# A New Conceptualization of Usurious States in International Relations: The Case of the People's Republic of China

Fahri TÜRK*
Büşra YENGEÇ ERSİN**

**Abstract**

Loans at high-interest rates always have a buyer. These are sometimes individuals, entrepreneurs, and organisations urgently needing cash, and sometimes governments. Mafia-type individuals, historically known as usurers, are still practicing lending and collection methods today. It is noticeable that some states in the international system have started to behave like usurers. Therefore, this study introduces a new concept to the international relations literature and defines "usurious states". Firstly, classical usury characteristics are emphasized, and similar behaviors of states have been discussed within this context. For this purpose, the practices of the People's Republic of China and why it is called a usurious state have been discussed in detail. Thus, this case study has made some generalizations about usurious states.

**Keywords:** Usury, Usurious States, People's Republic of China, Chinese Loans, International Loans

## Uluslararası İlişkilerde Yeni Bir Kavramsallaştırma Tefeci Devletler: Çin Halk Cumhuriyeti Örnek Olayı

**Özet**

Yüksek faizlerle verilen kredilerin her daim bir alıcısı bulunmaktadır. Bunlar kimi zaman acil nakit ihtiyacı duyan bireyler, girişimciler ve kuruluşlar kimi zaman da devletler şeklinde ortaya çıkmaktadır. Tarihsel süreçte tefeci olarak adlandırılan mafya tipi bireylerin, borç verme ve tahsil etme yöntemlerine günümüzde de rastlanmaktadır. Uluslararası sistemdeki bazı devletlerin, tıpkı tefeci bireyler gibi davranmaya başladıkları göze çarpmaktadır. Dolayısıyla bu çalışmada uluslararası ilişkiler yazınına yeni bir kavram kazandırılarak, "tefeci devletler" tanımı yapılmıştır. Bu bağlamda öncelikle klasik tefeciliğin özellikleri üzerinde durulmuş ve devletlerin bunlara benzer davranışlarının neler olduğu tartışılmıştır. Bu maksatla Çin Halk Cumhuriyeti'nin uygulamaları ve niçin tefeci devlet olarak adlandırıldığı masaya yatırılmıştır. Böylece söz konusu örnek olay üzerinden, tefeci devletler hakkında birtakım genellemelere yer verilmiştir.

**Anahtar Kelimeler:** Tefecilik, Tefeci Devletler, Çin Halk Cumhuriyeti, Çin Kredileri, Uluslararası Krediler

## Introduction

This study explains that usury is not only an act carried out by individuals; today, states also act as usurers, exerting domination over the countries where they lend money. Usurious states economically and politically exploit underdeveloped and developing countries. The debt burdens on these countries are being deliberately increased daily and used by usurious states to gain strategic benefits.

* Prof. Dr., Trakya University, Faculty of Economics and Administrative Sciences, Department of International Relations, E-mail: fahriturk11@gmail.com, ORCID: 0000-0003-0117-0573
**Trakya University, Institute of Social Sciences, Department of International Relations, Ph.D. Program, E-mail: busrayengecersin@gmail.com, ORCID: 0000-0003-0287-5460

This study analyzes usurious states through the Chinese case study. This research makes a modest contribution to the literature as it focuses on defining "usurious states" according to a new conceptualization. This study seeks to answer the question: "Can countries that lend money to developing countries at high-interest rates and covet their strategic assets in return be characterized as usurers?" The research hypothesis formulated based on this research question is that some countries engage in usury by using their economic power as a means of pressure on other states to get ahead in the competition for economic and political influence in the international system. To briefly lay out the rationale for the hypothesis here, it is noteworthy that the number of articles about the debt spiral in which developing countries are mired and the unsustainability of this situation has increased, mainly when the news in the press is analyzed. In fact, the financial support given to vulnerable countries by some developed countries to gain benefits does nothing but exploit them. In this way, the desperate situation of the debtor countries is exploited to the full, while the high-interest loans distributed under the guise of aid are recovered.

