Section 408(d) of EXIM's 2019 reauthorization provides a statutory definition of the "government of China" to mean any person that the Bank has reason to believe is: (1) the state and the government of China, as well as any political subdivision, agency, or instrumentality thereof; (2) any entity controlled, directly or indirectly, by any of the foregoing, including any partnership, association, or other entity in which any of the foregoing owns a 50 percent or greater interest or a controlling interest, and any entity which is otherwise controlled by any of the foregoing; (3) any person that is or has been acting or purporting to act, directly or indirectly, for or on behalf of any of the foregoing; and (4) any other person which the Secretary of the Treasury has notified the Bank is included in any of the foregoing. Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, § 408(d), 133 Stat. 2534, 3025 (2019).

⁵Federal law requires U.S. agencies to submit spending data to the Department of the Treasury for presentation on a public-facing website. Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended, codified at 31 U.S.C. § 6101 note. The USAspending.gov website is the official source of spending data submitted by U.S. agencies. Department of the Treasury, <https://www.usaspending.gov>, accessed June 6, 2022.

⁶We define a prime award as an agreement that the U.S. government makes directly with a non-federal entity for the purpose of carrying out a federal program. A prime award may be an assistance award or contract. A subaward is an agreement that a prime recipient makes with another entity to perform a portion of its award.

⁷We analyzed USAspending.gov data as of June 6, 2022. We included 5 fiscal years from 2017 through 2021 in the scope of this review. Fiscal year 2017 was the first year in which agencies were required to report on their spending in accordance with the DATA Act. Fiscal year 2021 was the last full fiscal year of available data when we conducted our data collection for this audit.

⁸Assistance mostly includes grants and cooperative agreements. We exclude obligations made for direct payments to individuals or multiple recipients. We report dollar values as obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date.

Department of Commerce, Department of State, and Department of Agriculture (USDA). The two agencies we selected are the Centers for Disease Control and Prevention (CDC) and National Institutes of Health (NIH); both are within the Department of Health and Human Services (HHS).⁹ We requested that agency officials validate the accuracy of prime award data from USAspending.gov and made some corrections to our analysis. To determine the purpose of funding obligated to entities located in China from fiscal years 2017 through 2021, we selected high dollar-value assistance awards and contracts from the five U.S. agencies and reviewed agency-provided award documentation.

To understand the amount, type, and purpose of subawards provided to entities in China,¹⁰ we selected two agencies—NIH and the U.S. Agency for International Development (USAID)—because, according to USAspending.gov, these agencies' prime award recipients reported providing over 90 percent of the subawards by dollar value to entities located in China from fiscal years 2017 through 2021.¹¹ We interviewed NIH and USAID officials about the subaward data from USAspending.gov and conducted data testing. While we found that the prime award data were sufficiently reliable for summarizing information on prime awards and contracts,¹² we found that the subaward data were not sufficiently reliable for these purposes. We describe the subaward data limitations in greater detail later in this report.

To address our second objective, we analyzed the most current data available on EXIM financing supporting U.S. exports to China from fiscal years 2012 through 2021—a 10-year scope, which includes a 4-year

⁹For the purposes of this report, we collectively refer to these departments and agencies as U.S. agencies.

¹⁰Subawards include subgrants (which we refer to as assistance subawards) and subcontracts.

¹¹While USAID's prime award recipients in the United States reported providing subawards to entities located in China, USAID was not among the five agencies that obligated almost all prime award funding to entities located in China.

¹²We have issued several reports that identify opportunities to enhance the quality of U.S. spending data. GAO, *Federal Spending Transparency: Opportunities Exist to Further Improve the Information Available on USAspending.gov*, [GAO-22-104702](#) (Washington, D.C.: Nov. 8, 2021); *Data Act: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations*, [GAO-20-75](#) (Washington, D.C.: Nov. 8, 2019); and *DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations*, [GAO-18-138](#) (Washington, D.C.: Nov. 8, 2017).

period when EXIM lacked full funding authority, according to EXIM.¹³ We also analyzed data on EXIM's financial exposure to China (i.e., EXIM's outstanding credit risk attributable to entities in China), including exposure to Chinese state-owned entities. We interviewed EXIM officials to better understand the data and determined that the data were sufficiently reliable to understand EXIM's financing for U.S. exports to China, or to Chinese state-owned entities. For additional information on our scope and methodology, see appendix I.

We conducted this performance audit from December 2021 to April 2023 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

Mechanisms for Providing U.S. Funding to Foreign Entities

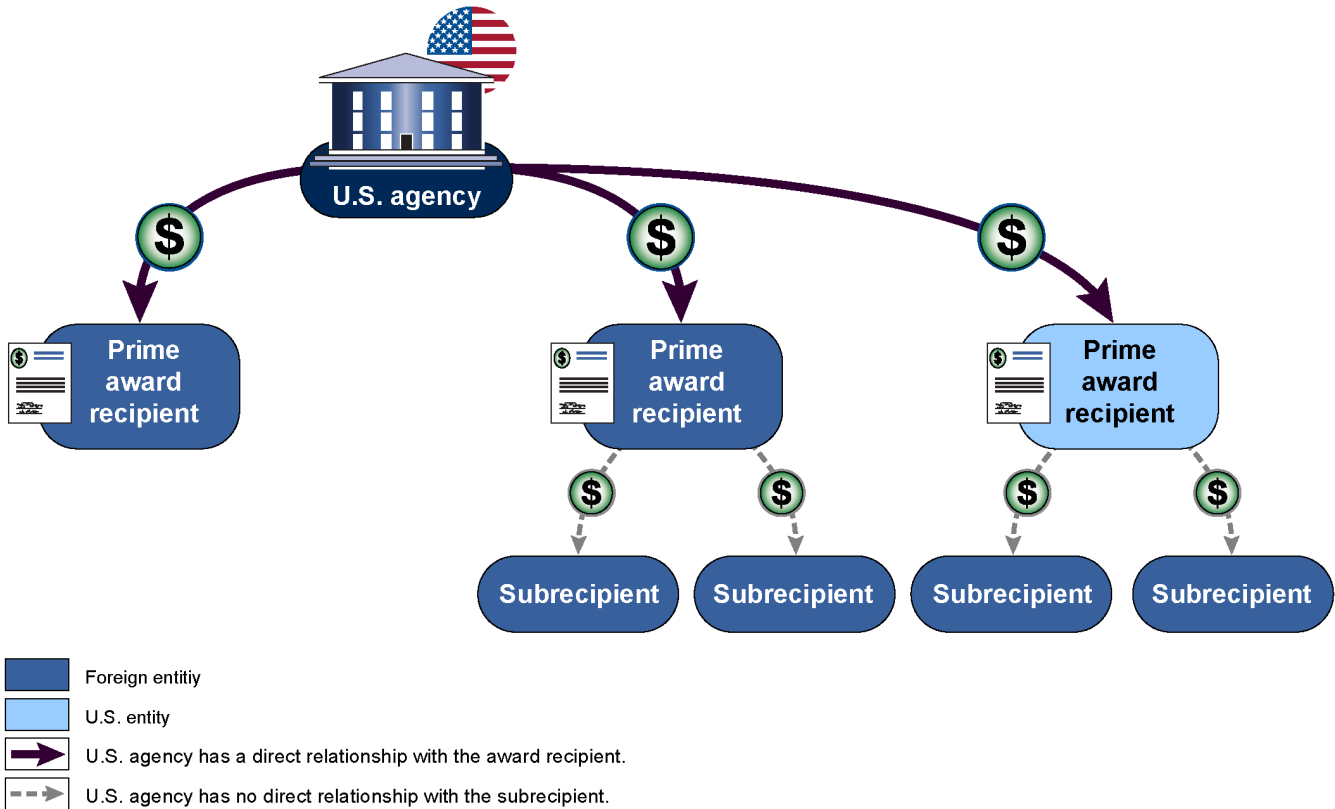
U.S. agencies may provide funds to foreign entities through two different types of awards—assistance awards and contracts. Assistance awards, also known as federal financial assistance awards, are assistance that non-federal entities receive or administer in the form of grants or cooperative agreements, among other things. Contracts are legally binding agreements between the U.S. government and a contractor to provide goods and services for a fee.

A foreign entity can receive funding directly from a U.S. agency through a prime award. A foreign entity also can receive U.S. funding indirectly through a subaward from a U.S. or foreign prime award recipient to carry out part of the work (see fig. 1). This entity is often referred to as a first-tier subaward recipient (subrecipient). These subrecipients, in turn, can pass on a portion of the funds they receive to other subrecipients (at the

¹³The EXIM board's quorum lapsed from December 2015 to May 2019, and EXIM was unable to approve transactions over \$10 million during that period, according to EXIM. For this reason, we scoped this objective to 10 years, rather than 5 years.

second tier, third tier, etc.). A U.S. agency has a direct relationship with the prime award recipient, but not with subrecipients at any tier.¹⁴

Figure 1: Pathways for Providing U.S. Funds to Foreign Entities



Source: GAO analysis of federal award data. | GAO-23-105538

Note: Subaward recipients are also referred to as subrecipients.

Reporting Requirements for U.S. Funding

Agencies report information about U.S. funding provided to prime award recipients, and depend on these recipients to report their first-tier

¹⁴In August 2020, OMB issued final guidance revising sections of its *Guidance for Grants and Agreements*. The Supplemental Information portion of the Federal Register Notice issuing this guidance noted as part of its response to comments that U.S. agencies do not have a direct relationship with subaward recipients (subrecipient). Office of Management and Budget, *Guidance for Grants and Agreements*, 85 Fed. Reg. 49506, 49508 (Aug. 13, 2020).

subawards in government-wide reporting systems when applicable. Agencies report information on funding through prime awards in USAspending.gov, in accordance with reporting requirements outlined in the Federal Funding Accountability and Transparency Act (FFATA) of 2006, as amended.¹⁵ Prime award recipients are required to enter information for first-tier subawards of \$30,000 or more into the government-wide FFATA Subaward Reporting System (FSRS), and that information feeds into USAspending.gov.¹⁶

EXIM's Financing

EXIM's mission is to support American jobs by facilitating the purchase of American-made goods and services around the world. The agency seeks to fulfill its mission by equipping U.S. exporters with sufficient financing to support competition in foreign markets and providing buyer financing that is competitive with the financing offered by foreign export credit agencies.

Thus, as part of its standard package of services, to support U.S. exports to China, EXIM has the general authority to provide loans, guarantees, and insurance to contribute to or maintain the employment of U.S. workers. Under this authority, EXIM told us that it can provide

- direct loans to entities in China to finance the purchase of a U.S. company's goods or services,
- loan guarantees to cover loans disbursed by private lenders to finance a purchase of a U.S. company's goods by an entity in China, and

¹⁵OMB issued implementing guidance related to reporting funding information. OMB, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)*, M-20-21 (Washington, D.C.: Apr. 10, 2020); Appendix A to OMB Circular No. A-123, *Management of Reporting and Data Integrity Risk*, OMB Memorandum M-18-16 (Washington, D.C.: June 6, 2018); and *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, M-17-04 (Washington, D.C.: Nov. 4, 2016).

