Paris Club Restructuring and the Rise of China*

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Abstract

Governments in low and middle income countries access finance from an increasingly diverse set of creditors. These include not only private investors, but also new official creditors such as China and its state-influenced policy banks. We posit that Chinese lending disrupts established processes of debt renegotiation, especially that led by the Paris Club grouping of traditional official creditors. China's presence as a lender reduces borrowing countries' demand for Paris Club relief, while also reducing western governments' willingness to offer such relief. These effects are especially pronounced when borrowing countries are geopolitically distant from the United States, and when borrower governments have greater levels of transparency, allowing other creditors an awareness of their borrowing relationships. We find support for these expectations using data for the 2000-2017. We find no evidence of similar effects of other new creditors, such as Brazil and Saudi Arabia, on provision of Paris Club relief. Nor do we find any effect of China's presence on the occurrence of private sector restructurings.

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Sovereign debt crises are a recurring feature of the global economic landscape. In the wake of the COVID-19 pandemic, the war in Ukraine and various global commodity price shocks, many low- and middle-income countries find themselves with high debt servicing burdens. Although various attempts at a global debt governance regime have been made – most recently, the G20's Common Framework for Debt Treatments and the Global Sovereign Debt Roundtable – governments often must deal separately with various types of creditors (private bondholders, multilateral financial institutions and bilateral official creditors, among others) when seeking relief.

For many low- and middle-income countries, the Paris Club has been a central part of this process. It represents a set of official bilateral creditors which make government-to-government loans, and allows debtor governments to negotiate principal reductions, interest rate cuts and maturity extensions on their outstanding official debts.[1] Its permanent members now include twenty-two nations, including the longest-running official creditor countries, such as France, the United Kingdom and the United States. The Paris Club historically has worked closely with the International Monetary Fund, providing assurances related to debt relief and sharing information (Ferry and Zeitz 2024), and has facilitated more formalized debt relief efforts, such as those carried out in the early 2000s as part of the Highly Indebted Poor Countries (HIPC) initiative.

Recent cases of debt defaults and near-defaults suggest, however, that the Paris Club restructuring process and the global debt architecture more broadly, may not function as effectively as it once did. Observers attribute the current difficulties in restructuring countries' sovereign debts to a variety of causes, including the absence of a comprehensive international mechanism (see, e.g. Brooks and Helleiner (2017)); uneven burden-sharing between official and private sector creditors (Schlegl, Trebesch and Wright 2019) and governments' concerns

[1] From its beginnings in 1956 and until 1988, the Paris Club's rules did not permit a reduction of principal; rather, restructurings lengthened the maturity of obligations.

with imposing harms on various domestic constituencies (Mosley and Rosendorff 2023*b*). Still others suggest that shifts in the global distribution of political and economic power play a key role. At a time when developing countries have borrowed from a broader range of creditors, and when official creditors include not only OECD countries but also China, Saudi Arabia, Brazil and others, orderly debt workouts may be harder to achieve. Indeed, while the G-20's Common Framework for Debt Treatments, agreed in 2020, was intended to streamline the process of dealing with debt crises, its performance has thus far been disappointing. Only four countries have applied to use the Common Framework, despite many others at significant risk of debt distress. Chad, the first country to apply, reached a deal in January 2023, after two years of negotiations. Zambia's negotiations lasted three years.[2] Although the process has moved more quickly for Ghana and Ethiopia, significant challenges remain.

These negotiating difficulties reflect a range of issues, such as concerns among private sector creditors that they are left out of early stages of the process. Many have suggested that China's role in bilateral finance is partly (or even largely) to blame. To the extent that China's role has grown and it is less willing to adopt existing norms around debt restructuring, the picture becomes more complicated. This relates to more general concerns about the ways in which China's presence has shifted the functioning and effectiveness of multilateral financial institutions (Lee et al. 2024, Qian, Vreeland and Zhao 2023), the provision of emergency financing including swap lines (Broz, Zhang and Wang 2020), and the role of global currencies (McDowell 2019). Even more broadly, the limitations of sovereign debt architecture can provide insight into how geopolitical shifts may affect the capacity for international cooperation and the health of the global economic system.

In this article, we hypothesize that shifts in the nature of global finance change the effec-

[2]For a discussion of the coordination problems related to China's lending in Zambia, see Bräutigam (2022).

tiveness of the Paris Club process. We also expect that these changes are more pronounced when the borrowing country is geopolitically less aligned with Western countries and more aligned with China. Moreover, transparency – which allows Paris Club members a greater awareness of a country's use of Chinese finance – plays a role in these dynamics. Using the most comprehensive data on Chinese lending to low- and middle-income countries, for the 1980-2017 period (and focused especially on 2000-2017, when China emerged as a major source of bilateral lending),[3] we find support for our core expectations.

Yet we do not find that debt to China affects restructuring efforts between other (non-political) creditors; for instance, we find no evidence that countries that owe more to China experience differential likelihood restructuring their debts with private sector creditors. This suggests that diversity of creditors *per se* may not be the source of delays; rather, it is traditional official creditors that seem most affected by the presence of Chinese debt obligations, as is consistent with a notion that political differences among creditors may be the primary culprit. We also find that these effects are limited to Chinese debt: debt to other non-Paris Club creditors does not significantly affect the likelihood of Paris Club debt restructurings, suggesting that the study of the rise of China as a prominent source of finance is important in its own right.

We begin by summarizing contemporary patterns of sovereign finance for low- and middle-income countries, with a focus on shifts that have occurred during the last two decades. We then describe the process of Paris Club debt restructuring. Next, we develop several theoretical claims about how Chinese finance affects Paris Club debt restructurings. We

[3]Given the variety of agencies associated with Chinese official lending (Bräutigam 2011), as well as a lack of transparency around some debt reporting (Brown 2023, Cormier 2023), measuring debt to China is difficult. We use the measure constructed by Horn, Reinhart and Trebesch (2021) based on loan-level data. In keeping with the OECD's definition of official (versus private) credit, this measure includes loans from China's central government, government ministries, China's state-owned policy banks (especially China Export-Import Bank and China Development Bank), and China's state-owned commercial banks (Bank of China, Industrial and Commercial Bank of China). Figure A2 in Horn, Reinhart and Trebesch (2021) maps the universe of official creditors in China.

test these claims statistically, reporting a core set of models as well as a range of robustness checks. We conclude with a discussion of how future research could better improve our understanding of the implications of creditor diversity – and especially, the practices of new and emerging official creditors – for sovereign finance.

The Contemporary Landscape of Sovereign Finance

Beginning in the 1990s, the range of sovereign financing options for low- and middle-income countries expanded. Following structural adjustment programs and capital account liberalization, many middle income borrowers began to issue bonds in private capital markets. In the early 2000s, debt relief for many highly-indebted low income countries generated additional capacity to borrow (although such borrowers tended to borrow from official sources like multilateral development banks and other national governments). Periods of high global liquidity – the early 2000s as well as the post-Global Financial Crisis decade – facilitated further expansion of private sector market access, as low returns in mature markets prompted a search for yield among institutional investors (Ballard-Rosa, Mosley and Wellhausen 2021). At the same time, some governments expanded their borrowing via resource-backed loans from commodity firms such as Glencore, and others. This period also was marked by an increase in China's overseas lending (Chen 2023, Dreher, Fuchs, Parks, Strange and Tierney 2022, Lee et al. 2024); its "Going Global Strategy" was launched in the late 1990s as a means of facilitating foreign investment. After the Global Financial Crisis, and keen to earn higher returns on its foreign currency holdings while addressing excess domestic capacity, China and its policy banks increased their overseas lending activity (Parks et al. 2023), later branded as the "Belt and Road Initiative" (Kaplan 2021).

Developing countries' reliance on a more diverse set of creditors was due not only to increased global capital market liquidity, but also to borrowing governments' domestic po-

litical incentives to avoid multilateral official creditors (Bunte 2019, Mosley and Rosendorff 2023*a*, Zeitz 2021).[4] Loans from Chinese creditors also facilitated political survival for some types of leaders (Shea, Reinsberg and Kern 2024). This shift in financing sources has made financing more expensive for many countries, given that commercial credit and loans from non-traditional bilateral creditors tend to be more expensive than multilateral financial institutions' and OECD governments' loans (Mihalyi and Trebesch 2023). IDA-eligible countries' debt service burdens rose from 0.7 percent of gross national income in 2010 to 1.8 percent in 2021, partly due to an expansion of the amount of debt, and partly the result of greater reliance on more expensive commercial and Chinese credit. By 2022, these payments stood at an all-time high.[5]

Currently the effectiveness of contemporary debt restructuring efforts is potentially undermined by the increased diversity of creditors, at both the bilateral official level and at a broader level. The 75 low-income countries the World Bank currently deems IDA-eligible[6] owed 58 percent of their external bilateral debt to Paris Club creditors in 2010. By 2022, Paris Club creditors represented only 27 percent of IDA-eligible countries' external debt, due in some significant part to the increased role of China – not a member of the Paris Club – as an official bilateral lender.

Indeed, China's role as a bilateral creditor may be the most important element of of the trend toward creditor heterogeneity (Bräutigam 2022). The country's share of low-income country government debt grew from 18 percent in 2010 to 49 percent in 2021. China is now the developing world's largest bilateral creditor (World Bank 2022, 2023). Its loans may be

[4]The share of long-term public and publicly-guaranteed external debt of low- and middle-income countries owed to private creditors grew from 46 percent in 2010 to 61 percent in 2021, falling to 53 percent at the end of 2022. Even among IDA-eligible countries, which often have been deemed too risky by private investors, this share grew from five percent in 2010 to 21 percent in 2022 (World Bank 2023).

[5]https://www.worldbank.org/en/news/press-release/2022/12/06/debt-service-payments-put-biggest-squeeze-on-poor-countries-since-2000

[6]The International Development Association branch of the Word Bank offers loans, usually on concessional terms, and grants for basic social services to the world's poorest countries.

especially appealing to leaders who want to avoid disclosing their borrowing activity (Brown 2023, Cormier 2023). Yet China is not a member of the Paris Club; its state-connected loans are made by a variety of Chinese entities (Chen 2024, Lee et al. 2024); and Paris Club members may have concerns about free-riding on the debt relief they provide. Indeed, in the analyses below, we show that all else equal, outstanding debt to Chinese entities is associated with a decreased likelihood of a Paris Club debt restructuring.

Cooperation over Debt Restructuring

Sovereign debt crises are a recurring feature of the global financial landscape. Such crises are especially common when global capital flow cycles ebb, as well as when commodity prices collapse (Reinhart, Reinhart and Trebesch 2016). When governments' debt servicing burdens are high, they face a choice about whether to service and repay their obligations to creditors (Ballard-Rosa 2020). Interest payments and principal repayments substitute for other budgetary outlays, such as domestic social programs or subsidies to industries and consumers. These trade-offs become starker as debt servicing burdens increase. At the same time, deciding not to service debt obligations – that is, to default – also generates losses, not only for foreign (and perhaps domestic) creditors, but also for domestic actors who rely on access to foreign credit (Connell 2019, Curtis, Jupille and Leblang 2014).

Given these contending distributional pressures – suggesting losses for recipients of government spending (with debt servicing), or losses for firms and households seeking access to (foreign) credit (with default), governments may attempt to restructure their debts to some or all creditors (domestic or foreign, official or private). In some cases, including the recent case of Zambia, debt restructuring occurs after a default; in other cases, governments preemptively negotiate a debt restructuring, hoping to avoid the specter of default while also reducing their debt servicing burden (Asonuma and Trebesch 2016). For governments with

greater concerns about their stability, the incentives to delay restructuring (in hopes that domestic as well as external conditions will improve) are often significant.[7] These restructurings are not without costs: creditors usually insist that borrowing governments seek advice and funding from the International Monetary Fund. The IMF's required reform package affect domestic audiences unevenly (Rickard and Caraway 2014, Saiegh 2009, Walter 2016), and ultimately, they also matter for governments' survival in office (DiGiuseppe and Shea 2016, Ballard-Rosa 2020).

The debt restructuring process is often protracted and contentious. A key part of the process involves coordination among creditors. In the pre-World War I era of financial globalization, the London-based Corporation of Foreign Bondholders negotiated many restructurings; although it did not always strike a deal with defaulting governments, its representation of a large share of private bondholders facilitated its success (Tomz 2007). The 1980s revealed some of the functional challenges of resolving crises – even though developing countries owed much their debt to a concentrated set of private commercial banks (and groups of banks via loan syndicates), the crises took many years to resolve. Yet efforts to create a comprehensive global mechanism for addressing crises – bringing together debtor governments, various creditors and creditor groups and multilateral financial institutions – have fallen short. Powerful governments (especially the United States) and private creditors often have registered opposition to such proposals (Brooks and Helleiner 2017). The G-20's Common Framework for Debt Treatments, formulated in 2020 and aimed at low-income countries, represents the most recent such attempt; thus far, only four countries (Chad, Ethiopia, Ghana and Zambia) have sought treatment under the scheme. The process has thus far operated quite slowly, although Ghana's relatively quick resolution in 2024 offers some reason for optimism.