In order to test the hypothesis mentioned above, the following road map is drawn: The article first discusses the meaning of usury and its practices and then sets out the definition of a "usurious state". Subsequently, the main characteristics of usurious states are identified. In the last stage, the practices that led China to be characterized as a "usurious state" and the foreign aid policies of other international lenders are examined within the framework of the selected case study.

## Methods and Literature

A review of the existing literature reveals that there exist no works that directly defines usurious states. However, the definition of usury is found in many economic works. The aforementioned sources are used to reveal the definition and characteristics of usury. Most of the information obtained in this regard is collected and classified from Turkish and English texts available online. In this study, document analysis and case study methods are employed following a detailed literature review. China, whose name is particularly associated with "debt trap diplomacy" today, is chosen as a case study because Beijing's behavior in response to the financial assistance provided under the One Belt One Road project corresponds precisely to the behavior of "usurers". In this study, China's status as a usurious state will be more clearly understood after the characteristics of usurious states are revealed.

Today, some online reports suggest that China's lending practices are akin to usury. However, in these superficial studies, usury is not scientifically justified. Therefore, this concept is only used as an adjective of simile. In this respect, the news on this issue in the literature can be evaluated as follows: In these news articles, the allegation that China engages in usury is brought to the agenda. The first of these is "Is China the World's Loan Shark?"1 written by Deborah Brautigam in 2019, which emphasizes usury only in the title of the article. This article, published in The New York Times, explains the characteristics of China's lending and argues that fears of Beijing exploiting cash-strapped countries are unfounded. This article does not reveal the nature of usury, nor does it discuss the conditions under which a state can be characterized as a usurer. Another study that combines the concept of China and the usurious state is Mihir Swarup Sharma's article "Is China the World's Loan Shark?"[2]. In his assessment in this article, the author underlines that China is pouring

[1] Brautigam, Deborah, "Is China the World's Loan Shark?", The New York Times, April 26, 2019, https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html, (November 1, 2022).

[2] Sharma, Mihir Swarup, "Is China the World's Loan Shark?", Observer Research Foundation, July 18, 2019, https://www.orfonline.org/research/is-china-the-worlds-loan-shark-53148/, (November 1, 2022).

massive capital into developing countries, which bears significant similarities to the loans distributed by imperialist powers in the 19th century. Sharma's question, "If the collateral for Chinese loans is a state's natural resources or public revenues, what happens when that state defaults on its debts?" indirectly points to usury, but the study does not emphasize usurious states. Akhil Ramesh's article, on "China in South Asia: Loan Shark or Lender of Last Resort?"[3], argues that Beijing's foreign aid leads to a win-win situation. Arguing that Chinese lending has breathed life into neglected parts of the world, the author argued that it is unfair to characterize Beijing's lending as predatory. In this article, as in the others, the concept of usury is only in the title. In the article titled "China: Big Spender or Loan Shark?"[4] published by Celia Hatton in BBC News in 2021, it is explained through examples that Chinese institutions lend large amounts of money. It has been observed that the characteristics of usurious states are not addressed in this article either.

When the existing studies are evaluated in a comprehensive manner, it is possible to make the following conclusions: It can be said that the question "Is China practicing usury?" has begun to resonate in some news sources where China's high-interest loans are frequently brought to the agenda. However, the nature of usury, the characteristics of usurious states or what they are capable of, and the ways in which China is associated with usury are not explored in the above-mentioned articles. Because these evaluations are made in newspaper articles. These works do not provide a definition of usury, nor is usury directly identified with any state. Therefore, a holistic approach to usurious states and their actions is not yet available in the literature. It should be noted that when it comes to China, the issue is primarily discussed in the context of "debt trap diplomacy"[5].

However, the concept of "debt trap diplomacy" alone is not sufficient to explain China's lending policies. The authors of this study recognize that Beijing has practiced debt trap diplomacy. The main problem here lies in the actions of the states practicing this diplomacy. Hence, the behavior of these actors comes to the point through subjectively-intended meaning in the sense of Max Weber.6 This is what is problematic. Therefore, debt trap diplomacy is just one of the tools used by usurious states. This article approaches this issue from the actor's point of view, that is, in a sense, the states that practice debt trap diplomacy. In other words, according to the authors, the subjective meanings that actors assign to the behavior (usury) matters rather than the tools (debt trap diplomacy). In other words, what needs to be examined here and what needs to be questioned from the point of view of other states is the subjective meanings that states trying to have more than they need and almost aim to dominate developing countries for this purpose. In sum, today, the international community faces to the threat of usurer states that find their meaning in the above-mentioned description.

