

CHINESE LOANS, INFRASTRUCTURAL FINANCE AND ECONOMIC DEVELOPMENT IN THE GLOBAL SOUTH

Prince Harrison Ehimiye¹ & Ozekhome Gabriel Igechi²

¹Department of Political Science, University of Benin, Benin City, Edo State.
+2347031735220, Prince.ehimiye@uniben.edu

²Department of Political Science and Public Administration, Edo State University, Iyamho, Iyamho-Uzairue, Edo State. +2348060855669
ozekhome.igechi@edouniversity.edu.ng

ABSTRACT

This paper examines south-south relations and development in the context of Chinese economic diplomacy. Particular attention is directed to the impact of Chinese loans and infrastructural finance on developing societies in Africa, Asia and Latin America. Despite the existence of scholarly works on the Chinese economic diplomacy in the Global South, there is a dearth of holistic comparative framework capturing these processes and its implication for long-term economic development in the Southern hemisphere. Thus, this paper reappraised the place of Chinese economic diplomacy in the economic development of developing countries in Africa, Asia and Latin America. The approach is historical based on the descriptive analysis of government documents, records of relevant non-governmental organisations, and the extant literature. It concludes that the economic development of the developing societies in the Global South is inseparable from regional macroeconomic strategies and critical engagement with Chinese economic diplomacy.

Keywords: Chinese, Economic Development, Global South, Infrastructural Finance, Loans

INTRODUCTION

The growth in China's overseas development loans and infrastructure finance over the last two decades has meant that policy makers and development experts across the globe must pay attention to this development with a view to making informed decisions for the benefit of long-term economic growth. This is especially true for countries in the global south. Indeed, in the last two decades, China has become something of a colossus in the provision of conditional and non-conditional finance for development in the global south (Nedopil, 2025). The deployment of development assistance via grants, loans and other variants of financial programs constitute what has often been referred to by international

relations experts as ‘economic statecraft’ (Norris 2016:13-14; Alden, 2020:3). This economic diplomacy may injure those states that do not constructively engage development finance and assistance. Countries must then be careful so as not to fall into debt-traps when they are trying to reach agreements for such foreign assistance as the reality may simply mean that they are embracing borrowing in terms which are not sustainable.

China is the globe’s biggest official lender as its dealings have eclipsed those of the World Bank and International Monetary Fund (IMF) (Horn, Reinhart and Trebesch, 2021). Yet its activities within the global lending system are said to be shrouded in secrecy (Wheatley, 2021). This is because the process is often not transparent and as a result data becomes scarce. Under the circumstance, there are thus little concrete studies on the so-called large scale Chinese loans moving around especially in the global south where there are a number of illiberal democracies with amoral political elites preferring to negotiate under the table with external borrowers and development partners. When terms of trade and financial transactions are conducted in this manner a lot of resources of the State involved may be frittered away in informal processes riddled with inefficiency and corruption. Loans and infrastructure investments that are processed by china in much of the global south are often at risk of this anomaly.

While loans and infrastructure investments constitute two core ways through which the Chinese now pursue their economic diplomacy across the globe, Beijing has also been very active in different fora for South-South co-operation in Asia, Africa and Latin America. South-South co-operation according to OECD (2009) is couched in two frameworks; first is in the economic sense geared towards trade, investment and technology sharing among Low and Middle Income Countries (LMICs) of the Southern hemisphere. The second, is the provision of an entire gamut of technical assistance with a focus on the sharing and exchanging of experts, experience and technical know-how required for development. The Belt and Road Initiative (BRI) which was launched by the Chinese government in 2013 is one of the major axles upon which Beijing deals with many foreign countries in Asia, Euro-Asia and elsewhere. Often referred to as the ‘one belt, one road’ initiative it was a project conceived by Xi Jinping, upon assumption of office in 2012, to create a new hub of infrastructure like rails, roads and ports linking China to Europe, the Middle East and Africa via Central Asia, South Asia and South East Asia (Huang, 2016; Carmody et al, 2022). The overarching ambition of the BRI is to extend this to other regions of the world.

This is important as infrastructure deficit is huge in many parts of the world including Asia and Eastern Europe. It is estimated that Asia requires more than USD26 trillion in infrastructure investment up to 2030 (Asian Development Bank, 2017). This is a massive requirement and china can be helpful in providing a substantial part of the fund for this infrastructure. And since the BRI prioritizes hardware infrastructure, Chinese finance and projects along this line can be deployed to build rails, roads, ports and energy power stations in the region. The BRI is run by the National Development and Reform Commission (NDRC) which is in charge of the activities of critical stakeholders in this endeavour such

as the Ministry of Commerce (MOFCOM), Ministry of Foreign Affairs (MFA) and the Development Research Centre of the State Council (DRC) (OECD, 2018). These so-called ‘leading groups’ are led by honchos of China’s politburo and they often seek to protect the state’s national interest as they coordinate strategic policy decisions in the external environment.