¹⁶In accordance with FFATA and implementing guidance, agencies are required to disclose certain information about federal prime assistance awards and contracts that equal or exceed the micro-purchase threshold on a single public-facing, searchable website. In addition, award recipients are required to report specified information on first-tier subawards—with some exceptions—associated with these awards in the FFATA Subaward Reporting System (FSRS). USAspending.gov includes data submitted by U.S. agencies and award recipients pursuant to FFATA as amended. 31 U.S.C. § 6101 note; 2 C.F.R. pt. 170.

-
- export credit insurance policies to insure U.S. exporters against non-payment by an entity in China.

EXIM faces credit risk when it provides export financing. Credit risk is the risk that an obligor may not (1) have sufficient funds to service its debt or (2) be willing to service its debt even if sufficient funds are available.¹⁷ When EXIM has an authorization that is still active, the bank is “exposed” to risk for some fraction of the value of the authorization, according to EXIM. For direct loans and loan guarantees, exposure is calculated as the remaining balance to be paid on the loan. Exposure is initially the entire outstanding amount of the direct loan or loan guarantee and decreases over time as the loan is repaid, according to EXIM. For export credit insurance, exposure is calculated as the value of the export insured, according to EXIM. From fiscal years 2012 through 2021, EXIM identified 137 foreign countries where it faced credit risk, with China being the third-largest export destination according to the number of approved transactions.

U.S. Agencies Obligated at Least \$48 Million to Entities Located in China, but the Full Extent Is Unknown Because of Data Limitations

U.S. agencies reported obligating \$48 million through prime assistance awards and contracts to entities located in China from fiscal years 2017 through 2021, according to data from USAspending.gov. The purpose of these awards varied from health and science research through assistance awards to the procurement of goods and services through contracts. In addition, entities located in China also received U.S. funding through subawards from prime award recipients. However, the full extent of such funding is unknown because of limitations related to the completeness and accuracy of subaward data reported in government systems and available at USAspending.gov.

¹⁷We use the term “obligor” to refer to entities that are contractually obligated to make payments to satisfy the terms of an EXIM product.

Agencies Obligated \$48 Million to Entities Located in China through Prime Assistance Awards and Contracts from Fiscal Years 2017 through 2021

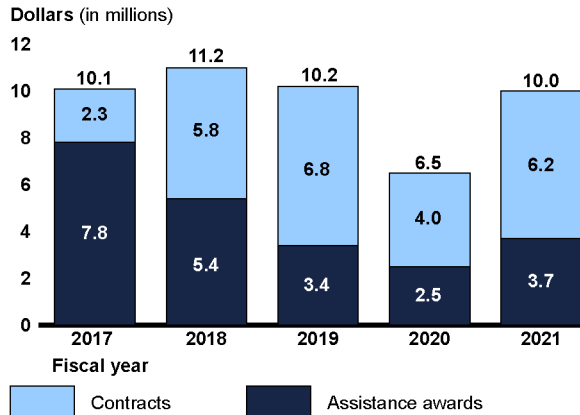
From fiscal years 2017 through 2021, U.S. agencies reported obligating about \$48 million through prime awards to entities located in China, according to data from USAspending.gov. Of the \$48 million, U.S. agencies reported obligating approximately \$22.8 million through assistance awards and approximately \$25.2 million through contracts. Most of these obligations (approximately 97 percent) were for activities conducted in China, according to data from USAspending.gov.¹⁸

Agencies' reported obligations through prime awards provided to entities located in China from fiscal years 2017 through 2021 ranged from a high of \$11.2 million in fiscal year 2018 to a low of \$6.5 million in fiscal year 2020, according to data from USAspending.gov. Obligations through assistance awards decreased from \$7.8 million in fiscal year 2017 to \$3.7 million in fiscal year 2021, while obligations through contracts increased from \$2.3 million in fiscal year 2017 to \$6.2 million in fiscal year 2021 (see fig. 2).¹⁹

¹⁸About 2 percent of the total obligations provided to entities located in China was for activities performed in a third country, according to data from USAspending.gov on place of performance.

¹⁹State officials attributed the fiscal year 2020 decline in the amounts obligated through prime awards to the COVID-19 pandemic and the subsequent staffing drawdowns at all overseas posts, which was not unique to China.

Figure 2: U.S. Agency-Reported Obligations through Prime Awards to Entities Located in China, Fiscal Years 2017–2021



GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

Note: The figure shows obligation amounts as reported by agencies in USAspending.gov and validated by the respective agencies. Prime awards include assistance awards and contracts. Amounts represent obligations made by the funding agency. The dollar values represent obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date. Amounts shown may not sum to totals because of rounding. We accessed the data in <https://www.USAspending.gov> on June 6, 2022.

CDC, NIH, and State obligated approximately \$45.1 million, or 94 percent, of all reported obligations through prime awards to entities located in China from fiscal years 2017 through 2021. During that time period, two Department of Health and Human Services (HHS) agencies—CDC and NIH—accounted for almost all HHS funding for entities located in China (see table 1).

Table 1: U.S. Agency-Reported Obligations through Prime Awards Provided to Entities Located in China, by Agency, Fiscal Years 2017–2021

Dollars in millions

Funding agency	Obligations through assistance awards	Obligations through contracts	Total obligations	Percentage of total obligations
Department of State	2	21.2	23.2	48%
Department of Health and Human Services				
Centers for Disease Control and Prevention	10.6	1.5	12.1	25%
National Institutes of Health	8.5	1.3	9.8	20%
Other Health and Human Services agencies	n/a	.3	.3	1%
Department of Agriculture	1.5	.2	1.7	3%
Department of Commerce	n/a	.5	.5	1%
Other agencies ^a	.07	.3	.3	1%
Total obligations	22.8	25.2	48	100%

Legend: n/a = no obligations were made

Source: GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

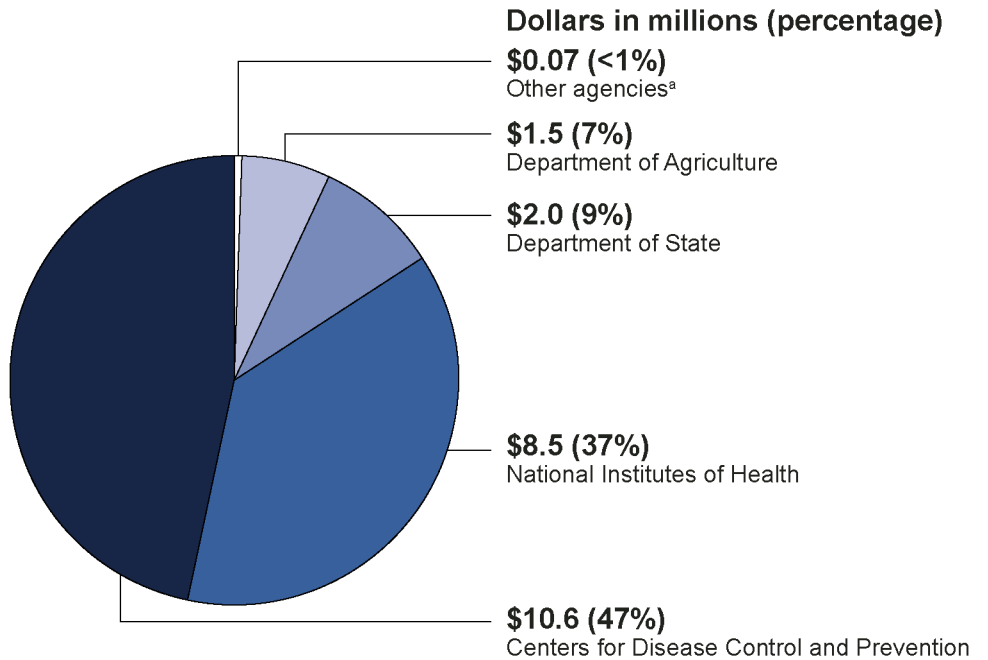
Note: The table shows obligation amounts as reported by agencies in USAspending.gov and validated by the respective awarding agencies. Amounts represent obligations by funding agency. Some contracts are funded by one agency but awarded by another agency. For example, the Departments of Commerce, Health and Human Services, and Agriculture, among others, obligated funding through contracts awarded by the Department of State. The dollar values represent obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date. We accessed the data in <https://www.USAspending.gov> on June 6, 2022. Amounts shown may not sum to totals because of rounding.

³Other agencies that reported obligations through prime awards to entities located in China include the Consumer Product Safety Commission; Departments of Defense, the Interior, Justice, Labor, Homeland Security, and Veterans Affairs; National Science Foundation; and U.S. Agency for International Development.

Assistance awards. As seen in figure 3, CDC and NIH obligated the majority of U.S. funding through prime assistance awards to entities in China from fiscal years 2017 through 2021, totaling approximately \$19.2 million (84 percent).²⁰ Of this amount, CDC obligated about \$10.6 million (47 percent) through eight assistance awards, and NIH obligated about \$8.5 million (37 percent) through 10 assistance awards. Additionally, State obligated about \$2 million (9 percent) through 193 assistance awards, and USDA obligated about \$1.5 million (7 percent) through 22 assistance awards.

²⁰The numbers in figure 3 do not sum exactly to \$19.2 million because of rounding.

Figure 3: U.S. Agency-Reported Obligations through Prime Assistance Awards to Entities Located in China, Fiscal Years 2017–2021



Source: GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

Note: The figure shows obligations as reported by agencies in USAspending.gov and validated by the respective agencies. Amounts represent obligations made by the funding agency. The dollar values represent obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date. The Department of Commerce did not report any obligations to entities located in China through assistance awards from fiscal years 2017 through 2021. Numbers in the figure may not sum to the numbers in the narrative because of rounding. We accessed the data in <https://www.USAspending.gov> on June 6, 2022.

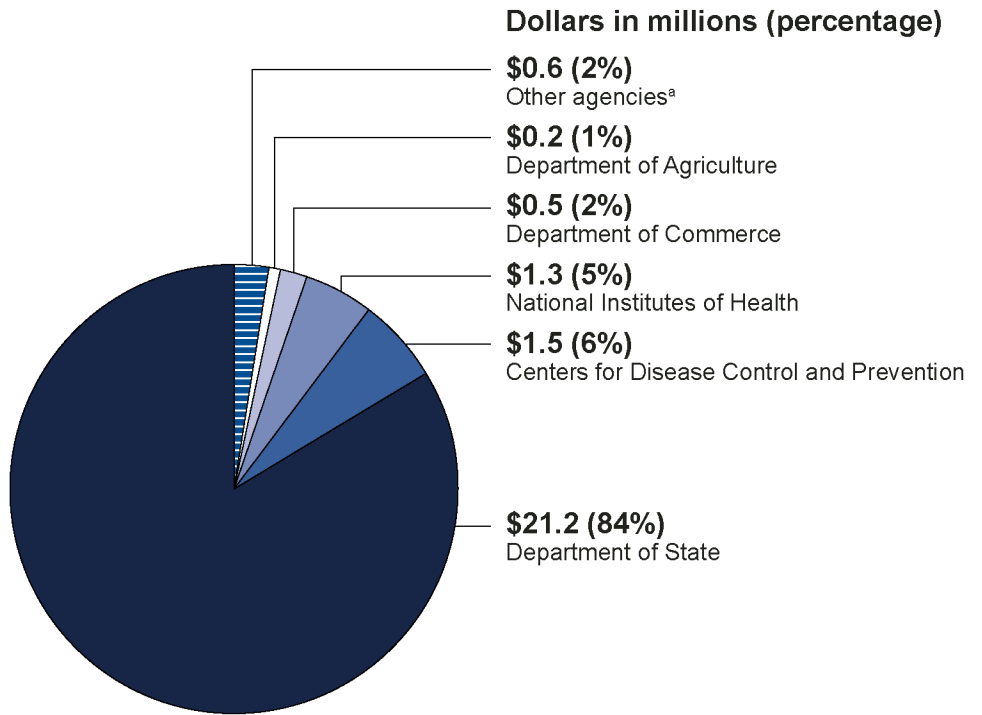
^aOther agencies that reported obligations through prime assistance awards to entities located in China include the Department of the Interior and the Department of Labor. While the Department of Labor reported an award in USAspending.gov, there were no obligations for that award from fiscal years 2017 through 2021.