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[3]Ramesh, Akhil, "China in South Asia: Loan Shark or Lender of Last Resort?", The Diplomat, May 6, 2019, https://thediplomat.com/ 2019/05/china-in-south-asia-loan-shark-or-lender-of-last-resort/, (November 1, 2022).

[4] Hatton, Celia, "China: Big Spender or Loan Shark?", BBC News, September 29, 2021, https://www.bbc.com/news/world-asia-china-58679039, (November 1, 2022).

[5] Debt trap diplomacy is a concept coined by Brahma Chellaney in his 2017 article "China's Debt Trap Diplomacy". In this article, it is argued that China, as part of the One Belt One Road project, has been providing loans to developing countries that are impossible to repay and as a result, making the debtor countries dependent on itself [Chellaney, Brahma, "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, (November 10, 2022)].

[6] Weber, Max, Wirtschaft und Gesellschaft, Grundriss der Verstehenden Soziologie, Mohr Verlag, Tübingen, 1985, p.1.

**Usury**

The meaning of Murabaha (usury), a word of Arabic origin, is defined in the Ötüken Turkish Dictionary as selling goods with excessive profit, exceeding the interest rate determined by law, that is, usury, and a loan agreement with extreme interest conditions.[7] Halil Seyidoğlu, on the other hand, explained Murabahacı (usurer) as a person who occupies the unregulated money market and who lends at very high-interest rates without recognizing legal limits and makes this a source of profit. In a sense, this is an unorganized market and a money-lending transaction carried out illegally, off the books, and operates like a banking system.[8] In other words, individuals who do not have the credibility to obtain loans from banks may have to meet their needs from these people called usurers. This process is called usury or Murabaha.[9] In short, those who lend money to individuals at high-interest rates with a particular maturity are called moneylenders.

After these definitions, four conditions must be met for usury to occur. These can be listed as the aim of making a profit, the debt having a particular maturity, charging interest on loans well above legal limits, and systematic lending. On the other hand, moneylenders do not occupy under the authority of any institution. Since they make the individuals they lend money to sign high-interest promissory notes or operate entirely illegally, they grant loans without any documentation.

In a properly functioning economic system, individuals, organizations, or countries in need of cash turn to institutions that occupy legally and are regulated by the government to which they belong. Therefore, such individuals incur obligations under legislation or a contract, and the limits of their obligations are drawn. To put it another way, the loan, and the amount to be paid in return are clear. If there is any interest, it is determined within the framework of the rates determined by the Central Banks and Money Market Boards in the contracts signed by the parties. Legally secured lending transactions are recorded and monitored through supervisory mechanisms. This prevents economic exploitation and ireful expenditure of public resources by taking advantage of people's helplessness.[10] Loan sharks, on the other hand, consider themselves exempt from all these conditions and lend money illegally, collecting many times more than the cash they distribute.[11]

Almost every state legislated on the use of money and set an interest rate that financial institutions could charge, which in the late 19th century is set at around 6% per annum. However, the interest rates charged by moneylenders on the sums they lend are considerably higher than those charged by other financial institutions. For example, some moneylenders

[7]A loan agreement with interest conditions is also defined as a consumption loan agreement (loan contract). The most common type of these contracts is money lending. Consumption loan agreements form the basis of most credit relationships. In non-commercial transactions, interest cannot be demanded unless it is agreed in the contract. In contrast, in commercial loan relationships, it is possible to demand interest even if it is not agreed in the contract. This differs from a loan for use in that the borrowed item is consumed and replaced with its equivalent. However, in lending for use, the return of the borrowed thing itself is in question (Çağbayır, Yaşar, Ötüken Türkçe Sözlük, j-müt 3, Istanbul: Ötüken Publishing, 2007, p. 3308; Atak, Ali Selkor, Roma Hukukunda Tüketim Ödüncü Sözleşmesi (Karz Akdimutuum), Ph.D. Dissertation, Dokuz Eylül University, 2015, p. 6.