China’s emerging status as a global financial colossus and its hegemonic claims to being a provider of development and infrastructure loans requires some rational scrutiny. In the context of literature on the global south, there seem to be a shortage of a robust discussion of the subject as it concerns the entire developing economies, emergent states and New Industrialized Countries (NICs) in the southern hemisphere. Most existing studies have appeared mainly as exploration of particular regions. For examples, see Gough (2014), Mendez and Mariano (2020), and Chauvet et al (2020), as it concerns Latin America; van de Merwe (2019), Nyabiage (2019), Carmody (2020), and Carmody et al (2022) in the context of Africa; and ADB (2017), OECD (2018), in relation to Euro-Asia and the initial BRI. This study attempts to cover this gap and to contribute to the quest at evaluating the long term ramifications of Chinese loans, infrastructure finance and other capital investments and acquisitions in the global south.

Statement of the Problem

Chinese loans and infrastructural finance have expanded rapidly across Africa, Asia and Latin America over the last two decades, positioning Beijing as the world’s largest official lender and a pivotal source of development finance for the Global South. Yet this surge in capital has unfolded within a context of opaque lending practices, data scarcity, and informal negotiation processes that are often vulnerable to inefficiency, patronage and corruption in many illiberal democracies of the Southern hemisphere. As a result, there is persistent controversy over whether Chinese economic diplomacy promotes long-term economic development or instead entrenches unsustainable debt, deepens primary-commodity dependence and exposes borrowing states to new forms of external vulnerability and potential sovereignty risks, as suggested by emblematic cases such as Sri Lanka and contested “debt-trap” narratives.

Despite a burgeoning literature on China’s Belt and Road Initiative and its engagements in individual regions, existing studies are largely fragmented, focusing on specific subregions or sectors rather than offering a holistic, comparative assessment of Chinese loans and infrastructural finance across Africa, Asia and Latin America taken together. This fragmentation has produced a notable gap: the absence of an integrated framework that systematically evaluates the developmental ramifications, macroeconomic sustainability, and political implications of Chinese lending for the Global South as a whole, including emerging economies and Newly Industrialized Countries. Consequently, policymakers and development practitioners in these regions lack robust comparative evidence to guide “smart” financial diplomacy and to negotiate terms that maximize growth-enhancing infrastructure while mitigating debt distress, neo-colonial patterns of resource extraction and cultural-political asymmetries.

The central problem this study addresses is therefore the inadequate and piecemeal understanding of how Chinese loans, infrastructural finance and related capital investments shape long-term economic development trajectories in the Global South, and under what conditions they function as catalysts for structural transformation rather than vectors of dependency and vulnerability. By reappraising Chinese economic diplomacy across Africa, Asia and Latin America within a single analytical frame, the study seeks to close this empirical and conceptual gap and to provide evidence-based guidance for developing countries seeking to critically yet constructively engage Chinese finance in pursuit of their strategic development objectives.

CHINA IN ASIA

In the past decades public and private concerns in China have steadily increased their overseas investments and are becoming more and more persistent in deepening their financial control over foreign assets and infrastructure. In different areas of finance China's big businesses and their honchos are trying to spread their influence and supplant western creditors and institutions that had hitherto held sway within the global liberal market of the Post-World War II zeitgeist (Notteboom & Yang, 2025). In this pursuit of global preeminence in finance, the Chinese state has been known to subsidize the activities of Multi-National Corporations and other big businesses that emanate from the Asian giant (Fuest, Hugger, Sultan, and Xing, 2019). This is with a view to improving on Chinese market dominance and accelerate its political influence across the globe. Yet China's recent expansion has been due, at least in part, to the current shortfall in terms of finance for infrastructure needs of the globe.

There is unanimity among global development institutions that the infrastructure finance required to improve the welfare of all the peoples of the world is immense and that most states are struggling to meet this demand (ADB, 2017; OECD, 2017; OECD, 2018). It is estimated that, at current rate, the globe requires between USD 2.9 trillion and USD 6.3 trillion to raise and maintain infrastructure, and that this will amount to USD 5.2 trillion up until 2030 or USD 14.9 trillion up until 2040 when the envisaged goals of Sustainable Development Goals (SDGs) will be taken into consideration (OECD, 2018). Indeed, the infrastructure needs of the globe requires huge financing as there are not enough transport infrastructure (air, rail and roads), energy supply, telecommunication networks and clean water for a substantial number of the peoples of the world. If the agenda 2030 on sustainable development is going to have half a chance of succeeding, then all of these requirements must be met.

