

PARIS CLUB RESTRUCTURING AND THE RISE OF CHINA^{*}

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Abstract

The arrival of new creditors can complicate established processes of sovereign lending and of debt crisis resolution. We posit that lending by China and its state-connected financial institutions disrupts established international processes, especially those led by the Paris Club of traditional official creditors. Sovereigns with large debt obligations to Chinese lenders are less likely to restructure their debt with the Paris Club. This effect is reduced if a country has already restructured its debts to China. We also show that the interference of Chinese debt with Paris Club processes is attenuated for debtor states that are more geopolitically proximate to Paris Club members. We find support for these expectations using data for 2000-2017, employing instrumental variables regressions to account for endogeneity concerns. We find no evidence that debt to other new creditors, such as India and Saudi Arabia, disrupts the Paris Club process. We also find no effect of China's presence as a creditor on private sector (versus official sector) debt restructurings.

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Sovereign debt crises are a recurring feature of the global economic landscape. When governments seek debt relief and restructuring, they often must deal with a range of creditors, including private bondholders, multilateral financial institutions, and bilateral official creditors. Many low- and middle-income countries have significant debts to bilateral official creditors, via government-to-government loans. The Paris Club is central to restructuring or reducing these debts. Its member states coordinate their actions toward debtor nations, offering a single forum for negotiation.

The Paris Club’s permanent membership now numbers twenty-two nations, including the longest-standing official creditor countries, such as France, the United Kingdom, and the United States. The Paris Club has historically worked closely with the International Monetary Fund, sharing information about debt exposure and providing assurances related to debt relief (Ferry and Zeitz 2024). The IMF’s Heavily Indebted Poor Countries (HIPC) initiative, providing relief to low-income countries beginning in the early 2000s, involved the direct participation of the Paris Club.

Recent cases of debt defaults and near-defaults suggest, however, that the Paris Club restructuring process may not function as effectively as it once did. Current difficulties in the global debt restructuring architecture can be attributed to a variety of causes, including the absence of an international restructuring mechanism available to all debtor nations (see, e.g., Brooks and Helleiner (2017)); uneven burden-sharing between official and private sector creditors (Schlegl, Trebesch and Wright 2019); and governments’ concerns with imposing harms on various domestic constituencies (Ballard-Rosa 2020, Mosley and Rosendorff 2023b).

Shifts in the global distribution of political and economic power also play a key role. As new bilateral official creditors grow in importance, they may disrupt established processes. China is especially important in this regard: China’s presence has changed the functioning and effectiveness of international financial institutions (Lee et al. 2024, Qian, Vreeland and Zhao 2023), advanced the provision of emergency financing, including swap lines (Broz, Zhang and Wang 2020), and may alter the role of global currencies (McDowell 2019). If China’s government and state-connected policy banks are less willing to participate in existing processes or conform to existing norms regarding debt restructuring, debt crises will be more difficult to address.

We theorize that the presence of large outstanding debts to China—a non-Paris Club member—undermines the institution’s success in establishing comparability of treatment across bilateral creditors, the central cooperative problem that the institution was designed

to solve. We demonstrate concerns among Paris Club members that Chinese creditors will “free-ride” on any Paris Club debt forgiveness; the relief provided by the Paris Club could be used to service obligations to Chinese creditors. However, we also expect (following a large body of work on the role of geopolitics in international organizations) that Paris Club members may be willing to overlook these concerns about comparability of treatment when the inability to restructure bilateral debts could lead to economic damage to an allied state’s economy.

Using the most comprehensive data on Chinese lending to low- and middle-income countries available¹—focused especially on 2000-2017, when China emerged as a major source of bilateral lending (Horn, Reinhart and Trebesch 2021)—we find support for these core claims. Another implication of our theory is that, if and when China concludes its own restructuring deals with governments (usually achieved by extending the maturity or reducing interest rates), Paris Club creditors’ concerns with free riding will attenuate. Consistent with this logic, we also find that after China’s rescheduling of a country’s debts, the “penalty” (lower likelihood of a Paris Club deal) associated with Chinese obligations diminishes.

We further address the possibility that it is creditor diversity more generally, rather than China’s presence specifically, that disrupts Paris Club processes. For instance, it may be that Paris Club members dislike bailing out any other creditors, be they non-Paris Club sovereigns or private investors. Other non-Paris Club official lenders have emerged, including Saudi Arabia, India, and Russia. We find little evidence, however, that these various forms of creditor heterogeneity significantly reduce the likelihood of Paris Club agreements. Ultimately, our core finding is that China’s presence as a creditor diminishes the effectiveness of the Paris Club process. This has implications not only for the effectiveness of development finance, but also for understanding how geopolitical shifts may affect the capacity for international economic cooperation more broadly.

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 test

¹Given the variety of agencies associated with Chinese official lending (Bräutigam 2011, 2022), as well as a lack of transparency around some debt reporting (Brown 2025, Cormier 2023), measuring debt to China is difficult. We use Horn, Reinhart and Trebesch (2021)’s measure based on loan-level data. 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)

these claims statistically, including using instrumental variables regressions to account for endogeneity in Chinese outward lending, as well as reporting a range of robustness checks. We conclude with a discussion of how future research could further 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

A central dilemma in international politics is sustaining cooperation among states under anarchy ([Waltz 1979](#), [Oye 1985](#)). Sovereign debt crises are a classic manifestation of this problem: defaulting states may attempt to selectively repay or bargain with certain creditors to maintain future access ([Bulow and Rogoff 1989](#), [Tomz 2007](#)). Especially in the post-World War II era, the standard solution to sustaining international economic exchange was the development of international institutions ([Keohane 1984](#)). In the particular realm of bilateral sovereign lending, such concerns motivated the creation of the Paris Club, a forum (established in 1956) where bilateral creditors meet multilaterally with borrowers facing debt distress to arrive at a collective restructuring deal. Over the course of nearly seventy years, the Paris Club expanded from an initial set of eleven member countries to its current twenty-two permanent members (with another fourteen countries sometimes participating in an ad hoc fashion), during which time it has facilitated 479 restructuring agreements with over 100 different debtor countries.

The Paris Club offers a single point of negotiation, a clearing house for relevant data, and a commitment among its members to follow any collectively-agreed upon restructuring deal, sharing the burdens of debt relief equitably, and limiting the possibility that debtor governments will play lending governments off against one another. It has no international legal foundation; its members commit to a set of six principles related to debt resolution. It remains “informal” in its operations, even as it has developed an institutionalized set of practices, including those used to provide debt relief to heavily-indebted poor countries (HIPCs) and other categories of borrowers.

The past two decades have witnessed a fundamental restructuring of the global financial landscape: the rise of China as a prominent source of bilateral lending ([Horn, Reinhart and Trebesch 2021](#), [Dreher, Fuchs, Parks, Strange and Tierney 2022](#)). The Paris Club’s record of successful debt restructuring deals occurred during a period in which nearly all

bilateral lending came from wealthy, democratic and “Western” countries. The 75 low-income countries the World Bank currently deems IDA-eligible (that is, eligible for the most concessional lending) 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 significant part to the increased role of China. 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 Treatments (a broader initiative for low-income countries, involving private as well as official creditors), it often has opted for a bilateral approach to debt resolution ([Bräutigam, Acker and Huang 2020](#), [Hameiri and Jones 2024](#), [Huang and Brautigam 2025](#)). China is an ad hoc participant in Paris Club negotiations, repeatedly declining invitations to join as a full member.

Indeed, China has taken a different approach to sovereign lending than many Paris Club members ([Kaplan 2021](#)). China’s official aid agency, China International Development Cooperation Agency, largely offers development finance (grants as well as zero-interest loans), funded from the central government budget. Much of China’s overseas lending comes via its state-owned policy banks, including Export-Import Bank of China and China Development Bank ([Dreher, Fuchs, Parks, Strange and Tierney 2022](#)). They raise funds (mainly) from issuing bonds and taking deposits, and their loans to sovereigns are on concessional as well as commercial terms. China’s government sometimes has asserted that loans from its policy banks are commercial, rather than official ([Chen 2023](#)); at other times, however, it has argued for treating policy bank loans as official sector credit, consistent with the OECD’s approach to such loans ([Horn, Reinhart and Trebesch 2021](#)).

Creditor Coordination

Generally, creditors of all types care about repayment of the loans they extend. For private market actors, the profit motive – and institutional investors’ desire to provide return to their clients – drives fixed income investors to collect interest and repayment on the loans they have disbursed. Even for official sector creditors, capital stocks are not infinite; if public creditors were to simply forgive all outstanding debts, they would be unable to fund future lending activities. Indeed, this logic has informed the use of loan conditionality by the World Bank and the International Monetary Fund, among others. Moreover, bilateral sovereign loans involve allocations (or at least guarantees) from government budgets, generating additional

domestic political incentives to avoid bad loans.

Of course, official creditors also are motivated partly by strategic and commercial considerations beyond repayment (e.g., [Bunte 2018](#), [Clark and Dolan 2021](#), [Kinne and Bunte 2020](#)). These motivations could include developing markets for home country products; avoiding negative spillovers by improving development outcomes ([Bermeo 2017](#)); strengthening the productive capacity of allied states ([Gowa and Mansfield 1993](#)); or inducing recipient government compliance on other linked issues ([Dreher, Sturm and Vreeland 2009](#), [Stone 2004](#)). Some scholars have gone so far as to suggest (particularly in the Chinese case) that bilateral lending to developing economies was “debt trap diplomacy,” in which the likelihood of future debt crises would make states more open to Chinese political influence and improve China’s strategic outcomes.² Regardless of the precise benefits official creditors anticipate from bilateral lending, the problem of default remains: if borrowers do not repay their debt obligations, the pool of funds available for lenders to engage in economic statecraft is reduced.

While creditor diversity—a hallmark of the contemporary era of sovereign finance—can create opportunities for borrowers ([Mosley and Rosendorff 2023a](#)), it also complicates situations in which creditors worry about repayment. When a debtor country has a diverse portfolio of creditors, worries about inter-creditor coordination and equity emerge.³ In particular, during times of crisis, creditors are tempted to “rush for the exits,” cutting bilateral deals with debtors for better terms of repayment, in exchange for continued access to future credit. Creditors therefore have an incentive to defect from the norm of coordinated restructuring: while creditors would be collectively better off insisting on equitable repayment, the temptation to defect looms large ([Bulow and Rogoff 1989](#), [Eaton and Gersovitz 1981](#), [Tomz 2007](#)).

Incentivizing state cooperation in the face of mixed incentives—whether by providing clarity of information, emphasizing repeat play, or generating fora for inter-creditor communication—is the classic role of international economic institutions ([Keohane 1984](#)). In this context, the role of the Paris Club is clear: it is an entity formulated around the norm of *comparability of treatment* across all member states. The central defining goal of

²For skeptical accounts of this approach, see [Bräutigam \(2020\)](#). Publics in the Global South tend to prefer traditional lenders to Chinese loans, and Chinese crisis lending does not appear to improve China’s standing ([Bulman, Leng and Ratigan 2026](#), [Steinberg, Aytac and McDowell 2026](#)). Chinese lending does not appear to increase countries’ risk of debt distress ([Shea 2026](#)) and countries in debt crisis may turn diplomatically toward the US and away from China ([Steinwand 2026](#)).

³See, e.g., [Copelovitch \(2010\)](#) for a discussion of the greater difficulty of securing restructuring from a large fragmented set of bond market lenders as compared to a smaller set of official creditors; also see [Schlegl, Trebesch and Wright \(2019\)](#).

the Paris Club is to motivate states to commit to a collective restructuring process, rather than to making individual deals. The gains from cooperation via the Paris Club are most substantial when all major creditor countries participate in the institution. For the second half of the twentieth century, this was indeed the case, and as the set of prominent bilateral lenders gradually expanded, so too did the ranks of Paris Club members. Yet this central feature has been challenged by China’s dramatic rise as a bilateral creditor ([Horn, Reinhart and Trebesch 2021](#), [Dreher, Fuchs, Parks, Strange and Tierney 2022](#)).