[8] Bahar, Kemal, Ödünç Para Verme (İkrazatçılık, Tefecilik ve Pos Tefecilik) İşlemleri ve Vergilendirilmesi, Ordu SMMMMO, p. 53, http://ordusmmmo.org.tr/assets/upload/files/odunc.pdf, (June 11, 2022).

[9] Seyidoğlu, Halil, Ekonomik Terimler Sözlüğü, Ansiklopedik Sözlük, Ankara: Güzem Publishing, 1992, pp. 601-602.

[10] Arslan, Çetin, Tefecilik Suçu, Ankara Barosu Journal, 2014/1, p. 27.

[11] Kagan, Julia, "What Is a Loan Shark?", Investopedia, November 29, 2020, https://www.investopedia.com/terms/l/loansharking.asp, (June 11, 2022).

charge high-interest rates ranging from 10% to 40% per month, depending on the loan size.[12] The gap between the interest rates in the two practices is undeniable. Morris R. Neifeld argues that the essence of usury agreements is to ensure the continuous renewal of interest yields. For this purpose, small loans are made to those in need, usually on short-term repayment plans.[13] In addition, usurers require certain guarantees in return for the money they lend. The most common are mortgages, promises to sell, foreclosures, and notes payable on real estates. However, there are also debtor-creditor relationships where no guarantees are required. In such cases, when payment is not made, the underworld is known to be involved by moneylenders.[14] Some loan sharks resort to illegal means such as pressure, threats, and force when they cannot return their money.

Taking advantage of the desperate situation of those in urgent need of cash, moneylenders set conditions that serve their interests and pave the way for these debts to become unpayable.[15] Ira U. Cobleigh, in her article on "How and Where to Borrow Money", emphasized that the main purpose of moneylenders is to "keep their customers in debt indefinitely, thus turning interest into almost an annual income".[16] The result is a picture that is favorable to moneylenders who seek to weaken the solvency of debtors. This situation manifests as follows: An individual who borrows money from a moneylender resorts to the moneylender again because he cannot pay the loan installments due to harsh conditions and has no other option. The moneylender then offers the borrower new loans with higher interest rates to make the payments. Consequently, the debtor, who experiences temporary relief, is repeatedly driven into a dead end when it comes time to pay. Under these circumstances, it is not possible to get out of the debt spiral.[17]

## Historical Background

Usury is not a practice unique to today. When we look at the practices that have already been carried out in the historical process, it is seen that they are similar to today's practices in some respects. Colonialism, which developed in the 19th century, created a rentier (fundholder) class. In fact, since these rentier states are seen as usurious states, they are easily associated with imperialist ambitions.[18] In other words, the world in that time is in a sense divided between "usurious states and indebted states".[19] For instance, in usury practices that reached their peak in the 1900s, moneylenders are generally known as salary creditors. The moneylenders of this period did not resort to violence in any way to collect debts. In this system, where borrowers are made to believe that loans are a legal obligation, collection methods have often taken the form of the purchase of part of their salaries. In case of non-payment by the debtor, collections are applied through methods such as seizure and litigation. No organized criminal activity is found in this type of loan sharking and care is taken not to engage in illegal initiatives. Essentially, they have always been promised quick and easy money. This system emerged in the United States after the Civil War (1861-1865).