U.S. agencies obligated funds through assistance awards to various types of entities located in China, including Chinese government entities, universities, and individual recipients, according to USAspending.gov. CDC obligated \$10.6 million to the Chinese CDC, which accounted for almost half of all agency obligations to entities in China through assistance awards in fiscal years 2017 through 2021. In addition, NIH obligated approximately \$6.4 million to Peking University and Fudan University, which accounted for about 28 percent of obligations through assistance awards. State obligated funds for public diplomacy programs, which included assistance awards for individuals. Appendix II lists all

reported assistance award obligations to entities located in China by recipient.

Contracts. As seen in figure 4, State obligated the majority of U.S. funding through prime contracts to entities in China from fiscal years 2017 through 2021—\$21.2 million (84 percent) through 438 contracts. CDC and NIH collectively obligated approximately \$2.7 million (11 percent) through 32 contracts, with CDC obligating approximately \$1.5 million through three contracts and NIH obligating approximately \$1.3 million through 29 contracts.²¹

Figure 4: U.S. Agency-Reported Obligations through Prime Contracts to Entities Located in China, Fiscal Years 2017–2021



Source: GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

Note: The table shows obligation amounts as reported by agencies in USAspending.gov and validated by the respective awarding agencies. Amounts represent obligations by funding agency. Some contracts are funded by one agency but awarded by another agency. For example, the Departments of Commerce, Health and Human Services, and Agriculture, among others, obligated funding through contracts awarded by the Department of State. The dollar values represent

²¹The CDC and NIH contract obligations cited here and in figure 4 do not sum to \$2.7 million because of rounding.

obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date. Numbers in the figure may not sum to the numbers in the narrative because of rounding. We accessed the data in <https://www.USAspending.gov> on June 6, 2022.

³Other agencies that reported obligations through prime contracts to entities located in China include the Consumer Product Safety Commission; Departments of Defense, Justice, Homeland Security, and Veterans Affairs; National Science Foundation; and U.S. Agency for International Development.

U.S. agencies obligated funding through prime contracts to an insurance company, internet providers, construction companies, and pharmaceutical companies, among other entities located in China, according to USAspending.gov. Specifically, among the top five recipients of the highest dollar-value contracts, State obligated approximately \$3.4 million (14 percent of the total contract obligations) to an insurance company and approximately \$4.3 million (17 percent of the total contract obligations) to two information technology companies. Appendix III lists all reported prime contract obligations to entities located in China by recipient.

Agencies Obligated Funding to Entities Located in China for Various Purposes

The purpose of prime assistance awards and contracts provided by U.S. agencies to entities located in China varied by agency and award type (assistance award or contract).

Assistance awards. U.S. agencies obligated funding through assistance awards to entities located in China for purposes ranging from health and science research to public diplomacy programs. Table 2 shows examples of assistance awards by agency, purpose, award description, and recipient.

Table 2: Examples of Prime Assistance Awards Provided to Entities Located in China, Fiscal Years 2017–2021

Agency	Purpose	Assistance award description	Recipient
Health and Human Services (HHS) Centers for Disease Control and Prevention	Public health research and technical assistance	A study on influenza vaccinations in children and pregnant women.	Chinese Center for Disease Control and Prevention
		A program to promote and develop technical collaboration and innovative approaches to better the effectiveness of China’s response to HIV/AIDS.	Chinese Center for Disease Control and Prevention
HHS National Institutes of Health	Public health research	Research related to the Chinese Health and Retirement Longitudinal Study. This research focused on the aging Chinese population, which is one of the fastest-aging populations in the world.	Peking University
		A study on diseases transmitted by insects, such as malaria.	Fudan University

Letter

Agency	Purpose	Assistance award description	Recipient
Department of State	Public diplomacy programs	Programs that aimed to build a mutual understanding of U.S. foreign policy in China. The programs provided programming in Chinese cities to explain U.S. policies, values, culture, and history by telling the story of prominent American businesses to the people of China.	AmCham China
		A program that aimed to expand perspectives on gender equality and women's empowerment through an exhibition of works by women cartoonists of The New Yorker magazine.	Beijing Crossroads Cultural Communication Co., Ltd.
Department of Agriculture	Plant and animal disease prevention and research	A study on invasive species and the cause and effect of disease in trees.	Chinese Academy of Sciences, Institute of Zoology
		A study on the natural enemies of invasive species that originate from China and surrounding areas.	Chinese Academy of Agricultural Sciences

Source: GAO analysis of U.S. agencies' award documentation. | GAO-23-105538

CDC-funded activities included topics such as the prevention of disease, combatting global AIDS, and strengthening and improving global health. For example, CDC provided an assistance award that aimed to evaluate the influenza vaccine, update technical guidelines for the vaccine, and provide evidence for a risk assessment of avian influenza and early warning signs of a potential pandemic. CDC also provided an award that aimed to prevent the secondary transmission of HIV within the public and reduce the HIV incidence rate in China.

NIH-funded research activities focused on topics such as aging and infectious disease. For example, NIH provided an award that supported a Health and Retirement Longitudinal Study in China. China has more elderly than any country in the world and is one of the fastest-aging countries in the world. According to the study and award documentation, China's population is aging at income levels lower than those of industrial countries and aging more rapidly than the populations of other currently developing countries.

State provided assistance awards for public diplomacy programs and educational and cultural exchange programs. For example, State provided an award to promote public diplomacy and enhance the understanding of U.S. values and culture. This award facilitated several programs, including the promotion of American-style camping in China's outdoors. State also provided an assistance award that aimed to empower women to fulfill their economic potential and promote an enabling environment to reduce barriers to entry for women.

USDA provided assistance awards mostly for research on plant and animal disease, pest control, animal care, and other agricultural research. For example, USDA provided an assistance award that sought to identify and evaluate the potential of natural enemies of pest insects, weeds, and plant diseases that affect Chinese and U.S. agriculture.

Contracts. U.S. agencies obligated funding through contracts to entities located in China to obtain various goods and services. Table 3 provides examples of contracts by agency, purpose, description, and recipient.

Table 3: Examples of Prime Contracts to Entities Located in China, Fiscal Years 2017–2021

Agency	Purpose	Contract description	Recipient
Department of State	Information technology	Internet services and a virtual private network at U.S. Embassy Beijing.	Nova Technologies Co., Ltd.
	Construction	Installation of an air filtration system at U.S. Embassy Beijing.	Tongzhou Construction General Contracting Group, Co., Ltd.
	Insurance	Health insurance for Locally Employed Staff.	AIA Company Limited
Health and Human Services (HHS) Centers for Disease Control and Prevention	Manufacturing	Intravenous antimalarial medicine used in the treatment of severe travel-related malaria in U.S. citizens.	Fosun Pharmaceutical Distribution Jiangsu Co., Ltd.
HHS National Institutes of Health	Technical services	A study and report on upper gastrointestinal cancer prevention.	Chinese Academy of Medical Sciences

Source: GAO analysis of U.S. agencies' award documentation. | GAO-23-105538

State obligated funding through contracts for goods and services, including manufacturing and construction, information technology, finance and insurance, and transportation and warehousing. Many of these contracts supported U.S. embassy and consulate operations in China. For example, State provided contracts to obtain virtual private network and internet services at the U.S. embassy and consulates throughout China. State also provided contracts for construction such as the installation of an air filtration system at U.S. Embassy Beijing and the design and installation of a new air conditioning system at a U.S. consulate.

CDC obligated funding through contracts for the manufacturing of items such as pharmaceuticals. For example, CDC provided a contract to an entity in China to procure medicine to treat U.S. citizens with severe

cases of malaria from travel.²² NIH obligated funding through contracts for technical services, research, and laboratory testing. For example, NIH provided a contract for a clinical trial on upper gastrointestinal cancer and prevention. NIH also provided a contract for a clinical trial related to tuberculosis.

Entities Located in China Received Additional Funding through Subawards, but the Full Extent Is Unknown

U.S. prime award recipients reported providing subawards²³ for various purposes to entities located in China from fiscal years 2017 through 2021, according to USAspending.gov.²⁴ USAID and NIH obligated the most funding to U.S. prime award recipients that in turn provided subawards to entities located in China, according to USAspending.gov.²⁵ According to USAID officials, one of USAID's U.S. prime award recipients provided subcontracts to entities located in China for the procurement of items including mosquito netting, malaria medicine, and male circumcision tools for HIV prevention efforts. According to USAID officials, procurement of such medical supplies requires preapproval as a restricted commodity,²⁶

²²The entity in China that received the contract was the global manufacturer of the malaria medicine. According to the purpose statement in the contract, the Food and Drug Administration approved an expanded use investigational new drug protocol for the use of the medicine so that it would be available through CDC for the treatment of severe malaria in the United States.

²³Subawards include subgrants (which we refer to as assistance subawards) and subcontracts.

²⁴U.S. prime award recipients from CDC, NIH, State, and USDA reported providing subawards to entities in China, according to USAspending.gov. In addition, U.S. prime award recipients from USAID—an agency not included in the scope of our prime award analysis—reported a significant amount of subaward funding to entities in China, according to USAspending.gov. The prime award recipients that reported providing subawards to entities in China, according to USAspending.gov, are all entities in the United States and therefore different from the prime award recipients discussed earlier in this section, all of which were entities located in China. The prime award recipients located in China did not report providing subawards to other entities located in China, according to USAspending.gov. We were not able to verify the completeness of these data.

²⁵While we found the data in USAspending.gov to be unreliable for the purpose of reporting subaward dollar amounts, we used the data for the limited purpose of selecting USAID and NIH for follow-up so that we could better understand the subaward data.

²⁶Pharmaceuticals and medical supplies are classified as a restricted commodity. USAID's Automated Directives System (ADS) 312 outlines the approval process for pharmaceuticals in section 312.3.3.3 to ensure the quality of products procured.

and while efforts are made to diversify the procurement of items, there are cases where China is the only approved source for required items.²⁷

According to NIH officials, NIH's U.S. prime award recipients also provided subawards to entities located in China through assistance subawards and subcontracts. For example, according to NIH officials, one prime award recipient provided a subcontract to the Chinese Institute of Blood Transfusion to facilitate a multi-blood center and multi-hospital research program on blood safety and availability. According to NIH officials, another NIH prime award recipient provided a subcontract to carry out influenza virus surveillance in animals, including poultry and swine, to determine whether geographic conditions and farming practices would facilitate inter-species transmission of influenza viruses among animal populations.