In Asia, ADB (2017) reckons that there is infrastructure deficit to the tune of about USD 26 trillion running up to 2030. This of course include climate and sustainable development related needs which will in the long term encourage sustainable growth. This sentiment has been echoed elsewhere as forming the foundation upon which Asia can sustain its growth momentum, address the climate change problematic and arrest high levels of poverty and economic inequality (McKinsey, 2016; GI Hub, 2017). For perspective on the Euro-Asian plain and for proper understanding of the issue as it concerns the BRI,

it is apt that we examine the boundaries of the six BRI economic corridors as established by the Chinese government (OECD, 2018). This will give a geo-political view necessary to appreciate the essence of the BRI. The first is the coming of a new Euro-Asian land bridge which runs on rail from Asia to Europe through Kazakhstan, Russia, Belarus and Poland. The second has to do with what is known as the '*China-Mongolia-Russia-economic corridor*' which involves rail and road linking a substantial part of the Euro-Asian steppe.

There is also the *China-Central Asia-West Asia-Economic Corridor* which links six countries in the Euro-Asian plain to the region with economic growth as the end game. Next is the *China-Indochina-Peninsula-Economic Corridor* which links a number of countries in the sub-region. Then come the *China-Pakistan-Economic Corridor* which connects Kashgar city, a free economic zone, in landlocked Xinjiang province to the Pakistan port of Gwadar, a deep water port deployed for business and strategic aims. Finally is the *China-Bangladesh-India-Myanmar-Economic Corridor*, a project that has been predicted to drag on due to the security mistrust between China and India (Patil, 2015).

A number of reasons account for the motivation behind the BRI, and this has led to the birthing of a number of financial bodies like the Asian Infrastructure Development Bank (AIIB) (Mendez and Turzi, 2020). Some of these reasons include connectivity and openness, innovation, sustainable development, energy and food security, equitable regional development and an effective allocation of physical and capital resources (OECD, 2018). In so far as the hegemonic ruling class in China maintains its position on the basis of its ability to continuously pursue economic growth on behalf of the state, they often pursue a realist economic nationalism to protect the state's interest (Norris, 2016; Alden, 2020). That is why even in Asia the loans and infrastructural financing have been seen as exploitative of the recipient countries. A number of examples of the so-called toxic loans and infrastructural finance in Asia stand as cautionary measures for countries in the southern hemisphere desirous of suave international finance diplomacy.

The Sri Lankan example tells us that developing countries of the global south stand the risk of running into a potential debt trap ensnared by the Chinese (Gopaldas, 2018). Following the civil war in the small Asian island, there was the need for infrastructural financing to pursue post war reconstruction and to boost investments in critical sectors of the domestic economy. Western creditor's ambivalence to help with the necessary finance coupled with their strict conditionality meant that the nation had to look elsewhere for the necessary resources to pursue their objective. China arrived at the scene and became more of a strategic close ally that offered help with loans. While these loans were extremely addictive and encouraged short-sighted leaders to continue to pile them up, they will later become problematic as the nation ran into financial problems when the debts became unsustainable and the nation unable to meet the conditions of repayments.

Questions pertaining to sovereignty were raised after China took control of a Sri Lankan Port in 2017 in exchange for the loan repayment. In the end the Sri Lankan government handed over Hambantota

harbour and 15,000 acres of land to China Merchants Port Holdings Company (CMPort), a Chinese state-owned corporation, in a 99-year lease deal (Abi-Habib, 2018). The harbour was constructed by the China Harbour Engineering Company (CHEC) and Sinohydro, emphasizing the Chinese economic diplomacy of deploying their firms in areas where their capital is involved. This development later led to domestic political and social upheaval in the country with community groups, NGOs and Civil Society Organisations holding out against the government. The Sri Lankan case, which was literally a ‘debt-for-equity swap’, stands as a major analytical weapon for those development and global finance experts who argue against the unrestrained adoption of Chinese loans as a means for development (Abi-Habib, 2018; Alden, 2020).

It is thus suggested that other states in Asia can deploy strategic financial diplomacy when negotiating with China whether for loans or for infrastructure development since they will often be needing these funds to plug gaps in infrastructure and other needs whose financing are beyond these individual countries (Guanie, Chen & Xianbai, 2021; Hong and Guanie, 2018). This is to argue that, in contradistinction to the widely held belief that a behemoth China can force its nationalist economic policies on small and weak states around it, some political elites in South Asia have been able to strategically engage China in negotiations on behalf of their people. Indeed Guanie, Chen & Xianbai (2021) in their study involving Chinese infrastructure finance in Malaysia found that the domestic institutional and political environment may serve as impediment to the implementation of some of these schemes. In the engagement involving China and Malaysia it is suggested that Malaysian agency have largely been able to negotiate better terms and conditions as they seek cooperation with China. This is a welcome narrative for their African counterparts that have recently embraced Chinese loans but with an uncoordinated pattern of engagement. It is to Africa we now turn.

