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Peak repayment: China's global lending

DATA SNAPSHOT

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Cover image: Piers for the Luang Prabang railway bridge (Taylor Weidman/Bloomberg via Getty Images)

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Contents

Executive summary

Soaring debt repayments and a sharp reduction in lending have transformed China's role in developing country finances from capital provider to debt collector. Mounting pressures from Chinese debts are especially severe for many of the world's poorest and most vulnerable countries. A retrenchment in Western aid and trade is compounding these challenges while undermining any geopolitical advantage for the West.

Key findings

- In 2025, the world's poorest and most vulnerable countries will make record high debt repayments totalling $22 billion to China. Beijing has transitioned from capital provider to net financial drain on developing country budgets as debt servicing costs on Belt and Road Initiative projects from the 2010s now far outstrip new loan disbursements.

- China continues to finance strategic and resource-critical partners despite a broader collapse in its global lending. The largest recipients of new lending include immediate neighbours, Pakistan, Kazakhstan, and Mongolia, and developing countries that are critical mineral or battery metal exporters, such as Argentina, Brazil, Congo DR, and Indonesia.

- China is grappling with a dilemma of its own making: it faces growing diplomatic pressure to restructure unsustainable debt, and mounting domestic pressure to recover outstanding debts, particularly from its quasi-commercial institutions. But a retrenchment in Western aid and trade is compounding difficulties for developing countries while squandering any geopolitical advantage for the West.

Peak repayment

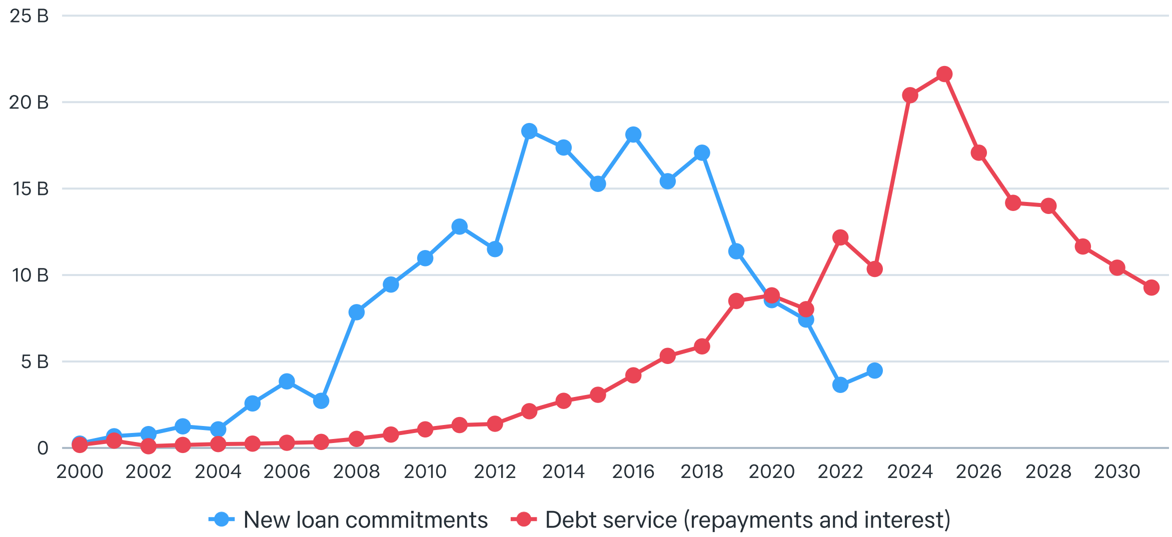
Developing countries are grappling with a tidal wave of debt repayments and interest costs owed to China. Debt service flows to China from developing countries will total $35 billion in 2025 and are set to remain elevated for the rest of this decade. The bulk of this debt service, some $22 billion, is owed by 75 of the world's poorest and most vulnerable countries (see Figure 1).[1]

Pressure from Chinese state lending, along with surging repayments to a range of international private creditors, is putting enormous financial strain on developing economies. The result is rising debt vulnerability and the crowding out of critical spending priorities such as health, education, poverty reduction, and climate adaptation.