[7] Preemptive restructurings often are insufficient to address the problem: Asonuma and Trebesch (2016) note that, compared with post-default restructurings, preemptive restructurings average smaller creditor losses but lower probability of resolving the problem.

The Paris Club

Efforts to coordinate *within* rather than *across* creditor groups have been more successful. The Paris Club, which represents official bilateral leaders, had its beginnings in 1956, as part of efforts to address Argentina's debt burden. The informal grouping originated with the aim of coordinating bilateral creditors' actions toward debtors. At the time of its creation, low- and middle-income countries had little access to private (versus official) sources of finance. The Paris Club initially included eleven creditor countries; its membership has expanded over time, reflecting the growing involvement of countries in the provision of bilateral official credit. It now counts twenty-two countries as permanent members, with another fourteen countries sometimes participating in an ad hoc fashion (depending on a country's debt profile). The Paris Club has no international legal foundation; its members commit to a set of six principles related to debt resolution. It remains "informal" in its operations,[8] even as it has developed an institutionalized set of practices, including those used to provide debt relief to Highly Indebted Poor Countries (HIPCs), as well as varying terms offered to different categories of borrowers.

The Paris Club offers a single point of negotiation, a clearing house for relevant data, and a commitment among its members to cooperate with any restructuring deal. For debtor countries, the Paris Club reduces the transaction costs of renegotiation, obviating the need to negotiate with each creditor separately. For creditors, the Paris Club eliminates the possibility that debtor governments will play governments off against one another. During the sixty-eight years of its existence—and especially from the 1980s—the Paris Club has reached 479 agreements, with 102 different debtor countries.[9]

[8] See https://clubdeparis.org/

[9] Private sector creditors also have sought to improve their capacity for coordination. In the mid-1970s, in response to Zaire's repayment difficulties, commercial banks formed the London Club. And, in the late 1990s and early 2000s, in response to concerns about holdout creditors, underwriters began to include collective action clauses in bond contracts. These clauses aimed to ease coordination among bondholders, generating voting thresholds above which a restructuring could proceed, and reducing the ability of small groups of private creditors (so-called "vulture funds") to block restructurings (Weidemaier and Gulati 2014).

China and the Paris Club

Recent cases of debt distress, such as Sri Lanka and Zambia, illustrate how China may pose a challenge to renegotiating official sector debt. In terms of loans outstanding, China now surpasses all other individual Paris Club creditors (Horn, Reinhart and Trebesch 2021). Although China is a member of the G-20, and therefore played a role in the creation of the Common Framework for Debt Treatment, it has often opted for a bilateral approach to debt resolution (Bräutigam, Acker and Huang 2020, Hameiri and Jones 2024). China is an ad hoc participant in Paris Club negotiations, but it has repeatedly declined invitations to join the Paris Club as a full member.

China takes a different approach to sovereign lending than do many Paris Club members. China's official aid agency, China International Development Cooperation Agency, largely offers development finance; it is funded from central government budgets. China's state-owned policy banks, including Export-Import Bank of China and China Development Bank, are China's major lenders. They raise funds (mainly) from issuing bonds and taking deposits. In some instances, China's government has asserted that loans from its policy banks are commercial, rather than official, in nature; at other times, however, it has suggested treating policy bank loans as official sector credit, consistent with the OECD's approach to such loans (Horn, Reinhart and Trebesch 2021). Chen (2023) suggests that the arms-length relationship of the policy banks to the state fiscus helps explain China's insistence that these banks be treated as commercial rather than state-owned.

Additionally, while Paris Club creditors have offered principal reductions and other forms debt forgiveness, China has been reluctant to reduce principal balances. They have been more willing to instead provide emergency loans as well as swap lines to governments facing debt distress (Bräutigam, Acker and Huang 2020, Horn et al. 2023*b*). China's approach to debt relief arguably has slowed the negotiation of comprehensive relief packages. China also has recently insisted, as a condition of participation in broader restructuring efforts, that

multilateral financial institutions also accept losses on their sovereign loans. While recent statements suggest that China's government may be softening in its attitude toward coordinated approaches,[10] there remain significant concerns that China has slowed the process of dealing with debt crises. In May 2024, the Financial Times observed, referencing Zambia's debt negotiations, that "[t]he Common Framework was meant to improve co-operation between Chinese creditors and western official lenders, but has struggled to do so." In the words of one investment professional, "[t]he issue with the Common Framework was that getting everybody into the room meant getting China into the room, which backfired when China did not participate as planned."[11]

We first hypothesize that China's presence as a bilateral official creditor will generally reduce the willingness of other official bilateral creditors (including Paris Club members) to restructure sovereign obligations. Creditors frequently worry, especially in the absence of an effective international mechanism for bankruptcy-style proceedings, about how they will be treated relative to one another. An enduring feature of many unsecured sovereign debt obligations (commercial bank loans and bond issues) has been the *pari passu* clause, which suggests that the debtor country is obligated to treat all such debts "on an equal footing." In practice, however, sovereign creditors are often treated differently. Indeed, in their analyses of the de facto treatment of creditors with respect to repayment and haircuts (losses), Schlegl, Trebesch and Wright (2019) find that multilateral official debt is treated as senior (repaid more often) to bilateral official debt. They also find that private sovereign debt, including bonds and bank loans, are typically treated as senior to bilateral official debt.[12]

[10] See, for instance, https://www.washingtonpost.com/business/2023/04/13/imf-world-bank-us-china/.

[11] https://www.ft.com/content/bfa3c2f7-c3d5-4f4e-aca9-12a8c7594fcd. Similarly, in March 2023, Reuters noted that "these delays (in finalizing deals for IMF bailout assistance) have been caused by a number of reasons, but debt experts mainly point to the fact that China is still reluctant to offer debt relief on comparable terms..." https://www.reuters.com/business/finance/cash-strapped-countries-face-imf-bailout-delays-debt-talks-drag-2023-03-02/

[12] The analysis by Schlegl, Trebesch and Wright (2019) does not distinguish among bilateral official creditors, nor among bondholders. In practice, different groups within creditor categories also have sometimes

Bilateral official creditors therefore may worry about the losses they will face, relative to other creditors, when debtor countries face debt distress. In an earlier era, when Paris Club countries accounted for the vast majority of bilateral lending, coordinated debt relief quelled worries about comparable treatment, by offering the same treatment to participating governments. With the growth of Chinese (and other non-Paris Club) lending, however, bilateral creditors find themselves competing for repayment. They may worry that any debt relief they provide might be used to fund continued repayment of (typically higher-priced) obligations to China (Horn, Reinhart and Trebesch 2022). In June 2023, for instance, the New York Times noted that "as strapped governments negotiate with creditors to diminish their debt burdens, the IMF and the Biden administration have balked at providing relief until Chinese financial institutions participate. Otherwise, they assert, Chinese lenders are free-riding on debt forgiveness extended by others."[13]

Interestingly, Hameiri and Jones (2024) describe China's government as worried that debtor governments would use relief from Chinese obligations to service obligations to other creditors – a concern about comparability of treatment and burden-sharing across creditors. To the extent that (some) Chinese loan contracts contain explicit "no Paris Club treatment" clauses, meant to reduce exposure to negotiated debt write-downs, burden-sharing between Paris Club and Chinese lenders is particularly difficult to achieve (Dielmann 2021). Moreover, many (but not all) of China's loans to sovereigns fund specific projects and are securitized by revenues from those projects; this could reduce the capacity of debtor governments to service other, non-securitized obligations (Kaplan 2021).

Another channel by which the presence of debt to China can reduce the likelihood of a Paris Club restructuring involves the fiscal space its loans can offer to governments of low- and middle-income countries. For governments that generally are frustrated with the

received different treatment.

[13]https://www.nytimes.com/2023/06/26/business/suriname-china-imf.html

IMF and the influence of its major shareholders on its behavior, China offers an alternative source of financial support, such as swap lines (Broz, Zhang and Wang 2020).[14] China also offers an additional route for project financing, a function that is arguably easier to duplicate than that of crisis lending and management (Lipscy 2015, Clark 2023). Indeed, the presence of China as a creditor is associated empirically with fewer World Bank loan conditions (Hernandez 2017); the creation of the Asia Infrastructure and Investment Bank (AIIB) has similarly reduced the use (and influence) of the World Bank as a source of project finance (Qian, Vreeland and Zhao 2023).[15]

For governments facing debt distress, China also represents an attractive outside option (Alfaro and Kanczuk 2019). Governments may perceive a Chinese-financed bailout as less politically disruptive at home than a restructuring that involves conditional lending programs. As Horn et al. (2023*a*) have recently documented, China has been active in emergency lending, as well as the provision of swap lines.[16] For instance, in 2020—and already facing substantial debt servicing challenges—Sri Lanka received emergency bilateral loans from China. These loans allowed the Rajapaksa government to avoid seeking IMF assistance (at least for a time). China also has often been willing (see Figure 1 below) to restructure existing debts. For countries seeking relief from or restructuring of debt, the Paris Club is no longer the only game in town. China may therefore offer additional fiscal space to countries. This not only may make governments less likely to seek Paris Club deals; it also may make Paris Club creditors less likely to offer them.[17]

[14] In recent work, Kern and Reinsberg (2022) finds that countries with more Chinese loans are more likely to face IMF conditionality only when also facing some form of crisis.

[15] There is a similar literature on the differential consequences of Chinese foreign aid, which is often contrasted against Western aid's insistence on sociopolitical conditionality that governments may find onerous. For a recent summary of this literature, see Dreher, Fuchs, Parks, Strange and Tierney (2022).

[16] Also see (McDowell 2019).

[17] While the opacity of the Paris Club process, and the related unavailability of archival materials, makes it very difficult to observe the demand side and the supply side of the debt relief process independently of one another, these expectations point in the same direction – more Chinese debt makes Paris Club restructuring less likely.

The effect of debt to China may therefore be to provide some fiscal space that eases the pressures of debt service to the traditional Paris Club lenders. Chinese funding can delay or forestall the need to default or restructure, and such governments will be particularly disinclined to seek, and receive, Paris Club restructurings. Hence, our first expectation is an unconditional one:

Hypothesis 1. *Countries with more Chinese debt (all else equal) are less likely to restructure their debts with the Paris Club.*

Geopolitics

We expect that the effects of Chinese debt exposure are especially pronounced when debtor governments are geopolitically distant from traditional lenders. This distance intensifies Paris Club countries' concerns about burden-sharing and equitable treatment of creditors. In the current moment, we might expect tensions between the US and China to be particularly relevant to how the Paris Club operates. Many of the geopolitical tensions we observe – trade-based conflicts, security concerns in the South China Sea, and worries about the security implications of investment – have long histories. We therefore expect these dynamics to be present in our empirical analyses, which usually cover the 2000 to 2017 time frame.

The influence of powerful states at the IMF and the World Bank are well documented: allies of the US or the G5 receive more and larger loans with fewer conditions, and more positive debt sustainability analyses (Copelovitch 2010, Stone 2011, Vreeland 2003, Vreeland and Dreher 2014, Clark and Dolan 2021, Lang and Presbitero 2018). States friendly to the US also are more likely to receive bilateral aid (for instance, see Dreher, Lang, Peter Rosendorff and Vreeland (2022)).

Influential members of the Paris Club may worry especially about China's intentions for countries that are seen to be within China's geopolitical influence. Countries that joined the

China-initiated Asian Infrastructure Investment Bank in 2016, for instance, subsequently concluded fewer World Bank financed infrastructure projects (Qian, Vreeland and Zhao 2023). This reduces the influence of the US and other major shareholders, via conditionality or otherwise. Similarly, China's Belt and Road Initiative appears to buy diplomatic support for China's human rights record and its stance on Taiwan, at least in cases where the pressures to export excess industrial capacity are less important (Chan 2024), although claims of "debt-trap diplomacy" may be somewhat exaggerated (Bräutigam 2020, Lippolis and Verhoeven 2022).[18] China's presence as a creditor also slows the process of International Monetary Fund assistance, perhaps in part because the traditional practice of sharing information between bilateral creditors and the IMF breaks down in such situations (Ferry and Zeitz 2024).