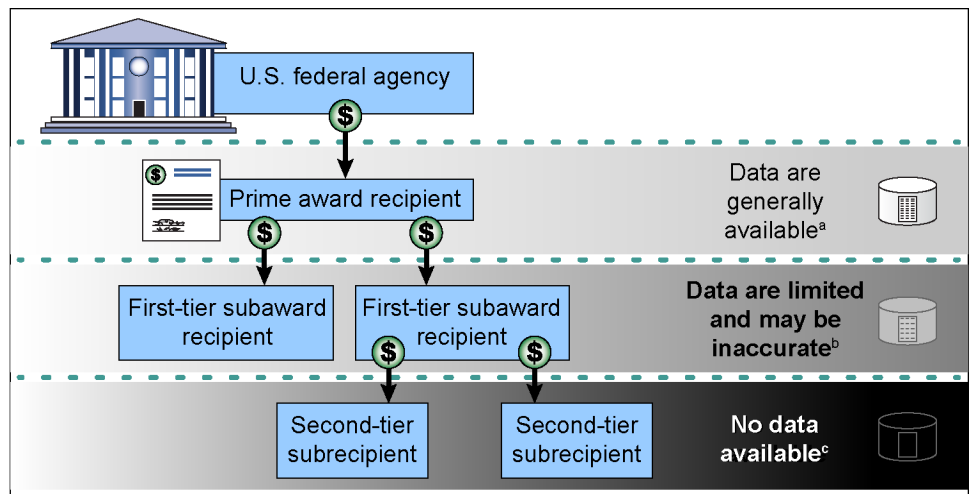
While data in USAspending.gov indicate that prime award recipients provided subaward funding to entities in China through assistance subawards and subcontracts, the full extent of this funding is unknown because of limitations in the completeness and accuracy of the data reported. Data on subawards are incomplete because federal rules do not require prime award recipients to report information for all subawards. Specifically, prime award recipients are required to report information for first-tier subawards of \$30,000 or more.²⁸ Information on subawards that fall below \$30,000 and those below the first tier (e.g., second tier or third

²⁷For example, entities located in China were the only qualified sources for the malaria medications used to treat severe malaria and seasonal malaria chemoprevention for most of the time period covered under this review, according to USAID officials. However, several manufacturers in India began producing similar medicines in 2019 (severe malaria treatment) and 2021 (seasonal malaria chemoprevention), but not at sufficient quantities to meet global demand, according to USAID officials.

²⁸2 C.F.R. Part 170, which includes implementing guidance to federal awarding agencies on recipient reporting of subawards in accordance with FFATA for grants and cooperative agreements, includes an award term for inclusion in awards that meet the funding threshold regarding recipient subaward reporting requirements. This award term also exempts recipients that, in the previous tax year, had a gross income, from all sources, under \$300,000 from reporting subawards. In addition, the requirements of 2 C.F.R. Part 170 do not apply to individuals who receive a federal award and allow for OMB to exempt classes of federal awards or recipients when exceptions are not prohibited by statute. See 2 C.F.R. § 170.110(b)-(c). Federal acquisition regulations contain the same threshold-reporting requirement for subcontracts. See 48 C.F.R. Part 4, Subpart 4.14.

tier) is not required to be reported in government-wide systems (see fig. 5).²⁹

Figure 5: Availability of U.S. Funding Data for Prime Awards and Subawards



Source: GAO analysis of availability of award data. | GAO-23-105538

Note: Prime awards include assistance awards and contracts. Subaward recipients are also referred to as subrecipients.

^aU.S. agencies are required to report funding obligated through prime awards in <https://www.USAspending.gov>, the official government-wide source of public data on U.S. spending.

^bData are limited because prime award recipients are not required to report information in a government-wide system for first-tier subawards valued below \$30,000, among other reasons. Therefore, information on subawards less than \$30,000 may be unavailable. Data may be inaccurate because there are instances in which prime award recipients do not enter or maintain accurate information, according to agency officials.

^cInformation on subawards awarded below the first tier is not required to be reported in government-wide systems.

Data reported by prime award recipients through subawards may also be inaccurate. USAspending.gov notes several data quality issues related to subawards, including that duplication of subaward records is common

²⁹According to USAID, there also are instances in which the prime recipient is not required to report on subaward data or does not have a Unique Entity Identifier and therefore cannot report subaward data. The Code of Federal Regulations contains exceptions to the Unique Entity Identifier requirement for grants in 2 C.F.R. § 25.110 and for contracts in 48 C.F.R. § 4.605. USAID incorporated these exceptions into its ADS for contracts in ADS 302 and for grants in ADS 303.

and subawards are inconsistently reported.³⁰ According to data in USAspending.gov, USAID's and NIH's prime award recipients reported providing the largest amount of funding through subawards to entities located in China. However, according to USAID and NIH officials, the data reported by prime award recipients in government systems may contain inaccuracies. For example:

- A USAID prime award recipient reported funding of about \$533 million through subcontracts to entities located in China, while the actual amount provided by the prime award recipient was about \$91.2 million, according to USAID officials. The prime recipient entered the maximum potential value of the subcontract in FSRS instead of the actual amount of funds received by the subrecipient, according to USAID officials. As a result, the amount reported in USAspending.gov was significantly larger than the actual amount received by the subrecipient.³¹
- A USAID prime award recipient did not update the correct amount in FSRS after the prime award recipient determined not to use the subaward, and as a result, the value provided to the subrecipient is not accurate, according to USAID officials. The prime award recipient reported the initial maximum potential value of a subcontract into government systems, according to USAID officials. However, the subrecipient did not receive final approval and therefore did not receive any orders or funds.³²
- NIH prime award recipients do not always accurately report subcontract amounts in FSRS, according to NIH officials. For example, NIH officials identified an instance where the subcontract amount reported in USAspending.gov overstated the actual amount provided to a subcontract.

³⁰Subaward data are reported by prime recipients to FSRS. While U.S. agency personnel do not submit subaward data themselves, they are required to ensure that the award terms and conditions for any federal award include specific language requiring subaward reporting (subject to certain exceptions listed in 2 C.F.R. § 170.110). FSRS does not provide an automatic feed of deleted records to USAspending.gov, and all deletions must be communicated and processed manually.

³¹USAID officials also stated that they had identified multiple instances in which the total value of subcontracts reported by a prime award recipient exceeded the value of the contract with the prime award recipient.

³²The subrecipient did not receive final approval through the World Health Organization prequalification process for the diagnostics it manufactured, according to USAID officials.

According to Office of Management and Budget guidance, the quality of data that prime award recipients report in FSRS is the legal responsibility of the prime award recipient. The guidance further states that agencies are not required to certify the quality of subaward data reported in FSRS and made available on USAspending.gov.³³ A U.S. agency that issues awards has a direct relationship with a prime award recipient but no direct relationship with subrecipients.

Limitations in subaward data is a government-wide issue and not unique to U.S. funding to entities in China. We are currently examining the state of government-wide subaward data as part of a separate review with a planned completion date in fall 2023.

EXIM Supported U.S. Exports to China through Loan Guarantees and Insurance

From fiscal years 2012 through 2021, EXIM used two kinds of financial products, loan guarantees and export credit insurance, to support U.S. exports to China. Before fiscal year 2016, EXIM supported most U.S. exports to China through loan guarantees for the purchase of U.S. aircraft, such as Boeing's large commercial jets. According to EXIM, most of EXIM's export credit insurance policies supported non-semiconductor and electronics-related exports to China. EXIM's annual financial exposure to China (i.e., EXIM's outstanding credit risk attributable to entities in China) has declined every year since fiscal year 2015, with state-owned entities accounting for less than 5 percent of EXIM's total exposure to China at the end of fiscal year 2021.³⁴

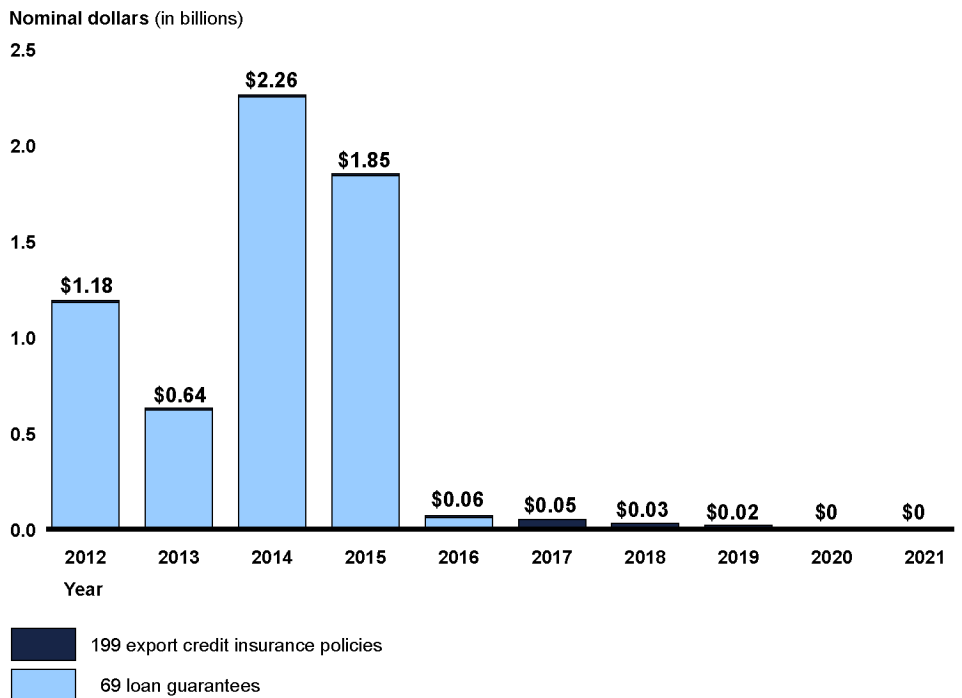
³³Office of Management and Budget, M-18-16. According to the same OMB guidance, agencies are responsible for resolving audit findings that may indicate whether recipients are not complying with subaward reporting requirements. In addition, certain audits undertaken in accordance with the Single Audit Act include a compliance review of FFATA required subaward data. 2 C.F.R. Part 200, Appendix XI—Compliance Supplement, 3-L-1, July 2022. This Compliance Supplement identifies compliance requirements expected to be considered as part of an audit required by the 1996 Amendments to the Single Audit Act.

³⁴EXIM defines Chinese state-owned entities as entities owned by the government of China in addition to those entities that, since EXIM's 2019 reauthorization, have been identified as partially owned by the government of China.

EXIM Supported Most Exports to China through Loan Guarantees for U.S. Aircraft Purchases

From fiscal years 2012 through 2021, EXIM approved 268 financial transactions to support U.S. exports to China, collectively totaling \$6.1 billion. This amount is composed of 69 loan guarantees totaling \$5.96 billion and 199 short-term export credit insurance policies totaling \$138.6 million (see fig. 6).