FIGURE 1

The twin peaks of China's lending to low-income and vulnerable countries

Chinese loan commitments and debt costs (US$ current)



Source: World Bank Debtor Reporting System (DRS)

China went from being a minor lender in the early 2000s to the largest supplier of new bilateral credit to developing countries by the mid-2010s. At the peak of its Belt and Road Initiative lending surge in 2016, new Chinese state-backed loans totalled more than $50 billion, outweighing the combined lending of all Western creditors in that year. China's lending boom was most pronounced in low-income and high vulnerability countries reliant on loans from bilateral and multilateral creditors and with limited access to international private capital. In these economies, China rose from holding less than 5% of external debt in 2005, to more than 40% by 2015. However, shortly thereafter China's global lending entered a period of protracted decline. Rising debt risks, implementation difficulties, and domestic financial pressures saw China's signing of new loans drop to just $18 billion in 2019, with further decreases through the Covid pandemic.

In 54 of 120 developing countries with available data, debt service payments to China now exceed the combined payments owed to the Paris Club — a bloc that includes all major Western bilateral lenders.

Today, data reported by debtor governments to the World Bank show that China is the largest source of bilateral debt service for developing countries, accounting for more than 30% of all such payments in 2025. For the poorest and most vulnerable countries, payments to China make up a quarter of all debt service costs, outweighing both multilateral lenders and private creditors. No single bilateral creditor has been responsible for such a large share of developing country debt service in the past 50 years.

In 54 of 120 developing countries with available data, debt service payments to China now exceed the combined payments owed to the Paris Club — a bloc that includes all major Western bilateral lenders. Chinese debt servicing is particularly dominant in Africa but also equals or exceeds that owed to Paris Club members by a majority of countries in South America, the Pacific Islands, South Asia, Central Asia, and Southeast Asia. Debt servicing to Paris Club creditors remains larger in only Eastern Europe, Central America, and the Middle East.

The outsized share of payments to China reflects its unparalleled holding of developing country debt. China is the single largest bilateral creditor in 53 countries and ranks among the top five in three-quarters of all developing countries. As of 2023, China held 26% of external bilateral debt in developing countries and more than half in the world's poorest and most vulnerable economies. Given its scale and the importance of bilateral creditors in debt restructurings, China wields outsized influence over the debt sustainability outlook for the world's poorest and most vulnerable countries.

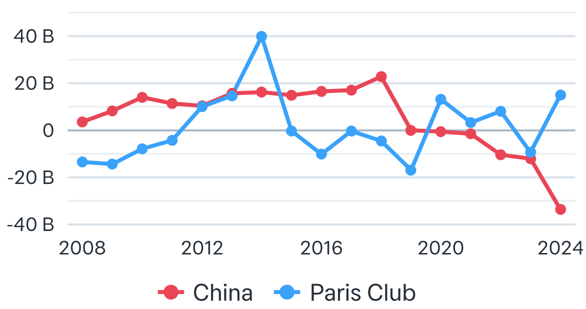
From capital provider to financial drain

The collapse in new loans since 2016 has translated into a sharp reduction in associated Chinese loan disbursements just as debt repayments have risen sharply. New Chinese loan commitments have flatlined at around $7 billion per year since the end of the pandemic in 2023. At this new baseline, China's post-pandemic lending has retreated back to levels not seen since the late 2000s and only a quarter of that during the 2010s when the Belt and Road Initiative was in full swing.

As a result, China's net lending position has shifted rapidly, moving from being a net provider of financing — where it lent more than it received in repayments — to a net drain, with repayments now exceeding loan disbursements.

FIGURE 2

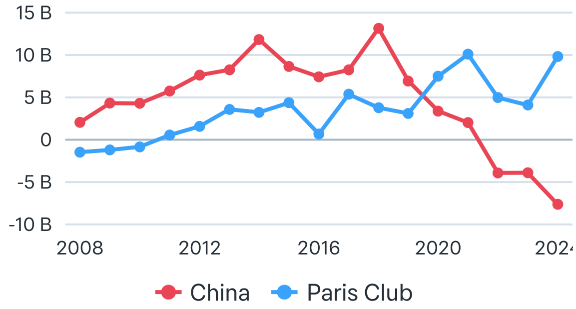
Net lending from China and the Paris Club: developing countries



Source: World Bank Debtor Reporting System (DRS)

FIGURE 3

Net lending from China and the Paris Club: low-income and highly vulnerable countries



Source: World Bank Debtor Reporting System (DRS)

The transition is stark — in 2012, China was a net drain on the finances of 18 developing countries; by 2023, the count had risen to 60. In full, China's net flows to developing countries dropped to negative $34 billion in 2024 (see Figure 2). While this shift to net outflow is consistent across all developing country income groups, it will hit hardest the poorest and most vulnerable countries who remain disproportionately reliant on loans from bilateral and multilateral creditors (see Figure 3).