CHINA IN AFRICA

Africa has become one of the center piece of Chinese overseas economic diplomacy. Most of the official pronouncements of the Chinese government promise financial and economic relations that will amount to a win-win situation for the countries involved (Carmody et al, 2022). This has often been reiterated at the periodic meetings of the Forum for China-Africa Cooperation (FOCAC). Yet in reality this position is in dispute. The continent has literally become a Chinese construction site with a number of the Asian giant’s construction companies involved in road, railway, ports, and energy projects in a region where there is a huge deficit in infrastructure. The finance required for most of these projects come from China’s state-owned financial institutions a situation which often has the tendency to increase the appetite for more loans by African leaders (Aidoo & Amoako-Tuffour, 2025). This is especially true for a number of countries in the region that have historically had a bitter experience in accessing loans from western creditors due to the stringent terms and conditions involved.

Chinese loans and infrastructure financing have thus helped in the pursuit of a virile infrastructure regime necessary for many countries in a region with a fast growing population. Africa has the highest population growth rate in the globe (Worldometer, 2022). This burgeoning population is in acute need of infrastructure that will alleviate developmental problems involving transportation, commerce, sanitation, water and energy. In Nigeria, one of the world's most densely populated countries, the Chinese have been at the heart of efforts by the President Buhari's administration to overhaul the decrepit railway system as they availed the administration with infrastructure financing which also include roads (Adepoju, 2021). There are similar rail projects in Angola, Kenya and Ethiopia and Ports construction in Djibouti and Kenya, all expected to propel growth and improve the living standard of Africans (Mayer and Zhang, 2020; Carmody et al, 2022). These projects are designed to link different regions within the continent and create jobs as they simultaneously address infrastructural needs.

Yet there have been strong arguments against the wide embrace of Chinese loans and the specific BRI in Africa (see Chellaney, 2017; Van de Merwe, 2019; Carmody, 2020). One of the biggest criticisms against the influx of Chinese loans and infrastructure finance in Africa recently involves narratives against the re-colonization of the continent by a new conqueror who basically operate in the economic domain. Van de Merwe's (2019: 210) assertion in this direction is worth quoting at some length; "The infrastructure plans expose the initiative [BRI] as unashamedly colonial, as it reinforces the legacy of transporting resources towards ports – and not between neighbouring states. Even in the case where transport infrastructure is created between states, the assumption is still that this would facilitate the movement of Chinese remotely manufactured goods onto markets". This scenario has the tendency of encouraging the disarticulation of African economies by deepening the export of primary produce and accelerating the importation of manufactured goods, with China replacing hitherto western nations.

This neocolonial push comes with a novel sense of dominance with the Chinese creditors assuming an infallible disposition as they are armed with a financial power that is strong enough to reconstruct the development narrative in the continent and relegate the traditional African economic and socio-political culture which had received huge impetus following the exit of European imperialists in the second half of the twentieth century. Tales of the abiding morality of the Confucian culture and its propensity to save with an eye for investment seem to have become very prominent in development discourses in Africa. This tendency has been further deepened by the institutions and corporations saddled with the task of building the infrastructure to be used by the indigenous African society. It is in this light that Adepoju (2021) observes with a huge sense of curiosity that the information and directional tools on the Chinese-built Nigerian rails like pressure gauge, water dispensers and fire extinguishers were all written in Mandarin. By consciously deploying Chinese language in an arena to be frequented by Nigerians whose lingua franca is English, the Chinese were perhaps being strategically smart and projecting their culture, reifying it over and above other languages.

In Nigeria the infrastructure loans have largely been channeled back to the Chinese as the construction work has typically been handled by China Civil Engineering Construction Company (CCECC) having received \$318 million with the government still expecting to raise further loan of about \$1.2 billion (Iyatse et al, 2022). This is in line with China's economic diplomacy which has often placed Chinese corporations and concerns at the heart of their engagements. However, as Nigerian political agency and civil society frontiers started to improve on their negotiating capacity with the Chinese, the latter has now started to move away from granting infrastructure loans (Onochie, 2022). Civil society organisations and some economists had recently started to argue that the loans were too expensive and that they were not in tune with sound business practice. As opposing parties and critics of the Buhari administration mounts pressure against the recurrent recourse to China for loans the government had thought that it could improve on its terms of negotiation with the Asian giant. As at February 2022 Nigeria's Minister of Transport Mr Rotimi Amaechi had announced that, the Chinese were no longer willing to avail Nigeria of more loans to complete rail projects.

It has been suggested that this development arose from the latest reversal of the BRI policy to a move away from the much risky and capital intensive infrastructure loans to the so-called smart investment in telecommunication and the digital space like 5G network which do not require heavy investment layout and commitment (Onochie, 2022; Iyatse, 2022). The Covid-19 pandemic may also account for this new twist as the lull in economic interaction between China and the world at large had reduced substantially. Yet this development comes as a warning to the developing nations of the global south that China is never a moral entity that towers above western nations in the conduct of ethical economic diplomacy. To be sure, no nation comes to the international market place to lose its resources and to fritter away opportunity for acquiring more prestige and power. But the point to note here is that to become that global hegemon within an idealistic zeitgeist, which China itself aspires to become, it must be able to play some big brother role for the less developed states.