China and the Paris Club Process

China’s approach to countries in debt distress has evolved over time ([Huang and Brautigam 2025](#)): most recently, it has participated in the G-20’s Common Framework for Debt Treatment’s process, which coordinates all types of creditors in specific instances of low-income country debt restructuring. During the period we study, however, China remained largely outside of that process. For instance, in May 2024 the Financial Times observed, referencing Zambia’s debt negotiations, that “[t]he Common Framework was meant to improve cooperation between Chinese creditors and western official lenders, but has struggled to do so.” In the words of one investment professional, “[t]he issue ... was that getting everybody into the room meant getting China into the room, which backfired when China did not participate as planned.”⁴ 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.”⁵ And China also has sometimes insisted, as a condition of participation in these broader restructuring efforts, that multilateral financial institutions also accept losses on their sovereign loans, which would be at odds with multilaterals’ preferred creditor status.

At the Paris Club, China has had ad hoc participant status since 2013. This permits it to voluntarily participate in some portions of the group’s regular meetings, as well as in negotiations (should they want) with borrowing countries with debts to China.⁶ Despite its status as the largest bilateral official creditor as well as invitations to move toward full membership status, China has remained largely outside the entity. This may reflect, in part, that China’s approach to debt relief is different from that of legacy bilateral lenders. It has

⁴<https://www.ft.com/content/bfa3c2f7-c3d5-4f4e-aca9-12a8c7594fcd>.

⁵<https://www.reuters.com/business/finance/cash-strapped-countries-face-imf-bailout-delays-debt-talks-drag-2023-03-02/>

⁶India, from 2019, and Hungary, from 2024, also have this status at the Paris Club.

been reluctant to offer reductions in debt principal (a common practice among Paris Club creditors), preferring instead to provide emergency loans as well as swap lines to governments facing debt difficulties (Bräutigam, Acker and Huang 2020, Horn et al. 2023a, Horn, Reinhart and Trebesch 2025).

We argue that Chinese lending entities have, by eschewing the mechanisms that facilitate equitable treatment across creditors, diluted the effectiveness of official creditor coordination. Paris Club members worry about the losses they take, relative to non-Paris Club members (of which China is by far the largest). Paris Club creditors may worry that any debt relief they provide could be used to fund 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.”⁷ Indeed, 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 becomes even more difficult to achieve (Gelpern et al. 2021). Moreover, many (but not all) of China’s loans to sovereigns fund specific projects and are collateralized by revenues from those projects (Gelpern et al. 2025); this could reduce the capacity of debtor governments to service other, non-collateralized obligations (Kaplan 2021).

Paris Club creditors are, we suggest, less willing to negotiate new terms with debtor governments in the presence of significant debt to China. We expect that as the share of a country’s outstanding debt to non-Paris Club official creditors rises, the greater is the concern by Paris Club members over equitable treatment across creditors, precisely the impediment to international economic cooperation that the institution was designed to deal with. In other words, the central function of the institution—coordinating creditors and addressing concerns about equitable treatment—is weakened in the presence of a large outside creditor. Because China is the largest non-Paris Club official bilateral creditor (and, indeed, the largest official bilateral creditor worldwide), we focus on its potential to undermine the Paris Club’s established institutional practices.⁸

⁷<https://www.nytimes.com/2023/06/26/business/suriname-china-imf.html>

⁸According to the World Bank’s International Debt Statistics, Chinese bilateral debt has accounted for approximately 22.1% of all non-OECD countries’ bilateral debts in our sample period (2000-2017). While much has been made of the rise, for instance, of the BRICS countries as important international economic actors, it is clear that China’s presence as a bilateral creditor dwarfs that of other emerging economies. For

This suggests our first hypothesis:

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

As a corollary to this hypothesis, we note that—if the primary impediment to Paris Club restructuring is a concern among member states that haircuts on Paris Club debts will be used to finance continued repayment of Chinese obligations, this concern is partly ameliorated in cases in which Chinese debts have already been restructured. In such cases, Paris Club members may be more inclined to commit to equal treatment on remaining bilateral lending.⁹ This suggests a corollary to hypothesis 1:

Corollary 1. *The negative effect of Chinese debts on Paris Club restructuring will be ameliorated in countries that have already restructured their debts to China.*

Geopolitics

A large literature in international political economy and international organizations suggests that powerful states sometimes use their influence in international financial institutions to reward and protect allies. For instance, at the IMF and the World Bank, allies and commercial partners of the U.S. or the G-5 countries receive larger loans, loan packages 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). Alliance and commercial relationships also affect flows of bilateral foreign aid and loans (Dreher, Lang, Rosendorff and Vreeland 2022, Kinne and Bunte 2020), as well as the likelihood of sovereign default as well as market responses to such defaults (Ferry and Shea 2025).

This scholarship suggests that geopolitical considerations may sometimes trump Paris Club countries’ worries about Chinese free-riding. That is, while Paris Club members may generally value the long-term protection of the comparability of treatment principle (leading them to limit debt relief absent Chinese participation), their particular concerns about

instance, Brazilian bilateral debts have made up only 1.1% of bilateral debts for the same sample; Russian bilateral debts have averaged approximately 4.9%; and Indian bilateral debts have averaged around 3.4%.

⁹Prior restructuring on Chinese debts might also have an additional catalytic role in subsequent Paris Club deals, by making clear the terms at which one primary bilateral creditor has already engaged in restructuring, thereby setting a reference point for Paris Club deals.

protecting allies’ interests may supersede their commitment to preserving the Paris Club’s primary mandate. Delays to debt restructuring can create significant economic consequences for the borrowing country ([Asonuma and Trebesch 2016](#)) as well as negative spillovers to its allies ([Bermeo 2017](#), [Schneider and Tobin 2020](#)).

While Paris Club members may generally worry about comparability of treatment for states heavily indebted to China (thereby reducing the likelihood of successful restructuring at the Paris Club), they may partially overlook these concerns for countries that are geopolitically proximate. That is, while the presence of large outstanding Chinese loans reduces the likelihood of successful debt restructuring on average, Paris Club members may be willing to grant restructuring even in the presence of Chinese obligations to allied states, in order to avoid economic damage to friendly governments. Alternatively, for states that do not enjoy the benefit of close alliance with Paris Club members, the effect of Chinese debts on Paris Club restructuring may be even more pronounced.¹⁰ This suggests our second hypothesis regarding the conditioning effect of geopolitical alignment on the proposed relationship between Chinese loans and Paris Club restructuring:

Hypothesis 2. *The negative effect of Chinese debts on Paris Club restructuring is attenuated in countries that are geopolitically proximate to Paris Club members.*

Empirical Analyses

Our analysis focuses on debt restructuring in non-OECD countries.¹¹ OECD countries typically are considered low-risk and 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. Debt restructuring data come from [Horn, Reinhart and Trebesch \(2022\)](#). They code restructuring with Paris Club creditors, private creditors, and Chinese creditors. We use their dichotomous measure of restructuring, coded as a one

¹⁰Note that literature on the politics of foreign aid provision ([Alesina and Dollar 2000](#), [Vreeland and Dreher 2014](#), [Kuziemko and Werker 2006](#)) discusses whether states ought to provide money to reward allies, or instead to try to convince “biddable” countries that might otherwise be amenable to influence from other powers. In our context, this would suggest that states that are strategically further away from Paris Club members are more likely to secure debt restructuring in the presence of outstanding Chinese debts. While plausible, this is not compatible with our evidence, as we discuss below.

¹¹The online appendix, as well as all data and code, are available at <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/NIWBAO>.

in country-years where a restructuring with the corresponding creditor group occurs.¹²

To construct a 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 \(2021\)](#). They use loan-level lending data to estimate outstanding debt stocks owed to China for more than 100 developing and emerging economies between 2000 and 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 ([Abbas et al. 2010](#)), yielding the primary independent variable *Chinese debt (as % total external debt)*.¹³ The cross-sample average amount of Chinese debt over the panel is reported in Figure 1, which captures the dramatic rise in Chinese bilateral lending beginning in the early 2000s (coupled with a gradual decline in Paris Club obligations), as has been identified elsewhere (e.g., [Dreher et al. 2018](#), [Dreher, Fuchs, Parks, Strange and Tierney 2022](#), [Horn, Reinhart and Trebesch 2021](#)).

We estimate (initially) the effect of outstanding Chinese debt owed by country i in year $t - 1$ on the likelihood of a Paris Club restructuring for that country in year t , along with a vector of potential control variables X_{it-1} and country fixed effects μ_i and controls for temporal effects $f(t)$.¹⁴ Standard errors are clustered by country to account for potential within-country correlations including serial autocorrelation in the data:

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

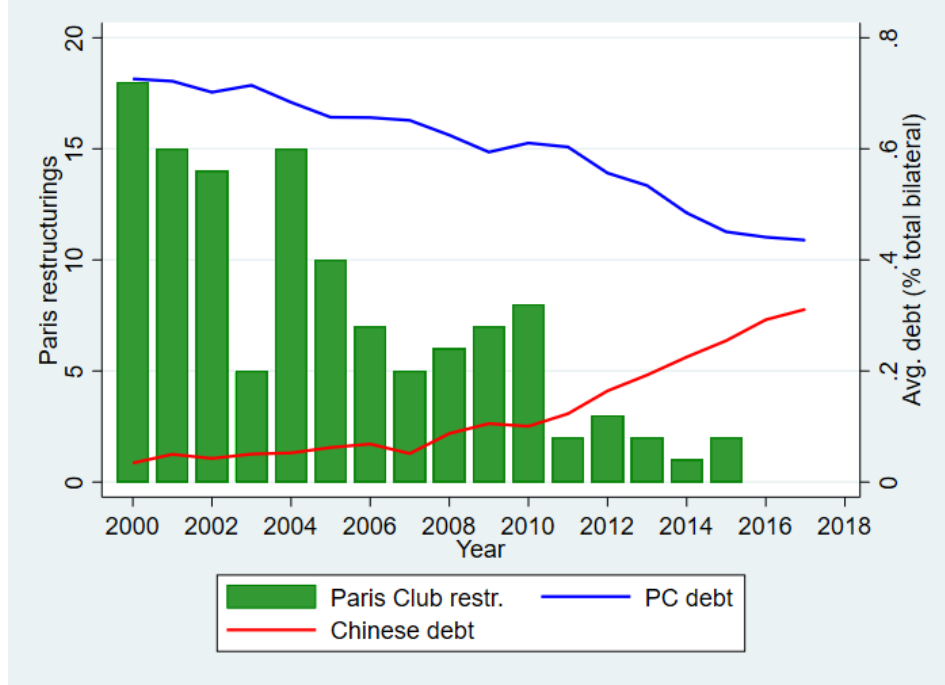
Chinese debts, however, are unlikely to have been assigned at random to countries, and so any correlation between Chinese debt and restructurings may potentially be endogenous to some alternative process. For instance, Chinese lenders may be relatively more likely to lend to countries at risk of default than are traditional Paris Club members, or countries

¹²In our sample, there are Paris Club restructurings in approximately 7.7% of our country-years. The annual variation in number of restructurings varies from none (in 2016 and 2017) to 18 (in 2000). There are 67 distinct countries that secure at least one Paris Club restructuring; Senegal holds the record for largest number of restructurings, at 14.

¹³Visual inspection of the data indicated that they are clearly log-normally distributed, and so we follow standard practice in employing the log of Chinese debts (as % total external debt) in the 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.

¹⁴Given recent discussion on the potential for bias in the traditional two-way fixed effects framework with time-varying treatment ([Imai and Kim 2021](#), [Liu, Wang and Xu 2024](#)), we employ cubic polynomials in time to account for the possibility of temporal effects ([Carter and Signorino 2010](#)); the primary results remain robust to the inclusion of year fixed effects.

Figure 1: Chinese bilateral lending, Paris Club bilateral lending, and PC Restructuring



Source: [Horn, Reinhart and Trebesch \(2021, 2022\)](#), [Abbas et al. \(2010\)](#), World Bank IDS

with higher default risk may go to China relatively more frequently. While this concern is plausible, we first note that there is not actually much consistent evidence that this is true; for instance, [Dielmann \(2021\)](#) and [Shea \(2026\)](#) find little evidence that countries with greater debt exposure to China are more likely to face debt distress.¹⁵

To address concerns about endogenous Chinese lending more directly, we follow recent work on determinants of Chinese foreign financial support that identifies a plausible source of exogenous variation in such financing. More precisely, [Dreher et al. \(2021\)](#) (and [Bluhm et al. \(2025\)](#)) note that Chinese foreign finance is often, in part, a function of economic conditions in the Chinese economy; they demonstrate that Chinese foreign aid to countries tends to increase in years when Chinese foreign exchange reserves are higher, and in years of domestic overproduction of key construction materials. When reserves are higher, loans denominated in foreign currencies reduce the inflationary pressures that would be associated with injecting foreign exchange into the domestic Chinese economy. Similarly, domestic excess supply of construction materials encourages the Chinese government to offer overseas

¹⁵We investigate this possibility more directly in our additional results below.

development loans to absorb this excess capacity.