[12] Nugent, Rolf, The Loan Shark Problem, Law and Contemporary Problems, Vol. 8, No. 1, Winter 1941, p. 5.
[13] Mayer, Robert, Loan Sharks, Interest-Rate Caps, and Deregulation, Washington and Lee Law Review, Vol. 69, No. 2, 2012, p. 812.
[14] Bahar, op. cit., pp. 53-54.
[15] West, Adam, "10 Non-Loan-Shark Loans for Bad Credit", Bad Credit, January 24, 2023, https://www.badcredit.org/how-to/non-loan-shark-loans-for-bad-credit/, (January 26, 2023).
[16] Mayer, op. cit., p. 812.
[17] West, op.cit.
[18] Lenin, Vladimir Ilyic, Emperyalizm: Kapitalizmin En Yüksek Aşaması, Süreyya, Cemal (Trans.), Ankara: Sol Publishing, 1974, p. 114.
[19] Atılgan, Semra, Küreselleşme Aldatmacası, Marmara İletişim Journal, Vol. 12, No.12, 2007, p. 40.

At first, pawnbrokers appeared on the market as small credit providers. This situation evolved over time to create a new initiative whereby some personal property (furniture, jewelry, etc.) is secured by mortgages and loans are extended to those in search of cash.[20]

The first usury practices mentioned above changed and evolved into a new understanding. New-age loan sharks, named after the predatory nature of sharks, have been described as individuals who look for weak prey and attack them when the time comes. The new moneylenders emerged in New York in the 1930s. In this new generation of lending, workers' incomes are dominated by a group of lenders. It is possible to find usurers practicing three different forms of lending. The first group of moneylenders lent small sums of money, ranging from $5 to $50, and charged high-interest rates, ranging from 10% to 40% per month, depending on the loan size. The second group of moneylenders usually secured their debts by creating securities mortgages on furniture. The moneylenders working in this way distributed loans ranging from $10 to $300 and charged interest rates of between 5% and 20% per month, depending on the size of the debt. Finally, the third group of moneylenders used unsecured promissory notes. This group made loans ranging from $10 to $60. In terms of amount, small loans are collected within a week and large loans within 10 months at most. However, these moneylenders reserved the right to seize debtors' salaries in the event of default, just like moneylenders who are salary creditors.[21] They have continuously increased their income through the interest they charge to debtors.[22] In general, the monthly interest rates charged on loans are high, ranging from around 10% to 20%.[23] This new type of loan sharks are more likely to have connections with the mafia. They were a group that resorted to violence when they could not collect their debts.[24] Moneylenders who lend money in this way have never tried to be legal. It is also known that these loan sharks are often linked to smuggling, gambling, extortion, and organized crime.[25] It should be noted here that the new moneylenders, like the old moneylenders, have trapped debtors in a debt spiral. This is because borrowers are constantly inclined to borrow to make principal and interest payments.[26] In addition to all these, usurers have resorted to various means to conceal the interest rates they charge on the loans they lend. These methods include making people sign blank promissory notes, giving cash without witnesses, and removing all evidence without issuing any receipts or invoices for the debt.[27] All these practices continue to take place in different forms today.

After World War II, countries that gained their independence from their colonial status strengthened both their economic and political dependence with the loans they received by submitting to moneylenders to ensure their development. These moneylenders began to appear in the form of states rather than individuals. When it came time to repay the loans, the country's assets are sold at very cheap prices, lender countries are allocated shares

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[20] Day, Meagan, "The Shark and the Hound: America's Long History of Predatory Lending", The Baffler, No. 37, Winter 2017, https://thebaffler.com/salvos/the-shark-and-the-hound-day, (June 13, 2022); Haller, Mark H. and Alvıtı, John V., Loansharking in American Cities: Historical Analysis of a Marginal Enterprise, The American Journal of Legal History, Vol. 21, No. 2, April 1977, p. 128.
[21] Nugent, op. cit., p. 5.
[22] West, op.cit.
[23] Simon, C. P., "Loan-Sharking", U.S Department of Justice, https://www.ojp.gov/ncjrs/virtual-library/abstracts/loan-sharking, (June 17, 2022).
[24] Mayer, Robert, "Loansharking" in Albanese, Jay S. (Ed.), The Encyclopedia of Criminology and Criminal Justice, Wiley-Blackwell, 2014, p. 2.
[25] Haller and Alvıtı, op. cit., p. 125.
[26] Mayer, "Loansharking", p. 2.
[27] Nugent, op. cit., p. 5.