While Paris Club countries increased their concessional financing during the pandemic, providing countercyclical support, China's lending patterns have proven sharply procyclical. China's lending has collapsed exactly when it is needed most, instead creating large net financial outflows when countries are already under intense economic pressure.

Why now?

China's earlier lending boom, combined with the structure of its loans, made a surge in debt servicing costs inevitable. The boilerplate lending terms offered by Chinese policy banks typically include a 3–5 year grace period on repayments and 15–20 year maturity.[2] Because China's Belt and Road Initiative lending spree peaked in the mid 2010s, those grace periods began expiring in the early 2020s. The combination of relatively short maturities and lower concessionality compared to other bilateral and multilateral creditors meant the early 2020s was always likely to be a crunch period for developing country repayments to China.

China's participation in the G20 Debt Service Suspension Initiative (DSSI) also played a role in the wave of debt service costs. Between 2020 and 2021, China provided $4.2 billion in temporary debt relief to DSSI-eligible countries. The pause in repayments accounts for the interruption in debt service payments in 2020 (see Figure 1). Though helpful at the time, by pushing back of pandemic-period payments the effect of the DSSI was also a heightening of the current repayment spike, though the wave of debt repayments to China would have still crested in 2024–25 without China's involvement in the DSSI.

Outlook for China's lending

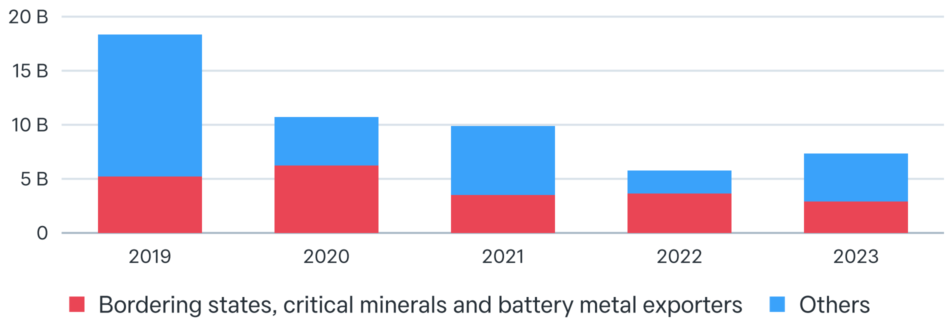
While China's net lending has fallen across the developing world, two groups of recipients remain aligned with Beijing's priorities and have seen resilient lending (see Figure 4).

The first group comprises strategically or politically significant borrowers. Despite declining global lending, China remains the largest bilateral lender in seven of its nine land neighbours with available debt data, those being Laos, Pakistan, Mongolia, Myanmar, Kazakhstan, Kyrgyzstan, and Tajikistan. A majority have received new Chinese loan commitments since 2019 and together account for a quarter of all disbursements since China's lending downturn began in 2018.

FIGURE 4

China's resilient loan recipients

Bordering states, critical minerals and battery metal exporters vs other recipients of Chinese loan commitments (US$ current)



Source: World Bank Debtor Reporting System (DRS)

New Chinese lending also features in diplomatic dealmaking, particularly as a tool to secure adoption of the "One China" policy by other countries. Within 18 months of switching recognition from Taiwan, new loans, often the first of their kind in scale, were announced in Honduras in 2023, Nicaragua in 2021, Solomon Islands in 2019, and Burkina Faso and Dominican Republic in 2018.

The second group of recipients consists of developing economies that are critical mineral or battery metal exporters. While China's lending commitments went into freefall in 2017, new loan deals with key minerals exporters have been comparatively resilient.[3] In 2023, they received more than $8 billion in disbursements — 36% of China's total loan outflows that year.

Implications for developing countries

The high debt burden facing developing countries will hamper poverty reduction and slow development progress while stoking economic and political instability risks. More than half of the world's poorest and most vulnerable countries are now classified by the International Monetary Fund as being at high risk of, or already in, debt distress.[4] Global poverty reduction has slowed to a near standstill since 2019.[5] Only 16% of the UN's Sustainable Development Goals are on track to be met by 2030, with the other 84% showing limited progress or outright reversal.[6]

The need to service debt is crowding out the development spending needed to counteract these trends. Since 2011, the share of government revenues in developing countries devoted to external debt service has doubled. As of 2023, some 3.3 billion people live in countries that spend more on interest payments than on health or education.[7]