The inescapable consequence for Nigeria is that the rail modernization project will suffer some huge set back unless there is substantial changes in the current disposition of China towards the further granting of infrastructural finance to Africa's acclaimed giant. The West African nation is in need of infrastructural revamp of huge capacity. However, due to the constant criticism from opposition parties, some development economists and civil society organisations against the government huge appetite for Chinese loans which may threaten its sovereignty, as seen in China's foreign policy elsewhere, Nigeria may consider alternative sources of infrastructure finance in the near future. The paucity of data and the inherent secrecy of Chinese loans and their terms and conditions creates doubts about their long term sustainability as sources of infrastructure finance. Since Beijing do not have a culture of deploying the creditor reporting system of the Organisation for Economic Cooperation and Development (OECD) its loans are opaque and often without transparency (Carmody et al, 2022).

CHINA IN LATIN AMERICA

In Latin America China has, over the last two decades, been gaining grounds in trade and infrastructure loan terms as the nation made economic in-roads into an hitherto virgin area that had been largely dominated by the affluent states of the northern hemisphere. China's State Owned Enterprises have been operating in the region's infrastructure, energy, financial and of late digital and telecommunication sectors and has overtaken the United States as South America's biggest trading partner and second only to the United States in the entire Latin America (Roy, 2022). While China has recently reduced its loans in Latin America, no fresh state loan has gone to any state in Latin America in the last two years (Moreno, 2022), as we have also seen in Africa, it has nevertheless remained a big financial player in the region and has supported some countries there with Covid-19 vaccines. China's activities in the region has been received with some level of suspicion by the United States, with the latter seeing China as a 'strategic competitor' that deploys these relations for geopolitical reasons (Roy, 2022).

At the close of the twentieth century the Chinese market was responsible for only a meager two percent of Latin American export. The tremendous expansion of China's economy and the accompanying multiplier demand effect meant that production level increased in quantum basis which inevitably led to an increase in the consumption rate of the world's most populous nation (Li, Liu & Zhou, 2025). In the decade that will follow Chinese trade with Latin American countries grew in leap and bounds such that by 2010 it became, as Roy (2022) showed, \$180 billion. As at 2021 this had surpassed the \$450 billion mark with development economists and trade experts suggesting that it will be over \$700 billion by 2035 (Zhang and Prazeres, 2021), a time when global development connoisseurs will be evaluating the Agenda 2030. With these numbers China rattled the liberal west and has indeed announced itself as a serious contender for the position of the next global behemoth.

In specific terms, there are a number of import and export primary and high value chain commodities and products that connects China to Latin America. The Chinese import petroleum, copper, soya beans and other primary produce needed to drive industrial development at home while they export more of finished cheap produce with higher value that are said to weaken the Latin American indigenous firms (O'Neil, 2021). In this sense, these countries export their employment opportunities to mainland China and deepen the disarticulation of their domestic economies (CFR, 2021) and all its promise of infrastructure loans and finance has made over twenty Latin American states to sign up to free trade agreement with China. Ecuador is the latest to go into negotiations for free trade with China as they began talks in February 2022. For countries like Venezuela, the partnership for development with China has been extremely enticing seeing as it has been at loggerheads with America politically and has suffered a number of sanctions in the last three decades. Venezuela has been the biggest borrower from China (The Dialogue, 2022).

Some development experts have been critical about Chinese initiatives in Latin America, suggesting that they are clear sign posts of 'debt traps' (Hancock, 2022). These writers argue that the Chinese may repeat the Sri Lankan incident and take control of critical infrastructures following default

which will then lead to sovereignty issues and which could eventually lead to the enthronement of a fraudulent labour regime (Joy-Perez, 2021). Yet one may ask: is the debt trap thesis concerning China really true? These antagonism come with complain about Chinese loans in the global south and how they can lead to debt trap with the borrowing nation losing critical infrastructure and in worst scenarios having their sovereignty threatened by China because there are state-owned corporations that literally define the very existence of countries. In Latin America, South America precisely, the example of Venezuela has been suggested as providing the likely scenario for the ‘debt trap’. The nation is the most indebted to China in Latin America and has often struggled with fiscal discipline.

