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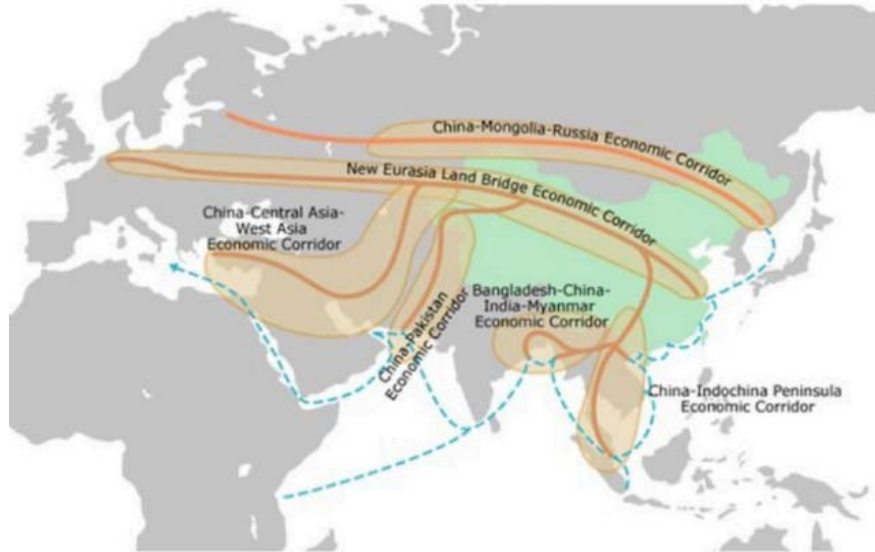
European Languages

زبانهای اروپایی

By Eric Toussaint

19.02.2024

Q&A on China as a major creditor power (I)



Sources: CADTM [Image: Global Monitor, China's Overseas Investment in the Belt and Road Era, Hongkong, 2021, <https://www.globemonitor.org/content/chinas-overseas-investment-belt-and-road-era>, page 22.]

China is demonized by many commentators: China would be the main creditor of a large number of countries of the South and would exploit them, while the World Bank, the IMF and the Paris Club, which bring together the traditional creditor powers, would do their best to help those countries that give in under the burden of too heavy a debt.

For its part, China also propagandizes. The country presents itself as the ally of the countries of the South, regularly announces debt cancellations or relief, and claims that it does not impose any neoliberal conditionalities as the IMF and the World Bank do. And it emphasizes its effectiveness.

What is the amplitude and the amount of China's loans?

[According to a study published in November 2023](#), AidData tested 20,985 projects involving loans or grants from China in 165 countries. According to AidData, the total amount of these *loans* amounted to \$1.34 trillion over a 22-year period [1]. That makes China the top public lender to the Global South. China's loans are larger than the combined loans granted by the *IMF*, the *World Bank* and the Paris Club [2]. China outperformed the other public creditors as of 2015 [3]. But, be careful, private creditors, and not China, are the main ones in public and private *debt* for both the so-called developed and developing countries.

China is the main lender to countries in the Global South

Therefore, it must be said that China is the largest creditor at the EU level. planet or to the realm of the South. Private lenders (especially investment funds such as BlackRock or Pimco, pension funds, banks private funds, *vulture funds*...) they are the main creditors. That which It is true that China is the main public lender and therefore the the main public debt collector of the countries of the South.

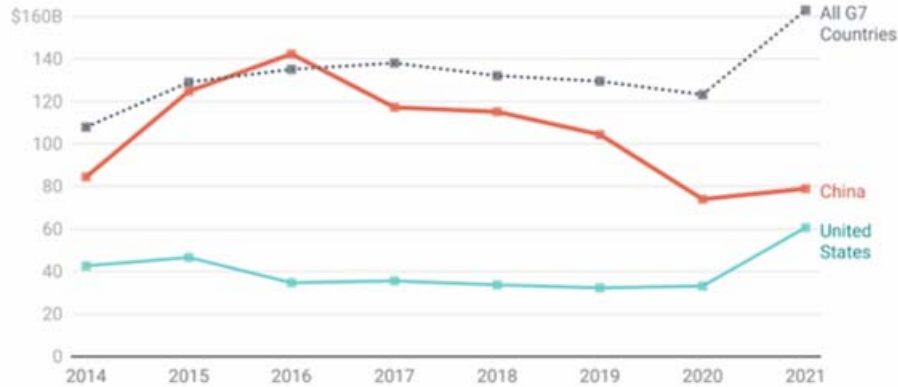
Is China a bigger lender than the United States?