Figure 6: Annual Amount of EXIM Loan Guarantees and Export Credit Insurance Supporting U.S. Exports to China, Fiscal Years 2012–2021



Source: GAO analysis of Export-Import Bank (EXIM) data. | GAO-23-105538

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
69 loan guarantees	\$1.18	\$0.62	\$2.25	\$1.84	\$0.06	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00
199 export credit insurance policies	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.04	\$0.03	\$0.02	\$0.00	\$0.00
Total	\$1.18	\$0.64	\$2.26	\$1.85	\$0.06	\$0.05	\$0.03	\$0.02	\$0.00	\$0.00

EXIM generated a positive cash flow of \$218.3 million related to these transactions, according to EXIM officials.³⁵ As of September 8, 2022, EXIM officials stated that EXIM had paid \$7.3 million in temporary liquidity relief and default claims for these transactions,³⁶ while collecting \$225.6 million in premiums and exposure fees.³⁷

Loan Guarantees

From fiscal years 2012 through 2021, loan guarantees totaling \$5.96 billion accounted for 98 percent of all of EXIM's financial support for U.S. exports to China. EXIM's approved loan guarantees peaked at \$2.25 billion in fiscal year 2014 and declined to \$10 million in fiscal year 2017. The majority of EXIM's approved loan guarantees occurred in 2014 and 2015, and EXIM officials told us they had not approved new loan guarantees supporting exports to China since 2017. From fiscal years 2012 through 2017, EXIM approved 47 of 69 loan guarantees under the China Framework Agreement.³⁸

The decline in loan guarantees after 2015 roughly coincides with EXIM's loss of its board's quorum, which, according to EXIM, limited it from approving transactions above \$10 million.³⁹ Officials explained that after

³⁵This calculation does not account for any administrative expenses associated with EXIM's operations, according to EXIM.

³⁶EXIM paid \$2.1 million for claims related to defaults and other liquidity relief for loan guarantees and \$5.2 million for export insurance claims, according to EXIM officials. Liquidity relief refers to any payments EXIM made to help alleviate short-run liquidity pressures (e.g., covering specific installment payments) that certain borrowers were experiencing during the COVID-19 pandemic, according to EXIM. EXIM is pursuing full repayment of its temporary liquidity relief, according to EXIM.

³⁷EXIM defines premium fees as fees collected from insured parties in exchange for insurance coverage. EXIM defines exposure fees as fees that cover the risk of non-payment of buyers receiving long- and medium-term export credit financing.

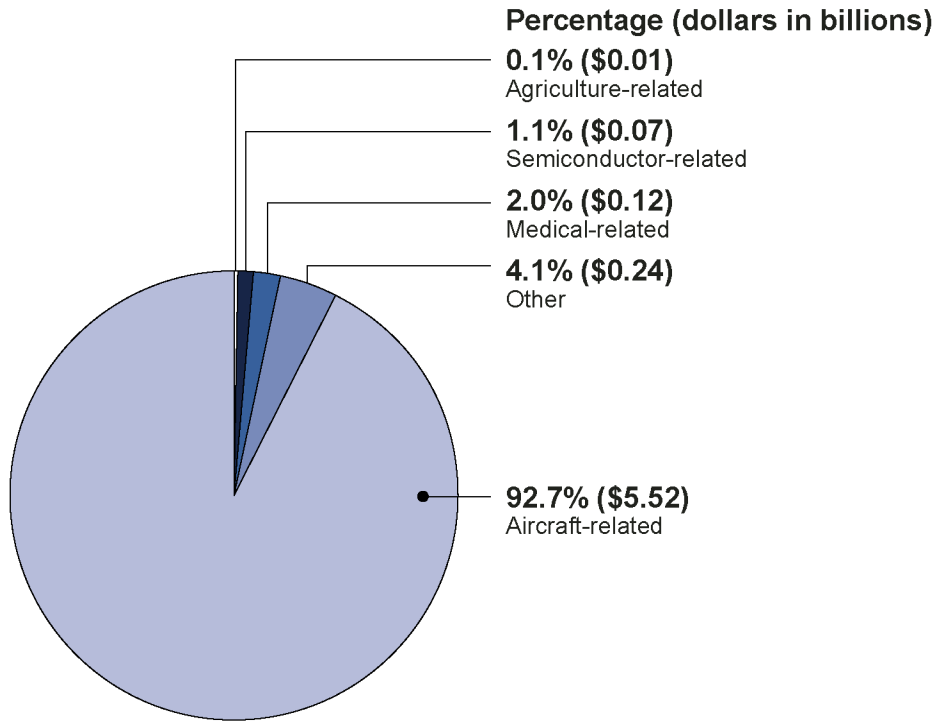
³⁸On January 24, 2005, EXIM signed the China Framework Agreement with the Ministry of Finance of the People's Republic of China. Under this agreement, EXIM provided insurance, loan guarantees, or direct loans in connection with credits to banks and other obligors in China for the financing of U.S. exports to China, and China's Ministry of Finance was responsible for repaying these loans. According to EXIM, if any Chinese obligor defaulted on its payments, EXIM would pay the lender and seek collections from China's Ministry of Finance. As of August 2, 2022, EXIM had no outstanding claims or defaults with China's Ministry of Finance.

³⁹From July 2015 to May 2019, EXIM's five-member board of directors lacked a quorum of three members. 12 U.S.C. § 635a(c)(6). Without a quorum, EXIM was unable to approve larger transactions, which prevented the bank from authorizing any long-term financing, according to EXIM.

the loss of the quorum, EXIM received no applications for loan guarantees under \$10 million to support exports to China. EXIM officials explained that since reestablishing the quorum in May 2019, EXIM had not received any applications for large-scale loan guarantees to support the sale of U.S. exports to end users in China. EXIM officials said that the COVID-19 pandemic might have reduced demand for large-scale loan guarantees.

As seen in figure 7, most EXIM loan guarantees that supported exports to China in fiscal years 2012 through 2021 related to the sale of aircraft.

Figure 7: Amount and Percentage of EXIM Loan Guarantees to Different Types of Businesses for U.S. Exports to China, Fiscal Years 2012–2021



Source: GAO analysis of Export-Import Bank (EXIM) data. | GAO-23-105538

Note: EXIM defined each type of industry using codes identified by the North American Industry Classification System, which U.S. agencies use to classify business establishments. For example, aircraft-related businesses include those that manufacture aircraft, engines, parts, and large commercial jets.

According to EXIM, the Boeing Company was the primary exporter for almost all (\$5.1 billion of \$5.52 billion) aircraft-related loan guarantees from fiscal years 2012 through 2021. All of EXIM's largest loan

guarantees supported Boeing's exports of aircraft, engines, and parts to Air China and China Southern Airlines, among other Chinese airlines. According to EXIM data, EXIM's largest single loan guarantee totaled \$830 million for Air China's purchase of aircraft manufactured by the Boeing Company in fiscal year 2012. EXIM also approved loan guarantees supporting exports of Gulfstream jets and other types of aircraft to China in fiscal years 2013 through 2014. Other loan guarantees made by EXIM supported U.S. exports of items such as agricultural, medical, and railway equipment to end users in China.

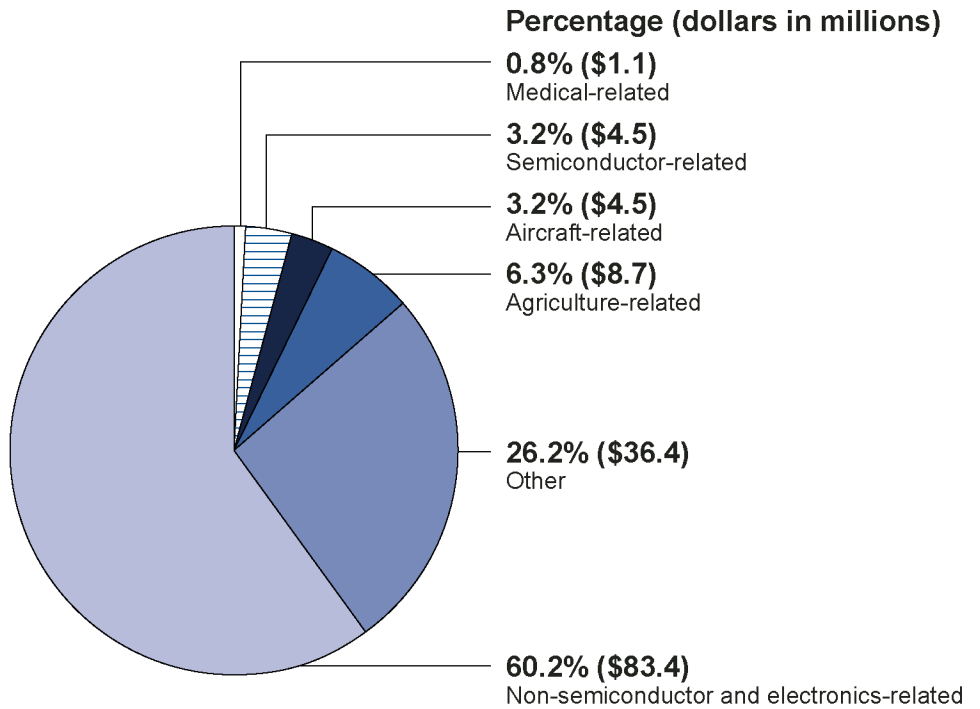
Export Credit Insurance

From fiscal years 2012 through 2021, EXIM authorized 199 single-buyer insurance policies, generally to U.S. companies, covering U.S. exports to China totaling \$138.6 million.⁴⁰ For example, EXIM provided ASI/Silica Machinery, LLC with insurance for multiple exports to China of non-semiconductor electronic equipment worth \$74.4 million (or 54 percent of \$138.6 million) from fiscal years 2012 through 2021. As seen in figure 8, 60 percent of EXIM's export credit insurance policies (by amount) supported non-semiconductor and electronics-related exports to China.⁴¹

⁴⁰In the case of non-payment, EXIM typically pays out a claim to the U.S. exporter and pursues collections from the foreign buyer, according to EXIM.

⁴¹Non-semiconductor and electronics-related businesses include those that manufacture electrical equipment and components, computers, fiber optic cables, communications equipment, and other electronic components.