We expect therefore that Paris Club countries – the most powerful of which are also aligned with the United States – will be less likely to agree to relief for countries that are indebted to China and also more geopolitically aligned with China. On the other hand, countries with Chinese debt exposure that are closer to the United States may well be viewed as "at risk" of moving closer to China – and therefore worthy recipients of Paris Club relief. This leads to our second, conditional hypothesis:

Hypothesis 2. *States geopolitically distant from Paris Club members, with larger Chinese debts, are less likely to receive a Paris Club restructuring agreement.*

A related expectation is that, to the extent that these dynamics are largely political and strategic, rather than commercial, they ought to affect the restructuring of official, but not of private sector, obligations. Indeed, we find below little evidence of an effect of Chinese lending on the completion of private debt restructurings during the 2000-2017 period, either unconditionally or when interacted with a set of economic or geopolitical factors.

[18] For a summary of varying perspectives on and evidence related to China's role in the Bretton Woods system, see (Lee et al. 2024).

Opacity

Creditor governments' decisions related to restructuring depend on the information they have regarding debtor governments' obligations. Paris Club creditors must have some awareness of the amount of debt to China. Yet over the last two decades, governments have sometimes kept secret their borrowing from China-based lenders. Indeed, some governments are attracted to these loans because they are better able to keep them hidden from their publics, from opposition parties and from international audiences (Alfaro and Kanczuk 2019, Brown 2023, Cormier 2023). Additionally, some Chinese loan contracts contain non-disclosure provisions (Gelpern et al. 2021).[19] Although researchers have been able to compile estimates of Chinese lending activity retrospectively drawing on a wide range of sources (as in Horn, Reinhart and Trebesch (2021, 2022)), creditors may not have an accurate picture of Chinese debt exposure in real time. We therefore anticipate that the relationship of debt to China with Paris Club restructuring may be conditional on borrowing countries' transparency.

Hypothesis 3. *The negative association between Chinese debts and Paris Club restructurings is greater for governments that are more transparent in their provision of economic information.*

Empirical Analyses

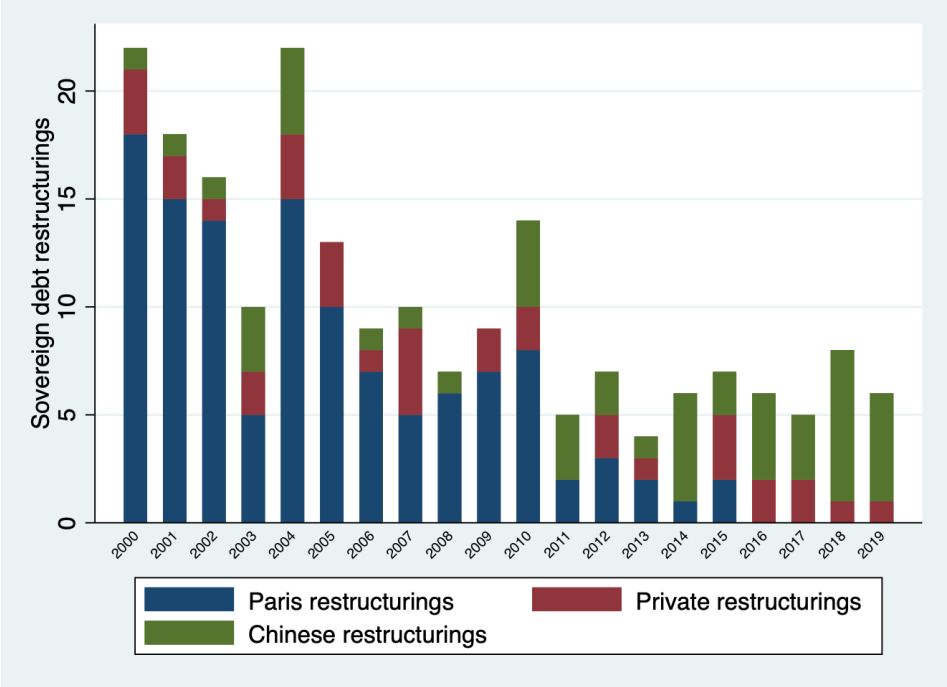
Our analyses focus on debt restructuring in non-OECD countries. OECD countries typically are considered low-risk and, as such, receive the vast majority of their credit from private, rather than official, sources. As such, they act as creditors at the Paris Club, rather than as potential recipients of restructuring. We measure debt restructuring using data from Horn, Reinhart and Trebesch (2022).[20] They code restructuring with Paris Club creditors, private

[19] While such provisions are not necessarily unique to China as an official creditor, they raise concerns about the ability of other creditors to gain an accurate picture of debt countries' debt exposure

[20] Data available at https://sites.google.com/site/christophtrebesch/data

creditors, and Chinese creditors. We use their dichotomous measure of restructuring, coded as a one in country-years where a restructuring with the corresponding creditor group occurs. Figure 1 reports the yearly distribution of each type of restructuring.

Figure 1: Sovereign Debt Restructuring, 1980-2019



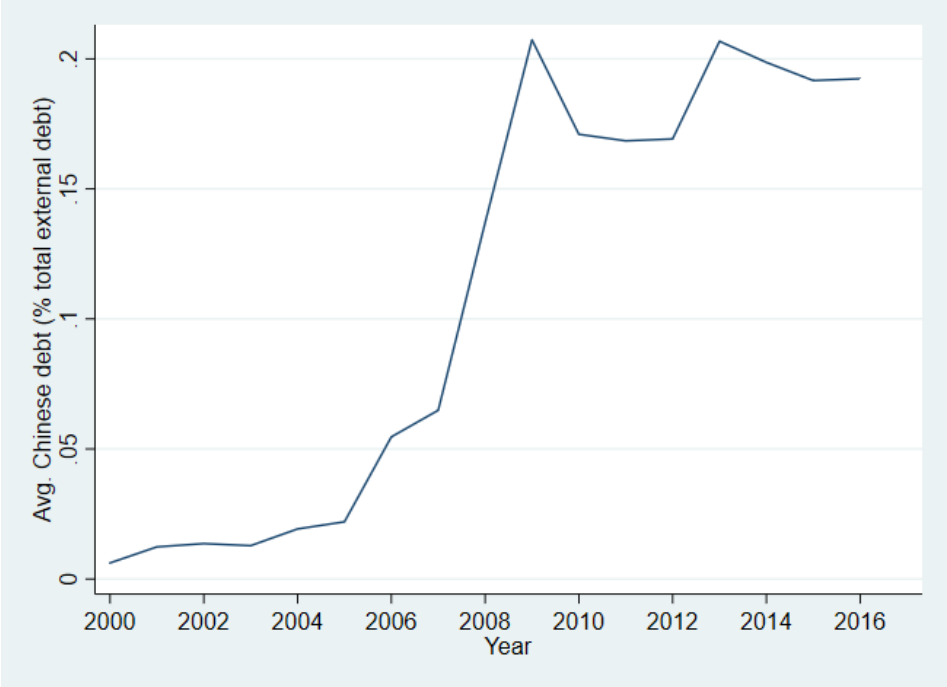
Source: Horn, Reinhart and Trebesch (2022)

To construct our measure of a state's exposure to Chinese lending, we begin with data on each country's amount of outstanding Chinese debt from Horn, Reinhart and Trebesch (2021).[21] They draw on loan-level lending data to estimate outstanding debt stocks owed to China for more than 100 developing and emerging economies from 2000-2017. To capture the importance of Chinese debts relative to other sources of external financing, we divide this measure of outstanding Chinese debt by a measure of the total amount of external debts,[22] which provides us with our primary independent variable *Chinese debt (as % total*

[21] Data available at https://sites.google.com/site/christophtrebesch/data.
[22] Data on total external debt drawn from Abbas et al. (2010) and the WDI.

external debt).[23] The cross-sample average amount of Chinese debt over the panel is reported in Figure 2, which clearly documents the dramatic rise in Chinese lending beginning in the early 2000s, as has been identified elsewhere (e.g., Dreher, Fuchs, Parks, Strange and Tierney 2022, Horn, Reinhart and Trebesch 2021).[24]

Figure 2: Outstanding Debt to Chinese Official Creditors, 2000-2017.



Source: Horn, Reinhart and Trebesch (2021), Abbas et al. (2010)

Our primary estimation approach takes the following form, in which we estimate the effect of outstanding Chinese debt in a country i in year $t-1$ on the likelihood of a Paris Club restructuring in that country in year t, along with a vector of potential control variables X_{it-1} as well as with country fixed effects μ_i and controls for temporal effects $f(t)$.[25] Standard

[23] Visual inspection of the data indicated that they were clearly log-normally distributed, and so we follow standard practice in employing the log of Chinese debts (as % total external debt) in our analyses below. In order to avoid dropping observations with zero Chinese lending in a year, we add the minimum value of this measure (0.005) to all observations before applying the logarithmic transformation.

[24] More precisely, Figure 2 reports the annual sample mean level of Chinese debt for countries with non-zero amounts of Chinese lending.

[25] Given recent discussion on the potential for bias in the traditional two-way fixed effects framework with

errors are clustered by country to account for potential within-country correlations including serial autocorrelation in the data:[26]

$$Restructuring_{it} = \beta ChineseDebt(\%totaldebt)_{it-1} + \gamma X_{it-1} + \mu_i + f(t) + \epsilon_{it} \quad (1)$$

Chinese Debt and Restructurings

We first report a bivariate OLS regression of each restructuring type on outstanding Chinese debt.[27] As can be seen in Table 1, while countries that owe more debt to China are significantly less likely to restructure their Paris Club debts, there is no systematic association between Chinese debt and private market restructuring.[28] Perhaps more surprisingly, countries with more outstanding debt to China also do not appear unconditionally more likely to conclude a restructuring of debts to China.[29]

Of course, these bivariate associations may be driven by a host of potential omitted variables; to account for this, we re-estimate our regression of Paris Club restructuring on Chinese debt after including controls in Table 2. Column 1 replicates our bivariate regression for comparison, while Column 2 adds a sparse set of macroeconomic covariates that maximizes our sample size; more precisely, we introduce measures of *GDP per capita*, *GDP growth*, *trade*, *oil rents*, *inflows of foreign direct investment*, and *government military spending*.[30] Column 3 introduces a fuller set of covariates that, while potentially important,

time-varying treatment (Imai and Kim 2021, Liu, Wang and Xu 2022), we employ cubic polynomials in time to account for the possibility of temporal effects (Carter and Signorino 2010); in unreported further analysis, our primary results remain robust to the inclusion of year fixed effects instead.

[26]Following standard practice, we lag our independent variables by one year to avoid simultaneity bias.

[27]As reported in Tables 9 and 10 in the Appendix, we find similar results when instead estimating using maximum likelihood estimators such as conditional logit or fixed effects probit.

[28]In unreported additional results, we find very similar effects of Chinese debt on Paris Club restructuring when we control directly for a lagged dependent variable, to account for the possibility that there might be serial correlation in factors affecting multiple instances of restructuring.

[29]In Appendix Table 11, we document the same (lack of) a relationship between Chinese debts and private market or Chinese restructuring in a seemingly-unrelated regresssion (SUR) framework, which relaxes the assumption that these types of restructuring are independent from one another.

[30]Data all drawn from the World Bank's World Development Indicators. All covariates are lagged by one

Table 1: Chinese Lending and Debt Restructuring

VARIABLES	(1) Paris restr.	(2) Private restr.	(3) Chinese restr.
Chinese debt (% total external debt)	-0.012***	0.000	0.002
	(0.002)	(0.001)	(0.001)
Observations	1,664	1,664	1,664
R-squared	0.026	0.000	0.002
Number of countries	99	99	99

OLS regressions of Paris Club restructuring (Column 1), private market restructuring (Column 2), or Chinese restructuring (Column 3), on Chinese debts. Robust standard errors clustered by country in parentheses.*** p<0.01, ** p<0.05, * p<0.1.

result in significant attrition in our sample.[31] We include additional controls for *foreign reserves*, *interest payments on external debt*, whether the country is currently under an *IMF program*, the size of a country's *population*, as well as a measure capturing the extent to which a country is an *electoral democracy*.[32] As reported in Table 2, the negative association between Chinese debt and Paris Club restructuring remains remarkably stable and robust, even with the introduction of a wide variety of controls.[33]

In terms of substantive magnitude, the implied effect size of these results is also quite pronounced: a one-standard deviation increase in the percentage of debt owed to China decreases the likelihood of observing a Paris Club restructuring by approximately 3.7 percentage points; given that we only observe Paris Club restructuring in approximately 7.7% of cases, this represents an increased likelihood of restructuring (against the baseline) of

year to prevent simultaneity bias. On the potential linkage between government debt and military spending, see, e.g., DiGiuseppe (2015).