In the opinion of Soutar (2022) the debt trap hypothesis has been roundly disproved, at least in the last few years. He backs his argument with evidence from Rebecca Ray of the University of Boston. He submits further that the willingness of the Chinese to renegotiate terms of debt with Argentina, Ecuador and Suriname shows that Beijing can often agree to shift ground and that it is compassionate enough to allow for grace periods in payment. Such empathy and understanding has often been the hallmark of western creditors like the World Bank and IMF. Yet China’s foray into Latin America is not without political and security connotations. At the heart of China’s expansion is the idea of South-South cooperation (Harris and Arias, 2016). This engagement is conceived to create a win-win partnership involving China and the developing countries of the global south in aid, trade, investment and infrastructural development. If it can genuinely and equitably pursue development on behalf of the entire southern hemisphere it will then develop, in many of these countries, an affinity for the Chinese which will improve its global standing and avail it of what diplomatic experts call ‘soft power’, which will then present it as a reasonable alternative to the capitalist liberal West as led by the United States (CFR, 2018; Roy, 2022).

While China’s power as a global strategic actor seem to be at a lower level than that of the United States, it has recently enjoyed some level of popularity in Latin America as President Xi Jinping has been to the region over ten times since assuming power in 2013. Part of the strategic economic cum political actions by China is to weaken Taiwan and deny it of sovereignty often by arm-twisting beneficiaries of loans and infrastructure finance in the region to de-recognize Taiwan (Kuo, 2021). While Beijing maintains that Taiwan is a province within China, the Island rejects this claim and has fought for its sovereignty and indeed independence with the former often being a thorn in the flesh of the latter’s diplomatic efforts. The United States’ affinity for Taiwan has always been a sour point for Beijing leading it to embrace countries that have diplomatic frictions with the United States as seen in the case of Nicaragua in December, 2021.

CONCLUSION

The verdict then is that in negotiating for loans and infrastructure finance from China, states in the global south, must deploy smart diplomacy and sagacious economic strategies. The international environment is not a place for free lunch and states are well aware that they are all in competition with

one another for resources, power and status. It therefore becomes important that the developing countries in the global south be strategic and take decision concerning international finance in more careful manner. Each occasion of negotiation of loan and infrastructure finance should be taken on its own pros and cons with a view to getting the best out of such negotiations. Here perhaps Third world agency will be important as their ability to engage foreign bodies, the Chinese inclusive, will be crucial. When political leadership of developing states are able to constructively engage the external environment on behalf of their people they will thus be able to deepen their domestic legitimacy and ground their respective governments with the affinity required to keep the people on their side. As we have seen, China itself has been engaging countries of the global south in different ways depending on its strategic interests.

While it has sometimes appeared intransigent by threatening the sovereignty of some states as happened in Sri Lanka, it has nevertheless been lenient enough at other times as seen currently with the amiable manner it is renegotiating with Argentina, Ecuador and Suriname. States ought to engage the external environment in line with their strategic objectives. The constant flux in International Political Economy means that states must be flexible in their relationship with foreign countries. Is the Chinese 'debt trap' cliché a settled truth? There is no clear evidence to back up the claim that China hypnotizes poor countries to take out countless loans to build infrastructure they cannot ordinarily afford with the endgame of Beijing taking possession of such assets. Before Soutar's (2022) elegant argument against the 'debt trap' hypothesis, Brautigam and Rithmire (2021) had debunked the folly around the obsession that had been coming from some mainstream western literature and development discourses. A careful analysis of the data and facts provided by both authors show that the 'debt trap' hypothesis is mainly a myth carefully crafted by those who may be uncomfortable with the entry of an active China into the global financial and asset market as currently constituted. To be sure, China actively pursues its own interest as it engages other countries in the external environment as other states are also expected to do. And the Chinese would not force bad loans down the throat of poor countries, since political agency in these states have the capacities to reject such toxic loans. In all of these countries in the global south must be strategic in taking decisions so as to birth the most appropriate outcomes for their peoples.

REFERENCES

- Abi-Habib, M (2018) How China Got Sri Lanka to Cough Up a Port. *New York Times*, June 25, 2018. Available at www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.amp.html. Accessed June 16, 2024.
- ADB (2017), *Meeting Asia's Infrastructure Needs*, Asian Development Bank,