in strategic investments, and valuable resources are sold. Some privileges are granted, such as control over the country's territory, and practices that compromised their political independence, such as voting in favor of creditor countries in international organizations, are allowed.[28] Gerhart von Schulze Gaevernitz notes that investments are primarily made in countries that are politically dependent and allied. Gaevernitz also emphasized that usurious countries acted like "bailiffs" and established political domination in exchange for loans.[29]

**Definition and Characteristics of Usurious States**

In the international system, usurious states behave just like loan shark individuals. In a sense, usurious states are actors that lend at high-interest rates without regarding to legal limits and turn this into a means of strategic self-interest. In line with the above-mentioned explanation, "usurious states" can be defined as follows:

"Usurious states lend high-interest loans to underdeveloped or developing antidemocratic countries with fragile economies, condemned to exploitation by incompetent rulers. In this respect, usurious states are actors that perpetuate and even make it impossible to repay the loans they have given for their own political or economic interests through new loans. Moreover, when repayments fail, these actors are the same states that have been deliberately seizing strategic assets, national revenues and assets in exchange for the debts of the countries in question."

Considering the assessments made above, the characteristics of usurious states can be summarized as follows: First, unlike international financial institutions, usurious states offer high-interest loans to achieve strategic interests. Second, usurious states occupy in an unorganized market. This shows that they are not subject to the supervision of any institution. Third, the liabilities of the states requesting loans are the lowest. Fourth, the usurious states do not put impose any conditions demanded by international organizations, such as democratization, the functioning of democratic institutions, and respect for human rights. Fifth, the primary purpose of usurious states is to perpetuate debt. Thus, usurious states condemn debtor countries to permanent dependence on them. Sixth, usurious states do not respect the principle of transparency in the distribution of loans. The primary reason for this is to avoid comparisons with other international lenders and to avoid being caught on the radar of debt monitoring systems. Seventh, usurious states demand various guarantees (control of natural resources, confiscation of public revenues, etc.) from countries in need in return for the loans they issue. This situation casts a shadow over the independence of debtor countries as it causes them to give up strategic assets. The above-mentioned characteristics of usurious states can be evaluated as follows:

The usurious states do not lend to borrowing countries at reasonable interest rates, like the World Bank and the International Monetary Fund, but at higher interest rates and with almost no preconditions. In a sense, international credit institutions act in an organized market, while usurious states are actors operating in unorganized markets, that is, markets that are not bound by any rules. Financial markets are divided into organized and unorganized "over-the-counter" markets. Organized financial markets operate under strict state control.[30] Here, all actions designed on an official and legal basis are carried out in strict compliance with legal rules. In addition, these actions are strictly monitored by relevant institutions and

[28] Vega, Juan Vega, The International Crime of Usury: The Third World's Usurious Foreign Debt, Crime and Social Justice, No. 30, 1987, p. 54.
[29] Lenin, op. cit., p. 114.
[30] İpekten, O. Berna, "Finansal Piyasaların Yapısı" in Sermaye ve Para Piyasaları, Atatürk University Open Education Faculty Publishing, 2014, p. 13.

organizations. Stock exchanges are examples of organized capital markets.[31] In unorganized markets, on the other hand, the opposite is true. Unorganized markets are entirely free from surveillance and operate well outside the rules set by law. In unorganized markets, where transactions in financial assets are conducted outside a central organization and on a negotiated basis, unlisted financial instruments are generally traded.[32] Such markets are widespread in developing countries. The most essential reason for this is that these countries still have a large informal economy.[33] This does not mean that the rules of a free-market economy do not exist. On the contrary, the basic principles need to be fulfilled completely. This prevents those who comply with the rules from being disadvantaged and unable to compete in the market.[34] The existence of an unorganized market, where supply and demand cannot be accurately determined, allows moneylenders to charge interest rates arbitrarily. Unlike in the credit markets, the customers of usurers are all people who have run out of hope, who are desperate for cash and who cannot meet their needs through legitimate credit institutions.[35]