[31] Our number of observations falls by about 300 from Column 2 to Column 3, and we also lose approximately 20 countries in this specification.

[32] Data on foreign reserves drawn from the WDI. Data on interest payments on debt from the World Bank's International Debt Statistics. Data on IMF program status from the update to Vreeland (2003). Data on population from the WDI. Data on electoral democracy from VDem.

[33] Note that, as our primary independent variable of interest *Chinese debt (% total external debt)* is calculated by dividing Chinese debts by total external debt for a given country, we do not explicitly also include a control for total external debts. However, as we report in Column 5 of Appendix Table 15, the inclusion of this measure does not affect our primary effect of interest appreciably.

Table 2: Chinese Debt and Paris Club Restructuring, with Controls

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% total external debt)	-0.012***	-0.008***	-0.008**
	(0.002)	(0.003)	(0.003)
GDP per capita (log)		-0.001	0.018
		(0.034)	(0.038)
GDP growth (annual %)		-0.003	-0.002
		(0.002)	(0.002)
Trade (% of GDP)		-0.000	-0.000
		(0.000)	(0.001)
Oil rents (% of GDP)		-0.002	-0.001
		(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)		-0.003***	-0.001*
		(0.001)	(0.001)
Military expenditure (% of GDP)		-0.006	-0.001
		(0.009)	(0.015)
Foreign reserves (months of imports)			-0.000
			(0.003)
Interest payments on external debt (% of GNI)			0.016***
			(0.004)
IMF program			0.000
			(0.014)
Population, total			0.000
			(0.000)
Electoral democracy index			-0.074
			(0.138)
Observations	1,664	1,303	1,027
R-squared	0.026	0.057	0.071
Number of countries	99	87	70

OLS regressions of Paris Club restructuring on Chinese debt, as well as additional controls. Country fixed effects are suppressed for presentation, as are temporal cubic polynomials. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

approximately 48%. For comparison, note that one factor that ought to have a strong impact on a country's need to restructure its debts is the amount of money spent servicing interest; clearly, as the interest burden rises, countries should be more prone to need help restructuring their existing debts. Indeed, as reported in Table 2, we find that states with higher interest burdens (as a fraction of GNI) are significantly more likely to receive a Paris Club restructuring. However, a standard-deviation increase in the interest burden is expected to increase the likelihood of restructuring by 3.3 percentage points; in other words,

the substantive effect of debt to China is of slightly larger magnitude than the most significant macroeconomic correlate in our models, suggesting that our effect size is indeed of substantive importance.

Geopolitics

If the negative association between Chinese debts and Paris Club restructuring is related to conflict between Chinese and Paris Club creditors, then we should be most likely to observe the relationship when geopolitical tensions between Paris Club creditors and China are greater. We rely on a state's voting record at the United Nations to identify the proximity of one state to another in terms of geopolitical preferences (Bailey, Strezhnev and Voeten 2017, Stone 2011, Vreeland 2003, Vreeland and Dreher 2014). We expect that, for states that are closely aligned with US priorities, the presence of Chinese debt may be less of an impediment to Paris Club restructuring; however, as states move away from the US's position (and, potentially, closer to China's position) in global affairs, we expect such states to face greater friction in establishing Paris Club restructuring.

To assess this possibility, we construct a measure of the distance between a country's ideal point in UN voting and that of either China or the United States.[34] Intuitively, as the distance between two countries' ideal points grows, this can be seen as capturing greater divergence between the geopolitical aims of the two states. As reported in Table 3, we recover strong evidence that the "penalty" for Chinese debt on the likelihood of Paris Club restructuring is larger for states that are more geopolitically distant (on the basis of UN voting outcomes) from the US.[35]

To visualize these conditional marginal effects, Figure 3 plots the effect of additional Chinese debt as a function of distance between a country's ideal point at the UN and that

[34]Data on UN ideal points come from Bailey, Strezhnev and Voeten (2017).

[35]In unreported additional results, we find similar evidence if we instead estimate geopolitical distance from other major Western creditors, including Japan, the U.K., France, or Germany.

of the United States. As can be seen, for states most closely allied with the US in global affairs, we find that if anything a greater amount of Chinese debts is associated with an increased likelihood of Paris Club restructuring, as might be expected if concerns about Chinese influence are muted and so the process of debt restructuring can occur unimpeded. On the other hand, for states that are more geopolitically distant from the US, we observe an increasingly negative (and statistically significant) relationship between outstanding Chinese debts and the likelihood of Paris Club restructuring. Column 2 of Table 3 documents that the inverse effect holds if we instead consider a state's alignment with Chinese international priorities: for those state closely aligned with China, there exists a significant negative correlation between the presence of Chinese debts and Paris Club restructuring, but this effect is attenuated as a state's geopolitical distance from China increases.[36]

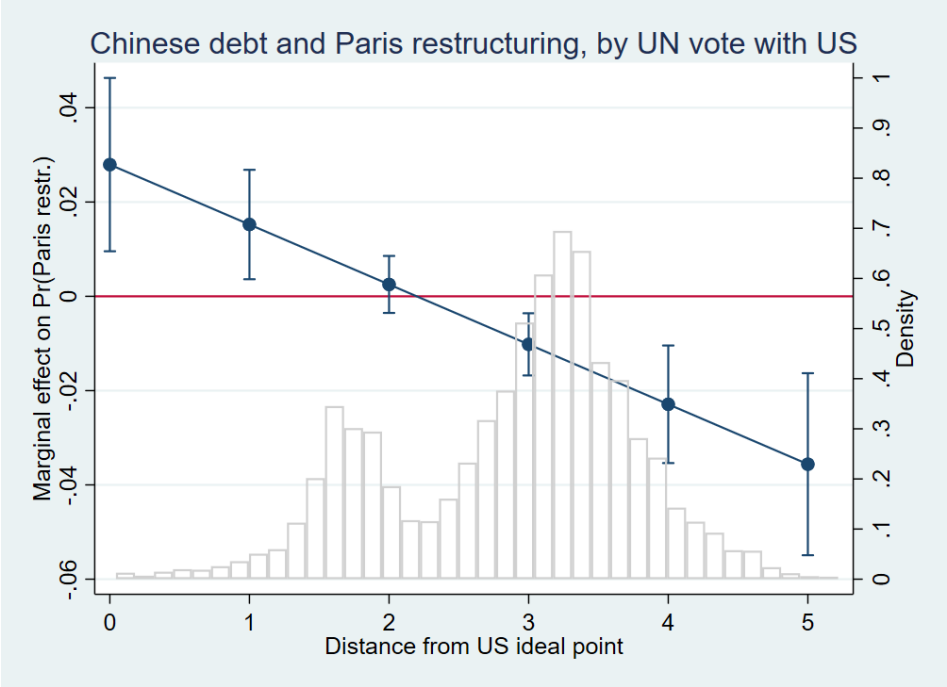
Table 3: Geopolitics

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	0.028***	-0.014***
	(0.009)	(0.005)
UN vote distance from US	-0.001	
	(0.032)	
Chinese debt x UN vote distance from US	-0.013***	
	(0.004)	
UN vote distance from China		-0.000
		(0.023)
Chinese debt x UN vote distance from China		0.009**
		(0.004)
Controls	✓	✓
Observations	1,026	1,026
R-squared	0.081	0.074
Number of countries	70	70

OLS regressions of Paris Club restructuring on Chinese debt and its interaction with the distance between a country's own UN voting profile and UN votes by the US (Column 1) or UN votes by China (Column 2), along with our full battery of controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

[36]Marginal effects plot provided in Appendix Figure 4.

Figure 3: Geopolitics, Chinese Debt, and Paris Club Restructuring.



The marginal effect of Chinese debt on probability of Paris Club restructuring, conditional on the distance between a country's ideal point at the UNGA and that of the US. 95% confidence intervals reported. Grey bars correspond to the empirical distribution of the distance from US ideal point measure.

While the effects of geopolitics are evident when it comes to Paris Club restructurings, we see no systematic effect of geopolitical distance on the relationship between Chinese debt and private market restructuring, nor does China itself appear to respond to geopolitical concerns when it concerns restructuring its own debt, as reported in Table 4. This again suggests that, to the extent that the rise of China has disrupted international financial markets, this effect is most pronounced in those markets that are most prone to geopolitical friction; in the case of debt markets, this is clearly the realm of bilateral (that is, state-to-state) lending.

Table 4: Geopolitics and restructuring, by creditor type

VARIABLES	(1) Paris restr.	(2) Private restr.	(3) China restr.
Chinese debt (% total external debt)	0.028***	0.006	0.005
	(0.009)	(0.010)	(0.013)
UN vote distance from US	-0.001	-0.006	-0.007
	(0.032)	(0.025)	(0.037)
Chinese debt x UN vote distance from US	-0.013***	-0.002	-0.001
	(0.004)	(0.003)	(0.004)
Controls	✓	✓	✓
Observations	1,026	1,026	1,026
R-squared	0.081	0.086	0.022
Number of countries	70	70	70

OLS regressions of Paris Club restructuring (Column 1), restructuring of privately held debt (Column 2) or restructuring of Chinese-held debt (Column 3) on debts owed to Chinese and its interaction with the distance between a country's own UN voting profile and UN votes by the US, along with our full battery of controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Opacity

We use the HRV measure of transparency (Hollyer, Rosendorff and Vreeland 2011) to capture governments' willingness to provide debt-related information in a given year.[37] The correlation between the overall HRV measure and a more limited measure of economic and financial data transparency is very high (greater than .9); and the HRV transparency index correlates strongly (.62) with the Open Budget Partnership's more specific (but available for fewer years) measure of debt transparency (Mosley and Rosendorff 2023*a*).

When we interact outstanding Chinese debt with the HRV measure of transparency, we find that the negative association between Chinese debts and Paris Club restructurings is most pronounced for governments that report more on economic, financial and social outcomes in their country.[38] While the HRV measure does not necessarily indicate the

[37]While a specific measure of public debt transparency would be very useful for this analysis, efforts to measure debt transparency in a consistent, cross-national, time series fashion are still works in progress.

[38]Note that, unlike other findings reported here, this effect is sensitive to the inclusion of a control for *foreign reserves (in months of imports)*, which is omitted from the controls presented in Table 5. We suspect that there are two ways to interpret this sensitivity: a standard "omitted variable bias" story which would suggest that it is not transparency that matters per se, but rather the importance of the presence of sufficient

reporting on existing debts to China, the strength of this conditional relationship suggests that opaque countries are less likely to face difficulties restructuring Paris Club debts, simply because creditors may be unaware of the role played by China as a creditor.[39]

Relatedly, a broader literature on audience costs in international relations suggests that political regime type also may matter for information provision, with a standard expectation that more democratic states are more likely to provide transparent information to international actors (e.g., Schultz 1999). Perhaps, then, the association between the HRV transparency indicator and the likelihood of debt restructuring is ultimately about regime type (Beaulieu, Cox and Saiegh 2012, Ballard-Rosa, Mosley and Wellhausen 2021). Column 2 of Table 5, however, does not reveal a statistically significant interaction between Chinese debts and the degree of electoral democracy in a country.[40]

Alternative Considerations

Creditor Diversity by Concentration

Perhaps these findings are less about the presence of China specifically, and more about the increase over time in the number of sovereign bilateral creditors (World Bank 2022). Perhaps the more creditors there are, the greater the difficulty of finding a deal that is satisfactory

foreign reserves in driving need for debt restructuring. Alternately, it may be that the approximately 200 observations and 12 countries we lose when including this measure are both (a) in greater fiscal trouble, explaining the lack of reporting, and (b) also less transparent, which is true by construction of the HRV measure when countries do not report data on foreign reserves (and hence are missing when including this covariate). While we cannot firmly differentiate between these two accounts, we do note that this second interpretation would be consistent with other recent work linking Chinese borrowing and lessened economic reporting (Cormier 2023).

[39] As reported in Appendix Table 14, in validation of our use of the HRV measure as a proxy for market information about Chinese debts at the time, we find that while states with higher Chinese debts tend to report somewhat lower total average external debts, this effect is primarily driven by those states with less economic transparency.

[40] Data on electoral democracy come from the "polyarchy" measure in the Varieties of Democracy dataset, available here: https://www.v-dem.net/data/the-v-dem-dataset/. In reported further results, we find similar (non)-effects if we instead employ the *Polity IV* measure of democracy.