Dreher et al. (2021) construct two (shift-share style) instrumental variables predicting levels of Chinese foreign aid. The first takes six major industrial construction inputs (aluminum, cement, glass, steel, iron, and timber), and finds the detrended first factor (using factor analysis) of the logged volume of these to create a time series for the years 2000–2016, labeled $Material_t$. Similarly, they separately construct $Reserves_t$ as the detrended time series of the changes in net foreign exchange reserves held by the Chinese government (measured in trillions of 2010 U.S. dollars).

These shift terms are interacted with p_{CHNi} , the share of years in the 2000–2014 period in which country i received positive amounts of Chinese development finance. Although Dreher et al. (2021) note that p_{CHNi} may violate the exclusion restriction by being correlated with the likelihood that a state receives Chinese aid, the inclusion of unit fixed effects (μ_i) absorbs this (time-invariant) source of potential omitted variable bias. Thus, the key intuition behind the instrumental variables are that they should identify variation in Chinese foreign financing primarily due to domestic Chinese economic conditions, not political or economic factors in the recipient country. The central identifying assumption is that Chinese foreign exchange holdings, and domestic overproduction of construction materials, should not differentially affect the likelihood a state restructures its Paris Club debts in states with high compared to low shares of years in which a country received development finance except insofar as this influences the amount of debt held by the state from China.

The first stage in the 2SLS approach takes the following form:

$$\begin{aligned} \overline{ChineseDebt(\%totaldebt)}_{it} = & \gamma_1 Material_{t-1} \times p_{CHNi} + \gamma_2 Reserves_{t-1} \times p_{CHNi} \\ & + \gamma_3 X_{it-1} + \mu_i + \epsilon_{it} \end{aligned} \quad (2)$$

where X_{it-1} captures a set of additional covariates detailed below. In our 2SLS regressions, we therefore subsequently replace the observed measure of Chinese lending in the second stage regression (in Equation 1) with this amount of Chinese lending predicted by plausibly exogenous sources of variation in domestic Chinese conditions.

Chinese Debt and Sovereign Restructurings

We first report a bivariate (uninstrumented) OLS regression of Paris Club restructuring on outstanding Chinese debt. As can be seen in column 1 of Table 1, countries that owe more

debt to China are significantly less likely to restructure their Paris Club debts. Of course, these bivariate associations may be driven by a host of potential omitted variables; to account for this, we employ two distinct empirical strategies.¹⁶ First, we employ a conditioning strategy, and re-estimate the regression of Paris Club restructuring on Chinese debt after including an increasingly large set of controls meant to capture factors that might jointly determine whether states borrow from China and their likelihood of restructuring other bilateral debts. Column 2 in Table 1 adds a sparse set of macroeconomic covariates that maximizes the 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* (DiGiuseppe 2015).¹⁷ 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 completion*, by country-year, and add this as well to the baseline analysis.¹⁸

Column 3 introduces a fuller set of economic and political covariates that, while potentially important, results in significant attrition in the sample. We include additional controls for *foreign reserves*, *interest payments on external debt*, whether the country is currently under an *IMF program*, and the size of a country’s *population*. In addition, we introduce a set of domestic political controls that might influence debt negotiation processes, including the extent to which a country is an *electoral democracy* and a dummy for years in which an *election* was held for president.

As an alternative approach to dealing with concerns over endogeneity in the primary independent variable, columns 4, 5 and 6 of Table 1 make use of the instrumental variable approach described above in a two-stage least squares estimation, with the same sets of control variables.¹⁹ As documented by the consistently negative and statistically significant coefficient on *Chinese debt (% total external debt)* across all approaches in Table 1, the negative association between Chinese debt and Paris Club restructuring remains remarkably

¹⁶Appendix C.3.2 provides a third empirical strategy that addresses issues of selection bias.

¹⁷See Appendix Table 6 for data sources and summary statistics.

¹⁸Cordella, Cufre and Presbitero (2026) investigate whether China and other new bilateral creditors systematically increased lending after HIPC debt relief; they find instead that it was multilateral creditors who expanded their lending to HIPC countries.

¹⁹Appendix Table 7 reports full results from 2SLS regression, including first stage results.

stable and robust. Not only do the IV estimates remain statistically significant, but the substantive magnitude increases by approximately a factor of three, suggesting that the direction of potential bias in the OLS estimates may be towards zero, such as might arise if some Chinese lending is determined endogenously by poorer credit quality in recipient countries.

Table 1: Chinese Debt and Paris Club (PC) Restructuring

VARIABLES	(1) PC (OLS)	(2) PC (OLS)	(3) PC (OLS)	(4) PC (IV)	(5) PC (IV)	(6) PC (IV)
Chinese debt (% total external debt)	-0.012*** (0.002)	-0.008** (0.003)	-0.009** (0.003)	-0.020*** (0.006)	-0.029*** (0.010)	-0.038*** (0.014)
GDP per capita (current US\$)		0.015*** (0.004)	0.020*** (0.005)		0.017** (0.008)	0.026*** (0.010)
GDP growth (annual %)		-0.003* (0.002)	-0.002 (0.002)		-0.003 (0.002)	-0.002 (0.003)
Trade (% of GDP)		0.000 (0.000)	-0.000 (0.001)		-0.000 (0.001)	-0.000 (0.001)
Oil rents (% of GDP)		-0.002 (0.002)	-0.001 (0.002)		-0.005** (0.002)	-0.005 (0.004)
Foreign direct investment (% of GDP)		-0.002** (0.001)	-0.001 (0.001)		-0.002 (0.001)	-0.000 (0.001)
Military expenditure (% of GDP)		-0.006 (0.009)	0.002 (0.014)		-0.001 (0.009)	-0.004 (0.020)
HIPC Completion		-0.135*** (0.015)	-0.145*** (0.025)		-0.161*** (0.024)	-0.177*** (0.042)
Foreign reserves (months of imports)			-0.001 (0.003)			0.000 (0.004)
Interest payments (% of GNI)			0.015*** (0.004)			0.014*** (0.004)
IMF program			0.004 (0.014)			-0.003 (0.021)
Population, total			0.000 (0.000)			0.000 (0.000)
Electoral democracy index			-0.037 (0.137)			-0.077 (0.207)
Presidential Election Held			-0.028* (0.016)			-0.030 (0.021)
Observations	1,664	1,303	1,005	1,346	1,055	814
R-squared	0.026	0.073	0.094	0.009	0.045	0.034
Number of countries	99	87	68	99	85	67
Weak ID F stat				147	52.2	29.7
Hansen J stat				.812	.133	.498

Columns 1, 2 and 3 present OLS regressions of Paris Club restructuring on Chinese debt, as well as additional controls; Columns 4, 5 and 6 present results from 2SLS regressions of Paris Club restructuring on Chinese debt, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance. 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

In addition, in each 2SLS specification we find that the excluded instruments do not suffer from the weak instruments problem (as indicated by the high “Weak ID F statistic”), and we can also easily reject the null that the set of instruments are invalid (per the low “Hansen J statistic”). Thus, in accordance with [Dreher et al. \(2021\)](#), we continue to find that domestic Chinese conditions serve as an important predictor of Chinese foreign finance; under the assumption that these domestic Chinese conditions are orthogonal to decisions by the Paris Club to restructure a country’s debts, then these estimates may be taken as causal evidence that states that have borrowed more money from China are less likely to have debt restructured by their more traditional bilateral lenders.

In terms of substantive magnitude, the implied effect size of these results is also quite pronounced: the (more conservative) OLS estimates suggest 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 decreased likelihood of restructuring (against the baseline) of 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 spent on debt servicing; clearly, as the interest burden rises, countries should be more prone to need help restructuring their existing debts. Indeed, as reported in [Table 1](#), 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 any model presented here, suggesting that the effect size is indeed of substantive importance.

Concerns over Free-riding

[Corollary 1](#) recognizes that debtor countries in distress may receive relief from Chinese lenders; when this occurs, it should diminish Paris Club creditors’ concerns about potential Chinese “free-riding” on any Paris Club debt forgiveness. To assess this possibility, we interact our measure of Chinese debt with an indicator for whether a *Chinese restructuring* took place (in the year prior) from [Horn, Reinhart and Trebesch \(2022\)](#). As elsewhere, we estimate these effects using both OLS and 2SLS. As [Table 2](#) reports, while states with more Chinese debt continue to see a significant reduction in the likelihood of restructuring

their Paris Club obligations, this effect disappears for states that already have secured a restructuring from China.²⁰

If the burden of servicing Chinese-sourced debt is lessened by virtue of a Chinese restructuring, the free-riding concerns of the Paris Club members should be reduced. There may still be concerns about Chinese debt overhang, and there may be coordination difficulties about burden-sharing and comparability of treatment. But in the current period, these concerns are lessened and the effect of the Chinese restructuring is to move the probability of a Paris Club agreement in the direction of *more* likely rather than less.

Table 2: Concerns over Free-Riding

VARIABLES	(1) PC (OLS)	(2) PC (IV)
Chinese debt (% total external debt)	-0.009** (0.004)	-0.012** (0.006)
Chinese restructuring	0.005 (0.022)	0.029 (0.035)
Chinese debt * Chinese restr.	0.017*** (0.006)	0.015** (0.006)
Full controls	✓	✓
Observations	1,005	815
R-squared	0.096	0.054
Weak ID F stat		26.7
Hansen J stat		3.071

Columns 1 presents OLS regression of Paris Club restructuring on Chinese debt and its interaction with a Chinese restructuring in the year prior, as well as additional controls; Column 2 presents results from 2SLS regressions of Paris Club restructuring on Chinese debt, and its interaction with Chinese restructuring in the year prior, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance. 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

Geopolitics

Geopolitical rivalry may heighten the concerns about free-riding; we are most likely to observe the relationship between Chinese debt and delays in Paris Club restructuring when

²⁰Full output provided in Appendix Table 8.

geopolitical tensions between Paris Club creditors and China are greater. In particular, we expect that Paris Club members may be willing to overlook their concerns about comparability of treatment of bilateral debts owed to China when concerns about the economic damage from failed restructuring could be harmful to allied states. Given its centrality as both a prominent bilateral creditor and its influential role in international economic institutions, we focus in particular here on debtor states’ relationship with the United States, although we document in Appendix C.1 that our core results hold if we instead consider borrower country relations with Paris Club countries more broadly (Tables 11 and 12).

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 U.S. priorities, the presence of Chinese debt may be less of an impediment to Paris Club restructuring; however, as states move away from the U.S.’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 (Hypothesis 2).