The burden from Chinese debts coming due is also part of a broader set of severe headwinds, particularly for the poorest and most vulnerable economies. An increasingly isolationist United States and a distracted Europe are withdrawing or sharply cutting their global aid support. Reliant on an open, rules-based global trading system, developing economies must also grapple with the impact of new trade-war shocks and the spectre of punitive US tariffs being levelled against them.[8]

As Beijing shifts into the role of debt collector, Western governments remain internally focused, with aid declining and multilateral support waning. Without fresh concessional financing or coordinated relief, the squeeze on budgets will tighten further, deepening development setbacks and heightening instability risks.[9]

China's global role

China's future engagement with the international debt architecture will play a central role in shaping its global reputation and the outlook for heavily indebted developing economies. Rising debt-service costs raise questions about whether China could use the repayments for geopolitical leverage. Some argue that China's lending boom in the 2010s reflected an intentional effort at "debt-trap diplomacy" aimed at pushing countries into debt problems so that geopolitical concessions could later be extracted.[10] There is limited evidence to suggest that this was the purpose of the Belt and Road Initiative lending surge.[11] It is clear, however, that Chinese lending has been a driver of debt sustainability problems in many countries around the world, as evidenced by China's role as the largest bilateral creditor in numerous recent debt distress cases, such as Laos, Congo DR, and Zambia.[12]

Beijing faces a dilemma: pushing too hard for repayment could damage bilateral ties and undermine its diplomatic goals. At the same time, China's lending arms, particularly its quasi-commercial institutions, face mounting pressure to recover outstanding debts. How China's shift to chief debt collector will impact its reputation as a development partner and its broader messaging around South–South cooperation remains to be seen. The experience of highly indebted African states suggests many governments are hesitant to rock the boat and risk losing access to future Chinese financing, trade, and investment opportunities. An increasingly transactional United States and distracted Europe have also likely fed a narrowed sense of their potential future economic pathways. For political elites from the Pacific Islands to Latin America, China appears a more consistent and reliable development partner.[13]

China's participation in the DSSI and Common Framework, alongside recent restructuring deals in Ghana, Suriname, and Zambia, suggests some emerging political will on this front. Yet significant obstacles remain. China maintains a clear preference for loss avoidance across its state, semi-state, and commercial lenders. Internal disincentives, such as reputational concerns among loan officers, continue to inhibit willingness to approve debt forgiveness. As a result, China's approach to debt distress increasingly echoes the "extend and pretend" practices of Western lenders during the 1980s Lost Decade — a period that left many low-income countries deeply indebted and ultimately required sweeping restructurings and write-downs in the 1990s.[14]

Conclusion

China's role as a lender has passed a watershed. The nation that was once the developing world's largest source of new finance has now wholly transitioned to being the world's largest single destination for developing country debt service payments. The Belt and Road Initiative hit its peak in the mid-2010s; peak repayment was reached in the mid-2020s. Now, and for the rest of this decade, China will be more debt collector than banker to the developing world.

Appendix: China’s opacity and the data

Estimates used in this analysis likely understate the full scale of China’s state-backed lending. China’s government does not publish country or loan specific data on its lending, in sharp contrast to the practices of other major bilateral creditors. Chinese data, particularly the data supplied by debtor countries to the World Bank’s International Debt Statistics (IDS), are widely recognised as incomplete. The DSSI process improved reporting on Chinese debt, but considerable gaps remain. The classification and treatment of China’s large overseas lending arms is also contested. While the Export–Import Bank of China (EXIM) is consistently understood to be a state arm, China Development Bank (CDB) self-describes as a commercial entity, a common point of friction in debt restructuring deals. The prevalence and degree of confidentiality clauses built into most EXIM and CDB loan contracts means Chinese overseas lending remains opaque and creates a further complication for tracking debt repayments.[15]

Repayments, disbursements, debt stock, and commitments data cited in IDS and used in this analysis rely on borrower country reporting. In one sense, this simplifies the ambiguities of China’s lending. If the debtor country considers the debt bilateral — owed to the Chinese state through one of its many lending arms — then it has been included. This means that most government-to-government lending through Chinese agencies and loans from its EXIM bank are reported. Loans from Chinese state-owned enterprises are included only if publicly guaranteed and reported by the borrower, meaning some, but not all, CDB loans are captured. The largest grey area, and typical site of hidden debts, stems from China’s numerous commercial banks, whose loans are excluded from this analysis unless publicly guaranteed and reported by debtor countries.