Table 5: Economic Policy Transparency and Paris Club Restructuring

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	0.003	-0.006
	(0.004)	(0.008)
HRV	-0.008	
	(0.007)	
Chinese debt x HRV	-0.003***	
	(0.001)	
Electoral democracy index		0.062
		(0.126)
Chinese debt x Democracy		0.003
		(0.014)
Controls	✓	✓
Observations	1,163	1,201
R-squared	0.113	0.099
Number of countries	78	81

OLS regressions of Paris Club restructuring on Chinese debt and its interaction with transparency (column 1) or democracy (column 2), along with our full battery of controls (except for a measure of foreign reserves in column 1, as discussed in the text). Country fixed effects are suppressed for presentation, as are temporal cubic polynomials. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

to all parties, irrespective of the political orientation of these creditors?

We are not aware, however, of a systematic source of data on cross-national coverage of total outstanding debt *stocks* owed to other individual (and especially non-OECD) creditor countries. The detailed data on Chinese debt stocks compiled by Horn, Reinhart and Trebesch (2021) are somewhat unique in this regard. However, the World Bank's International Debt Statistics (IDS) has recently made available information on annual dyadic bilateral debt *flows* for virtually all countries. While the IDS data do not allow us to generate a debt stock measure, as provided by Horn, Reinhart and Trebesch (2021), we are able to capture annual *flows* of debt by country pairs.

We take advantage of these data to gain some traction on the question of the uniqueness of Chinese debts in complicating official debt restructuring efforts. We generate, by country,

a measure of bilateral debt (in dollars) borrowed from every other lender country in the IDS dataset in a given year. We then scale this amount to the borrowing country's gross domestic product (GDP). We then construct, by country-year, a measure of $bilateral\ debt_{ijt}$ for each non-Paris Club member country that has provided lending; that is, we measure the amount of bilateral lending to borrower country i from lender country j in year t.

Using these data, we first compute an average amount of lending received by a given country from all non-Paris Club members in a given year. If China is but one of a growing set of alternative sources of finance to traditional Paris Club creditors, then we would expect to find similar (negative) links between aggregate non-Paris Club lending and restructuring efforts at the Paris Club. However, as Column 1 of Table 6 shows, while the coefficient on non-Paris Club lending is negative, it is not significant at conventional levels, nor does its inclusion remove the significance of greater amounts of Chinese bilateral debt.[41] We similarly create a measure of the share of bilateral debt flows in a given year that comes from Paris Club (versus non-Paris Club) countries. As the results in Column 2 demonstrate, countries that owe more of their (bilateral) debt to the Paris Club are indeed more likely to secure restructuring of Paris Club debts. The inclusion of this measure, however, does not affect our primary estimate of interest.[42]

Alternatively, the concentration or dispersion of debt among bilateral creditors (whether new or old) is important to restructuring outcomes. Specifically, bargaining over creditor losses is presumably easier with greater creditor concentration. We construct a concentration index of bilateral debt at three distinct levels: across all lenders, only across Paris Club lenders, and only among non-Paris Club lenders.[43] As reported in Columns 3-5, we find

[41] If we remove our measure of Chinese debt from the regression, we continue to find no significant relationship between total non-Paris Club bilateral debt flows and Paris Club restructuring, suggesting this non-finding is not merely the result of multicollinearity.

[42] In Appendix Table 15, we document a similar lack of evidence that the effect of Chinese loans on Paris Club restructuring appears conditional on amounts of other forms of sovereign credit, such as total bilateral debt, multilateral debt, commercial bank debt, or bond market debt.

[43] That is, we calculate $\Sigma_{j \in G}(bilateral\ debt_{ijt}/total\ bilateral\ debt_{iGt})^2$, where $bilateral\ debt_{ijt}$ is all bilat-

little evidence that greater concentration of all bilateral debt flows, or greater concentration of non-Paris Club debt flows, are systematically related to Paris Club restructuring. We do find some evidence that countries with more concentrated Paris Club debt flows are somewhat less likely to secure a Paris Club restructuring. This could be consistent with a notion that restructuring is easier to accomplish when more Paris Club creditors have a stake in resolving a debt crisis; it is difficult, however, to firmly support this interpretation. Importantly, in no case do we find that inclusion of these measures of bilateral debt concentration affects our primary (China debt) effect of interest.

Table 6: Creditor Diversity and Concentration

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris
Chinese debt (% total external debt)	-0.010***	-0.010***	-0.011***	-0.010***	-0.012***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
Non-Paris Club bilateral debt (% GDP)	-26.125				
	(15.726)				
% Paris Club debt (of all bilateral)		0.111**			
		(0.042)			
Concentration of bilateral debt			-0.016		
			(0.040)		
Concentration of Paris Club debt				-0.071*	
				(0.041)	
Concentration of non-Paris Club bilateral debt					-0.020
					(0.026)
Controls	✓	✓	✓	✓	✓
Observations	1,026	1,006	1,027	968	861
R-squared	0.071	0.083	0.068	0.064	0.078
Number of countries	69	69	70	69	66

OLS regressions of Paris Club restructuring on outstanding Chinese debt, with a measure of the amount of annual bilateral debt flows from non-Paris Club countries (Column 1), the percentage of annual bilateral debt flows from the Paris Club countries (Column 2), and measures of the concentration of annual bilateral debt flows from all countries (Column 3), Paris Club countries (Column 4), and non-Paris Club countries (Column 5), along with our full battery of controls. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

eral debt flows to country i from a country j in some relevant group G in year t, and *total bilateral debt*$_{iGt}$ is the total bilateral debt to country i from all countries in G in year t. At the extreme, if a country received all of its debt from a single lender in a given year, this measure would simply equal 1; as the number of creditor sources increases, this measure decreases in magnitude towards zero.

Creditor Diversity by Lender

As an alternative to the baseline annual debt measure we have employed above, we also construct using the IDS dyadic dataset a measure of any recorded borrowing from China over the past 5 years (*Chinese bilateral debt (last 5 years)*) in place of our original measure. We continue to find (in Column 1 of Table 7) a robust negative association between debts owed to China and Paris Club restructurings using this alternative measurement approach.

We do the same for several other potentially relevant lenders, computing the amount of bilateral debt flows from a given lender over the past 5 years. This allows us to assess whether the effects we report are specific to China, versus driven by the emergence of new bilateral creditors more broadly (Morgan 2022). As reported in Column 2 of Table 7, we find no evidence of a significant association between debts owed to the US and the likelihood of Paris Club restructuring. If the negative effect for China is perhaps a function of region, then Japan should serve as an alternative prominent source of lending from East Asia, but Column 3 reports no significant effect of Japanese bilateral debts. Russia is an alternative country that is widely considered to be antagonistic to the Western geopolitical project; while the coefficient on Russian bilateral debts (in Column 4) is indeed negative, this relationship is far from being statistically significant. Alternately, perhaps it is China's position as an emerging market source of lending that drives the relationship we document; if true, India should serve as a reasonable point of comparison as an alternative developing country with increasingly ambitious international economic activity. However, Column 5 shows that there appears no significant relationship between bilateral Indian debts and Paris Club restructuring. Finally, in Column 6 we consider multiple bilateral lenders (including the UK, France, Germany, Saudi Arabia and Brazil) jointly; when we do so, the only country whose bilateral debts are found to be significantly associated with Paris Club restructurings is China. Given the continued strong negative relationship between Chinese bilateral lending and Paris Club restructuring, in contrast to little evidence of a systematic effect of other countries' bilateral

debts, we take this alternative exercise as providing additional support to our main findings being evidence of the unique political consequences of the rise of China as a prominent international lender, rather than one of creditor diversity or concentration more generally.

Table 7: Dyadic bilateral debt flows and Paris Club Restructuring

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris	(6) Paris
Chinese bilateral debt (last 5 yrs.)	-54.653**					-57.892***
	(21.638)					(19.526)
US bilateral debt (last 5 yrs.)		41.262				19.168
		(55.888)				(55.829)
Japanese bilateral debt (last 5 yrs.)			-3.217			-4.991
			(29.185)			(25.923)
Russian bilateral debt (last 5 yrs.)				-8.241		-13.694
				(6.385)		(9.904)
Indian bilateral debt (last 5 yrs.)					60.051	117.854
					(156.846)	(156.011)
UK bilateral debt (last 5 yrs.)						9.448
						(60.223)
French bilateral debt (last 5 yrs.)						-2.400
						(16.810)
German bilateral debt (last 5 yrs.)						38.912
						(81.306)
Saudi bilateral debt (last 5 yrs.)						-447.680
						(285.189)
Brazilian bilateral debt (last 5 yrs.)						-109.486
						(73.972)
Controls	✓	✓	✓	✓	✓	✓
Observations	1,324	1,324	1,324	1,324	1,324	1,384
R-squared	0.057	0.055	0.054	0.054	0.054	0.068
Number of countries	85	85	85	85	85	85

OLS regressions of Paris Club restructuring on a measure of 5-year average debt flows to multiple countries, along with our full battery of controls. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Robustness

Heckman Selection Model

We have documented a consistent negative association between outstanding Chinese debts and restructuring with Paris Club creditors. Of course, lacking an explicit measure of countries that have approached the Paris Club, we cannot directly assess using these data whether this negative correlation is a result of countries with greater Chinese debts being less likely to *seek* renegotiation in the first place, or instead a result of countries that owe more to China being less likely to successfully *negotiate* restructuring once requested. In other words, there exists a selection stage of country initiation of Paris Club discussion that clearly precedes any successful renegotiation being completed; our current results cannot disentangle where the negative association of Chinese debts on Paris restructuring arises.

Using a two-stage Heckman selection model, we separate out the effect of Chinese loans on the likelihood a state would need to seek restructuring, from the subsequent effect of Chinese lending on successful Paris renegotiation. More precisely, we begin by estimating a selection-stage equation identifying whether a given country was facing a *debt crisis* in a particular year,[44] and subsequently estimate a second-stage regression of Paris Club restructuring on Chinese debt (and other covariates) after adjusting for the potential effects of Chinese debt at the selection stage. In order to achieve identification, we require a first stage "instrument" that helps explain the selection stage but otherwise is orthogonal to the error of the outcome model; that is, we need some factor that should help predict whether a country is likely to face debt crisis but that is otherwise unrelated to Paris Club restructuring. Here, we use the weighted average number of other countries in the region that were in a debt crisis as our instrument. While the regional spillover effects are likely to affect market perceptions of a country's debt profile (Brooks, Cunha and Mosley 2015), we do not expect them to have a

[44]Data on debt crises drawn from Nguyen, Castro and Wood (2022).

similar effect on a country's effort to achieve debt restructuring at the Paris Club.

Appendix Table 12 reports results from both stages of the Heckman estimation. Countries in regions experiencing greater debt distress are themselves also more likely to enter into debt crisis (bottom panel), which could arise either from sharing similar macro-economic conditions with neighboring economies, or from investor flight from regions in which debt distress grows. Interestingly, we note that there appears no systematic evidence that countries that have borrowed more from China are more (or less) likely to fall into debt crisis;[45] as mentioned above, while this might plausibly be an alternative channel for explaining a negative association between Chinese borrowing and Paris Club restructuring, the data here do not seem to support such a claim.[46]

After adjusting for the selection stage of which countries are currently in debt distress, we continue to find a robust and statistically significant negative association between greater outstanding Chinese debt burdens and Paris Club restructuring in the top panel of Appendix Table 12. While not definitive, we believe that this result provides additional evidence consistent with the argument that it is at the negotiation stage—rather than at the stage of seeking debt relief in the first place—that the effect of Chinese debt on Paris Club restructuring is most apparent.

Additional Results

As documented in Appendix Table 16, we find no evidence that countries that have received Chinese bailout lending (as identified in Horn et al. (2023*a*)) are systematically more or

[45] This is consistent with analysis in Dielmann (2021), Gelpern et al. (2021), which also finds little evidence that countries with greater debt exposure to China are more likely to face debt distress.

[46] While our emphasis to this point has been on the consequences of Chinese debts for country success at renegotiating western bilateral debts at the Paris Club, other recent work has similarly suggested that the rise of China as a creditor outside the Paris Club may have consequences for debt restructuring efforts more broadly. For instance, Ferry and Zeitz (2024) identifies that countries with greater debt exposure to China tend to take longer to successfully strike a deal with the International Monetary Fund (IMF). However, as reported in Appendix Table 13, we do not find that countries with larger outstanding Chinese debts are less likely to be under an IMF program.

less likely to restructure their Paris Club obligations, nor does this seem to condition the relationship between existing Chinese debts and Paris Club restructuring. While it might seem reasonable to assume that the same regimes would receive both Chinese emergency loans as well as restructured Chinese debts, we find that these two outcomes are actually almost perfectly uncorrelated with one another, with a pairwise correlation coefficient of 0.046. This accords with the discussion in Horn et al. (2023*a*) who also suggest that China's approach to emergency lending is quite distinct from its approach to loan renegotiation.