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. 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. In Table 3, we report results from inclusion of this interaction using both OLS and 2SLS; regardless of estimation approach, we recover strong evidence that the “penalty” for Chinese debt on the likelihood of Paris Club restructuring is reduced for states that are more geopolitically proximate (on the basis of UN voting outcomes) to the U.S.²¹

To visualize these conditional marginal effects, Figure 2 plots the effect of additional Chinese debt as a function of distance between a country’s ideal point at the UN and that of the United States. Following recommended best practice for interpreting multiplicative interaction effects (Hainmueller, Mummolo and Xu 2019), we report here results for three theoretically-interesting and empirically-valid spaces in the data: we consider the marginal effect of additional Chinese debts on Paris Club restructuring for states that are geopolitically “close,” geopolitically “average,” and geopolitically “distant” from the U.S., as captured by

²¹The complete table with all control variable coefficients is reported in Appendix Table 9. Note that, for the 2SLS results, we do not surpass the standard rule of thumb test statistic for the weak instruments problem: while our identification strategy described above does well in predicting the Chinese debt component of our endogenous variables, it does not do well in predicting UN voting alignment, and hence may suffer from weak instrument concerns. As such, we report marginal effects results using OLS models here.

states at the median value of the terciles of the UN vote distance data. As can be seen, for states most closely allied with the U.S. in global affairs, we find no evidence that likelihood of Paris Club restructuring is affected by existing Chinese debts, as might be expected if concerns about the economic costs of restructuring delays on an ally's economy outweigh concerns about comparability of creditor treatment. On the other hand, for states that are more geopolitically distant from the U.S., we observe an increasingly negative (and statistically significant) relationship between outstanding Chinese debts and the likelihood of Paris Club restructuring. Columns 2 and 4 of Table 3 document 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.²²

Table 3: Geopolitics, Chinese Debts, and Paris Club Restructuring

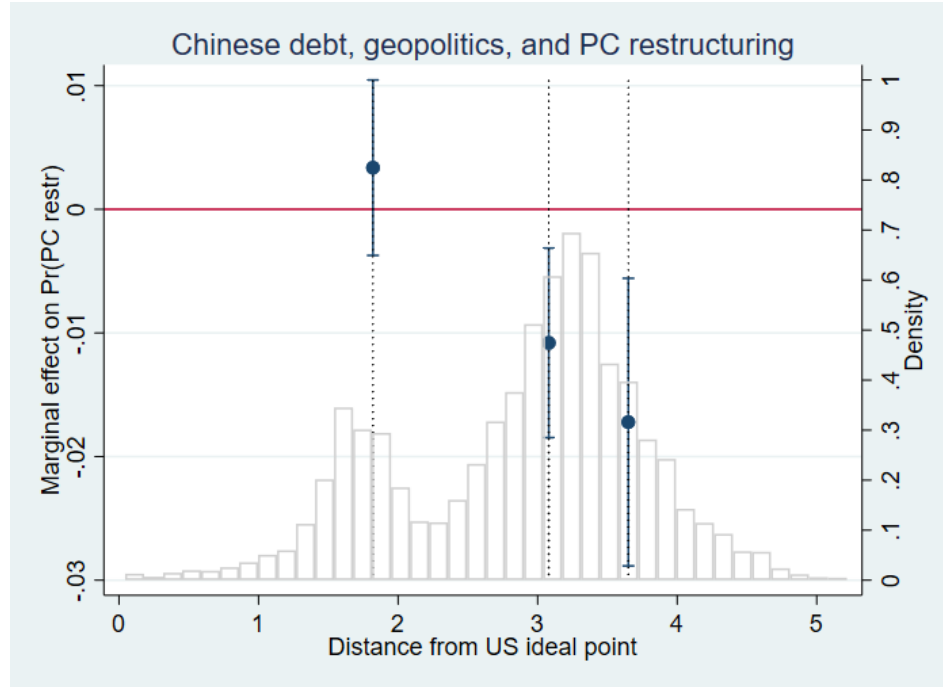
VARIABLES	(1) PC (OLS)	(2) PC (OLS)	(3) PC (IV)	(4) PC (IV)
Chinese debt (% total external debt)	0.024** (0.011)	-0.013** (0.005)	0.109*** (0.032)	-0.039** (0.017)
UN vote distance from US	0.002 (0.029)		-0.181*** (0.062)	-0.014 (0.038)
Chinese debt * UN vote distance from US	-0.011** (0.004)		-0.038*** (0.010)	
UN vote distance from China		0.005 (0.024)		0.261* (0.134)
Chinese debt * UN vote distance from China		0.007* (0.004)		0.058** (0.029)
Full controls	✓	✓	✓	✓
Observations	1,004	1,004	814	814
R-squared	0.099	0.093	0.030	-0.032
Weak ID F stat			3.9	3.1
Hansen J stat			3.194	.445

Columns 1 and 2 report 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 a full battery of controls. Columns 3 and 4 replicate this analysis using a 2SLS framework. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

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

²²In Appendix C.1, we document the robustness of our key results considering voting distance at the UN from a broader set of major economies.

Figure 2: 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. The three points are estimated at the median of each tercile for the conditioning variable ([Hainmueller, Mummolo and Xu 2019](#)).

concerns when it considers restructuring its own debt, as reported in the Appendix in Table 13. 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.

Placebo Test: Creditor Diversity by Lender

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 to all parties, irrespective of the political orientation of these creditors? To assess this alternative account, we rely on the World Bank's International Debt Statistics (IDS), which

provides annual data on dyadic bilateral debt obligations for a large set of countries. We take advantage of these data to gain 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) owed to every other lender country in the IDS dataset in a given year. We 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 owed by borrower country *i* to lender country *j* in year *t*. To start, we focus on the effects of such bilateral lending to countries from China specifically by constructing a measure of *Chinese bilateral debt (% GDP)*. When we replace our original measure of Chinese debt stocks with this new measure, we continue to find (in Column 1 of Table 4) a robust negative association between debts owed to China and Paris Club restructurings using this alternative measurement approach.²³

Having replicated our core finding using an alternative data source, we next perform a series of placebo tests to assess whether debt from other potentially relevant non-Paris Club lender countries also leads to a reduction in Paris Club restructuring. 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).

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 2) 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 3 shows that there appears no significant relationship between bilateral Indian debts and Paris Club restructuring. Finally, Saudi Arabia has also recently emerged as a potential alternative source of borrowing for many countries (particularly in the Middle East); while Saudi foreign policy may align with that of the U.S. at times, it clearly also has experienced antagonistic relations with the U.S., and so might additionally elicit concerns from Paris Club lenders. However, as reported in column 4, there is no systematic relationship between borrowing from Saudi Arabia and Paris Club restructuring.

²³In order to preserve comparability with other lenders, for which we do not have good instruments, we present uninstrumented, OLS results in column 1 of Table 4.

Finally, in Column 5 we consider the association between these non-Paris Club lenders and restructuring 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 the 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 more generally.²⁴

Alternative Mechanisms

Chinese Lending and Demand for Restructuring

We have argued that Paris Club members are less inclined to offer a restructuring package to debtors with large obligations to Chinese lenders, due to concerns about inequitable treatment of creditors in such a restructuring. A potential alternative explanation could reflect demands from debtor countries (Bunte 2019): countries with high levels of debt to China may be less likely to approach the Paris Club.²⁵ Chinese lenders have, in many instances, replaced traditional creditors – or reduced their leverage – in several ways. Tapping newly-available swap lines (Broz, Zhang and Wang 2020, Kern and Reinsberg 2022, McDowell 2019) and accessing project financing (Lipsy 2015, Clark 2025) can increase governments’ fiscal space. Credit from China also can be politically appealing: the presence of China as a creditor is associated empirically with fewer World Bank loan conditions (Hernandez 2017). And 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).²⁶

Similarly, when governments face debt distress, China may be an attractive outside option (Alfaro and Kanczuk 2019). Governments may perceive a Chinese-financed bailout as

²⁴We explore this possibility further by interacting the geopolitical distances of the debtors from these alternative lenders to explore the conditional effect of these debts on potential geopolitical rivalry in Appendix Table 14.

²⁵As reported in Appendix Table 25, all our primary results are unchanged if we exclude from our analysis countries that have no, or very low, levels of debt to Paris Club members.

²⁶There is a similar literature on the differential consequences and conditionalities of Chinese—versus Western—foreign aid. For a recent summary of this literature, see Dreher, Fuchs, Parks, Strange and Tierney (2022).

Table 4: Dyadic bilateral debt and Paris Club restructuring

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris
Chinese bilateral debt (% GDP)	-1.745*** (0.640)				-1.579** (0.692)
Russian bilateral debt (% GDP)		-0.090 (0.251)			-0.170 (0.229)
Indian bilateral debt (% GDP)			-14.231 (12.066)		-8.661 (13.086)
Saudi bilateral debt (% GDP)				1.815 (4.194)	1.926 (4.356)
GDP per capita (current US\$)	-0.010** (0.004)	-0.011*** (0.004)	-0.010** (0.004)	-0.011*** (0.004)	-0.007* (0.004)
GDP growth (annual %)	-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)	-0.001* (0.000)	-0.001* (0.000)	-0.001* (0.000)	-0.001* (0.000)
Oil rents (% of GDP)	0.001 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.001 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001 (0.001)	-0.002* (0.001)	-0.001 (0.001)	-0.002* (0.001)	-0.001 (0.001)
Military expenditure (% of GDP)	0.002 (0.007)	0.003 (0.008)	0.001 (0.007)	0.002 (0.007)	0.000 (0.008)
HIPC Completion	-0.138*** (0.020)	-0.135*** (0.022)	-0.141*** (0.022)	-0.135*** (0.021)	-0.146*** (0.022)
Foreign reserves (months of imports)	-0.009** (0.004)	-0.008** (0.003)	-0.008** (0.004)	-0.008** (0.003)	-0.009** (0.004)
Interest payments on external debt (% of GNI)	0.019*** (0.005)	0.019*** (0.005)	0.019*** (0.005)	0.018*** (0.005)	0.018*** (0.005)
IMF program	0.002 (0.016)	0.008 (0.016)	0.009 (0.016)	0.008 (0.016)	0.003 (0.016)
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	-0.040 (0.077)	-0.040 (0.078)	-0.046 (0.080)	-0.040 (0.078)	-0.011 (0.090)
Presidential Election Held	-0.006 (0.018)	-0.007 (0.019)	-0.007 (0.019)	-0.007 (0.019)	-0.006 (0.018)
Observations	1,767	1,795	1,767	1,795	1,739
R-squared	0.050	0.046	0.047	0.046	0.054
Number of countries	81	82	81	82	80

OLS regressions of Paris Club restructuring on a measure of outstanding bilateral debt obligations to multiple countries, along with a 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

less disruptive domestically than a restructuring that involves an IMF-sponsored conditional loan (as Paris Club deals typically do). China has been active in emergency lending, as well as in the provision of swap lines ([Horn et al. 2023a](#)). When debtor governments find them-

selves in distress (especially due to commodity price crashes and rising interest rates), China has been quite willing to extend rescue lending and offer grace periods to avoid default, especially for middle income countries with large loans ([Horn et al. 2023b](#)). 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 while). For countries seeking relief from existing debts, the Paris Club is no longer the only game in town. On the debtor-government side, Chinese funding therefore could delay or forestall the need to restructure. We explore this possibility empirically, and find mixed evidence for this mechanism.

We re-estimate our model of the effect of Chinese debts described above, but replace our Paris Club restructuring outcome variable with a measure of whether a state was facing a debt crisis.²⁷ As above, we estimate these regressions using both OLS and 2SLS, first with only our baseline set of covariates followed by our full covariate list. As reported in Table 5, we find somewhat mixed results from this analysis.²⁸ When considering the OLS results in columns 1 and 2, while we do recover a negative coefficient on the relationship between Chinese debt and debt crisis, this is not estimated with precision, suggesting no systematic association such that states which owe more to China are more or less likely to enter into debt crisis. However, when we instead consider the 2SLS results in columns 3 and 4, we now recover statistically significant evidence that states that have borrowed money from China do indeed appear somewhat less likely to enter into debt crisis to begin with. While the lack of statistical significance in the OLS results is consistent with prior work that has found no association between Chinese lending and debt crises ([Dielmann 2021](#), [Gelpern et al. 2021](#)), the 2SLS findings do lend some credence to the notion that, at least in part, states may be less likely to restructure debts with traditional creditors when China provides them with additional fiscal space.²⁹

Alternative Chinese strategies for emergency finance

These results may be an artifact of alternative strategies that the Chinese government can use to affect foreign finance. Two such strategies could involve strategic provision of Chi-

²⁷Data on debt crises from [Nguyen, Castro and Wood \(2022\)](#).

²⁸Complete output provided in Appendix Table 10.

²⁹In Appendix Table 15, we document that there is no consistent evidence that the effect of Chinese debts on Paris Club restructuring is moderated by two different measures of debt stress: the interest burden on external debt or the presence of a debt crisis.

