

Chasing China

Learning to Play by Beijing's Global Lending Rules



Executive Summary

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Beijing's overseas lending and grant-giving portfolio is shrouded in secrecy. It remains a major source of speculation and debate, with questions swirling about its true scale, purpose, and impact.

Chasing China sets the record straight with a uniquely comprehensive and granular source of evidence. The report draws upon AidData's newly assembled dataset of more than 30,000 projects and activities across 217 low-income, middle-income, and high-income countries that 1,193 official sector donors and lenders in China financed with grants and loans worth \$2.2 trillion over a 24-year period.

An extraordinary effort was required to document and make sense of the opaque and complex financing arrangements that are documented in the dataset and report. A team of 16 full-time researchers and 126 part-time researchers at AidData spent 36 months triangulating information from over 246,000 sources in more than a dozen languages to build the dataset.¹

What is the true scale and scope of China's overseas lending and grant-giving portfolio?

Five key takeaways

1. Beijing does not disclose any information about its foreign aid projects through international reporting systems, such as the International Aid Transparency Initiative (IATI). Nor does it publish detailed information about its non-concessional and semi-concessional lending activities. All of its loan-by-loan data in international reporting systems—overseen by the World Bank, the

International Monetary Fund, and the Bank of International Settlements—are subject to strict confidentiality rules and restrictions.

2. Our newly collected data demonstrate that China's overseas lending portfolio is vastly larger than previously understood. The overall size of China's lending portfolio has reached \$2.1 trillion, which is two to four times larger than previously published estimates suggest.
3. There are very few jurisdictions in the world where Chinese lending operations are *not* taking place: 179 out of 217 countries and territories received at least one loan from a Chinese state-owned creditor between 2000 and 2023.²
4. China is now the world's largest official creditor, but it administers a small and shrinking foreign aid program.³ For every dollar that it donates to other countries, it lends thirty-five dollars.⁴ Its official development assistance (ODA) budget in a typical year is around \$5.7 billion, putting its foreign aid spending roughly on par with that of a donor like Italy. However, in 2023, its global ODA commitments fell to \$1.9 billion—their lowest level in two decades.
5. China is still outspending its bilateral and multilateral rivals by considerable margins: for every dollar that Washington donates or lends to developing countries, it is matched by 1.5 dollars from Beijing.

² 200 countries and territories received at least one loan or grant from an official sector institution in China during the same period.

³ Our newly collected data also puncture the myth that China's overseas lending and grant-giving operations have plummeted to record lows. In fact, its official lenders and donors provided \$141 billion of international aid and credit in 2023. By way of comparison, consider the World Bank: the single largest official source of international aid and credit. Its financial commitments amounted to \$92 billion in 2023.

⁴ It lends twenty-one dollars for every grant dollar that it provides to developing countries and it lends seven hundred and sixty-one dollars for every grant dollar that it provides to developed countries.

¹ Among other sources, the team reviewed grant agreements, loan agreements, and debt restructuring agreements; the annual reports, financial statements, stock exchange filings, and bond prospectuses of borrowing institutions; official records extracted from the aid and debt information management systems of host countries; reports published by parliamentary oversight institutions in host countries; IMF Article IV reports and World Bank-IMF debt sustainability analyses (DSAs); and the websites and annual reports of Chinese donors and creditors.

What is Beijing trying to accomplish? Is it primarily focused on bankrolling infrastructure projects in the Global South—or does it have broader ambitions?

Five key takeaways

1. Our newly collected data debunk the myth that Beijing's overseas lending portfolio is primarily focused on the Belt and Road Initiative (BRI). For every four dollars that China lends for infrastructure projects in developed and developing countries, it lends another six dollars for overseas projects and activities that have nothing to do with infrastructure. Beijing's portfolio has also become less BRI-centric over time: infrastructure project lending once accounted for 75% of the portfolio, but now it accounts for less than 25%.⁵
2. Another popular myth does not survive empirical scrutiny: the notion that China's overseas lending operations are primarily taking place in developing countries. In fact, Beijing has dramatically reduced the share of its portfolio that supports low-income and lower-middle income countries (from 88% in 2000 to 24% in 2023), while rapidly ramping up the share that supports upper-middle income and high-income countries (from 12% in 2000 to 76% in 2023).
3. Ten of the twenty largest destinations for official sector credit from China are high-income countries—and no country in the world has accepted more from Chinese state-owned creditors than the United States. It has taken in more than \$200 billion to date, with some loans supporting the construction of critical infrastructure or enabling Chinese companies to acquire critical technologies from American companies. However, many of China's lending operations in the United States are guided by the pursuit of profit rather than the pursuit of geopolitical or geoeconomic advantage.
4. Beijing maintains a secretive international acquisition lending program with a major focus on high-tech

assets in sectors—such as microprocessing technology, robotics, defense production, quantum computing, and biotechnology—that wealthy, industrialized countries have designated as “sensitive” on national security grounds. Since the adoption of the “Made in China 2025” (MIC2025) policy in 2015, the percentage of China's cross-border acquisition lending portfolio that targets sensitive sectors has skyrocketed from 46% to 88%.⁶

5. Beijing's playbook for getting overseas mergers and acquisitions approved in sensitive sectors has proven remarkably successful. Its long-run, average success rate is 80%—and it has increased over time.⁷ It has done so by focusing its efforts in countries with relatively weak screening mechanisms for inbound foreign capital. It has also “flown beneath the radar” of regulators, auditors, and counterintelligence officials by channeling funds through offshore shell companies and international bank syndicates.