- Adepoju, P (2021) Nigeria's China-built railway has to avoid debt pitfalls. *Quartz Africa Weekly Brief*. Available at <https://qz.com/africa/1958964/nigerias-china-built-railway-has-to-avoid-debt-pitfalls/>. Accessed 16 June, 2024.
- Aidoo, R., & Amoako-Tuffour, J. (2025). Examining the sustainability of African debt owed to China in the era of the Belt and Road Initiative. *Journal of Infrastructure, Policy and Development*, 9(1), 1–23. <https://www.sciencedirect.com/science/article/pii/S2468227624001091>
- Alden, C (2020) Understanding Debt and Diplomacy: China, 'Debt Traps' and Development in the Global South. *Working Paper: London and Panama*. SENACYT–FID–18–034WORKING PAPER 01/2020 ISBN 978-9962-8524-0-7.
- Brautigam, D and Rithmire, M (2021) The Chinese 'Debt Trap' Is a Myth, *The Atlantic*, February 6, 2021. Available at www.theatlantic.com/international/archive/2021/02/china-debt-trap-diplomacy/617953/. Accessed 02/07/2025
- Carmody, P. 2020. "Dependence Not Debt Trap Diplomacy." *Area Development and Policy* 5 (1): 23–31. doi:10.1080/23792949.2019.1702471.
- Carmody, P., Ian Taylor & Tim Zajontz (2022) China's spatial fix and 'debt diplomacy' in Africa: constraining belt or road to economic transformation?, *Canadian Journal of African Studies*, 56:1, 57-77, DOI:10.1080/00083968.2020.1868014
- CFR (2018) China's Big Bet on Soft Power, in *Council on Foreign Relations*. February 9, 2018. Available at <https://www.cfr.org/background/chinas-big-bet-soft-power>. Accessed 22/06/2025
- CFR (2021) China's Belt and Road: Implications for the United States. in *Council on Foreign Relations*. March, 2021. Available at <https://www.cfr.org/report/chinas-belt-and-road-implications-for-the-united-states/>. Accessed June 20, 2025.
- Chauvet, P., Chen, T., Jaimurzina, A., Xu, R and Jin, Y (2020) China: Current and Potential Role in Infrastructure investment in Latin America. Santiago: ECLAC
- Chellaney, B. (2017). *China's Debt-Trap Diplomacy*. Project Syndicate, January 23, 2017. <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accesspaylog>.
- Fuest, Clemens; Hugger, Felix; Sultan, Samina; Xing, Jing (2019) What Drives Chinese Overseas M&A Investment? Evidence from Micro Data, *EconPol Working Paper*, No. 33, ifo Institute - Leibniz Institute for Economic Research at the University of Munich, Munich
- GI Hub (2017), *Global Infrastructure Outlook*, Global Infrastructure Hub, <https://outlook.gihub.org/>.
- Gopaldas, R (2018) Lessons from Sri Lanka on China's 'debt-trap diplomacy'. Institute for Security Studies: Pretoria, South Africa. 21, February, 2018

- Gough, B (2014) 'Profit and Power: informal empire, the navy and Latin America' in Raymond Dumett, ed., *Gentlemanly Capitalism and British Imperialism: the new debate on empire* (Abingdon: Routledge), pp. 68-81.
- Guanie Lim, Chen Li & Xianbai Ji (2021) Chinese financial statecraft in Southeast Asia: an analysis of China's infrastructure provision in Malaysia, *The Pacific Review*, DOI: [10.1080/09512748.2020.1868556](https://doi.org/10.1080/09512748.2020.1868556)
- Hancock, T (2022) China Faces 'Creditor Trap' in Lending to Latin America: Q&A. in *Bloomberg*, February 22, 2022. Available at <https://www.bloomberg.com/news/articles/2022-02-22/china-faces-creditor-trap-in-lending-to-latin-america-q-a>. Accessed 06/06/2024
- Harris, R and Arias, A (2016) "China's South-South Cooperation with Latin America and the Caribbean". *SBGS Faculty Publications and Presentations*. 24. https://digitalcommons.csumb.edu/sbgs_fac/24
- Hong Liu & Guanie Lim (2019) The Political Economy of a Rising China in Southeast Asia: Malaysia's Response to the Belt and Road Initiative, *Journal of Contemporary China*, 28:116, 216-231, DOI: [10.1080/10670564.2018.1511393](https://doi.org/10.1080/10670564.2018.1511393)
- Horn, S., Reinhart, C and Trebesch, C (2021) China's Overseas lending. *Journal of International Economics* 133 103539. <https://doi.org/10.1016/j.jinteco.2021.103539>
- Huang, Y (2016) Understanding China's Belt and Road Initiative: Motivation, Framework and Assessment, *China Econ. Rev*, 40, 314-321.
- Iyatse, Gm, Oji, H., Falaju, J and Otaru, A (2022) Why Nigeria's rail projects may fail. *Guardian Newspaper*, February 13, 2022. Available at <https://guardian.ng/news/why-nigeras-rail-projects-may-fail/>. Accessed June 20, 2024.
- Joy-Perez, C (2021) Opinion: China's Firms gain a foothold in South America as energy providers, in *Dialogo Chino*, April 28, 2021. Available at <https://dialogochino.net/en/trade-investment/42453-opinion-chinas-firms-gain-a-foothold-in-south-america-as-energy-providers/>. Accessed June 18, 2025.
- Kuo, L (2021) Taiwan loses another diplomatic partner as Nicaragua recognizes China, in *Washington Post*, December 10, 2021. Available at https://www.washingtonpost.com/world/asia_pacific/nicaragua-taiwan-china/2021/12/09/741098d8-5954-11ec-8396-5552bef55c3c_story.html. Accessed 01/07/2022
- Li, X., Liu, Q., & Zhou, Y. (2025). China's overseas lending and export growth of developing countries. *Journal of International Money and Finance*, 134, 102933. <https://www.tandfonline.com/doi/full/10.1080/17487870.2025.2589755>