Outside of the Chinese context, a major source of debt reduction was the Heavily Indebted Poor Countries (HIPC) initiative spearheaded by the World Bank and IMF in the wake of waves of debt crises in the developing world. While we do not have strong reason to suspect that this initiative should necessarily moderate the consequences of Chinese debts for restructuring at the Paris Club, to assess this possibility we collected original data on the dates of HIPC decisions and completion, by country-year, and added these covariates to our baseline analysis. As reported in Appendix Table 17, our primary findings are unchanged by the inclusion of these measures of alternative sources of debt reduction.

Alternatively, Paris Club creditors could be concerned that Chinese creditors are "free-riding" on any PC debt forgiveness. If, however, existing Chinese debts have already been rescheduled, then such an issue ought to no longer be of primary concern for Western creditors. In Appendix Table 18, we interact our measure of Chinese debt with the estimate of *Chinese restructuring* (in the prior year) from Horn, Reinhart and Trebesch (2022). As seen in Column 1, there is significant evidence that the "penalty" of outstanding Chinese debt on Paris Club restructuring is primarily evident for countries that have not yet secured Chinese restructuring. Given that a major source of contention in wrangling over debt bailouts tends to focus on a worry about using additional fiscal space granted by Western writedowns to instead finance existing debt obligations to Beijing, the reversal of the association between Chinese debts and Paris Club restructuring among states that have previously restructured

their Chinese loans is again suggestive of Chinese debt in such cases being treated as simply another source of bilateral loans.

Conclusion

China is currently actively engaged in some debt renegotiation efforts (for instance, it co-chaired Zambia's bilateral creditor committee under the G-20's Common Framework process). Yet China also has taken issue with the way in which sovereign debts to multilateral financial institutions are typically treated (as senior); and many Chinese loan contracts make it difficult for other creditors, intergovernmental organizations and domestic groups to know the true extent of a government's debts to Chinese lenders.

The potentially disruptive effects of China's presence as a creditor likely have existed for some time, prior to the current round of difficult debt restructurings. Indeed, drawing on data from 2000-2017, we find that higher levels of outstanding debt to China are associated with fewer Paris Club restructurings, as well as with more frequent restructurings by China. Debtors may appeal to non-Chinese bilateral creditors for relief less frequently if they have access to Chinese (and other non-traditional) sources of debt finance and debt relief (Alfaro and Kanczuk 2019). China's presence as a lender providing swap lines, loans with fewer conditions, and access to alternative pools of resources, reduce the need for a Paris Club agreements. Conversely, both the Chinese entities, and Western lenders, may resist cooperating with each other and other official lenders out of a similar concern for bailing out rival sovereigns.[47] We find strong evidence that geopolitical rivalry and informational deficits reduce the incidence of Paris Club restructurings.

Debtors whose "affinity" with the US (as measured by similarity in UNGA voting patterns) is low receive fewer Paris Club restructurings when they owe more to Chinese lenders.

[47] Were such a pattern present, we might expect it to fade in 2020 and after, as China dramatically slowed the pace of new lending. Our data, however, do not allow us to test this expectation.

Similarly, countries that are more transparent – and presumably more likely to make their Chinese debt publicly known – appear to have a tougher time reaching a Paris Club restructuring agreement when their Chinese debts are greater. On the one hand these states appear to be punished for offering more information to their creditors, and this may explain the reticence by debtors to increase the transparency of their debt reporting (Brown 2023, Cormier 2023). On the other hand, it may be that those states with a lot of Chinese debt are already under or have been under an IMF program which mandates more information disclosure (Kern and Reinsberg 2022).

Chinese lending constitutes the largest official bilateral debt category, and China is not a full member of the Paris Club. This has important consequences for debt restructuring processes and outcomes among non-OECD states in debt distress, especially for those that are geopolitically distant from the US. Sovereign debt restructurings and resolutions are not merely matters of a debtor's ability or willingness to repay; contentious international politics plays a crucial role.

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Appendices

A Data Summary

Table 8: Summary Statistics

	Obs	Mean	Std Dev	Min	Max
Chinese debt (% total external debt)	1771	-5.48	3.39	-9.90	2.18
GDP per capita (log)	6996	8.00	1.61	3.13	12.16
GDP growth (annual %)	6872	3.31	6.24	-64.05	149.97
Trade (% of GDP)	6233	81.89	49.88	0.02	437.33
Oil rents (% of GDP)	6622	3.67	9.33	0.00	71.49
Foreign direct investment, net inflows (% of GDP)	6544	5.20	38.95	-1275.19	1282.63
Military expenditure (% of GDP)	5549	2.52	3.09	0.00	117.35
Foreign reserves (months of imports)	5664	4.32	4.45	0.00	79.24
Interest payments on external debt (% of GNI)	4314	1.69	2.08	0.00	41.62
IMF program	6758	0.31	0.46	0.00	1.00
Population, total	7396	3.27e+07	1.25e+08	7631.00	1.40e+09
Electoral democracy index	6626	0.48	0.28	0.01	0.92
Debt Crises	7023	0.31	0.46	0.00	1.00
Distance from US ideal point (UN votes)	7358	2.88	0.87	0.04	5.22
Distance from Chinese ideal point (UN votes)	7358	0.82	0.75	0.00	4.66
HRV	5305	1.47	2.24	-11.00	9.25
Bilateral debt from China, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01
Bilateral debt from US, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
Bilateral debt from Japan, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
Bilateral debt from Russia, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01
Bilateral debt from India, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01
Bilateral debt from UK, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
Bilateral debt from France, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01
Bilateral debt from Germany, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
Bilateral debt from Saudi, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
Bilateral debt from Brazil, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00
External debt (% GDP)	5904	59.41	57.10	0.00	2092.90
Bilateral debt (% GDP)	4131	0.01	0.01	0.00	0.17
Multilateral debt (% GDP)	4209	0.01	0.01	0.00	0.21
Commercial bank debt (% GDP)	2866	0.00	0.01	0.00	0.24
Bond market debt (% GDP)	1223	0.01	0.02	0.00	0.39

B Additional Results

B.1 Alternative Estimating Models

Table 9: Fixed-effects Probit.

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% total external debt)	-0.154***	-0.103**	-0.170***
	(0.022)	(0.043)	(0.066)
GDP per capita (log)		-0.645**	-0.316
		(0.323)	(0.374)
GDP growth (annual %)		-0.027*	-0.027
		(0.015)	(0.022)
Trade (% of GDP)		-0.002	-0.005
		(0.005)	(0.005)
Oil rents (% of GDP)		-0.006	-0.007
		(0.020)	(0.031)
Foreign direct investment, net inflows (% of GDP)		-0.032	-0.020
		(0.023)	(0.025)
Military expenditure (% of GDP)		0.012	-0.066
		(0.111)	(0.184)
Foreign reserves (months of imports)			0.005
			(0.080)
Interest payments on external debt (% of GNI)			0.049
			(0.035)
IMF program			-0.241
			(0.290)
Population, total			-0.000*
			(0.000)
Electoral democracy index			2.223
			(1.757)
Observations	714	562	358

Probit regression of whether a country has restructured with the Paris Club on Chinese outstanding debts, as well as a set of controls. Country fixed effects are included but suppressed here for presentational purposes. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Seemingly Unrelated Regressions

So far we have argued that Chinese debt is a significant impediment to the restructuring of other bilateral debts with Paris Club members and there appears to be no systematic

Table 10: Conditional Logit.

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% total external debt)	-0.259***	-0.158*	-0.291**
	(0.046)	(0.089)	(0.143)
GDP per capita (log)		-1.285**	-0.712
		(0.580)	(0.719)
GDP growth (annual %)		-0.042	-0.044
		(0.032)	(0.046)
Trade (% of GDP)		-0.005	-0.007
		(0.008)	(0.010)
Oil rents (% of GDP)		-0.003	-0.016
		(0.041)	(0.064)
Foreign direct investment, net inflows (% of GDP)		-0.053	-0.027
		(0.042)	(0.046)
Military expenditure (% of GDP)		-0.013	-0.145
		(0.245)	(0.359)
Foreign reserves (months of imports)			0.047
			(0.157)
Interest payments on external debt (% of GNI)			0.065
			(0.054)
IMF program			-0.342
			(0.615)
Population, total			-0.000
			(0.000)
Electoral democracy index			3.758
			(3.549)
Observations	714	562	358
Number of countries	42	37	24

Conditional logit regression of whether a country has restructured with the Paris Club on Chinese outstanding debts, as well as a set of controls. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

association between greater Chinese debts and other forms of debt restructuring. This negative association between Chinese debts and Paris Club restructuring is conditioned on whether a state has secured debt concessions from Chinese lenders previously.

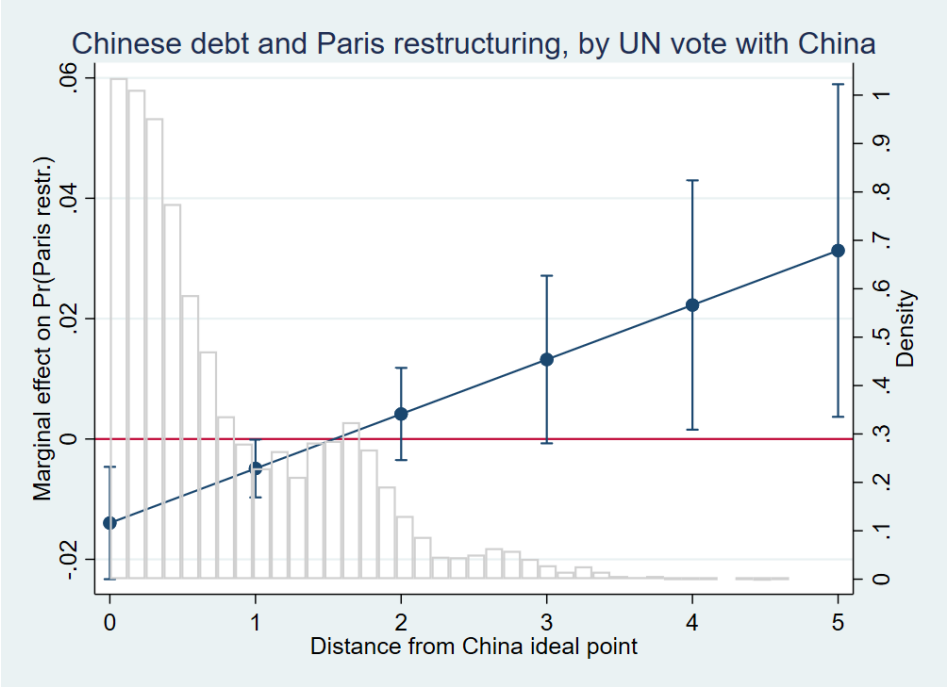
States may, however attempt restructurings with different creditors *simultaneously*. We re-estimate our primary finding in a seemingly unrelated regression (SUR) framework to take account of this potential simultaneity. The SUR framework allows us to estimate a series of regressions with differing dependent variables, under the assumption that the error term of each equation is (potentially) correlated. In our setting, we set up a system of three equations, with each type of debt restructuring (Paris Club, private market, and Chinese debt) as a dependent variable in its own equation. As reported in Appendix Table 11, estimation under the SUR framework does not change our primary results: we continue to find that states with more Chinese debts are less likely to restructure the Paris Club debts, but are no more or less likely to observe private market or Chinese restructuring.

Table 11: Seemingly Unrelated Regression

VARIABLES	(1) PC restr.	(2) Private restr.	(3) Chinese restr.
Chinese debt (% total external debt)	-0.008**	0.000	0.003
	(0.003)	(0.002)	(0.002)
GDP per capita (log)	0.018	0.005	0.003
	(0.028)	(0.015)	(0.016)
GDP growth (annual %)	-0.002	-0.000	0.001
	(0.002)	(0.001)	(0.001)
Trade (% of GDP)	-0.000	-0.000**	-0.000**
	(0.000)	(0.000)	(0.000)
Oil rents (% of GDP)	-0.001	0.004***	-0.003**
	(0.002)	(0.001)	(0.001)
Foreign direct investment, net inflows (% of GDP)	-0.001	-0.001**	-0.000
	(0.001)	(0.001)	(0.001)
Military expenditure (% of GDP)	-0.001	0.004	-0.007
	(0.011)	(0.006)	(0.007)
Foreign reserves (months of imports)	-0.000	-0.002	-0.000
	(0.003)	(0.002)	(0.002)
Interest payments on external debt (% of GNI)	0.016***	0.016***	0.000
	(0.004)	(0.002)	(0.002)
IMF program	0.000	0.015*	-0.006
	(0.015)	(0.008)	(0.009)
Population, total	0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Electoral democracy index	-0.074	-0.040	0.041
	(0.093)	(0.051)	(0.055)
Observations	1,027	1,027	1,027
R-squared	0.162	0.161	0.111

SUR regression of whether a country has restructured its PC debts (column 1), private market debts (column 2), or Chinese debts (column 3) on Chinese outstanding debts, as well as a set of controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Figure 4: Geopolitics, Chinese Debt, and Paris Club Restructuring.