Table 5: Chinese Credit and Debt Crises

VARIABLES	(1) Debt crisis (OLS)	(2) Debt crisis (OLS)	(3) Debt crisis (IV)	(4) Debt crisis (IV)
Chinese debt (% total external debt)	-0.009 (0.009)	-0.017 (0.011)	-0.092*** (0.018)	-0.118*** (0.026)
Baseline controls	✓	✓	✓	✓
Full controls		✓		✓
Observations	1,372	1,005	1,092	814
R-squared	0.207	0.260	0.001	-0.062
Number of countries	91	68	89	67
Weak ID F stat			56.1	29.7
Hansen J stat			1.559	2.077

Columns 1 and 2 present OLS regressions of debt crisis on Chinese debt, as well as additional controls; Columns 3 and 4 present results from 2SLS regressions of debt crisis on Chinese debt, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance. Country fixed effects are suppressed for presentation, as are temporal cubic polynomials. Robust standard errors clustered by country in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

nese emergency lending, or instead official finance through Chinese foreign aid in grants. While plausible, we find little evidence that these alternative channels of Chinese foreign finance affect the main results. First, as documented in Appendix Table 16, we find no evidence that countries that have received Chinese bailout lending (as identified in [Horn et al. \(2023a\)](#)) are systematically more or 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. \(2023a\)](#) who also suggest that China’s approach to emergency lending is quite distinct from its approach to loan renegotiation. Importantly for our account, given the unwillingness of Chinese state banks to provide debt relief, the provision of Chinese emergency lending often actually increases a country’s outstanding debt obligations to China; this clearly would not ameliorate concerns among Paris Club members about comparability of treatment across creditors when there exist large outstanding obligations to China.

In addition, as reported in Appendix Table 17, we find no evidence that Chinese ODA seems to affect Paris Club restructurings in any systematic manner, suggesting that it is the presence of Chinese debts in particular that impede restructuring efforts with traditional Western bilateral creditors.

Additional Results

Creditor diversity

We separately estimate the uniqueness of Chinese lending vis-a-vis multiple alternative credit sources; due to space constraints, we discuss these results here and relegate explicit presentation of results to the Appendix. While we demonstrate the uniqueness of Chinese bilateral debt relative to other specific bilateral creditors above, we also construct a measure of total non-Paris club bilateral debts (using IDS data) to assess whether it is the combined effect of all alternative lenders that may matter. However, as Column 1 of Appendix Table 18 shows, the coefficient on total non-Paris Club lending is not significant at conventional levels, nor does its inclusion remove the significance of greater amounts of Chinese bilateral debt.³⁰ In Appendix Table 19, 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.

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.³¹ As reported in Columns 2-4 of Appendix Table 18, contra these expectations, we find some evidence that greater concentration of all bilateral debt obligations or greater concentration of Paris Club debts are associated with reduced likelihood of Paris Club restructuring. In contrast, we do find some evidence that countries with more concentrated non-Paris Club debts are somewhat more likely to secure a Paris Club restructuring. This could be consistent with a notion that restructuring is easier to accomplish when a single outside lender is able to coordinate with the Paris Club; it is difficult, however, to firmly support this interpretation. Importantly, in no case does the inclusion of these measures of bilateral debt concentration alter the primary effect of interest

³⁰If we remove the 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.

³¹That is, we calculate $\sum_{j \in G} (\text{bilateral debt}_{ijt} / \text{total bilateral debt}_{iGt})^2$, where $\text{bilateral debt}_{ijt}$ is all bilateral debt flows to country i from a country j in some relevant group G in year t , and $\text{total bilateral debt}_{iGt}$ 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.

(of Chinese debts).³²

Estimation Robustness

Finally, while we have presented results above drawing from both OLS and 2SLS estimation approaches, we have also pursued three additional sets of alternative estimation strategies (with fuller discussion in the Appendix). First, while we document above that Chinese debts appear systematically associated with Paris Club restructuring but not with private market or Chinese restructuring, in reality states may engage in these restructuring efforts simultaneously and so our treatment of these three outcomes as independent may be incorrect. We document the consistency of our findings in a seemingly unrelated regression (SUR) framework in Appendix C.3.1 (Table 21), which allows for the error terms of models for Paris Club, private market, and Chinese restructuring to be correlated with one another.

In addition, while we note above that we detect somewhat mixed evidence for the argument that states with more Chinese debt are less likely to end up in crisis to begin, it is clearly the case that states not facing fiscal trouble would not need to seek Paris Club restructuring, and so our approach may mask a prior selection stage of what sorts of states end up in crisis to begin with. To address this concern, in Appendix C.3.2 we re-estimate our primary results in a Heckman selection framework, and continue to find that states with greater Chinese debts are less likely to restructure obligations owed to the Paris Club, even after taking into account a selection stage for which states are facing debt crisis (Table 22).³³

Finally, given several econometric advantages of linear models, we have reported OLS results for many of our specifications; however, in Appendix C.3.3 we separately document robustness of our primary findings to the use of maximum likelihood models (like random-effects probit (Table 23) or conditional logit (Table 24)) which might be better suited to a binary dependent variable like our own. All told, we continue to find strong evidence for a negative and statistically significant effect of Chinese debts on Paris Club restructuring across this battery of alternative estimation approaches.

³²Appendix Table 20 documents that our core results are also robust to attempts to account for global capital liquidity (Ballard-Rosa, Mosley and Wellhausen 2021).

³³Note that, in this approach, we again do not detect significant evidence of a relationship between Chinese borrowing and debt distress.

Conclusion

Chinese lending constitutes the largest official bilateral debt category today, yet China is not a permanent member of the primary international institution designed to facilitate governmental cooperation in debt restructuring: the Paris Club. This has important consequences for debt restructuring processes and outcomes among non-OECD states in debt distress. China is currently actively engaged in some debt renegotiation efforts (for instance, it co-chaired Ethiopia and Zambia’s official creditor committees 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, 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. 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.

In addition, these effects are most pronounced for countries whose geopolitical affinity (as measured by similarity in UNGA voting patterns) with the US is low. These findings offer evidence that contemporary efforts to address debt crises are complicated not only by general concerns about inter-creditor equity, but also by the specific role of China as a creditor. In an international environment in which economic cooperation is increasingly challenged due to geopolitical concerns, this research speaks to the continued need to understand international financial relations not only through economic lens, but also one attentive to political considerations. 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.

Finally, our analyses highlight how the diversity of creditors at the international level may complicate efforts to address high debt burdens. It is worth noting the diversity of creditors at the country level as well: that is, a variety of agencies and entities within China

participate in overseas lending. While these entities are all state-connected in various ways, we might expect that their interests and incentives nonetheless vary somewhat. Recent research points to some of this variation, both in China ([Chen 2024](#), [Huang and Brautigam 2025](#)) and in other creditor countries. Future scholarship could explore how bureaucratic structures and individuals' career incentives further influence sovereign debt restructurings.

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Online Appendix

A Data Summary

Table 6: Summary Statistics and Data Sources

	Obs	Mean	Std Dev	Min	Max	Source
Chinese debt (% total external), logged	1771	-5.48	3.39	-9.90	2.18	Horn, Reinhart and Trebesch (2021)
GDP per capita (log)	6996	8.00	1.61	3.13	12.16	World Development Indicators (WDI)
GDP growth (annual %)	6872	3.31	6.24	-64.05	149.97	WDI
Trade (% of GDP)	6233	81.89	49.88	0.02	437.33	WDI
Oil rents (% of GDP)	6622	3.67	9.33	0.00	71.49	WDI
Foreign direct investment, net inflows (% of GDP)	6544	5.20	38.95	-1275.19	1282.63	WDI
Military expenditure (% of GDP)	5549	2.52	3.09	0.00	117.35	WDI
Foreign reserves (months of imports)	5664	4.32	4.45	0.00	79.24	WDI
Interest payments on external debt (% of GNI)	4314	1.69	2.08	0.00	41.62	International Debt Statistics (IDS)
IMF program	6758	0.31	0.46	0.00	1.00	Vreeland (2003)
Population, total	7396	3.27e+07	1.25e+08	7631.00	1.40e+09	WDI
Electoral democracy index	6626	0.48	0.28	0.01	0.92	Varieties of Democracy (VDem)
Debt Crises	7023	0.31	0.46	0.00	1.00	Nguyen, Castro and Wood (2022)
Distance from US ideal point (UN votes)	7358	2.88	0.87	0.04	5.22	Bailey, Strezhnev and Voeten (2017)
Distance from Chinese ideal point (UN votes)	7358	0.82	0.75	0.00	4.66	Bailey, Strezhnev and Voeten (2017)
Economic transparency (HRV)	5305	1.47	2.24	-11.00	9.25	Hollyer, Rosendorff and Vreeland (2011)
Bilateral debt from China, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01	IDS
Bilateral debt from US, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
Bilateral debt from Japan, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
Bilateral debt from Russia, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01	IDS
Bilateral debt from India, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01	IDS
Bilateral debt from UK, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
Bilateral debt from France, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.01	IDS
Bilateral debt from Germany, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
Bilateral debt from Saudi, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
Bilateral debt from Brazil, past 5 yrs. (% GDP)	2956	0.00	0.00	0.00	0.00	IDS
External debt (% GDP)	5904	59.41	57.10	0.00	2092.90	Abbas et al. (2010)
Bilateral debt (% GDP)	4131	0.01	0.01	0.00	0.17	IDS
Multilateral debt (% GDP)	4209	0.01	0.01	0.00	0.21	IDS
Commercial bank debt (% GDP)	2866	0.00	0.01	0.00	0.24	IDS
Bond market debt (% GDP)	1223	0.01	0.02	0.00	0.39	IDS

B Complete Tables from the Text

Table 7: 2SLS regression, First and Second Stage Results

	(1)	(2)	(3)	(4)	(5)	(6)
	Chinese debt	Paris Club	Chinese debt	Paris Club	Chinese debt	Paris Club
Chinese reserves x p_{CHN_i}	11.067*** (0.842)		7.714*** (0.953)		4.959*** (0.839)	
Chinese materials x p_{CHN_i}	0.226 (0.145)		0.137 (0.181)		0.221 (0.176)	
Chinese debt (% total external debt)		-0.020*** (0.006)		-0.029*** (0.010)		-0.038*** (0.014)
GDP per capita (current US\$)			0.549*** (0.075)	0.017** (0.008)	0.517*** (0.092)	0.026*** (0.010)
GDP growth (annual %)			-0.019 (0.018)	-0.003 (0.002)	-0.016 (0.025)	-0.002 (0.003)
Trade (% of GDP)			0.008 (0.011)	-0.000 (0.001)	0.005 (0.013)	-0.000 (0.001)
Oil rents (% of GDP)			0.002 (0.034)	-0.005** (0.002)	-0.038 (0.028)	-0.005 (0.004)
Foreign direct investment, net inflows (% of GDP)			0.044*** (0.014)	-0.002 (0.001)	0.046*** (0.014)	-0.000 (0.001)
Military expenditure (% of GDP)			0.001 (0.299)	-0.001 (0.009)	-0.542** (0.248)	-0.004 (0.020)
HIPC Completion			-0.430 (0.650)	-0.161*** (0.024)	-0.737 (0.943)	-0.177*** (0.042)
Foreign reserves (months of imports)					0.116 (0.072)	0.000 (0.004)
Interest payments on external debt (% of GNI)					-0.062 (0.079)	0.014*** (0.004)
IMF program					-0.100 (0.355)	-0.003 (0.021)
Population, total					0.000*** (0.000)	0.000 (0.000)
Electoral democracy index					-1.055 (3.338)	-0.077 (0.207)
Presidential Election Held					0.105 (0.144)	-0.030 (0.021)
Number of observations	1346	1346	1055	1055	814	814
Number of countries	99	99	85	85	67	67
Wald F stat		146.960		52.172		29.729
Hansen J stat		0.812		0.133		0.498

Table reports first stage results (in columns 1, 3, and 5) and second stage results (in columns 2, 4, and 6) from 2SLS regression of Paris Club restructuring on outstanding Chinese debts, instrumenting for Chinese debt using Chinese foreign reserves and Chinese commodity prices, plus additional controls. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 8: Concerns over Free-Riding

VARIABLES	(1) Paris	(2) Paris
Chinese debt (% total external debt)	-0.009** (0.004)	-0.009*** (0.003)
Chinese restructuring	0.005 (0.022)	
Chinese debt * Chinese restr.	0.017*** (0.006)	
Private restructuring		0.331 (0.213)
Chinese debt * Private restr.		0.039 (0.022)
GDP per capita (current US\$)	0.020*** (0.005)	0.020*** (0.005)
GDP growth (annual %)	-0.001 (0.002)	-0.001 (0.002)
Trade (% of GDP)	-0.000 (0.001)	-0.000 (0.001)
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 (0.014)	-0.000 (0.015)
HIPC Completion	-0.145*** (0.026)	-0.142*** (0.025)
Foreign reserves (months of imports)	-0.001 (0.003)	-0.001 (0.003)
Interest payments on external debt (% of GNI)	0.015*** (0.004)	0.015*** (0.004)
IMF program	0.004 (0.014)	0.001 (0.014)
Population, total	0.000 (0.000)	0.000 (0.000)
Electoral democracy index	-0.041 (0.138)	-0.027 (0.138)
Presidential Election Held	-0.028* (0.016)	-0.028* (0.015)
Observations	1,005	1,005
R-squared	0.096	0.104
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