Figure 8: Amount and Percentage of EXIM’s Export Credit Insurance Policies for Different Types of Businesses for U.S. Exports to China, Fiscal Years 2012–2021



Source: GAO analysis of Export-Import Bank (EXIM) data. | GAO-23-105538

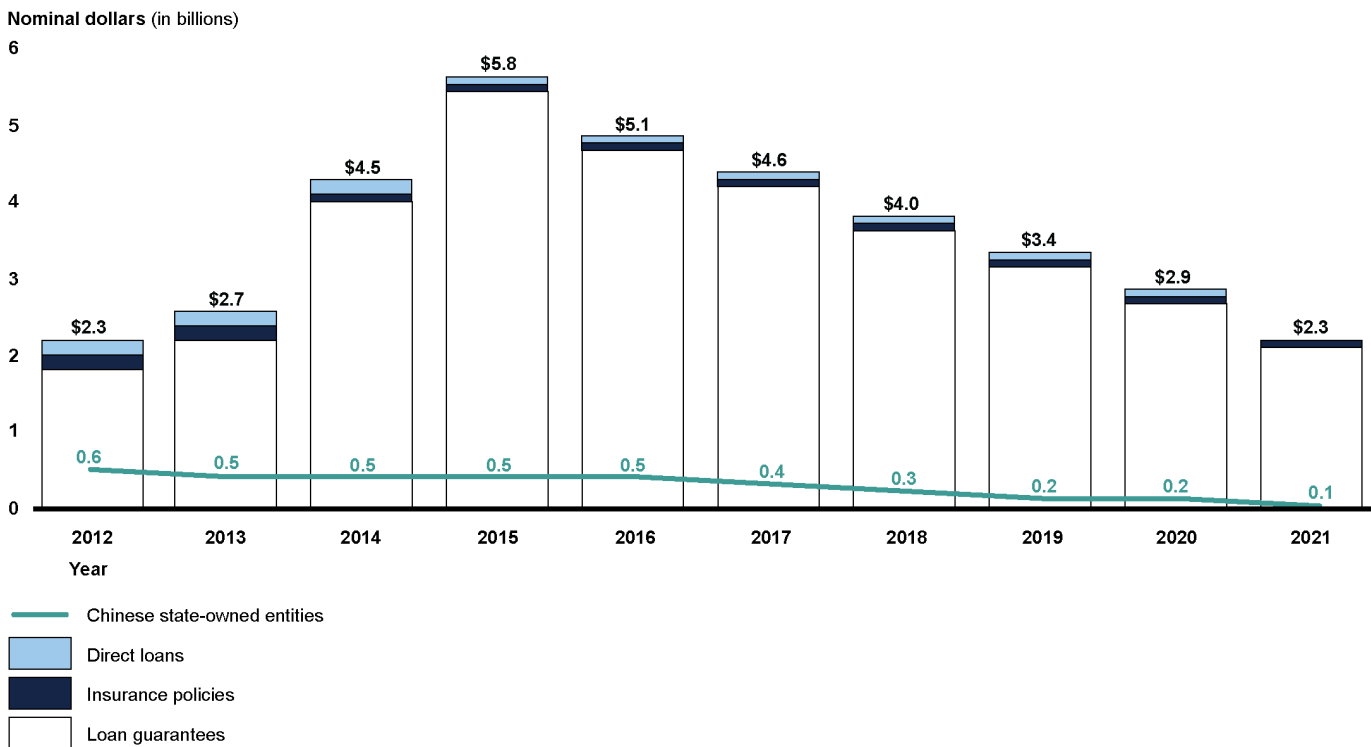
Note: EXIM defined each type of industry using codes identified by the North American Industry Classification System, which U.S. agencies use to classify business establishments. For example, non-semiconductor and electronics-related businesses include those that manufacture electrical equipment and components, computers, fiber optic cables, communications equipment, and other electronic components.

EXIM’s Financial Exposure to China and State-Owned Entities Has Declined since 2015

As seen in figure 9, EXIM’s financial exposure to China (i.e., EXIM’s outstanding credit risk attributable to entities in China) peaked in fiscal year 2015 at \$5.8 billion and steadily declined to \$2.3 billion by the end of fiscal year 2021, according to EXIM data. This \$2.3 billion represented about 6 percent of EXIM’s global financial exposure, which totaled \$41.3 billion at the end of fiscal year 2021, according to EXIM. Loan guarantees made up the majority of EXIM’s financial exposure to China every year from fiscal years 2012 through 2021, according to EXIM data. During these 10 years, EXIM officials told us they approved only one new direct loan that indirectly involved an entity located in China, and EXIM

continued to have exposure to China for six direct loans approved prior to fiscal year 2012. All six of these direct loans were transactions with Chinese state-owned entities, according to EXIM. Financial exposure to Chinese state-owned entities also declined during this 10-year time period, accounting for about 5 percent of EXIM's total exposure to China at the end of fiscal year 2021.⁴²

Figure 9: EXIM's Financial Exposure to China and Chinese State-Owned Entities, by Financial Product, Fiscal Years 2012–2021



Source: GAO analysis of Export-Import Bank (EXIM) data. | GAO-23-105538

Note: EXIM defines Chinese state-owned entities as entities owned by the government of China in addition to those entities that, since EXIM's 2019 reauthorization, have been identified as partially owned by the government of China. Section 408(d) of EXIM's 2019 reauthorization provides a statutory definition of "government of China" to mean any person that the Bank has reason to believe is: (1) the state and the government of China, as well as any political subdivision, agency, or instrumentality thereof; (2) any entity controlled, directly or indirectly, by any of the foregoing, including any partnership, association, or other entity in which any of the foregoing owns a 50 percent or greater interest or a controlling interest, and any entity which is otherwise controlled by any of the foregoing; (3) any person that is or has been acting or purporting to act, directly or indirectly, for or on

⁴²EXIM defines Chinese state-owned entities as entities owned by the government of China in addition to those entities that, since EXIM's 2019 reauthorization, have been identified as partially owned by the government of China.

behalf of any of the foregoing; and (4) any other person which the Secretary of the Treasury has notified the Bank is included in any of the foregoing. Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, § 408(d), 133 Stat. 2534, 3025 (2019).

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Guarantee	1.9	2.3	4.2	5.7	4.9	4.4	3.8	3.3	2.8	2.2
Insurance	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Loan	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0
State-owned entities	0.6	0.5	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.1
Total exposure in millions of dollars	\$2.3	\$2.7	\$4.5	\$5.8	\$5.1	\$4.6	\$4.0	\$3.4	\$2.9	\$2.3

EXIM Has Begun Implementing a Congressional Requirement to Report on Financing Related to the Government of China

The Further Consolidated Appropriations Act, 2020 reauthorized EXIM and contained new requirements for EXIM related to China.⁴³ The act required EXIM to report to Congress that it has consulted with the Secretary of State and other relevant agencies to assess any risks posed by the entity or transaction to the national interest of the United States for certain transactions involving “the government of China.” Specifically, the act required EXIM to report that it has assessed these risks for all loans and guarantees for transactions over \$25 million when the end user, lender, or obligor is the government of China.⁴⁴ As a result, in fiscal year 2021, EXIM’s board adopted new procedures to implement these provisions, including a process for reviewing the ownership structure of applicants to determine affiliation with the government of China, and a process for vetting transactions through State for a national interest review.

EXIM has been reviewing potential transactions since 2019 that involve entities affiliated with the government of China. As of May 25, 2022, EXIM had identified two such transactions.

- The first transaction involved a direct loan to a Mexican corporation to facilitate the export of U.S. equipment and services for offshore,

⁴³Pub. L. No. 116-94, Div. I, Title IV.

⁴⁴The act also required EXIM to prescribe policies with respect to efforts by EXIM to assess and determine ownership or control by the government of China pursuant to its reporting requirements, among other things.

shallow water oil production, and oil and gas processing facilities. EXIM determined that a Chinese state-owned entity indirectly owned 25 percent of the Mexican corporation. EXIM reported the transaction to State, and on July 7, 2020, State informed EXIM that it had fully reviewed the transaction and its foreign policy determination was to support the loan. On December 31, 2020, EXIM issued its report to Congress on the transaction. On January 14, 2021, EXIM's board of directors approved the transaction.

- The second transaction involved a working capital loan guarantee for a U.S. exporter that manufactures industrial combustion and pollution control technologies.⁴⁵ The U.S. exporter reported that five Chinese end users, including two state-owned enterprises, received a small percentage of its exports in fiscal year 2018. While the Chinese end users were not direct parties to the transaction, EXIM found sufficient reason to believe that its financing could facilitate exports to the Chinese state-owned enterprises. EXIM consulted with State regarding this transaction, and State informed EXIM that it had fully reviewed the transaction and had no concerns or objections. On March 12, 2020, EXIM issued its report to Congress on the transaction. On March 26, 2020, EXIM's board of directors approved the transaction.

Agency Comments

We provided a draft of this report to Commerce, Defense, EXIM, HHS, State, USAID, and USDA for review and comment. Commerce, Defense, State, and USDA did not have comments on the draft of our report. EXIM, HHS, and USAID provided technical comments, which we incorporated as appropriate. USAID and EXIM also provided written comments, which are reproduced in appendix IV and appendix V, respectively.

We are sending copies of this report to the appropriate congressional committee, the Secretaries of Commerce, Defense, HHS, State, and USDA, the Administrator of USAID, and the President and Chair of the Export-Import Bank. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>. If you or your staff have any questions about this report, please contact me at (202) 512-8612 or gianopoulosk@gao.gov. Contact points for our Offices of Congressional

⁴⁵EXIM's working capital loan guarantee program guarantees loans by private lenders to U.S. exporters for working capital funds, which are used to produce or market goods and services for export.

Letter

Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "Kimberly Gianopoulos". The signature is written in a cursive style with a large initial 'K'.

Kimberly Gianopoulos
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

We were asked to review U.S. funding and financing of entities located in China.¹ This report examines what is known about (1) the amount, type, and purpose of funding obligated by U.S. agencies through assistance awards and contracts to entities located in China from fiscal years 2017 through 2021; and (2) Export-Import Bank (EXIM) financing for U.S. exports to China, or to Chinese state-owned entities, from fiscal years 2012 through 2021.

For the first objective, we interviewed agency officials at the U.S. Departments of Agriculture (USDA), Commerce, Defense, Health and Human Services (HHS) / Centers for Disease Control and Prevention (CDC), HHS / National Institutes of Health (NIH), State, and the Treasury, as well as the U.S. Agency for International Development (USAID). For the second objective, we interviewed officials from EXIM.

To examine the amount, type, and purpose of funds obligated² by U.S. agencies to entities located in China, we analyzed prime award and

¹For the purposes of this report, entities located in China are recipients of U.S. funding with a legal business address in mainland China. We excluded Hong Kong, Macau, and Taiwan from the scope of our review.

²An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party, beyond the control of the United States. Payment may be made immediately or in the future.

subaward data³ from USA Spending.gov.⁴ Our scope covered fiscal years 2017 through 2021⁵ for both prime awards and subawards, and we limited the scope to U.S. agencies that provided obligations through prime awards, or whose prime recipients provided subawards to entities located in China. Our analysis included both prime assistance awards and contracts, and assistance subawards and subcontracts. We reported obligations for activity from fiscal years 2017 through 2021, regardless of the base award date. We excluded obligations made for direct payments to individuals or multiple recipients.⁶

Amount of funding obligated by U.S. agencies through prime assistance awards and prime contracts to entities located in China. To conduct this analysis, we selected three departments—Commerce, State, and USDA, and two agencies—CDC and NIH—within a fourth department, HHS.⁷ These agencies collectively accounted for approximately 99 percent of U.S. agency obligations through prime assistance awards and contracts to entities located in China from fiscal years 2017 through 2021, according to data in USA Spending.gov. Through prime assistance awards, we analyzed obligations by CDC, NIH, State, and USDA, which accounted for almost 100 percent of the reported agency obligations through assistance awards. Through prime contracts, we analyzed

³We define a prime award as an agreement that the U.S. government makes directly with a non-federal entity for the purpose of carrying out a federal program. A subaward is an agreement that a prime recipient makes with another entity to perform a portion of its award. Subawards include subgrants (which we refer to as assistance subawards) and subcontracts.

⁴Federal law requires U.S. agencies to submit spending data to Treasury for presentation on a public-facing website. Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended, codified at 31 U.S.C. § 6101 note. The USA Spending.gov website is the official source of spending data submitted by U.S. agencies pursuant to this requirement. Department of the Treasury, <https://www.usaspending.gov>, accessed June 6, 2022.

⁵We analyzed USA Spending.gov data as of June 6, 2022. We included 5 fiscal years from 2017 through 2021 in the scope of this review because fiscal year 2017 was the first year in which agencies were required to report on their spending in accordance with the DATA Act, and fiscal year 2021 was the last full fiscal year of available data when we conducted our data collection for this audit.