Yes. The volume of loans granted by China as of 2020 amounts to about 80,000 million dollars per year [4]. Compared to the United States, in recent years the North American country has made an effort to trap China, granting loans for an amount of 60,000 million dollars per year. China replaced the United States as a lender in the early 2000s.

China replaced the United States as a lender in the early 2000s

As Figure 1 shows, the annual volume of loans granted in 2016 for China it reached the sum of 140,000 million dollars, three times more than the credits granted by the United States. In 2017 and 2018, the annually it was set at 120,000 million, in 2019 it reached 100,000 million, and then go down to \$80 billion. It is also found that the official loans granted by the United States were less than the amount of \$40 billion between 2016 and 2020, and then increase and reach \$60 billion by 2021. Credit flows officials from the *G7* countries (including the United States) were lower than China's in 2016 and then, without increasing, were higher than those of China as the latter decreased the annual volume of new credits. From 2020 onwards, official G7 appropriations increased strongly to compete against Chinese influence.

Figure 1: Official financial flows from China, the United States and the G7 countries to developing countries during the New Silk Road era 2014-2021, in constant USD trillions 2021. [5]



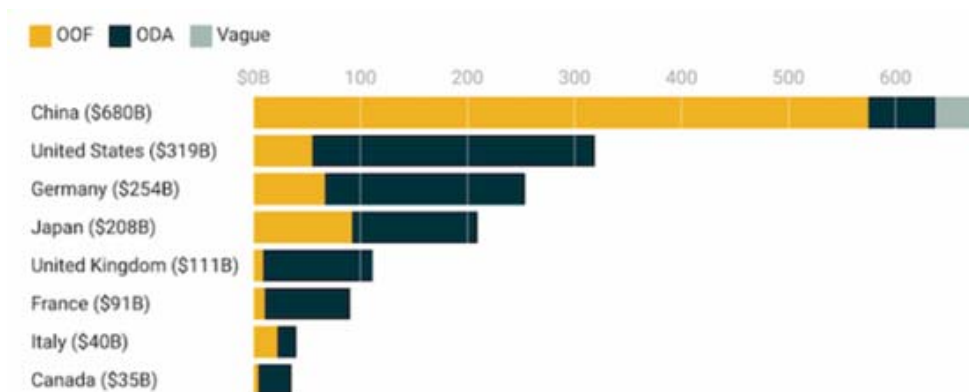
Source : AIDDATA, "Belt and Road Reboot, Beijing's Bid to De-Risk Its Global Infrastructure Initiative", November 2023, page 12, https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

Chart translation: All G7 countries:

All G7 countries

United States.

Figure 2: Official financial flows from China and G7 countries to developing countries during the New Silk Road (BRI) era, 2014-2021. In constant USD billions 2021. [6]



Source : AIDDATA, "Belt and Road Reboot, Beijing's Bid to De-Risk Its Global Infrastructure Initiative", November 2023, page 11, https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

Chart translation: OOF: Other Public

Financial Flows ODA: *Official Development*

Assistance (ODA)

Vague: Vague

United States: United States

Germany: Germany

Japan: Japan

United Kingdom:

United Kingdom France: France

Italy: Italy

Canada:

Canada

Figure 2 shows that China's total official credits in the The 2014-2021 period is more than double that of the United States. Herself also notes that the share of Official Development Assistance (ODA) in the Chinese credits are clearly lower than what they represent, both in terms of volume and as a percentage, in the loans granted by the United States, Germany, Japan, United Kingdom and France.

When did China become Did you become a major public lender? What is the location of the big project? known as the "New Silk Road" and designated by its name in China. Belt and Road Initiative and its acronym BRI?

After the victory of the Chinese revolution of 1949, China granted credits and grants to the so-called Third World countries of that time. These credits went to the countries that China was trying to bring closer to its sphere of influence and had a highly developed aspect of solidarity cooperation. The search for profitability or sources of raw materials was not part of Beijing's objectives. From the 1980s onwards, under Den Xiaoping, so-called "market" reforms were implemented in an accelerated manner to achieve the creation of a major public sector in China, although the state retained control of the main economic instruments.

In the 1990s, China progressively transformed itself into the great workshop of the world. This country received a huge amount of investment from American, European, Japanese, Taiwanese transnationals... What They re-exported their production to the world market. In this context, China accumulated huge trade surpluses relative to the United States and the United States. European economic powers. These surpluses, mainly in the form of foreign exchange reserves, built up and China began to lend more and more massively to the countries of the Global South and, in a to some countries of the North. China also used a part of the reserves to acquire companies in both the north and the country. south of the

planet. Conditioned by a growth rate close to or greater than 10% per year for more than 20 years (between 1990 and 2013, the growth rate China's annual growth ranged from 7.66% to 14.23%), China became the world's leading the world's second largest industrial power, poised to overtake the world's economy. America in the future.

