Too much of a good thing?  
China, the IMF, and Sovereign Debt Crises

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¹University of Mississippi  
²Concordia University 

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Motivation: China, the IMF, and Sovereign Debt Crises

International organizations:
- Power shifts and international organizations (Lipscy 2018, Pratt 2021, Bunte et al. 2021)
- How does an IO respond to different preferences among rising members?
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International organizations:
- Power shifts and international organizations (Lipsky 2018, Pratt 2021, Bunte et al. 2021)
- How does an IO respond to different preferences among rising members?

Sovereign debt:
- Rising lenders in official debt, especially China (Bunte 2019, Dreher et al. 2018, 2020, Brautigam & Hwang 2020)
- What does greater diversity of official lenders mean in a debt crisis?
Research question

Do larger quantities of debt owed to China impede the IMF’s work when a country faces a debt crisis?
Diversity among official creditors

Average share of borrowers' official debt stocks

<table>
<thead>
<tr>
<th>Year</th>
<th>Paris Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.5</td>
</tr>
<tr>
<td>2000</td>
<td>0.4</td>
</tr>
<tr>
<td>2010</td>
<td>0.3</td>
</tr>
<tr>
<td>2020</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Too much of a good thing?
Diversity among official creditors

### Table

<table>
<thead>
<tr>
<th>Year</th>
<th>Paris Club</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>2000</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>2010</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>2020</td>
<td>0.6</td>
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</table>

### Graph

- **Y-Axis:** Average share of borrowers' official debt stocks
- **X-Axis:** Year
- **Legend:**
  - Paris Club
  - Multilateral

**Title:** Too much of a good thing?
Diversity among official creditors

Average share of borrowers' official debt stocks

<table>
<thead>
<tr>
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<th>Multilateral</th>
<th>Non-Paris Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td></td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>2000</td>
<td></td>
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<td>0.2</td>
</tr>
<tr>
<td>2010</td>
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<td></td>
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</tbody>
</table>
When the IMF prepares a loan, it
- Prepares a debt sustainability analysis (DSA)
- Coordinates with official creditors (Paris Club), if relief needed
- Agrees loan, if projections indicate return to debt sustainability
China’s approach to debt crises can impede IMF work

1. Preference for confidentiality on terms of loan and relief (Acker et al. 2020; Gelpern et al. 2021)

2. Preference for bilateral crisis resolution (Acker et al. 2021; Bon & Cheng 2020)
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Borrowing countries with higher stocks of debt owed to China will experience more protracted negotiations with the IMF during a debt crisis
Our data: Measuring difficulty in IMF negotiations

Adapted from McDowell (2017)
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- From archives: program request documents for IMF programs 2000-2018
- Record dates of IMF missions

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- From archives: program request documents for IMF programs 2000-2018
- Record dates of IMF missions
- For each program:
  - # of missions
  - Days from first mission to approval
  - Days from first mission to last mission
  - Days from letter of intent to approval

Adapted from McDowell (2017)
Number of negotiation missions per program, 2000-2018

The diagram shows the frequency of IMF mission counts from 2000 to 2018. The x-axis represents the count of IMF missions, and the y-axis represents the frequency. The data is divided into categories based on the number of missions: 1, 2, 3, 4, 5, and 6. The most frequent count is 1, with a high frequency, followed by 2. The counts of 3, 4, and 5 are less frequent, and 6 has the least frequency.
Data and estimation

- Program-level analysis of IMF programs 2000-2018

- Chinese Debt Stocks (% borrower country’s GDP) (World Bank IDS)
  - Excludes borrowing and lending by private actors
  - $\text{Chinese Debt Stocks} \times \text{Default} (0,1)$ (CRAG)
Data and estimation

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- Controls: G5 ODA, G5 Bank Exposure, G5 UNGA Agreement, UNSC Temporary Member, Liberal Democracy, IMF Quota, Debt Service, Short-term Debt, Speculative Attack, GDP, Population
  - Measured in the year negotiations begin

- Negative binomial and Cox proportional hazards model
  - Year time trend and clustered standard errors (by country)
### Number of IMF missions

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default=1 × Chinese debt (% of GDP)</td>
<td>6.464**</td>
<td>6.870**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.004)</td>
<td>(2.623)</td>
<td></td>
</tr>
<tr>
<td>Chinese debt (% of GDP)</td>
<td>1.813</td>
<td>-3.535**</td>
<td>-3.741</td>
</tr>
<tr>
<td></td>
<td>(1.597)</td>
<td>(1.291)</td>
<td>(2.274)</td>
</tr>
<tr>
<td>Default=1</td>
<td>-0.00335</td>
<td>-0.167</td>
<td>-0.128</td>
</tr>
<tr>
<td></td>
<td>(0.140)</td>
<td>(0.139)</td>
<td>(0.164)</td>
</tr>
<tr>
<td>Time trend</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Controls</td>
<td></td>
<td></td>
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<tr>
<td>Observations</td>
<td>209</td>
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Robust standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Controls: GDP, population, democracy, G5 ODA, G5 bank exposure, G5 UNGA distance, UNSC member, public debt, short-term debt
Number of IMF missions

Predicted # of missions with 90% confidence intervals

Chinese debt (% of GDP)

- default=0
- default=1

Frequency

Predicted number of events

0.00 0.02 0.04 0.06 0.08 0.10 0.12 0.14 0.16

0 50 100 150

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### Phases of IMF Program Preparation

#### (1) First to BA  
Btw. Missions  
LOI to BA

<table>
<thead>
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<th>(3) LOI to BA</th>
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<tr>
<td>Default=1 × Chinese debt (% of GDP)</td>
<td>4.034 (20.98)</td>
<td>-0.112 (17.17)</td>
<td>14.66*** (3.955)</td>
</tr>
<tr>
<td>Chinese debt (% of GDP)</td>
<td>-7.309 (20.99)</td>
<td>-0.108 (17.11)</td>
<td>-10.14** (3.600)</td>
</tr>
<tr>
<td>Default=1</td>
<td>-0.199</td>
<td>-0.0472</td>
<td>-1.031**</td>
</tr>
<tr>
<td>Time trend</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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- Next steps: Non-transparent lending, hold-out creditor, or borrower strength?
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- Next steps: Non-transparent lending, hold-out creditor, or borrower strength?

- Implications: Fragmenting of the regime for official debt?
Thank you - Comments welcome!

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