⁶For example, we excluded obligations made by the Social Security Administration and the U.S. Department of Veterans Affairs because they provide direct payments under entitlement programs to individual recipients who live in China, according to data from USA Spending.gov.

⁷For the purposes of this report, we collectively refer to these departments and agencies as U.S. agencies.

obligations by CDC, NIH, State, and Commerce, which accounted for about 97 percent of reported agency obligations through contracts.

We analyzed the prime award data in USAspending.gov by agency, obligation amount, fiscal year, award recipient, and purpose. We conducted logical tests on the data for missing data or outliers. We provided our analysis to the five selected agencies to verify its accuracy, the agencies provided corrections where necessary, and we incorporated these corrections into our final analysis. We interviewed agency officials to understand these corrections, which officials attributed to exchange rate fluctuations and manual obligations entered in agency accounting systems that were not reflected in the USAspending.gov data. We determined that the USAspending.gov data, after incorporating the agency corrections, were sufficiently reliable for the purposes of summarizing obligation amounts through prime awards and contracts.

Purpose of funding obligated through prime assistance awards and contracts to entities located in China. To conduct this analysis, we reviewed USAspending.gov data and selected award documentation to determine the reported purpose of U.S. obligations. To provide examples of the purpose of U.S. funding to entities located in China, we selected a non-generalizable sample of 12 prime assistance awards and 12 prime contracts provided by the five selected U.S. agencies from fiscal years 2017 through 2021, using criteria to guide selection.⁸ Specifically, we selected prime awards of higher dollar value while ensuring that we did not include awards that had the same purpose. We reviewed prime award documentation including the initial award, scope of work, and interim and final progress reports to provide examples of the purpose of the selected assistance awards and contracts.

To assess the reliability of prime assistance award and contract data in USAspending.gov, we compared prime award information provided by the agencies to data in USAspending.gov. We interviewed agency officials from CDC, NIH, State, USDA, and Commerce to understand the activities funded through prime awards provided to entities located in China. We reviewed these data and discussed them with agency officials. We found these data to be sufficiently reliable for describing the types and purposes of U.S. prime awards provided to entities located in China.

⁸For our judgmental sample of 12 assistance awards, we selected three CDC, two NIH, four State, and three USDA awards. For our judgmental sample of 12 contracts, we selected one CDC, two NIH, seven State, and two Commerce contracts.

Analysis of U.S. funding provided to entities located in China through subawards. To conduct this analysis, we selected two agencies—NIH and the U.S. Agency for International Development (USAID)—because data in USAspending.gov showed that these agencies' award recipients reported providing the largest amounts of funding for subawards to entities located in China from fiscal years 2017 through 2021.⁹ We selected a non-generalizable sample of higher dollar-value subawards from NIH and USAID from fiscal years 2017 through 2021.¹⁰ We interviewed relevant officials from NIH and USAID to understand the purpose of those subawards and discuss limitations in the subaward data. We performed data testing on the subaward data as reported in USAspending.gov and found inconsistencies, including large outliers based on dollar amounts and potential duplicative data entries. Therefore, we found that the USAspending.gov data were not sufficiently reliable to report on the amount of funding provided to entities in China for subawards. We describe the limitations of subaward data in objective 1 of this report.

To examine EXIM financing for U.S. exports to China or to Chinese state-owned entities, we analyzed EXIM data from fiscal years 2012 through 2021—a 10-year scope that includes a 4-year period when EXIM lacked full funding authority, according to EXIM.¹¹

- To determine the number and amount of EXIM's financial transactions supporting U.S. exports to China, we analyzed EXIM data¹² on loan guarantees and export credit insurance policies.¹³ We analyzed these data by type of industry, which EXIM defined using codes identified by the North American Industry Classification System.¹⁴ We excluded

⁹Prime award recipients, rather than agency officials, report subaward amounts to government-wide systems that feed into USAspending.gov.

¹⁰For USAID we selected eight subrecipients from three prime awards. For NIH we selected four subrecipients from four prime awards.

¹¹The EXIM board's quorum lapsed from July 2015 to May 2019, and, as a result, EXIM was unable to approve transactions over \$10 million during that period, according to EXIM. For this reason, we scoped this objective to 10 years, rather than 5 years.

¹²We analyzed data assembled by EXIM officials from various internal databases, including the EXIM Bank Reporting System, EXIM Online, and EXIM's Application Processing System. All data are presented in nominal dollar values.

¹³ EXIM approved only one new direct loan that indirectly supported U.S exports to China from fiscal years 2012 through 2021, according to EXIM officials.

¹⁴U.S. agencies use the North American Industry Classification System to classify business establishments.

multi-buyer insurance policies from our analysis of export credit insurance for two reasons. The reasons are that (1) EXIM's multi-buyer policies allow exporters to ship to buyers in multiple countries, and (2) at the time of authorization, EXIM may not be able to determine whether and to what extent a multi-buyer policy holder will actually use its policy to cover shipments to an individual country, such as China, according to EXIM.

To determine EXIM's cash flow for transactions related to entities located in China, we requested and obtained 10-year trends in EXIM's liquidity relief, default claims, and collections for all financial transactions that supported U.S. exports to China.

Lastly, we analyzed data on EXIM's annual financial exposure to China (i.e., outstanding credit risk attributable to entities in China) and EXIM's annual financial exposure to Chinese state-owned entities (i.e., entities owned by the government of China in addition to those that, since EXIM's 2019 reauthorization, have been identified as partially owned by the government of China).¹⁵

We asked EXIM officials about the reliability of their data systems, and they said they were confident in the accuracy of their data and had no concerns regarding the timeliness or usability of the data. We determined that the EXIM data were sufficiently reliable to show trends in EXIM financial transactions and exposure to China from fiscal years 2012 through 2021.

- To understand the purpose of EXIM's financial transactions, we reviewed documentation for four high dollar-value transactions (two loan guarantees and two export credit insurance policies) between U.S. exporters and entities located in China. One of these

¹⁵Section 408(d) of EXIM's 2019 reauthorization provides a statutory definition of "government of China" to mean any person that the Bank has reason to believe is: (1) the state and the government of China, as well as any political subdivision, agency, or instrumentality thereof; (2) any entity controlled, directly or indirectly, by any of the foregoing, including any partnership, association, or other entity in which any of the foregoing owns a 50 percent or greater interest or a controlling interest, and any entity which is otherwise controlled by any of the foregoing; (3) any person that is or has been acting or purporting to act, directly or indirectly, for or on behalf of any of the foregoing; and (4) any other person which the Secretary of the Treasury has notified the Bank is included in any of the foregoing. Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, § 408(d), 133 Stat. 2534, 3025 (2019).

transactions was approved under the China Framework Agreement with a Chinese state-owned entity.¹⁶

To better understand EXIM's new process for reviewing potential transactions that involve entities affiliated with the government of China, we reviewed the 2019 law reauthorizing EXIM,¹⁷ EXIM's 2021 procedures to implement section 408 of the law,¹⁸ and two congressional notifications about potential transactions involving entities affiliated with the government of China.

We conducted this performance audit from December 2021 to April 2023 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.

¹⁶The China Framework Agreement was an agreement signed on January 24, 2005, between EXIM and the Ministry of Finance of the People's Republic of China. Under this agreement, EXIM guaranteed loans to U.S. banks to support exports to China, and China's Ministry of Finance was responsible for repaying these loans.

¹⁷Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, Div. I, Title IV, 133 Stat. 2534, 3021 (2019).

¹⁸Section 408 of the act required EXIM to report that it has assessed these risks for all loans and guarantees for transactions over \$25 million when the end user, lender, or obligor is the government of China. Pub. L. No. 116-94, Div. I, Title IV, § 408, 133 Stat. 2534, 3024 (2019), codified at 12 U.S.C. § 635 note.

Appendix II: Entities Located in China That Received Obligations through Prime Assistance Awards

Table 4: Entities Located in China That Received Obligations through Prime Assistance Awards, Fiscal Years 2017–2021

In dollars

Entity located in China	Obligated amount
Chinese Center for Disease Control and Prevention	\$10,955,595
Peking University	5,718,847
Individual recipient ^a	809,346
Chinese Academy of Sciences	733,531
Fudan University	730,297
Southern Medical University	533,644
Chinese Academy of Forestry	427,610
Chinese Academy of Agriculture Plant Protection Research Institute	427,068
Beijing George Medical Research	299,764
China Medical University	272,000
The American Chamber of Commerce in the People's Republic of China	258,000
Fujian Agriculture and Forestry University	225,643
Wuhan University	200,000
RECAAP Information Sharing Centre	150,000
Redacted because of personally identifiable information	139,807
Beijing Crossroads Cultural Communication	105,725
Shanghai Yichiwangluokeji	85,302
Nanjing Agricultural University	75,000
Research Institute of Forest Ecology, Environment and Protection	70,500
Wildlife Conservation Society	70,468
Beijing Forestry University	38,720
Beijing Zhuangni Consulting	25,000
Partners in Hope	24,990

Appendix II: Entities Located in China That Received Obligations through Prime Assistance Awards

Entity located in China	Obligated amount
Beijing Huizeren Volunteering Development Center	22,527
Beijing Huanzhu Law Firm	20,000
Beijing Poems on the Road Cultural Transmission Center	20,000
Legal Center for NGO	20,000
Little Turtle Children Intelligent Education	20,000
Ningbo Huamao Education Foundation	20,000
Pacific Environment and Resource Center	20,000
Shambala Foundation	20,000
Wuhan Xile Children's Rehabilitation Center	20,000
Shanghai Vleaders Volunteer Empowerment Center	19,911
Consultation Center of AIDS Aid and Health Service	19,897
Asia TEFL	15,000
Caritas Shengjing Social Service Center of Liaoning	14,493
Chengdu Roots and Shoots	14,000
Harbin Hailuo Culture Communication	13,100
Beijing Channel Zero Media	11,600
Changchun American International School	11,500
Changsha Yali High School	11,500
Huijia Overseas Education Science and Technology	11,500
Shenzhen Vanke Meisha Academy	11,500
Tianjin Yinghua International School	11,500
China Perform Art Agency Production	11,420
The Linden Centre	11,247
Hefei No. 8 High School	8,690
Beijing Pengmenghui Culture	8,000
Jinghong Green Education Center	5,500
Institute of Agriculture Environment and Resource Yunnan	5,000
Northeastern University College of Foreign Studies	5,000
Three Shadows Photography Art Centre	4,378
Shanghai Q-Events	4,360
Tianjin Grand Theater	4,360
Total assistance obligations	\$22,792,840

Source: GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

Note: The recipient names are transcribed as they appear in USAspending.gov with some corrections. The table shows obligations as reported by U.S. agencies in USAspending.gov and validated by the respective U.S. agencies. Amounts represent obligations made by the funding agency. The dollar values represent obligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date. We accessed the data in <https://www.USAspending.gov> on June 6, 2022.

**Appendix II: Entities Located in China That
Received Obligations through Prime
Assistance Awards**

^aUSAspending.gov does not specifically report the names of individuals receiving obligations from U.S. agencies. Such individuals are labeled as "individual recipient" and have been aggregated for the purposes of this table.