Starting in 2013-2014, China launched a vast global investment and credit program called the Belt and Road Initiative. It is known in Spanish as the "New Silk Road". In particular, it was a matter of creating broad economic corridors that would allow it to export and import at lower costs, in the safest and fastest way possible. This would facilitate the importation of raw materials whose industry needs to manufacture manufactured products, some of them high-tech, and to re-export through the same corridors to the world market.

Starting in 2013-2014, China launched a vast global investment and credit program called the Belt and Road Initiative. In particular, it was a question of creating broad economic corridors that would allow it to export and import at lower costs, in the safest and fastest way possible.

Figure 3 and the map show that more than 140 countries signed agreements with China within the framework of the New Silk Road, of which the vast majority are countries in Africa, the Middle East and Asia.

Figure 3 and map: The countries of the Belt and Road Initiative



Source : Green Finance and Development Center, FISF Fudan University, extrait de Christoph Nedopil Wang, "Ten years of China's belt and Road Initiative (BRI) : Evolution and the road ahead", FISF, Griffith University, page 7.

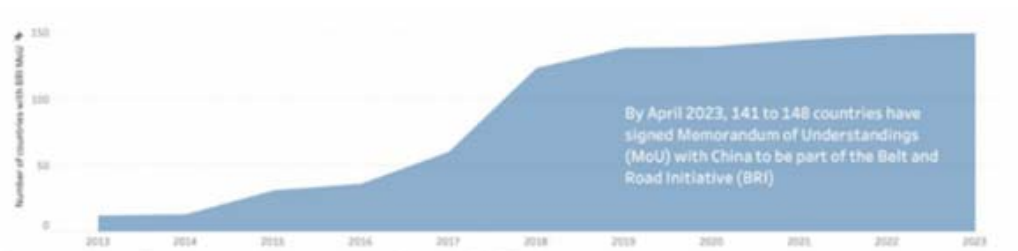
Sub-Saharan Africa 44 countries Europe
and Central Asia 35 countries East Asia and
the Pacific 25 countries Latin America and

the Caribbean 21 countries Near East and North Africa 18 countries South Asia 6 countries

Country Groups by Income

High-income countries 34 countries Upper middle-income countries 43 countries Lower middle-income countries 41 countries Low-income countries 31 countries

Source : Green Finance and Development Center, FISF Fudan University, excerpt from Christoph Nedopil Wang, "Ten years of China's belt and Road Initiative (BRI) : Evolution and the road ahead", FISF, Griffith University, page 7.



Map & Chart

Translation Year of MoU signature: Year of the signing of the agreement with China to form part of the New Silk Roads initiative

Unclear:

Unclear

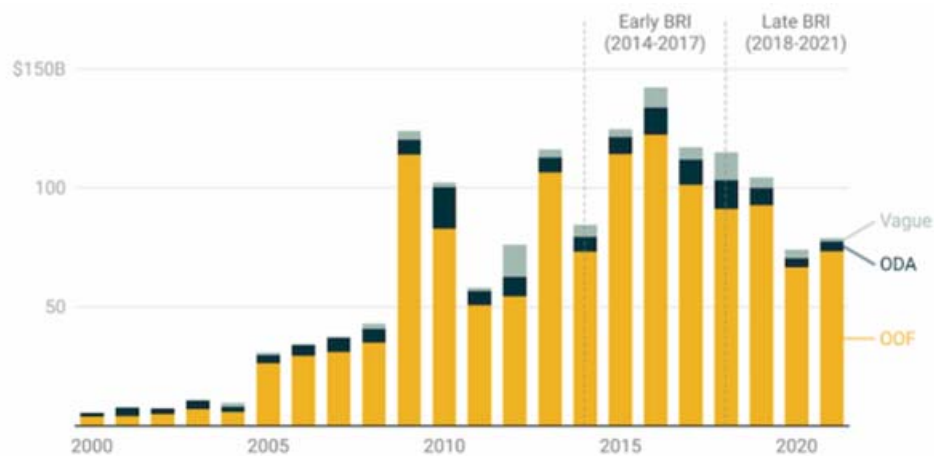
Number of countries with BRI MoU:

Number of countries that signed the agreement to be part of the New Silk Roads.

By April 2023, 141 a 148 countries have signed memorandum of Understandings (MoU) with China to be part of the Belt and

Road Initiative (BRI): In April in 2023, 141 to 148 countries signed the agreement with China to join of the New Silk Roads.

