



By: TA | AP Insight

The US is the biggest recipient of Chinese loans, although they warn others not to do so



For years, Washington has been warning others not to trust loans from Chinese state banks fueling its rise as a superpower.

But a new report reveals an ironic twist: The United States is the biggest recipient of all — by far. And the security and technology implications have yet to be fully understood.

China's state lenders have funneled \$200 billion into U.S. businesses for a quarter of a century, but many of the loans have been kept secret because the money was first routed through shell companies in the Cayman Islands, Bermuda, Delaware and elsewhere that helped obscure their origins, according to [AidData](#), a research lab at the College of William & Mary in Virginia.

More alarming, much of the lending was to help Chinese companies buy stakes in U.S. businesses, many tied to critical technology and national security, including a robotics maker, a semiconductor company and a biotech firm.

The report found a far more widespread and sophisticated lending network than previously thought — a web of financial obligations extending beyond developing countries to rich ones, including the U.K., Germany, Australia, the Netherlands and other U.S. allies.

"China was playing chess while the rest of us were playing checkers," said former White House investment adviser William Henagan, who worries the hidden lending has given China a chokehold on technologies. "Wars will be won or lost based on whether you can control products critical to running an economy."

China money gets a closer look

While the U.S. still welcomes most foreign investment — and President Donald Trump has courted it — money from China has drawn particular scrutiny as the world's two biggest economies with opposing ideologies battle for global supremacy.

Deals financed by China's state-owned banks, the ones studied in the AidData report, are especially problematic.

The lenders are controlled by China's central government and the Communist Party's Central Financial Commission, and they are directed to advance China's strategic goals.

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In total, the AidData report found China lent more than \$2 trillion from 2000 through 2023 around the world, double the highest previous estimates and a surprise to even longtime analysts of China's rise.

And much of the lending to wealthy countries was focused on critical minerals and high-tech assets — rare earths and semiconductors needed for fighter jets, submarines, radar systems, precision-guided missiles and telecom networks.

"The U.S., under both (former President Joe) Biden and Trump, have been beating this drum for more than a decade that Beijing is a predatory lender," said Brad Parks, executive director of AidData. "The irony is very rich."

Shell games

Until now, a full accounting of China's state lending has never been published because much of the financing is buried beneath layers of secrecy, masked by Western-sounding shell companies and mislabeled by international databases as ordinary private financing.

"There is a complete lack of transparency that speaks to the lengths to which China goes, whether through shell companies or confidentiality agreements or redactions, to make it extremely difficult to come up with this full picture," said Scott Nathan, the former head of the U.S. International Development Finance Corp., an agency set up in the first

Trump term to invest in foreign projects deemed in the U.S. national interest.

Since the report's last documented loan in 2023, U.S. scrutiny has gotten better.

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Screening mechanisms, such as the interagency Committee on Foreign Investment in the U.S., got beefed up in 2020 to protect sensitive sectors in the economy.

But China has gotten better, too, in part by setting up banks and branches overseas — more than 100 in recent years — that then lend to offshore entities, further clouding the origins of the money.

"In places where there are more cops on the beat," Parks said, "it has found ways to work around barriers to entry."

Where the loans ended up

Chinese state bank financing has touched projects across the U.S., particularly in the Northeast, the Great Lakes region, the West Coast and along the Gulf of Mexico, which Trump has renamed the Gulf of America. Many loans targeted **critical high-tech industries**, according to the report.

In 2015, for instance, Chinese state-owned banks lent \$1.2 billion to a private Chinese business to buy an 80% stake in Ironshore, a U.S. insurer whose clients included the Central Intelligence Agency and Federal Bureau of Investigation officials and undercover agents who might need help paying legal bills in case they got into trouble in their jobs.

U.S. regulators were unaware of the Chinese government involvement because the financing was funneled through a Cayman Island business with no obvious ties to China, according to the report. U.S. officials later

realized the Chinese government could access information and ordered the Chinese buyer to divest.

That same year, the Chinese government published "Made in China 2025," a list of 10 high-tech areas, such as semiconductors, biotechnology and robotics, where it wanted to reach 70% self-sufficiency within a decade.

The next year, in 2016, the Export-Import Bank of China, a policy bank, provided \$150 million in loans to help a Chinese company buy a robotics equipment company in Michigan.

After China's adoption of the manufacturing master plan, the percentage of projects targeting sensitive sectors such as robotics, defense, quantum computing and biotechnology rose from 46% to 88% of China's portfolio for cross-border acquisition lending, according to AidData.



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In 2017, a Delaware private equity firm using a Cayman Islands company tried to buy a U.S. chip maker; the deal was blocked when investigators discovered both companies were owned by a Chinese state-owned enterprise.

That same Delaware company successfully bought a U.K. semiconductor maker that had to be divested when British authorities found out.

And in 2022, the **U.K. forced a Chinese company** to divest another sensitive British firm in the industry, a designer of chips in

Apple phones but potentially adaptable for military systems.

The Chinese company had bought it through a company in the Netherlands that they owned. That **Dutch firm** is now accused of withholding semiconductors vital to automakers in the U.S.-China trade war.

Following the money

To trace China's hidden lending, AidData dug through regulatory filings, private contracts and stock exchange disclosures in more than 200 countries written in multiple languages.

The effort to track China's state loans and investment started more than a decade ago when Beijing launched its **Belt & Road Initiative** to build infrastructure in developing countries.

The project expanded sharply three years ago when the AidData team, which eventually grew to 140 researchers, realized many of the loans were landing in advanced economies such as the U.S., Australia, the Netherlands and Portugal, where acquisitions could allow it to access technology that Beijing considers essential to its global rise.

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The report says the findings show a shift in the use of state credit from promoting economic development and social welfare to gaining geo-economic advantages.

“There’s global concern that this is part of a concerted effort to gain control over economic chokepoints and use this leverage,” said Brad Setser, an adviser to the U.S. Trade Representative in the Biden administration. “It’s important that we understand what they’re doing, and they don’t make it easy.”