Appendix III: Entities Located in China That Received Obligations through Prime Contracts

Table 5: Entities Located in China That Received Obligations for Prime Contracts, Fiscal Years 2017–2021

In dollars

Entity located in China	Obligated amount
AIA Company Limited, Beijing Branch	\$3,433,804
NOVA Technology	3,028,036
Tongzhou Construction General Contracting	2,198,373
ChinaUnicom, Beijing Branch	1,946,709
Fosun Pharmaceutical Distribution Jiangsu Company Limited	1,446,000
China Way Logistics	1,004,883
Zhongmei Engineering Group	952,001
Beijing New Image	527,203
Fudan University	510,000
Beijing Wang Li Zeng Trade	482,174
Shanghai Pro-IFM Cooperation Services	468,450
Dexi Taike Company	443,378
Chinese Academy of Medical Sciences	441,606
Beijing Dongxing Construction	351,981
Grand Hyatt, Beijing	344,331
Beijing Honghetongda Automobile Sales and Service	311,802
Beijing Guodian Kaisheng Dianli Keji	309,272
Guangzhou Fine Arts	295,775
Guangzhou Otis Elevator, Guangzhou Branch	264,203
Beijing Telecom Engineering Bureau	263,129
GZ Industrial Microbe Testing Center	251,569
AGS Four Winds International Transport Services, Guangzhou Branch	242,211
Encore Technology, Beijing	216,860

Appendix III: Entities Located in China That Received Obligations through Prime Contracts

Entity located in China	Obligated amount
Qingdao Feimo Technology	213,966
Beijing Junyu Company	191,995
Trans Dragon International	182,440
Beijing Ouke Decoration	175,096
Sky Walker Decoration Engineering, Beijing	170,885
Beijing Huitai Construction Engineering	170,372
GZ Huibo Zhuangshi Gongcheng	169,828
Santa Fe Relocation Services	164,211
Yajin Guangzhou Water Treatment Equipment	160,906
Staples Commerce and Trade, Beijing Branch	157,366
Beijing Hangtianhuanyi Architectural Engineering	144,521
Shanghai Lantian Industrial Group	143,285
Shanghai Aobo Internet Services	135,611
V-Resource	131,705
Beijing Jingcheng Dianti Company	129,402
China World Trade Center - China World Hotel, Beijing	122,084
Guangzhou Golden Horse Transportation	118,979
Beijing Jiwei Technologies Company	116,026
Beijing Gene-Square Biotech	114,966
Asian Tigers K.C. Dat China	114,406
Joynet Shanghai Network Services	113,721
Tesila Automotive Sales Service, Shenyang	112,488
Beijing Oupu Derui Zhineng Electrical Company	109,524
IQ Air Sales and Service, China	107,974
Beijing Peite Electrical Engineering	102,486
GZ Meilun Qiche Youxiangongsi	95,308
Guangdong Guangwu Fuheng Auto Trade	83,588
Beijing Bao Da Ming Jian Zhu Zhuang Shi Gong Cheng You Xian Gong Si, Shanghai	79,364
Beijing Ouyahuatong Car Trading	75,693
Beijing Jinma Hengyuan Technology	72,374
Beijing Xiangmao Decoration Company	71,301
Beijing Wisdom Education and Technology Company	67,631
Beijing Jinde Measurement and Control Technology	62,313
Beijing Laifushijizhiye Company	59,790
Beijing Campower Electrical Science and Technology	59,637
York Commercial, Beijing Branch	55,307

Appendix III: Entities Located in China That Received Obligations through Prime Contracts

Entity located in China	Obligated amount
Viva Biotech Limited, Shanghai	54,708
Beijing Guomei Electrical Appliances, Guangzhou Branch	53,137
Beijing Baoruilai Information Consulting	52,538
Shenyang Branch of Chongde Property Management, Shenzhen	52,494
Zhejiang University	51,020
Schindler Elevator, Beijing Branch	50,051
Hangzhou Xian Tong Architecture Technology Company	47,903
Beijing Huijiaxin Architectural Engineering Decoration	47,813
Shanghai Lanjifeng	46,943
Shanghai Chempartner	45,922
Beijing Shengshi Changxing Culture	43,846
China Mobile Communications Group Guangdong, Guangzhou Branch	40,709
National Institute of Metrology	40,000
Shanghai Dream Lasers Technology	35,360
Beijing Juming Tiansheng Company	34,716
Guangzhou Zhongwei Catering Service	34,619
Shanghai Siic South Pacific Hotel, Four Seasons Hotel	33,554
Beijing Xilin Keji Company	33,503
Guangzhou Jiangxun Cleaning Services	30,473
Nippon Express, China	26,439
Grand Hyatt, Guangzhou	24,565
Aodesaifu Beijing Tech	23,544
West China Hospital of Sichuan University	22,500
Guangdong Ryoden Lift and Escalator	20,000
Beijing Toyota Motor Service Center	18,250
Beijing Beiaote Road Traffic Facilities	17,344
Beijing Discovery Innovation Technology	17,078
Shanghai Laser and Optics Century	16,360
The Westin, Beijing	16,145
Beijing Wantai Biological Pharmacy Enterprise Company Limited	15,300
Chinese Center for Disease and Prevention and Control	14,996
New York Shanghai Productions	14,779
China Huashi Enterprises	12,885
Beijing Jiuping Construction Company	12,750
Slim Translation Services	12,717
Beijing Kefeng Zikong Company	10,740

Appendix III: Entities Located in China That Received Obligations through Prime Contracts

Entity located in China	Obligated amount
Beijing Empower Consulting	10,027
Guangdong Sheng Nongken Technology Center	8,339
Vision Electromechanical, Suzhou	6,740
Beijing Beiqi Taxi Group	6,428
Beijing International Club Corporation Limited	5,842
Guangxi Youze Trading	4,200
Finetech Industry Limited	3,657
Beijing Iphouse Network Technology	2,600
JW Marriott Hotel Hangzhou and Courtyard by Marriott Hangzhou Wulin	1,473
Tianjin Anning Hospital	-1
Yunnan Tumor Hospital	-86
The First Affiliated Hospital of Zhengzhou University	-313
Sichuan Tianzhiyuan Decoration Company Limited	-2,884
Ningbo Economical and Technological Development Zone, Haisheng Garden Plant	-14,625
Beipiao Health Inspection and Evaluation Service Center	-16,000
Beijing Yingshengmaoshi Technology	-24,996
Total contract obligations	\$25,206,401

Source: GAO analysis of U.S. agency-reported data in USAspending.gov. | GAO-23-105538

Note: The recipient names are transcribed as they appear in USAspending.gov with some corrections. The table shows obligations as reported by agencies in USAspending.gov and validated by the respective agencies. Amounts represent obligations made by the funding agency. The dollar values represent obligations or deobligations reported for activity from fiscal years 2017 through 2021, regardless of the base award date, and therefore may result in negative values. We accessed the data in <https://www.USAspending.gov> on June 6, 2022.

Appendix IV: Comments from the United States Agency for International Development



March 23, 2023

Kimberly Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

Re: Federal Spending: Information on U.S. Funding to Entities Located in China
(GAO-23-105538)

Dear Ms. Gianopoulos:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO), titled *Federal Spending: Information on U.S. Funding to Entities Located in China* (GAO-23-105538).

As noted in the draft report, USAID funding, through subawards, is used to procure life-saving commodities from many entities, including some located in China. USAID continues to diversify its supply base to limit dependence on a single source or geographic location. For example, the World Health Organization's recommended treatment for severe malaria previously was only available from a single manufacturer based in China. As of 2021, there are now three manufacturers, two outside of China, that meet USAID's quality requirements and are approved sources of supply, which limits USAID's reliance on entities based in China for this life-saving commodity.

The Federal Funding Accountability and Transparency Act (FFATA) does not require USAID responsibility for certifying the quality of subaward data that the prime award recipients report into the FFATA Subaward Reporting System (FSRS), however, USAID asks the prime award holder to make needed corrections when we note discrepancies in the subaward reporting.

I am transmitting this letter from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of U.S. spending going to entities located in China.

Sincerely,

Colleen R. Allen

Colleen Allen
Assistant Administrator
Bureau for Management

Agency Comment Letter

Text of Appendix IV: Comments from the United States Agency for International Development

March 23, 2023

Kimberly Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

Re: Federal Spending: Information on U.S. Funding to Entities Located in China
(GAO-23-105538)

Dear Ms. Gianopoulos:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO), titled Federal Spending: Information on U.S. Funding to Entities Located in China (GAO-23-105538).

As noted in the draft report, USAID funding, through subawards, is used to procure life-saving commodities from many entities, including some located in China. USAID continues to diversify its supply base to limit dependence on a single source or geographic location. For example, the World Health Organization's recommended treatment for severe malaria previously was only available from a single manufacturer based in China. As of 2021, there are now three manufacturers, two outside of China, that meet USAID's quality requirements and are approved sources of supply, which limits USAID's reliance on entities based in China for this life-saving commodity.

The Federal Funding Accountability and Transparency Act (FFATA) does not require USAID responsibility for certifying the quality of subaward data that the prime award recipients report into the FFATA Subaward Reporting System (FSRS), however, USAID asks the prime award holder to make needed corrections when we note discrepancies in the subaward reporting.

I am transmitting this letter from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report and for the courtesies extended

by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of U.S. spending going to entities located in China.

Sincerely,

Colleen Allen
Assistant Administrator
Bureau for Management

Appendix V: Comments from the Export-Import Bank of the United States



Helping American Businesses Win the Future

March 23, 2023

Kimberly Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20584

Dear Ms. Gianopoulos,

Thank you for providing the Export-Import Bank of the U.S. ("EXIM") the GAO draft *Information on U.S. Funding to Entities Located in China Report* (GAO-23-105538, February 23, 2023).

EXIM is pleased that there were no findings or recommendations for EXIM from this review. EXIM appreciates GAO's professionalism and courtesy throughout this review.

Sincerely,

ELIZABETH
RYAN

Digitally signed by
ELIZABETH RYAN
Date: 2023.03.23
16:39:26 -0400

Liz Ryan
Acting Chief Management Officer
Export-Import Bank of the United States

811 Vermont Avenue, NW
Washington, DC 20571
Main: 202 565 3946
Fax: 202 565 3380

[exim.gov](https://www.exim.gov)

Agency Comment Letter

Text of Appendix V: Comments from the Export-Import Bank of the United States

March 23, 2023

Kimberly Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20584

Dear Ms. Gianopoulos,

Thank you for providing the Export-Import Bank of the U.S. (“EXIM”) the GAO draft Information on U.S. Funding to Entities Located in China Report (GAO-23-105538, February 23, 2023).

EXIM is pleased that there were no findings or recommendations for EXIM from this review. EXIM appreciates GAO’s professionalism and courtesy throughout this review.

Sincerely,

Elizabeth Ryan
Acting Chief Management Officer
Export-Import Bank of the United States

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Kimberly Gianopoulos, (202) 512-8612 or gianopoulosk@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Drew Lindsey (Assistant Director), Julia Ann Roberts (Analyst-in-Charge), Martin Wilson, Daniel Sosa Jr., Kai Perket, Debbie Chung, Neil Doherty, Ashley Alley, Maria Belaval, and Terry Richardson made key contributions to this report.

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 our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

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, <https://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 [Email Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/about/what-gao-does/fraudnet>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

A. Nicole Clowers, Managing Director, ClowersA@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

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548