- Mayer, M., and X. Zhang. 2020. "Theorizing China-World Integration: Sociospatial Reconfigurations and the Modern Silk Roads." *Review of International Political Economy* preprint: 1–30. doi:10.1080/09692290.2020.1741424.
- McKinsey (2016), Bridging Global Infrastructure Gaps, www.mckinsey.com/industries/capital-projects-andinfrastructure/our-insights/bridging-global-infrastructure-gaps.
- Mendez, A and Mariano, T (2020) *The Political Economy of China-Latin America Relations: the AIIB membership* (Basingstoke: Palgrave).
- Mendez, A and Turzi, M (2020) *The Political Economy of China-Latin America Relations: the AIIB membership* (Basingstoke: Palgrave).
- Moreno, J (2022) China Changes Its Latin America Lending Practices. *VOA*. Available at <https://www.voanews.com/a/china-changes-its-latin-america-lending-practices/6567361.html>. Accessed June 12, 2024.
- Nedopil, C. (2025). *China Belt and Road Initiative (BRI) investment report 2024*. Green Finance & Development Center / Shanghai Free Trade Zone. [PDF]. https://greenfdc.org/wp-content/uploads/2025/02/Nedopil-2025_China-Belt-and-Road-Initiative-BRI-Investment-Report-2024-1.pdf
- Norris, William (2016) *China's Economic Statecraft: commercial actors, grand strategy and state control* Ithaca, NY: Cornell University Press.
- Notteboom, T., & Yang, Z. (2025). Chinese investments in global port infrastructures: The Belt and Road Initiative and maritime connectivity. *Maritime Studies*, 24(1), 45–68. <https://www.tandfonline.com/doi/full/10.1080/21622671.2025.2569670>
- Nyabiage, J. (2019) "Lender's Remorse? China Finds Africa Projects Require a Growing Wave of Debt Forgiveness." *South China Morning Post* (Hong Kong), August 11.
- O'Neil, S (2021) Latin America Shouldn't be a Pawn in U.S-China Rivalry, in *Council on Foreign Relations*. September 24 2021. Available at <https://www.cfr.org/article/latin-america-shouldnt-be-pawn-us-china-rivalry>. Accessed June 20, 2022.
- OECD (2009) *Boosting South South Cooperation in the context of Aid Effectiveness*. OECD: Paris. Available at www.oecd.org. Accessed June 20, 2024.
- OECD (2017) *Investing in Climate Investing in Growth, Technical note on estimating infrastructure investment needs*, www.oecd.org/environment/cc/g20-climate/Technical-note-estimates-of-infrastructureinvestment-needs.pdf.

- OECD (2018) China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape, www.chinas-belt-and-road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf
- Onochie, B (2022) Amaechi announces delay in rail projects as China suspends funding. *Guardian Newspaper*, February 1, 2022. Available at <https://guardian.ng/news/amaechi-announces-delay-in-rail-projects-as-china-suspends-funding/>. Accessed June 20, 2022.
- Patil, S. (2015), "OBOR and India's Security Concerns", Gateway House, May.
- Roy, D (2020) China's Growing Influence in Latin America. Council on Foreign Relations. Available at <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>. Accessed June 14, 2025.
- Soutar, R (2022) Lull in China's lending to Latin America reflects a rethink in Beijing, in *Dialogo Chino*, May 4, 2022. Available at <https://dialogochino.net/en/uncategorised/53526-lull-in-chinas-lending-to-latin-america-reflects-a-rethink-in-beijing/>. Accessed June 5 2024.
- The Dialogue (2022) China-Latin America Finance Databases. Available at https://www.thedialogue.org/map_list/. Accessed June 27, 2024
- Van de Merwe, J. (2019) "The One Belt One Road Initiative: Reintegrating Africa and the Middle East into China's System of Accumulation." In *Mapping China's "One Belt One Road" Initiative*, edited by L. Xing, 197–217. London: Palgrave MacMillan.
- Wheatley, J (2021) China's secret loan contracts reveal its hold over low-income nations, *Financial Times*, March 31 2021. Available at www.ft.com/content/7e98795f-159b-4455-903e-6e21c345d49a9. Accessed 01/07/2025
- Worldometer (2022) Regions in the World by Population. Available at www.worldometers.info/world-population/population-by-region. Accessed 6/19/2024
- Zhang, P and Prazeres, T (2021) China's Trade with Latin America is bound to keep growing. Here's is why that matters. In *World Economic Forum*. June 17, 2021 Available at <https://www.weforum.org/agenda/2021/06/china-trade-latin-america-caribbean/>. Accessed 01/07/2025