Figure 4: China's financial flows to developing countries 2000-2021, in constant USD billion 2021.



Source : AidData, "Belt and Road Reboot, Beijing's Bid to De-Risk Its Global Infrastructure Initiative", November 2023, page 8, https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

Chart translation: Early BRI: First Period of the New Silk

Roads Late BRI: Second Period of the New Silk Roads

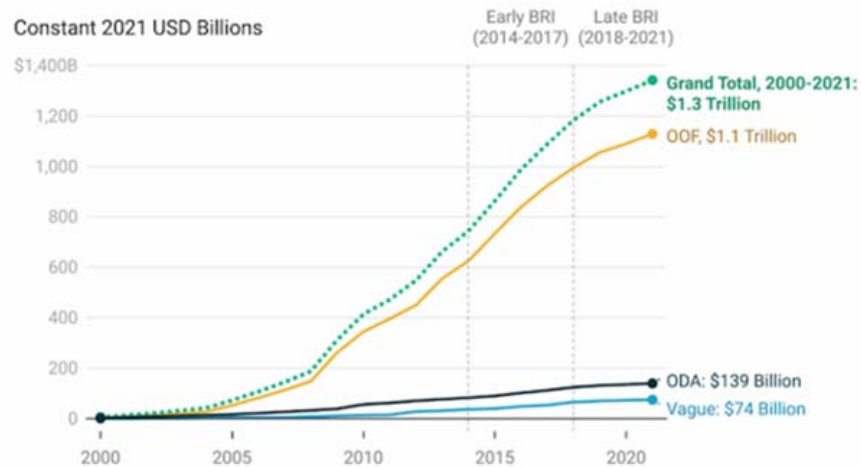
ODA: Official Development Assistance (ODA)

OOF: Other Public

Financial Flows Vague:

Imprecise

Figure 5: Cumulative financial flows from China to developing countries 2000-2021 in constant USD billion 2021.



Source : Source : AidData, "Belt and Road Reboot, Beijing's Bid to De-Risk Its Global Infrastructure Initiative", November 2023, page 10, https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

Chart translation: Early BRI: First Period

of the New Silk Roads Late BRI: Second

Period of the New Silk

Roads Grand Total:

Grand

Total ODA: Official Development

Assistance (ODA)

OOF: Other Public

Financial Flows Vague:

Imprecise

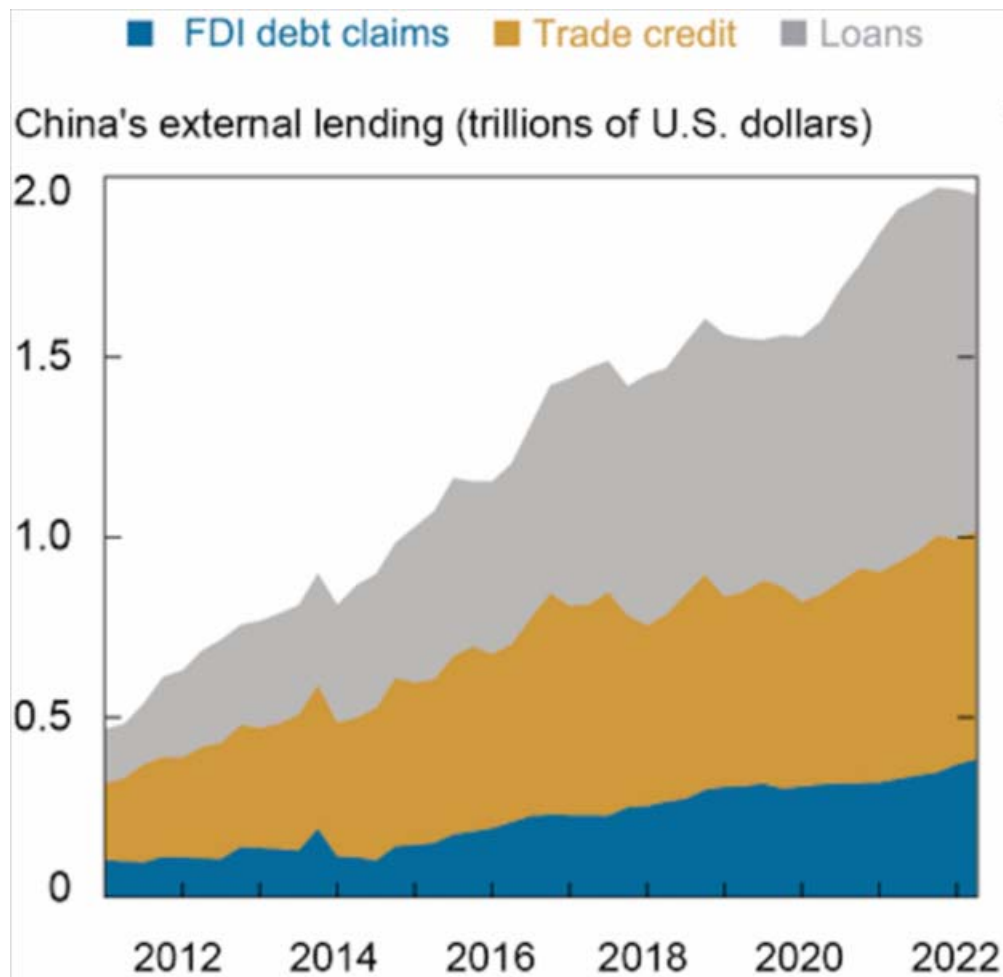
Figure 5 shows that Official Development Assistance (ODA) appropriations in the Spanish State, ODA in English) that are granted at concessional rates, or At rates below the market rate, they are only about 10% of total Chinese credits. The cumulative total of credits Chinese officials abroad amounts, according to the chart, to 1.3 trillion Dollars.