How are G7 countries learning to play by a new set of international lending and grant-giving rules written by and for Beijing?

Four key takeaways

1. China has become the new global pace-setter, rewriting the rules and norms that govern the cross-border provision of international aid and credit. It is following its own playbook rather than following the rules and norms established by and for its Western competitors after World War II. Beijing's go-it-alone approach is no longer a source of scorn, ridicule or bemusement in Washington, Berlin, London, Tokyo, Paris, Rome, and Ottawa. It has forced G7 policymakers to fundamentally rethink the way they use aid and credit instruments.

⁵ Between 2014 and 2023, China's infrastructure project lending commitments in BRI participant countries amounted to \$249 billion, which represents only 20% of China's entire overseas lending portfolio over the same 10-year period.

⁶ The primary goal of MIC2025 was for China to achieve 70% self-sufficiency in 10 key high-tech sectors by 2025: (1) next-generation information technologies; (2) automated machine tools & robotics; (3) aerospace and aviation equipment; (4) maritime equipment and high-tech shipping; (5) advanced railway transport equipment; (6) new-energy and energy-saving vehicles; (7) electrical equipment; (8) agricultural equipment; (9) new materials; and (10) biopharma and advanced medical products.

⁷ Prior to the adoption of MIC2025, the average success rate in sensitive sectors was 68%. By 2023, it reached 100%.

2. Beijing is not seeking to burnish its reputation as a global do-gooder. The percentage of its overseas lending and grant-giving portfolio that qualifies as aid (ODA) plunged from 22% in 2000 to 1% in 2023.⁸ It is focused on a different goal: cementing its position as the international creditor of first—and last—resort that no one can afford to alienate or antagonize.
3. China's rivals in the G7 are responding by making major adjustments that were once inconceivable—for example, slashing ODA budgets, dismantling foreign aid agencies, ramping up cross-border lending on nonconcessional terms, and taking equity stakes in critical infrastructure assets overseas. They are seeking to compete with China via mimicry rather than differentiation, which is why the G7 is increasingly focused on using its financial firepower to achieve commercial and geostrategic advantage rather than promote economic development and social welfare in less developed countries.
4. Beijing's financial footprint outside of the developing world is far-reaching. To date, it has approved loans and grants worth nearly \$950 billion for 9,764 projects and activities in 72 high-income countries, which represents nearly 45% of its global lending and grant-giving portfolio. For decades, G7 countries tied their own hands and agreed to limit the provision of aid and credit to high-income countries, but now they are taking the gloves off. They are loosening the restrictions that prevent their development finance institutions and export credit agencies from supporting projects and activities in high-income countries via debt, equity, and grant instruments. They are also fast-tracking efforts to bankroll the acquisition of ownership stakes in critical infrastructure and critical mineral assets—such as Greece's Piraeus Port, Greenland's Tanbreez rare earths deposit, the Panama Canal, and Australia's Darwin Port—that reside in the Global North.

Is China's overseas lending and grant-giving portfolio becoming more or less difficult to track over time?

Four key takeaways

1. Beijing's overseas lending and grant-giving activities are becoming increasingly opaque. The discoverability of information about these activities—as measured by the weighted average number of official sources for grant and loan records AidData has identified through the implementation of its Tracking Underreported Financial Flows (TUFF) methodology—declined by 62% between 2010 and 2023.
2. China's cross-border lending operations are increasingly administered by Chinese bank branches and company affiliates that are domiciled outside mainland China. Nearly a third of Beijing's overseas lending portfolio now originates from places other than mainland China, which makes it less likely that Chinese state-owned creditors will be categorized as such in international reporting systems.
3. China's use of shell companies in pass-through jurisdictions—i.e., the routing of funds through a borrowing institution in a jurisdiction other than the one where the financed project/activity takes place—has rendered a large swathe of its cross-border lending portfolio effectively invisible in reporting systems. These types of transactions are particularly common when Beijing is seeking to acquire assets in sectors that industrialized countries have designated as “sensitive” on national security grounds.
4. Beijing has pivoted towards more exotic credit instruments that are substantially more difficult to track. In 2014, it channeled 51% of its overseas lending portfolio through standard credit instruments and 49% through non-standard credit instruments. However, by 2023, only 7% of its portfolio was channeled through standard credit instruments and 93% through non-standard credit instruments. Since official sources disclose 80% more information about standard credit instruments than non-standard credit instruments, a large and growing share of China's overseas lending portfolio is “going dark.”

⁸ Over the same time period, the weighted average grant element—a summary measure of financial concessionality that varies from 0% (the lowest level of concessionality) to 100% (the highest level of concessionality)—of China's overseas lending portfolio declined from 7.4% to nearly zero (1.4%).