Underreporting of debt is not limited to opaque lenders. Reporting problems are most common in countries with weak institutions, administrative capacity constraints, and corruption. Analysis by the International Monetary Fund suggests fewer than one in ten low-income countries report debts of public corporations outside the general government, with these debts typically only coming to light during periods of debt distress.[16]

The specific data series used in this analysis, available through IDS, are:

- External debt stocks, public and publicly guaranteed (PPG) (DOD, current US$)

- Disbursements on external debt, public and publicly guaranteed (PPG) (DIS, current US$)

- Debt service on external debt, public and publicly guaranteed (PPG) (TDS, current US$)
- Commitments, public and publicly guaranteed (COM, current US$)
- Net flows on external debt, public and publicly guaranteed (PPG) (NFL, current US$)

Broad trend data from IDS have been cross-checked against alternative estimates of Chinese loan financing produced by AidData, Boston University, and the Lowy Institute's Southeast Asia and Pacific Aid Maps.[17]

Note: All amounts are listed in US dollars.

Notes

1 Formally defined as the IDA country group — the developing countries that qualify for concessional financing from the World Bank's International Development Association, based on income levels and creditworthiness.

2 Anna Gelpern, Sebastian Horn, Scott Morris, Brad Parks, and Christoph Trebesch, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments", *Economic Policy* 38, No.114 (April 2023), 345–416, https://doi.org/10.1093/epolic/eiac054. The grace period refers to the initial phase of a loan during which the borrower is not required to make principal repayments, though interest may still accrue. The maturity refers to the total length of the loan, including the grace period, after which the full amount must be repaid.

3 The list was created with 2023 mine-production data for battery metals and critical minerals from the USGS Mineral Commodity Summaries, calculating each developing country's share of global output, and ranking the top 20.

4 International Monetary Fund, "List of LIC DSAs for PRGT-Eligible Countries; As of March 31, 2025", IMF, https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf.

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7 UNCTAD, *A World of Debt, Report 2024: A Growing Burden to Global Prosperity*, UN Trade and Development, 4 June 2024, https://unctad.org/publication/world-of-debt.

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11 Deborah Brautigam, "A Critical Look at Chinese 'Debt-Trap Diplomacy': The Rise of a Meme", *Area Development and Policy* 5, No.1 (2019), 1–14, https://www.tandfonline.com/doi/abs/10.1080/23792949.2019.1689828.

12 Gregory Makoff, Théo Maret, and Logan Wright, *Sovereign Debt Restructuring with China at the Table: Forward Progress but Lost Decade Risk Remains*, M-RCBG Associate Working

default/files/centers/mrcbg/working.papers/Final_AWP_248_0.pdf; and Keith Barney, Roland Rajah, and Mariza Cooray, *Trapped in Debt: China's Role in Laos' Economic Crisis*, Lowy Institute, 13 April 2025, https://www.lowyinstitute.org/publications/trapped-debt-china-s-role-laos-economic-crisis.

13 James T Areddy, Ryan Dubé, and Roque Ruiz, "How China Capitalized on US Indifference in Latin America", *The Wall Street Journal*, 14 November 2024, https://www.wsj.com/world/china-xi-jinping-latin-america-acf6dbc1.

14 Gregory Makoff, Théo Maret, and Logan Wright, *Sovereign Debt Restructuring with China at the Table: Forward Progress but Lost Decade Risk Remains*, M-RCBG Associate Working Paper No.248, Harvard Kennedy School, January 2025, https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/Final_AWP_248_0%20Amended.pdf.

15 Anna Gelpern, Sebastian Horn, Scott Morris, Brad Parks, and Christoph Trebesch, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments", *Economic Policy* 38, No.114 (April 2023), 345–416, https://doi.org/10.1093/epolic/eiac054.

16 International Monetary Fund, *Macroeconomic Developments and Prospects in Low-Income Developing Countries*, Policy Paper, 22 March 2018, https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs.

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About the author

Riley Duke is a Research Fellow working on the Lowy Institute Pacific Aid Map. Prior to joining the Institute in 2022, Riley worked as an intern at the Institute for Economics and Peace and was a recipient of a scholarship position for the Think Pacific internship program. He holds a Master of International Relations from the University of Sydney, with a specialisation in Country Risk Assessment. He was a participant in the University of Sydney Policy Reform Project, co-authoring a research paper commissioned by the Australian Human Rights Council. His research interests include aid and development policy in the Pacific, development finance, aid efficiency and sovereign risk.

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