Figure 6: The growth of China's foreign loans (in trillion USD dollars).

In this chart published by the Federal Reserve Bank of New York, there is a clear increase in Chinese loans to foreign countries, which quadrupled between 2012 and 2022, from just under USD 500 billion in 2012 to about USD 2 trillion in June 2022.

The blue part corresponds to the credits that are granted between China's own companies abroad. In orange, this is trade credit and in grey, it is other credits. And it is the latter that

increase the most. The volumes presented in this chart do not fully match those provided by AidData but indicate the same evolution, and include trade credits and loans between Chinese companies themselves abroad.



Source : State Administration of Foreign Exchange and Bank for International Settlements, both via CEIC (in <https://libertystreeteconomics.newyorkfed.org/2022/11/a-closer-look-at-chinese-overseas-lending/>)

Note: Les données vont jusque juin 2022.

Translation of the chart: FDI debt claims:

Loans between China's own companies in the exterior (in blue).

Trade credit: Trade credit (in orange) Loans:

Loans (in grey)

Are Chinese loans being reduced as they have been? This is the aim of the World Bank in its December 2022 and December reports Sep 2023?

According to AidData, it is false to claim that Chinese loans are declining sharply since 2021. AidData Considers Chinese Loans reached \$75 billion in 2021, while the World Bank It says the amount amounts to \$7.1 billion for the same year. AidData argues that the huge difference is explained by the fact that China made a big difference. change in the way they lend and use new channels (see [AidData November 2023](#), Chapter 2, pp. 47-54)

Translated by: Ana Fernandez

Notes:

[1] AidData, "Belt and Road Reboot : Beijing's Bid to De-Risk Its Global Infrastructure Initiative", November 2023, <https://www.aiddata.org/publications/belt-and-road-reboot>

[2] AidData, *ibid.* chapter 2, p. ...

[3] Sebastian Horn, Carmen M. Reinhart and Christoph Trebesch "China's Overseas Lending" NBER Working Paper No. 26050, July 2019, Revised May in 2020.

[4] In this sum there is a part of the Official Development Assistance (ODA), another part is considered to be part of the OOF (Other Official Flows) category, i.e. other official flows (in other words, they are agreed credits) by the public sector without being considered as aid). The APD is made up of grants and concessional loans (i.e. with interest rates) lower interest rates than those charged by the market) for projects and development activities funded by public sector institutions. OOFs consist mainly of non-concessional loans issued by public sector institutions. Over the past few years, more than 90% of the China's annual commitments on financing for development are made up of the OOFs.

[5] This chart measures official financial flows (APD and other financial flows) of China, the U.S., and G7 countries to low-income countries and Middle-income countries from 2024 to 2021. AidData relies on the OECD DAC (Development Assistance Committee) measurement criteria for determine DPA and other financial flows. Data on APD and other financial flows from the United States and the G7 account for disbursements DAC and OECD grosses.

[6] AidData is relies on the OECD/DAC measurement criteria for determining ODA and other financial flows (OOFs). The "vague" category is a residual for China's official financial commitments that could not be reliably categorized as DPAs or "other financial flows" (OOFs) due to insufficiently detailed information. Data relating to the APD and other G7 financial flows represent the gross disbursements of the OECD DAC.

Source: <https://www.cadtm.org/Parte-1-Preguntas-y-respuestas-sobre-China-como-una-potencia-acredora-de>

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