Table 9: Geopolitics, Chinese Debts, and Paris Club Restructuring

VARIABLES	(1) PC (OLS)	(2) PC (OLS)	(3) PC (IV)	(4) PC (IV)
Chinese debt (% total external debt)	0.024** (0.011)	-0.013** (0.005)	0.109*** (0.032)	-0.039** (0.017)
UN vote distance from US	0.002 (0.029)		-0.181*** (0.062)	-0.014 (0.038)
Chinese debt * UN vote distance from US	-0.011** (0.004)		-0.038*** (0.010)	
UN vote distance from China		0.005 (0.024)		0.261* (0.134)
Chinese debt * UN vote distance from China		0.007* (0.004)		0.058** (0.029)
GDP per capita (current US\$)	0.014*** (0.005)	0.017*** (0.005)	-0.007* (0.004)	-0.007* (0.004)
GDP growth (annual %)	-0.002 (0.002)	-0.001 (0.002)	-0.002 (0.003)	-0.001 (0.003)
Trade (% of GDP)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.000)	-0.000 (0.000)
Oil rents (% of GDP)	-0.001 (0.002)	-0.001 (0.002)	0.002 (0.002)	0.002 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.000 (0.001)	-0.000 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Military expenditure (% of GDP)	0.005 (0.014)	0.004 (0.014)	-0.002 (0.005)	-0.003 (0.005)
HIPC Completion	-0.146*** (0.026)	-0.145*** (0.025)	-0.075*** (0.026)	-0.073** (0.030)
Foreign reserves (months of imports)	-0.001 (0.003)	-0.001 (0.003)	-0.008*** (0.002)	-0.004** (0.002)
Interest payments on external debt (% of GNI)	0.015*** (0.004)	0.015*** (0.004)	0.008 (0.005)	0.008* (0.004)
IMF program	0.005 (0.014)	0.005 (0.014)	0.024 (0.017)	0.031* (0.019)
Population, total	0.000 (0.000)	0.000 (0.000)	-0.000** (0.000)	-0.000** (0.000)
Electoral democracy index	0.023 (0.140)	-0.004 (0.131)	0.042 (0.053)	0.007 (0.051)
Presidential Election Held	-0.026* (0.016)	-0.026* (0.015)	-0.019 (0.019)	-0.019 (0.020)
Full controls	✓	✓	✓	✓
Observations	1,004	1,004	814	814
R-squared	0.099	0.093	0.030	-0.032
Weak ID F stat			3.9	3.1
Hansen J stat			3.194	.445

Columns 1 and 2 report 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 a full battery of controls. Columns 3 and 4 replicate this analysis using a 2SLS framework. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 10: Chinese Credit and Debt Crises

VARIABLES	(1) Debt crisis (OLS)	(2) Debt crisis (OLS)	(3) Debt crisis (IV)	(4) Debt crisis (IV)
Chinese debt (% total external debt)	-0.009 (0.009)	-0.017 (0.011)	-0.092*** (0.018)	-0.118*** (0.026)
GDP per capita (current US\$)	0.023** (0.011)	0.022 (0.018)	0.033** (0.014)	0.049*** (0.017)
GDP growth (annual %)	-0.002 (0.003)	-0.002 (0.003)	0.001 (0.003)	0.000 (0.004)
Trade (% of GDP)	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Oil rents (% of GDP)	-0.003 (0.004)	0.003 (0.003)	-0.008* (0.004)	-0.006 (0.004)
Foreign direct investment, net inflows (% of GDP)	0.002* (0.001)	0.002 (0.001)	0.004*** (0.002)	0.006*** (0.002)
Military expenditure (% of GDP)	-0.001 (0.023)	0.045 (0.027)	-0.016 (0.032)	-0.024 (0.044)
HIPC Completion	0.100 (0.070)	0.028 (0.092)	0.082 (0.083)	-0.008 (0.116)
Foreign reserves (months of imports)		-0.008 (0.008)		-0.000 (0.011)
Interest payments on external debt (% of GNI)		0.009 (0.008)		0.008 (0.008)
IMF program		0.017 (0.035)		0.027 (0.047)
Population, total		0.000 (0.000)		0.000 (0.000)
Electoral democracy index		-0.396 (0.249)		-0.654 (0.426)
Presidential Election Held		-0.034** (0.015)		-0.046* (0.024)
Observations	1,372	1,005	1,092	814
R-squared	0.207	0.260	0.001	-0.062
Number of countries	91	68	89	67
Weak ID F stat			56.1	29.7
Hansen J stat			1.559	2.077

Columns 1 and 2 present OLS regressions of debt crisis on Chinese debt, as well as additional controls; Columns 3 and 4 present results from 2SLS regressions of debt crisis on Chinese debt, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance. 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

C Additional Results

C.1 Alternative geopolitical alignment measure

In the main paper, we present results testing our geopolitical hypotheses based on vote distance at the UNGA between a given country and either the US or China. Of course, while the United States is often presented as the dominant power in the global economy, it is clearly not the only country represented at the Paris Club that might also experience geopolitical tensions with China. To assess the robustness of our results on the conditioning effects of geopolitics on the relationship between Chinese debts and Paris Club restructuring, we performed principal component analysis on UN vote distance for the following 10 major countries: United States, Canada, United Kingdom, France, Spain, Italy, Japan, Russia, Saudi Arabia, and China. This exercise generated two factors with eigenvalues greater than one, the standard rule of thumb for signifying significant discriminating variance.

Table 11: Factor Loadings and Uniqueness

Variable	Factor 1	Factor 2	Uniqueness
Vote distance from US	0.9636	-0.0691	0.0667
Vote distance from Canada	0.9389	-0.0114	0.1183
Vote distance from UK	0.9782	0.0590	0.0396
Vote distance from France	0.9863	0.0562	0.0240
Vote distance from Spain	0.9444	0.1163	0.0946
Vote distance from Italy	0.9677	0.1695	0.0349
Vote distance from Japan	0.9182	0.2900	0.0727
Vote distance from Russia	0.0802	0.7838	0.3793
Vote distance from Saudi Arabia	-0.7969	0.3881	0.2143
Vote distance from China	-0.6559	0.5025	0.3173

Consideration of the factor loadings for these two factors demonstrates that these represent two clear camps of geopolitical priorities. The first factor clearly captures greater voting distance from “the West,” loading strongly on distance from the US, Canada, UK, France, Spain, Italy and Japan. The second factor instead appears driven by vote distance from “non-Western” powers, loading on distance from Russia and China in particular, with some additional loading from vote distance from Saudi Arabia.

We then replicate our analysis interacting outstanding Chinese debt with vote distance either from “Western” or “non-Western” geopolitical alignment. As demonstrated in Table 12, we continue to find strongly significant evidence that states with larger Chinese debts

that are more geopolitically distant from “Western” countries continue to see a significantly greater decline in Paris Club restructuring, echoing our findings in the main paper focused solely on vote distance from the US. Interestingly, there is less significant evidence that distance from multiple non-Western countries (as captured in Columns 2 and 4) moderates the relationship between Chinese debts and Paris Club restructuring, further demonstrating that focus on China in particular seems the relevant comparison.

Table 12: Western vs non-Western geopolitical alignment

VARIABLES	(1) PC (OLS)	(2) PC (OLS)	(3) PC (IV)	(4) PC (IV)
Chinese debt (% total external debt)	-0.011** (0.004)	-0.009** (0.004)	-0.012** (0.006)	-0.046* (0.027)
Vote distance from West	-0.008 (0.023)		-0.108*** (0.040)	
Chinese debt * Distance from west	-0.008** (0.003)		-0.024*** (0.007)	
Vote distance from non-West		0.007 (0.019)		-0.262 (0.174)
Chinese debt * Distance from non-west		-0.002 (0.004)		-0.048 (0.032)
GDP per capita (current US\$)	0.016** (0.006)	0.022*** (0.006)	-0.008** (0.004)	-0.009** (0.004)
GDP growth (annual %)	-0.001 (0.002)	-0.002 (0.002)	-0.002 (0.003)	-0.002 (0.003)
Trade (% of GDP)	0.000 (0.001)	0.000 (0.001)	-0.000 (0.000)	-0.000 (0.000)
Oil rents (% of GDP)	-0.001 (0.002)	-0.001 (0.002)	0.002 (0.002)	0.002 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.000 (0.001)	-0.000 (0.001)	-0.001* (0.001)	-0.001* (0.001)
Military expenditure (% of GDP)	0.004 (0.015)	0.003 (0.015)	-0.003 (0.004)	-0.005 (0.005)
HIPC Completion	-0.146*** (0.026)	-0.145*** (0.025)	-0.070*** (0.024)	-0.051** (0.024)
Foreign reserves (months of imports)	-0.002 (0.003)	-0.001 (0.003)	-0.008*** (0.002)	-0.008** (0.003)
Interest payments on external debt (% of GNI)	0.015*** (0.003)	0.015*** (0.004)	0.007 (0.005)	0.007 (0.006)
IMF program	0.005 (0.014)	0.007 (0.014)	0.025 (0.016)	0.009 (0.021)
Population, total	0.000 (0.000)	0.000 (0.000)	-0.000** (0.000)	-0.000 (0.000)
Electoral democracy index	0.019 (0.140)	-0.014 (0.138)	0.052 (0.052)	0.029 (0.061)
Presidential Election Held	-0.027* (0.016)	-0.026 (0.016)	-0.021 (0.020)	-0.022 (0.022)
Observations	987	987	802	802
R-squared	0.098	0.091	0.047	-0.094
Weak ID F stat			5.60	2.8
Hansen J stat			4.792	4.312

Columns 1 and 2 present OLS regressions of Paris Club restructuring on Chinese debt, and its interaction with vote distance from “western” or non-western countries at the UN, plus additional controls; Columns 3 and 4 present results from 2SLS regressions of Paris Club restructuring on Chinese debt, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance, and its interaction with vote distance from “western” or non-western countries at the UN. 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

C.2 Additional findings

Table 13: Geopolitics and restructuring, by creditor type

VARIABLES	(1) Paris restr.	(2) Private restr.	(3) China restr.
Chinese debt (% total external debt)	0.024** (0.011)	0.011 (0.012)	0.006 (0.017)
UN vote distance from US	0.002 (0.029)	-0.011 (0.029)	-0.010 (0.041)
Chinese debt * UN vote distance from US	-0.011** (0.004)	-0.004 (0.004)	-0.001 (0.005)
GDP per capita (current US\$)	0.014*** (0.005)	-0.004 (0.004)	0.002 (0.005)
GDP growth (annual %)	-0.002 (0.002)	-0.000 (0.001)	0.001 (0.001)
Trade (% of GDP)	-0.000 (0.001)	-0.001* (0.000)	-0.001 (0.000)
Oil rents (% of GDP)	-0.001 (0.002)	0.004* (0.002)	-0.003 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.000 (0.001)	-0.001 (0.001)	-0.000 (0.000)
Military expenditure (% of GDP)	0.005 (0.014)	0.005 (0.006)	-0.007 (0.006)
HIPC Completion	-0.146*** (0.026)	-0.021 (0.022)	0.003 (0.007)
Foreign reserves (months of imports)	-0.001 (0.003)	-0.002 (0.002)	-0.000 (0.002)
Interest payments on external debt (% of GNI)	0.015*** (0.004)	0.016*** (0.002)	0.000 (0.001)
IMF program	0.005 (0.014)	0.013 (0.009)	-0.006 (0.006)
Population, total	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Electoral democracy index	0.023 (0.140)	-0.037 (0.040)	0.044 (0.074)
Presidential Election Held	-0.026* (0.016)	-0.008 (0.008)	-0.006 (0.009)
Observations	1,004	1,004	1,004
R-squared	0.099	0.090	0.023
Number of countries	68	68	68

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 a 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