Marginal effects of additional Chinese debt on probability of Paris Club restructuring, conditional on the distance between a country's ideal point at the UN and that of China. 95% confidence intervals reported. Grey bars correspond to the empirical distribution of the distance from China's ideal point measure.

Table 12: Heckman Selection Model

EQUATION	VARIABLES	(1) Paris
PC restructuring	Chinese debt (% total external debt)	-0.012**
		(0.005)
	GDP per capita (log)	-0.035
		(0.028)
	GDP growth (annual %)	-0.005
		(0.003)
	Trade (% of GDP)	0.000
		(0.000)
	Oil rents (% of GDP)	0.003
		(0.002)
	Foreign direct investment, net inflows (% of GDP)	-0.003**
		(0.001)
	Military expenditure (% of GDP)	-0.009*
		(0.005)
Debt crisis	Chinese debt (% total external debt)	-0.007
		(0.028)
	Electoral democracy index	-0.502
		(0.603)
	Regional debt crises	2.104***
		(0.485)
	GDP per capita (log)	-0.493***
		(0.150)
	GDP growth (annual %)	-0.033**
		(0.013)
	Trade (% of GDP)	0.003
		(0.004)
	Oil rents (% of GDP)	-0.004
		(0.012)
	Foreign direct investment, net inflows (% of GDP)	0.038**
		(0.016)
	Military expenditure (% of GDP)	-0.033
		(0.035)
	ρ	-0.096
		(0.170)
	Observations	1,369

Results from a two-stage Heckman selection model. The first stage (bottom half) estimates the likelihood a country is facing debt distress; the second stage (top half) then subsequently estimates the likelihood a country restructures with the Paris Club, after accounting for potential effects at the selection stage. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table 13: IMF Program

VARIABLES	(1) IMF program	(2) IMF program
Chinese debt (% total external debt)	-0.001	-0.002
	(0.011)	(0.013)
GDP per capita (log)	-0.231***	-0.259***
	(0.051)	(0.059)
GDP growth (annual %)	-0.004*	-0.010***
	(0.002)	(0.003)
Trade (% of GDP)	-0.003**	-0.004***
	(0.001)	(0.001)
Oil rents (% of GDP)	0.007**	0.013**
	(0.003)	(0.006)
Foreign direct investment, net inflows (% of GDP)	0.000	0.001
	(0.002)	(0.002)
Military expenditure (% of GDP)	-0.001	0.013
	(0.025)	(0.039)
Foreign reserves (months of imports)		-0.019*
		(0.010)
Interest payments on external debt (% of GNI)		0.019**
		(0.007)
Population, total		0.000***
		(0.000)
Electoral democracy index		1.111**
		(0.448)
Observations	1,373	1,027
R-squared	0.100	0.161
Number of countries	91	70

OLS regressions of whether a country is under an IMF program on Chinese outstanding debts, as well as a set of controls. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

B.2 Total Debt, Chinese Debt, and Transparency

We find above that the effect of Chinese debt on Paris restructuring appears to be conditional on a country's level of economic transparency. We argue that this is consistent with a notion that these debts should only prove a barrier to negotiations when such loans are actually known to western actors, particularly given frequent mention by policymakers of concerns over the opacity of Chinese debts. As validating evidence for this interpretation, we first document a potentially puzzling empirical association between a country's total reported

external debts[48] and its amount of Chinese debts: as documented in Column 1 of Table 14, we find a *negative* and significant association between the two measures of debt. Clearly, if all Chinese debts were reported fully, we should expect the opposite sign: countries with more debt from China should also therefore have more overall debt. After including an interaction between Chinese debts and transparency in Column 2, however, we identify that this negative association between Chinese debt and total debt disappears for countries that are more transparent in their economic reporting. We argue that this is consistent with the notion that it is in these more transparent countries where public information about existing Chinese debts is likely to be found. If reduced fiscal stress were the driving force behind the negative association between Chinese debts and Paris Club restructuring, it should not particularly matter whether the extra fiscal space provided by Chinese loans was public knowledge; on the other hand, if reduced creditor cooperation is at play, then information about the extent of Chinese debts should play a central role. While acknowledging again the limitations of making causal claims with observational data such as our own, we suggest that the preponderance of evidence across our multiple tests paints a picture more consistent with the idea that western creditors have become increasingly unwilling to make sacrifices on their own debts when concerned about the presence of China as an alternative source of sovereign finance.

B.3 Results by Creditor Type

As reported in Table 15, there is no evidence that the effect of Chinese debt on restructuring is systematically different for debtor states that owe more either to *bilateral creditors* in column 1, *multilateral creditors* in column 2, to *commercial banks* in Column 3, or to *bond markets* in Column 4.[49] Finally, we also document in Column 5 that an explicit inclusion of

[48] Here, drawing on total external debt data from Abbas et al. (2010) and the World Bank's WDI.

[49] Due to high missingness in the IDS on bond market debts, this last result should be taken with caution.

Table 14: Average Debt on PC Restructuring

VARIABLES	(1) Avg. debt	(2) Avg. debt
Chinese debt (% total external debt)	-1.275**	-3.254***
	(0.552)	(1.114)
HRV	1.107	4.460**
	(1.277)	(2.151)
Chinese debt x HRV		0.716**
		(0.324)
Controls	✓	✓
Observations	1,230	1,230
R-squared	0.370	0.395
Number of ccode	86	86

OLS regressions of average external debt on Chinese debts, as well as its interaction with economic transparency (in Column 2), along with a set of controls. Country fixed effects suppressed for presentation, as are temporal cubic polynomials. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

total external debt (and its interaction with Chinese debts) does not affect our main results, although we note that interpretation of this effect is complicated by the fact that our main independent variable *Chinese debt (% total external debt)* is calculated by dividing Chinese external debts by total external debts.

Table 15: Debt Composition

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris
Chinese debt (% total external debt)	-0.011***	-0.013***	-0.011**	-0.005	-0.011**
	(0.003)	(0.005)	(0.005)	(0.003)	(0.005)
Bilateral debt (% GDP)	-0.398				
	(1.674)				
Chinese debt x Bilateral debt	-0.038				
	(0.188)				
Multilateral debt (% GDP)		8.360**			
		(4.148)			
Chinese debt x Multilateral debt		0.424			
		(0.566)			
Commercial bank debt (% GDP)			0.111		
			(1.244)		
Chinese debt x Commercial debt			0.125		
			(0.139)		
Bond market debt				0.071	
				(0.383)	
Chinese debt x Bond debt				0.094	
				(0.110)	
Total external debt (% GDP)					0.001
					(0.001)
Chinese debt x Total debt					0.000
					(0.000)
Controls	✓	✓	✓	✓	✓
Observations	1,006	1,027	758	387	1,027
R-squared	0.067	0.097	0.051	0.076	0.077
Number of countries	69	70	60	42	70

OLS regression of Paris Club restructuring on Chinese debt and its interaction with bilateral debts (Column 1), multilateral debts (Column 2), commercial bank debts (Column 3), bond market debts (Column 4), or total external debt (Column 5), as well as additional controls. Country fixed effects are suppressed for presentation, as are temporal cubic polynomials. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 16: Chinese Bailouts

VARIABLES	(1) Paris restr.	(2) Chinese restr.
Chinese debt (% total external debt)	-0.011***	0.003
	(0.003)	(0.002)
Received Chinese emergency lending	0.023	-0.024
	(0.026)	(0.020)
GDP per capita (log)	-0.015	0.000
	(0.024)	(0.007)
GDP growth (annual %)	-0.002	0.001
	(0.002)	(0.001)
Trade (% of GDP)	-0.000	-0.001*
	(0.001)	(0.000)
Oil rents (% of GDP)	-0.000	-0.003
	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001*	-0.000
	(0.001)	(0.000)
Military expenditure (% of GDP)	0.002	-0.007
	(0.015)	(0.007)
Foreign reserves (months of imports)	-0.000	-0.000
	(0.003)	(0.001)
Interest payments on external debt (% of GNI)	0.016***	0.000
	(0.004)	(0.001)
IMF program	-0.002	-0.005
	(0.014)	(0.005)
Population, total	-0.000	-0.000
	(0.000)	(0.000)
Electoral democracy index	-0.073	0.037
	(0.140)	(0.073)
Observations	1,027	1,027
R-squared	0.068	0.021
Number of countries	70	70

OLS regression of whether a country has restructured its PC debts (Column 1) or Chinese debts (Column 2) on Chinese outstanding debts, along with a measure of whether the country has received emergency Chinese bailout lending, as well as a set of controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 17: HIPC

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris
Chinese debt (% total external debt)	-0.011***	-0.011***	-0.011***	-0.011***
	(0.003)	(0.003)	(0.003)	(0.003)
HIPC decision	-0.018	0.213		
	(0.103)	(0.286)		
Chinese debt x HIPC decision		0.045		
		(0.038)		
HIPC completion			-0.133***	-0.099***
			(0.016)	(0.036)
Chinese debt x HIPC completion				0.006
				(0.005)
GDP per capita (log)	-0.031	-0.031	-0.032	-0.032
	(0.020)	(0.020)	(0.020)	(0.020)
GDP growth (annual %)	-0.003	-0.002	-0.003	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)
Trade (% of GDP)	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Oil rents (% of GDP)	-0.001	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.002***	-0.003***	-0.002***	-0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Military expenditure (% of GDP)	-0.004	-0.002	-0.004	-0.004
	(0.009)	(0.010)	(0.010)	(0.010)
Observations	1,303	1,303	1,303	1,303
R-squared	0.050	0.054	0.057	0.058
Number of countries	87	87	87	87

OLS regression of whether a country has restructured its PC debts on Chinese outstanding debts, along with a measure of either the announcement of an HIPC decision (Columns 1 and 2) or the completion of an HIPC program (Columns 3 and 4), as well as a set of controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

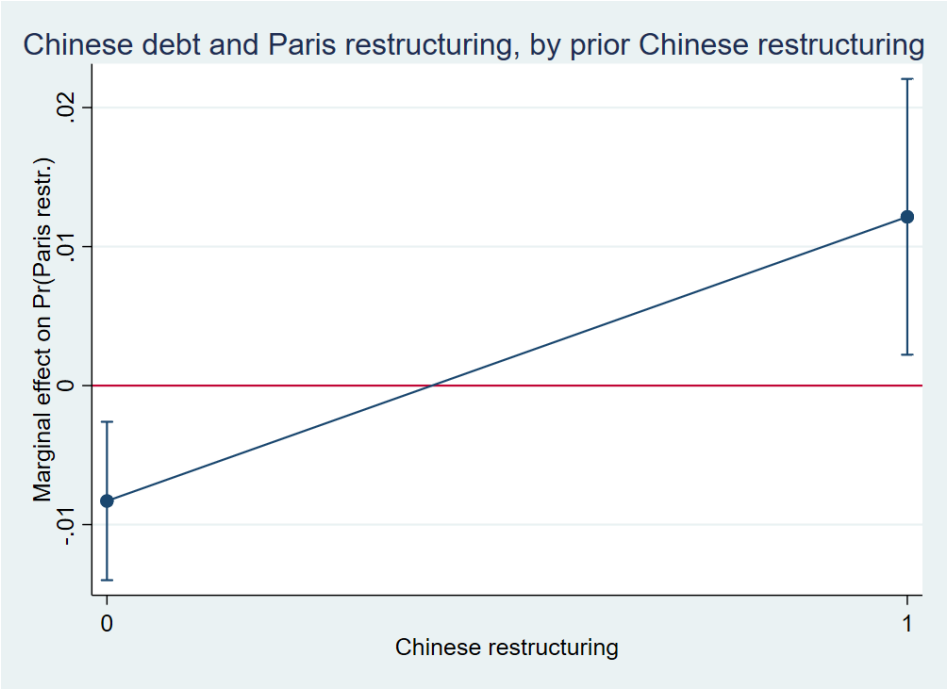
B.4 Prior restructuring

Table 18: Prior Restructuring

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	-0.008***	-0.008***
	(0.003)	(0.003)
Chinese restructuring	0.030	
	(0.025)	
Chinese debt * Chinese restr.	0.020***	
	(0.005)	
Private restructuring		0.224
		(0.150)
Chinese debt * Private restr.		0.024
		(0.018)
Controls	✓	✓
Observations	1,303	1,303
R-squared	0.060	0.061
Number of countries	87	87

OLS regressions of Paris Club restructuring on Chinese debt and its interaction with a dummy for restructuring of Chinese debts (Column 1) or private debts (Column 2) in the prior year, as well as additional controls. Country fixed effects are suppressed for presentation, as are temporal cubic splines. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Figure 5: Marginal Effect of Chinese Debt on Paris Restructuring, by Prior Chinese Restructuring



The marginal effect of Chinese debt on the probability of PC restructuring, conditional on whether a state had experienced restructuring on its Chinese debts in the prior year. 95% confidence intervals reported.

C Complete Tables from the Text

Table 19: Chinese Debt and Paris Club Restructuring, with Controls, Complete Table 2

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% total external debt)	-0.012***	-0.008***	-0.008**
	(0.002)	(0.003)	(0.003)
GDP per capita (log)		-0.001	0.018
		(0.034)	(0.038)
GDP growth (annual %)		-0.003	-0.002
		(0.002)	(0.002)
Trade (% of GDP)		-0.000	-0.000
		(0.000)	(0.001)
Oil rents (% of GDP)		-0.002	-0.001
		(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)		-0.003***	-0.001*
		(0.001)	(0.001)
Military expenditure (% of GDP)		-0.006	-0.001
		(0.009)	(0.015)
Foreign reserves (months of imports)			-0.000
			(0.003)
Interest payments on external debt (% of GNI)			0.016***
			(0.004)
IMF program			0.000
			(0.014)
Population, total			0.000
			(0.000)
Electoral democracy index			-0.074
			(0.138)
time		-0.288	-0.121
		(0.177)	(0.178)
$time^2$		0.010	0.004
		(0.006)	(0.006)
$time^3$		-0.000	-0.000
		(0.000)	(0.000)
Observations	1,664	1,303	1,027
R-squared	0.026	0.057	0.071
Number of countries	99	87	70

OLS regressions of Paris Club restructuring on Chinese debt, as well as additional controls. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 20: Geopolitics, Complete Table 3, Part A

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	0.028***	-0.014***
	(0.009)	(0.005)
UN vote distance from US	-0.001	
	(0.032)	
Chinese debt x UN vote distance from US	-0.013***	
	(0.004)	
UN vote distance from China		-0.000
		(0.023)
Chinese debt x UN vote distance from China		0.009**
		(0.004)
GDP per capita (log)	0.007	0.012
	(0.039)	(0.037)
GDP growth (annual %)	-0.002	-0.001
	(0.002)	(0.002)
Trade (% of GDP)	-0.000	-0.000
	(0.000)	(0.000)
Oil rents (% of GDP)	-0.001	-0.002
	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001	-0.001
	(0.001)	(0.001)
Military expenditure (% of GDP)	0.002	0.001
	(0.015)	(0.014)
Foreign reserves (months of imports)	-0.001	-0.001
	(0.003)	(0.003)
Interest payments on external debt (% of GNI)	0.015***	0.015***
	(0.003)	(0.004)
IMF program = 0,	0.000	0.000
	(0.000)	(0.000)
IMF program = 1,	0.002	0.002
	(0.014)	(0.014)
Population, total	0.000	0.000
	(0.000)	(0.000)
Electoral democracy index	0.012	-0.024
	(0.140)	(0.131)

Table 21: Geopolitics, Complete Table 3, Part b

VARIABLES	(1) Paris	(2) Paris
time	-0.253	-0.082
	(0.195)	(0.181)
$time^2$	0.009	0.003
	(0.007)	(0.006)
$time^3$	-0.000	-0.000
	(0.000)	(0.000)
Observations	1,026	1,026
R-squared	0.081	0.074
Number of countries	70	70

OLS regressions of Paris Club restructuring on Chinese debt and its interaction with the distance between a country's own UN voting profile and UN votes by the US (Column 1) or UN votes by China (Column 2). Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 22: Geopolitics and restructuring, by creditor type, Complete Table 4

VARIABLES	(1) Paris restr.	(2) Private restr.	(3) China restr.
Chinese debt (% total external debt)	0.028***	0.006	0.005
	(0.009)	(0.010)	(0.013)
UN vote distance from US	-0.001	-0.006	-0.007
	(0.032)	(0.025)	(0.037)
Chinese debt x UN vote distance from US	-0.013***	-0.002	-0.001
	(0.004)	(0.003)	(0.004)
GDP per capita (log)	0.007	0.003	0.002
	(0.039)	(0.014)	(0.012)
GDP growth (annual %)	-0.002	-0.000	0.001
	(0.002)	(0.001)	(0.001)
Trade (% of GDP)	-0.000	-0.000	-0.001*
	(0.000)	(0.000)	(0.000)
Oil rents (% of GDP)	-0.001	0.004*	-0.003
	(0.002)	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001	-0.001	-0.000
	(0.001)	(0.001)	(0.000)
Military expenditure (% of GDP)	0.002	0.005	-0.008
	(0.015)	(0.007)	(0.006)
Foreign reserves (months of imports)	-0.001	-0.002	-0.000
	(0.003)	(0.002)	(0.002)
Interest payments on external debt (% of GNI)	0.015***	0.016***	0.000
	(0.003)	(0.002)	(0.001)
IMF program	0.002	0.015*	-0.006
	(0.014)	(0.008)	(0.005)
Population, total	0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Electoral democracy index	0.012	-0.032	0.040
	(0.140)	(0.033)	(0.069)
time	-0.253	0.173**	-0.005
	(0.195)	(0.077)	(0.082)
$time^2$	0.009	-0.006**	0.000
	(0.007)	(0.003)	(0.003)
$time^3$	-0.000	0.000**	0.000
	(0.000)	(0.000)	(0.000)
Observations	1,026	1,026	1,026
R-squared	0.081	0.086	0.022
Number of countries	70	70	70

OLS regressions of Paris Club restructuring (Column 1), restructuring of privately held debt (Column 2) or restructuring of Chinese-held debt (Column 3) on debts owed to Chinese and its interaction with the distance between a country's own UN voting profile and UN votes by the US. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 23: Economic Policy Transparency and Paris Club Restructuring, Complete Table 5

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	0.003	-0.006
	(0.004)	(0.008)
HRV	-0.008	
	(0.007)	
Chinese debt x HRV	-0.003***	
	(0.001)	
Electoral democracy index		0.062
		(0.126)
Chinese debt x Democracy		0.003
		(0.014)
GDP per capita (log)	0.046	0.063*
	(0.031)	(0.035)
GDP growth (annual %)	-0.002	-0.002
	(0.002)	(0.002)
Trade (% of GDP)	-0.000	-0.000
	(0.001)	(0.001)
Oil rents (% of GDP)	-0.002	-0.002
	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001	-0.001
	(0.001)	(0.001)
Military expenditure (% of GDP)	-0.017*	-0.008
	(0.009)	(0.011)
External debt (% GDP)	0.003***	0.002***
	(0.000)	(0.000)
Bilateral debt (% GDP)	0.098	0.164
	(0.430)	(0.423)
Interest payments on external debt (% of GNI)	0.005	0.013
	(0.009)	(0.009)
IMF program	0.001	0.007
	(0.017)	(0.015)
Population, total	0.000	0.000
	(0.000)	(0.000)
time	-0.371*	-0.309
	(0.196)	(0.188)
$time^2$	0.013*	0.011
	(0.007)	(0.007)
$time^3$	-0.000*	-0.000
	(0.000)	(0.000)
Observations	1,163	1,201
R-squared	0.113	0.099
Number of countries	78	81

OLS regressions of Paris Club restructuring on Chinese debt and its interaction with transparency (column 1) or democracy (column 2). Country fixed effects are suppressed. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 24: Creditor Diversity and Concentration, Complete Table 6

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris
Chinese debt (% total external debt)	-0.010***	-0.010***	-0.011***	-0.010***	-0.012***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
Non-Paris Club bilateral debt (% GDP)	-26.125				
	(15.726)				
% Paris Club debt (of all bilateral)		0.111**			
		(0.042)			
Concentration of bilateral debt			-0.016		
			(0.040)		
Concentration of Paris Club debt				-0.071*	
				(0.041)	
Concentration of non-Paris Club bilateral debt					-0.020
					(0.026)
GDP per capita (log)	-0.012	0.005	-0.016	-0.005	-0.014
	(0.023)	(0.020)	(0.024)	(0.021)	(0.024)
GDP growth (annual %)	-0.002	-0.001	-0.002	-0.002	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Trade (% of GDP)	-0.000	-0.000	-0.000	0.000	-0.000
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Oil rents (% of GDP)	-0.001	-0.001	-0.001	-0.002	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001*	-0.001	-0.001*	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Military expenditure (% of GDP)	0.006	0.003	0.002	-0.011	-0.013
	(0.014)	(0.014)	(0.015)	(0.014)	(0.012)
Foreign reserves (months of imports)	-0.000	-0.000	-0.000	-0.000	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Interest payments on external debt (% of GNI)	0.016***	0.030***	0.016***	0.027***	0.027***
	(0.004)	(0.009)	(0.004)	(0.009)	(0.009)
IMF program	-0.003	-0.001	-0.002	0.001	0.009
	(0.013)	(0.013)	(0.014)	(0.013)	(0.013)
Population, total	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Electoral democracy index	-0.082	-0.115	-0.078	-0.126	-0.025
	(0.140)	(0.134)	(0.141)	(0.148)	(0.117)
Observations	1,026	1,006	1,027	968	861
R-squared	0.071	0.083	0.068	0.064	0.078
Number of countries	69	69	70	69	66

OLS regressions of Paris Club restructuring on outstanding Chinese debt, with a measure of the amount of annual bilateral debt flows from non-Paris Club countries (Column 1), the percentage of annual bilateral debt flows from the Paris Club countries (Column 2), and measures of the concentration of annual bilateral debt flows from all countries (Column 3), Paris Club countries (Column 4), and non-Paris Club countries (Column 5). Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 25: Dyadic bilateral debt flows and Paris Club Restructuring, Complete Table 7

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris	(6) Paris
Chinese bilateral debt (last 5 yrs.)	-54.653**					-57.892***
	(21.638)					(19.526)
US bilateral debt (last 5 yrs.)		41.262				19.168
		(55.888)				(55.829)
Japanese bilateral debt (last 5 yrs.)			-3.217			-4.991
			(29.185)			(25.923)
Russian bilateral debt (last 5 yrs.)				-8.241		-13.694
				(6.385)		(9.904)
Indian bilateral debt (last 5 yrs.)					60.051	117.854
					(156.846)	(156.011)
UK bilateral debt (last 5 yrs.)						9.448
						(60.223)
French bilateral debt (last 5 yrs.)						-2.400
						(16.810)
German bilateral debt (last 5 yrs.)						38.912
						(81.306)
Saudi bilateral debt (last 5 yrs.)						-447.680
						(285.189)
Brazilian bilateral debt (last 5 yrs.)						-109.486
						(73.972)
GDP per capita (log)	-0.065***	-0.067***	-0.070***	-0.071***	-0.070***	-0.070***
	(0.019)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)
GDP growth (annual %)	-0.003	-0.002	-0.002	-0.002	-0.002	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Trade (% of GDP)	-0.001	-0.000	-0.000	-0.000	-0.000	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Oil rents (% of GDP)	-0.001	0.000	0.000	0.000	0.000	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Foreign direct investment,	-0.002**	-0.002**	-0.002**	-0.002**	-0.002**	-0.002**
net inflows (% of GDP)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Military expenditure (% of GDP)	-0.004	-0.006	-0.006	-0.006	-0.006	-0.006
	(0.014)	(0.014)	(0.014)	(0.014)	(0.014)	(0.013)
Foreign reserves (months of imports)	-0.001	-0.001	-0.001	-0.001	-0.001	-0.000
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Interest payments on external debt	0.015***	0.014***	0.014***	0.014***	0.014***	0.016***
(% of GNI)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
IMF program = 0,	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
IMF program = 1,	-0.017	-0.015	-0.016	-0.017	-0.017	-0.012
	(0.015)	(0.016)	(0.015)	(0.015)	(0.015)	(0.016)
Population, total	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Electoral democracy index	0.019	0.024	0.023	0.020	0.022	-0.012
	(0.102)	(0.102)	(0.104)	(0.102)	(0.102)	(0.100)
Observations	1,324	1,324	1,324	1,324	1,324	1,384
R-squared	0.057	0.055	0.054	0.054	0.054	0.068
Number of countries	85	85	85	85	85	85

OLS regressions of Paris Club restructuring on a measure of 5-year average debt flows to multiple countries. Country fixed effects are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1