Table 14: Dyadic debts, UN Voting and Paris Club Restructuring

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris	(6) Paris	(7) Paris	(8) Paris
Chinese bilateral debt (% GDP)	-1.745*** (0.640)	-9.312 (5.972)						
UN vote distance from US		0.026 (0.035)		0.040 (0.032)		0.020 (0.035)		0.031 (0.034)
Chinese debt * UN vote distance		2.347 (1.862)						
Russian bilateral debt (% GDP)			-0.090 (0.251)	3.157** (1.466)				
Russian debt * UN vote distance				-0.924* (0.479)				
Indian bilateral debt (% GDP)					-14.231 (12.066)	-130.191 (102.609)		
Indian debt * UN vote distance						35.790 (30.232)		
Saudi bilateral debt (% GDP)							1.815 (4.194)	-16.234 (33.574)
Saudi debt * UN vote distance								4.669 (9.059)
GDP per capita (current US\$)	-0.010** (0.004)	-0.010** (0.004)	-0.011*** (0.004)	-0.010** (0.004)	-0.010** (0.004)	-0.010** (0.004)	-0.011*** (0.004)	-0.011** (0.004)
GDP growth (annual %)	-0.002 (0.002)	-0.003* (0.002)	-0.002 (0.002)	-0.003* (0.002)	-0.002 (0.002)	-0.003* (0.002)	-0.002 (0.002)	-0.003* (0.002)
Trade (% of GDP)	-0.001* (0.000)	-0.001* (0.000)	-0.001* (0.000)	-0.001 (0.000)	-0.001* (0.000)	-0.001* (0.000)	-0.001* (0.000)	-0.001* (0.000)
Oil rents (% of GDP)	0.001 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (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)	-0.002* (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.002* (0.001)	-0.001 (0.001)
Military expenditure (% of GDP)	0.002 (0.007)	0.002 (0.007)	0.003 (0.008)	0.006 (0.009)	0.001 (0.007)	0.002 (0.007)	0.002 (0.007)	0.002 (0.007)
HIPC_Completion	-0.138*** (0.020)	-0.135*** (0.018)	-0.135*** (0.022)	-0.132*** (0.019)	-0.141*** (0.022)	-0.142*** (0.022)	-0.135*** (0.021)	-0.132*** (0.019)
Foreign reserves (months of imports)	-0.009** (0.004)	-0.009** (0.004)	-0.008** (0.003)	-0.008** (0.003)	-0.008** (0.004)	-0.008** (0.003)	-0.008** (0.003)	-0.008** (0.003)
Interest payments on external debt (% of GNI)	0.019*** (0.005)	0.019*** (0.005)	0.019*** (0.005)	0.018*** (0.005)	0.019*** (0.005)	0.018*** (0.005)	0.018*** (0.005)	0.018*** (0.004)
IMF program	0.002 (0.016)	0.002 (0.016)	0.008 (0.016)	0.009 (0.016)	0.009 (0.016)	0.008 (0.016)	0.008 (0.016)	0.007 (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)	0.000 (0.000)	0.000 (0.000)
Electoral democracy index	-0.040 (0.077)	-0.010 (0.080)	-0.040 (0.078)	-0.010 (0.080)	-0.046 (0.080)	-0.035 (0.085)	-0.040 (0.078)	-0.007 (0.080)
Presidential Election Held	-0.006 (0.018)	-0.005 (0.019)	-0.007 (0.019)	-0.007 (0.019)	-0.007 (0.019)	-0.006 (0.019)	-0.007 (0.019)	-0.006 (0.019)
Observations	1,767	1,759	1,795	1,787	1,767	1,759	1,795	1,787
R-squared	0.050	0.053	0.046	0.050	0.047	0.051	0.046	0.048
Number of countries	81	81	82	82	81	81	82	82

OLS regressions of Paris Club restructuring on a measure of bilateral debt obligations to multiple countries, interacted with UN vote distance for those countries from the US, along with a 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

Table 15: Chinese debt and debt stress

VARIABLES	(1) PC restr.	(2) PC restr.	(3) PC restr.	(4) PC restr.
Chinese debt (% total external debt)	-0.010*** (0.004)	-0.010** (0.004)	-0.006** (0.003)	-0.005* (0.003)
Interest payments on external debt (% of GNI)	0.028*** (0.010)	0.021* (0.012)		0.015*** (0.004)
Chinese debt * Interest payments	0.002 (0.002)	0.001 (0.002)		
Debt Crisis			0.049 (0.050)	-0.031 (0.057)
Chinese debt * Debt crisis			-0.003 (0.006)	-0.010 (0.007)
GDP per capita (current US\$)	0.017*** (0.005)	0.020*** (0.005)	0.013*** (0.004)	0.018*** (0.005)
GDP growth (annual %)	-0.002 (0.002)	-0.002 (0.002)	-0.003 (0.002)	-0.002 (0.002)
Trade (% of GDP)	-0.000 (0.000)	-0.000 (0.001)	-0.000 (0.000)	-0.000 (0.001)
Oil rents (% of GDP)	-0.002 (0.002)	-0.001 (0.002)	-0.002 (0.002)	-0.001 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.002* (0.001)	-0.001 (0.001)	-0.002** (0.001)	-0.000 (0.001)
Military expenditure (% of GDP)	-0.004 (0.009)	0.002 (0.014)	-0.005 (0.009)	0.001 (0.014)
HIPC Completion	-0.134*** (0.016)	-0.146*** (0.026)	-0.148*** (0.016)	-0.153*** (0.028)
Foreign reserves (months of imports)		-0.001 (0.003)		-0.001 (0.003)
IMF program		0.004 (0.014)		0.003 (0.014)
Population, total		0.000 (0.000)		0.000 (0.000)
Electoral democracy index		-0.035 (0.138)		-0.006 (0.131)
Presidential Election Held		-0.028* (0.016)		-0.027* (0.016)
Observations	1,231	1,005	1,301	1,005
R-squared	0.090	0.094	0.080	0.100
Number of countries	82	68	86	68

OLS regression of whether a country has restructured its PC debts on Chinese outstanding debts, along with its interaction with a country's debt interest burden (columns 1 and 2) or an interaction with a measure of whether the country is facing debt distress (columns 3 and 4), as well as a set of 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)	-0.009** (0.003)	0.003 (0.002)
Received Chinese emergency lending	0.032 (0.024)	-0.026 (0.020)
GDP per capita (current US\$)	0.020*** (0.005)	0.002 (0.004)
GDP growth (annual %)	-0.002 (0.002)	0.001 (0.001)
Trade (% of GDP)	-0.000 (0.001)	-0.000 (0.000)
Oil rents (% of GDP)	-0.001 (0.002)	-0.003 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.001 (0.001)	-0.000 (0.000)
Military expenditure (% of GDP)	0.002 (0.014)	-0.007 (0.007)
HIPC Completion	-0.145*** (0.025)	0.003 (0.007)
Foreign reserves (months of imports)	-0.001 (0.003)	-0.000 (0.002)
Interest payments on external debt (% of GNI)	0.015*** (0.004)	0.000 (0.001)
IMF program	0.003 (0.014)	-0.005 (0.005)
Population, total	0.000 (0.000)	-0.000 (0.000)
Electoral democracy index	-0.033 (0.137)	0.043 (0.075)
Presidential Election Held	-0.028* (0.016)	-0.005 (0.009)
Observations	1,005	1,005
R-squared	0.095	0.023
Number of countries	68	68

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 polynomials. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 17: Chinese grants not associated with Paris Club restructuring

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese ODA (% GDP)	-0.333 (1.190)	-0.957 (3.365)	-2.951 (4.839)
GDP per capita (current US\$)		0.010*** (0.003)	0.016*** (0.005)
GDP growth (annual %)		-0.003 (0.002)	-0.002 (0.002)
Trade (% of GDP)		0.001 (0.000)	0.000 (0.001)
Oil rents (% of GDP)		-0.002 (0.002)	-0.001 (0.002)
Foreign direct investment, net inflows (% of GDP)		-0.002** (0.001)	-0.001 (0.001)
Military expenditure (% of GDP)		-0.009 (0.010)	-0.007 (0.014)
HIPC Completion		-0.122*** (0.015)	-0.124*** (0.023)
Foreign reserves (months of imports)			0.000 (0.003)
Interest payments on external debt (% of GNI)			0.014*** (0.003)
IMF program			-0.006 (0.017)
Population, total			0.000 (0.000)
Electoral democracy index			-0.029 (0.097)
Presidential Election Held			-0.011 (0.017)
Observations	2,008	1,490	1,030
R-squared	0.039	0.050	0.089
Number of countries	118	100	78

OLS regressions of Paris Club restructuring on a measure of Chinese ODA, 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 18: Creditor Diversity and Concentration

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris
Chinese debt (% total external debt)	-0.011** (0.004)	-0.007* (0.003)	-0.007** (0.003)	-0.011** (0.005)
Non-Paris Club debt (% GDP)	1.129 (0.785)			
Concentration of bilateral debt (IDS)		-0.134** (0.056)		
Concentration of Paris Club debt (IDS)			-0.149** (0.060)	
Concentration of non-Paris Club bilateral debt (IDS)				0.220* (0.111)
GDP per capita (current US\$)	0.014 (0.011)	0.025*** (0.006)	0.022*** (0.007)	0.006 (0.011)
GDP growth (annual %)	0.000 (0.004)	-0.001 (0.002)	-0.002 (0.002)	0.000 (0.004)
Trade (% of GDP)	-0.001* (0.000)	-0.000 (0.001)	-0.000 (0.001)	-0.001* (0.000)
Oil rents (% of GDP)	-0.014* (0.007)	-0.002 (0.002)	-0.002 (0.002)	-0.010 (0.007)
Foreign direct investment, net inflows (% of GDP)	-0.002** (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.002** (0.001)
Military expenditure (% of GDP)	0.023 (0.032)	0.003 (0.014)	-0.010 (0.014)	0.021 (0.028)
HIPC Completion	-0.099** (0.046)	-0.139*** (0.028)	-0.155*** (0.026)	-0.124*** (0.044)
Foreign reserves (months of imports)	0.001 (0.004)	-0.002 (0.003)	-0.002 (0.003)	0.001 (0.004)
Interest payments on external debt (% of GNI)	0.014*** (0.004)	0.015*** (0.004)	0.014*** (0.004)	0.014*** (0.003)
IMF program	-0.021 (0.023)	0.005 (0.014)	0.014 (0.014)	-0.023 (0.022)
Population, total	0.000** (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Electoral democracy index	0.004 (0.182)	-0.024 (0.132)	-0.028 (0.138)	0.003 (0.183)
Presidential Election Held	-0.048* (0.024)	-0.029* (0.017)	-0.028 (0.018)	-0.048** (0.024)
Observations	389	954	919	387
R-squared	0.135	0.103	0.099	0.156
Number of countries	28	65	64	29

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), and measures of the concentration of annual bilateral debt flows from all countries (Column 2), Paris Club countries (Column 3), and non-Paris Club countries (Column 4). Country fixed effects and cubic temporal polynomials are suppressed for presentation. Robust standard errors clustered by country in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 19: Debt Composition

VARIABLES	(1) Paris	(2) Paris	(3) Paris	(4) Paris	(5) Paris
Chinese debt (% total external debt)	-0.008** (0.004)	-0.012** (0.004)	-0.009* (0.005)	-0.005 (0.003)	-0.010* (0.006)
Bilateral debt (% GDP)	-0.117 (2.046)				
Chinese debt * Bilateral debt	0.005 (0.223)				
Multilateral debt (% GDP)		9.151** (4.393)			
Chinese debt * Multilateral debt		0.531 (0.585)			
Commercial bank debt (% GDP)			0.433 (1.226)		
Chinese debt * Commercial debt			0.181 (0.148)		
Bond market debt				0.268 (0.429)	
Chinese debt * Bond debt				0.113 (0.118)	
Total external debt (% GDP)					0.001 (0.001)
Chinese debt * Total debt					0.000 (0.000)
GDP per capita (current US\$)	0.022*** (0.006)	0.020*** (0.006)	0.023*** (0.007)	0.012* (0.006)	0.018*** (0.005)
GDP growth (annual %)	-0.001 (0.002)	-0.002 (0.002)	-0.003 (0.002)	0.001 (0.001)	-0.001 (0.002)
Trade (% of GDP)	0.000 (0.001)	-0.001 (0.001)	0.001 (0.001)	0.000 (0.001)	-0.000 (0.001)
Oil rents (% of GDP)	-0.002 (0.002)	-0.001 (0.002)	-0.001 (0.004)	-0.006 (0.006)	-0.001 (0.002)
Foreign direct investment, net inflows (% of GDP)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.002)	-0.003 (0.004)	0.000 (0.001)
Military expenditure (% of GDP)	0.004 (0.014)	0.001 (0.013)	-0.004 (0.011)	-0.021 (0.022)	0.004 (0.014)
HIPC Completion	-0.157*** (0.025)	-0.152*** (0.022)	-0.158*** (0.033)		-0.134*** (0.022)
Foreign reserves (months of imports)	-0.000 (0.003)	-0.001 (0.003)	-0.001 (0.003)	-0.001 (0.004)	0.000 (0.003)
Interest payments on external debt (% of GNI)	0.032*** (0.009)	0.000 (0.006)	0.010 (0.008)	0.031** (0.014)	0.013*** (0.004)
IMF program	0.001 (0.014)	0.006 (0.014)	0.015 (0.014)	0.001 (0.018)	0.001 (0.014)
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	-0.070 (0.137)	-0.045 (0.132)	0.051 (0.119)	-0.017 (0.092)	0.013 (0.131)
Presidential Election Held	-0.028* (0.016)	-0.027* (0.016)	-0.009 (0.017)	0.006 (0.022)	-0.029* (0.016)
Observations	984	1,005	740	383	1,005
R-squared	0.100	0.125	0.090	0.095	0.100
Number of countries	67	68	58	40	68

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 20: Controlling for Global Liquidity

VARIABLES	(1) PC (OLS)	(2) PC (OLS)	(3) PC (IV)	(4) PC (IV)
Chinese debt (% total external debt)	-0.008** (0.003)	-0.009** (0.003)	-0.030*** (0.011)	-0.038*** (0.014)
10 year UST	-0.012 (0.013)	-0.014 (0.015)	-0.006 (0.012)	-0.015 (0.015)
GDP per capita (current US\$)	0.015*** (0.004)	0.020*** (0.005)	0.016*** (0.006)	0.019** (0.007)
GDP growth (annual %)	-0.003 (0.002)	-0.001 (0.002)	-0.003 (0.002)	-0.002 (0.003)
Trade (% of GDP)	0.000 (0.000)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)
Oil rents (% of GDP)	-0.002 (0.002)	-0.001 (0.002)	-0.005** (0.002)	-0.005 (0.003)
Foreign direct investment, net inflows (% of GDP)	-0.002** (0.001)	-0.001 (0.001)	-0.002* (0.001)	-0.000 (0.001)
Military expenditure (% of GDP)	-0.006 (0.009)	0.002 (0.014)	-0.000 (0.009)	-0.001 (0.020)
HIPC Completion	-0.136*** (0.015)	-0.145*** (0.025)	-0.162*** (0.024)	-0.174*** (0.039)
Foreign reserves (months of imports)		-0.001 (0.003)		-0.000 (0.004)
Interest payments on external debt (% of GNI)		0.016*** (0.004)		0.015*** (0.004)
IMF program		0.002 (0.014)		-0.002 (0.020)
Population, total		0.000 (0.000)		0.000 (0.000)
Electoral democracy index		-0.035 (0.139)		-0.103 (0.200)
Presidential Election Held		-0.027* (0.016)		-0.029 (0.022)
Observations	1,303	1,005	1,055	814
R-squared	0.074	0.095	0.043	0.041
Number of countries	87	68	85	67
Weak ID F stat			52.3	31.6
Hansen J stat			.095	.912

Columns 1 and 2 present OLS regressions of Paris Club restructuring on Chinese debt, as well interest rates on 10-year US Treasury bonds as a measure of global liquidity conditions, plus additional controls; Columns 3 and 4 present results from 2SLS regressions of Paris Club restructuring on Chinese debt, instrumented via Chinese foreign reserves and domestic production volumes of construction materials, both weighted by the share of years in which the country received Chinese development finance. 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

C.3 Alternative Estimating Models

C.3.1 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 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*. Re-estimating the primary finding in a seemingly unrelated regression (SUR) framework to take account of this potential simultaneity allows estimation of a series of regressions with differing dependent variables (Paris Club debt, private market debt, and Chinese debt), under the assumption that the error term of each equation is (potentially) correlated.

As reported in Appendix Table 21, estimation under the SUR framework does not change the primary results, finding 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.

C.3.2 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; the 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,³³ 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 a debt crisis but that is otherwise unrelated to Paris Club restructuring. Here, the weighted average number of other countries in the region that were in a debt crisis serves as an instrument. Although 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 similar effect on a country’s effort to achieve debt restructuring at the Paris Club.

Appendix Table 22 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.

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 22. 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.

C.3.3 Maximum likelihood estimation

While interpretation of OLS regressions with binary dependent variables is common, Tables 23 and 24 document that the primary results are unchanged if instead estimated using maximum-likelihood estimation to account for the binary outcome measure of Paris Club restructuring.

³³Data on debt crises drawn from Nguyen, Castro and Wood (2022).

Table 21: Seemingly Unrelated Regression

VARIABLES	(1) PC rest.	(2) Private rest.	(3) Chinese restr.
Chinese debt (% total external debt)	-0.009** (0.003)	0.000 (0.002)	0.003 (0.002)
GDP per capita (current US\$)	0.020*** (0.005)	-0.002 (0.003)	0.002 (0.003)
GDP growth (annual %)	-0.002 (0.002)	-0.000 (0.001)	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 (0.002)	0.004*** (0.001)	-0.003** (0.001)
Foreign direct investment, net inflows (% of GDP)	-0.001 (0.001)	-0.001** (0.001)	-0.000 (0.001)
Military expenditure (% of GDP)	0.002 (0.011)	0.005 (0.006)	-0.007 (0.007)
HIPC Completion	-0.145** (0.059)	-0.020 (0.033)	0.003 (0.036)
Foreign reserves (months of imports)	-0.001 (0.003)	-0.001 (0.002)	-0.000 (0.002)
Interest payments on external debt (% of GNI)	0.015*** (0.004)	0.016*** (0.002)	0.000 (0.002)
IMF program	0.004 (0.015)	0.014* (0.008)	-0.005 (0.009)
Population, total	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Electoral democracy index	-0.037 (0.091)	-0.046 (0.052)	0.046 (0.056)
Presidential Election Held	-0.028* (0.016)	-0.008 (0.009)	-0.005 (0.010)
Observations	1,005	1,005	1,005
R-squared	0.185	0.163	0.112

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

Table 22: Heckman selection model (with year fixed effects)

EQUATION	VARIABLES	(1) PC restr.
Paris Club	Chinese debt (% total external debt)	-0.012** (0.005)
	GDP per capita (current US\$)	-0.004 (0.006)
	GDP growth (annual %)	-0.003 (0.003)
	Trade (% of GDP)	-0.000 (0.000)
	Oil rents (% of GDP)	0.002 (0.002)
	Foreign direct investment, net inflows (% of GDP)	-0.003** (0.001)
	Military expenditure (% of GDP)	-0.008* (0.005)
	HIPC Completion	-0.154*** (0.030)
Debt Crisis	Chinese debt (% total external debt)	0.026 (0.041)
	Regional debt crises	2.346*** (0.515)
	GDP per capita (current US\$)	-0.113 (0.073)
	GDP growth (annual %)	-0.022* (0.013)
	Trade (% of GDP)	0.002 (0.004)
	Oil rents (% of GDP)	-0.009 (0.011)
	Foreign direct investment, net inflows (% of GDP)	0.040*** (0.015)
	Military expenditure (% of GDP)	-0.016 (0.035)
	HIPC Completion	0.622** (0.315)
	ρ	-0.192 (0.133)
	Observations	1,369

Robust standard errors clustered by country in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 23: Random-effects Probit.

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% GDP)	-0.077*** (0.022)	-0.065** (0.026)	-0.058* (0.030)
GDP per capita (current US\$)		-0.174*** (0.037)	-0.181*** (0.053)
GDP growth (annual %)		-0.037*** (0.014)	-0.031 (0.020)
Trade (% of GDP)		0.002 (0.002)	-0.004 (0.003)
Oil rents (% of GDP)		0.012 (0.008)	0.027*** (0.009)
Foreign direct investment, net inflows (% of GDP)		-0.020 (0.017)	-0.029 (0.021)
Military expenditure (% of GDP)		-0.044 (0.048)	0.003 (0.047)
Foreign reserves (months of imports)			-0.086** (0.044)
Interest payments on external debt (% of GNI)			0.074*** (0.028)
IMF program			0.300 (0.189)
Population, total			-0.000 (0.000)
Electoral democracy index			0.389 (0.545)
Presidential Election Held			-0.308 (0.285)
Observations	1,764	1,364	1,057
Number of countries	99	87	68

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

*** p<0.01, ** p<0.05, * p<0.1

Table 24: Conditional Logit

VARIABLES	(1) Paris	(2) Paris	(3) Paris
Chinese debt (% total external debt)	-0.259*** (0.046)	-0.322*** (0.070)	-0.450*** (0.151)
GDP per capita (current US\$)		0.065 (0.211)	0.297 (0.289)
GDP growth (annual %)		-0.040 (0.032)	-0.027 (0.048)
Trade (% of GDP)		-0.002 (0.008)	-0.004 (0.010)
Oil rents (% of GDP)		-0.031 (0.040)	-0.038 (0.065)
Foreign direct investment, net inflows (% of GDP)		-0.062 (0.043)	-0.018 (0.049)
Military expenditure (% of GDP)		-0.080 (0.233)	-0.192 (0.354)
HIPC Completion		-14.828 (922.520)	-16.237 (2,624.238)
Foreign reserves (months of imports)			0.002 (0.158)
Interest payments on external debt (% of GNI)			0.059 (0.053)
IMF program			-0.257 (0.674)
Population, total			-0.000 (0.000)
Electoral democracy index			2.976 (3.555)
Presidential Election Held			-0.804 (0.671)
Observations	714	562	346
Number of countries	42	37	23

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

Table 25: Excluding states with low levels of Paris Club debt

VARIABLES	(1) PC = 0	(2) PC < 2.5%	(3) PC < 10%	(4) PC < 35%
Chinese debt (% total external debt)	-0.009** (0.003)	-0.008** (0.003)	-0.008** (0.003)	-0.008** (0.004)
GDP per capita (current US\$)	0.019*** (0.005)	0.020*** (0.006)	0.019*** (0.006)	0.018*** (0.006)
GDP growth (annual %)	-0.002 (0.002)	-0.002 (0.002)	-0.002 (0.002)	-0.002 (0.002)
Trade (% of GDP)	0.000 (0.001)	0.001 (0.001)	0.001 (0.001)	0.002 (0.001)
Oil rents (% of GDP)	-0.002 (0.002)	-0.002 (0.002)	-0.003 (0.002)	-0.005* (0.003)
Foreign direct investment, net inflows (% of GDP)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	-0.001 (0.002)
Military expenditure (% of GDP)	-0.007 (0.014)	-0.007 (0.014)	-0.003 (0.013)	-0.007 (0.013)
HIPC Completion	-0.145*** (0.029)	-0.148*** (0.034)	-0.107* (0.055)	-0.203*** (0.051)
Foreign reserves (months of imports)	0.000 (0.003)	0.000 (0.003)	0.001 (0.003)	0.002 (0.003)
Interest payments on external debt (% of GNI)	0.017*** (0.003)	0.017*** (0.003)	0.018*** (0.003)	0.021*** (0.003)
IMF program	0.008 (0.014)	0.012 (0.015)	0.006 (0.014)	0.003 (0.017)
Population, total	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Electoral democracy index	-0.069 (0.131)	-0.093 (0.150)	-0.093 (0.149)	-0.147 (0.184)
Presidential Election Held	-0.026 (0.016)	-0.024 (0.017)	-0.020 (0.016)	-0.022 (0.020)
Observations	985	947	922	772
R-squared	0.092	0.095	0.087	0.079
Number of countries	68	67	67	61

OLS regressions of Paris Club restructuring on Chinese debt, plus additional controls. Column 1 drops all observations for states with zero Paris Club debt; Column 2 drops all states with Paris Club debt less than 2.5% of bilateral debt; Column 3 drops all states with Paris Club debt less than 10% of bilateral debt; Column 4 drops all states with Paris Club debt less than 35% of bilateral debt. 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