So why do individuals or states turn to moneylenders or usurious states in such a market? The most crucial reason for this is the limited opportunities in the market. That is to say, individuals or states that cannot meet their demands due to narrow trade volumes, declining production and various bureaucratic obstacles turn to these markets.[36] Just like individuals who do not have the credibility to get loans from banks, states in need of credit, unable to get loans from international institutions, turn to usurious states to meet their needs. For the reason that, usurious states do not impose strict rules like international financial institutions. Just as individuals seek cash for unexpected illnesses, family needs, housing, gambling, or other debts,[37] countries may also fall prey to usury states to protect their territory, develop their infrastructure, serve their people, settle debts or cover up irregularities. One of the most essential reasons why debt-seeking states do not turn to international credit institutions is the inability of these states to fulfill the conditions put forward by these institutions. Among the political reasons stipulated by international organizations, human rights violations, and deficits in democracy play a significant role, especially in the debt claimant countries. In such a situation, usurious states have no qualms about lending or borrowing, focusing on their profits or strategic interests without considering the violations of human rights and democracy. In addition, lenders seek to make repayments as difficult as possible, as they want to increase their loan volumes continuously. The pressure on debtors puts them in difficult situations. While this situation can manifest itself in individuals who cannot pay their debts, with consequences such as family breakdown, theft, suicide, etc.[38] indebted states, it can manifest itself in bankruptcy, the collapse of their institutions, becoming open to foreign interventions and the plundering of all their resources. As a result, when borrowing states cannot repay their debts, usurious states can seize the strategic resources of these countries.

[31] Yetiz, Filiz, Finansal Derinleşme ve Ekonomik Büyüme, Çukurova University Journal of Economics and Business Administration, Vol. 20, No. 1, June 2016, p. 111.
[32] İpekten, op. cit., p. 13.
[33] Yetiz, op. cit., p. 111.
[34] Arslan, op. cit., p. 30.
[35] The degree of sensitivity of consumers' demand for a good to changes in its price is expressed by the concept of elasticity of demand. In other words, it is the percentage change in the quantity demanded in response to a 1% change in the price of a good (Stock, Ronald Gold and Coenen, Dan T., Perspectives on the Investigation and Prosecution of Organized Crime, Extortionate and Usurious Credit Transactions: Background Materials, Cornell Institute on Organized Crime Summer Seminar Program, 1978, p. 10).
[36] Bahar, op. cit., p. 54.
[37] Haller and Alvıtı, op. cit., p. 128.
[38] Nugent, op. cit., p. 5.

When we look at the countries that have fallen into the lap of usurious states, we see that these actors, like individuals, are countries that spend or squander their resources in vain. In other words, the situation of these countries is not much different from those who borrow money from moneylenders at the gambling table. Just as those who borrow money from moneylenders during games of chance lose it at the gambling table, countries that borrow money from usurious states without following rules or regulations do not use it properly. In other words, the loans obtained by mortgaging the country's resources are not transferred to production areas. These sums are more likely to be used in inefficient areas or embezzled by corrupt politicians.

The usurious states want to bend the countries in the international system to their will. First, these states try to lure countries to them by offering attractive conditions for lending through banks, other credit institutions and various institutions. They then have the power to control borrowers by manipulating the loans as they wish (by increasing or decreasing the amount or by making payments easier or more complex). This, in turn, paves the way for usurious states to put a mortgage on the fate of debtor countries in the future.[39] With the predatory lending method used by the usurious states, developing countries become more impoverished so that they will accept anything that is imposed on them.[40]

**Case Study: People's Republic of China**

In today's international system, China is the only actor that can be characterized as a usurious state according to the principles set out above. Because in the 21st century, the state in question behaves as if it is the representative of usury.[41] Like an octopus, the usury network created by economically powerful states envelops developing countries. In a way, China stands out as the most significant and reckless representative of international usury in the current century, as can be seen from the practices outlined below. The high-interest loans provided by Chinese government-sponsored institutions and the collateral required in return have led to Beijing being described as an actor engaged in usury.

As is well known, political loans collateralized by commodity revenues have existed in the past. In fact, China's lending today is in many ways similar to the foreign loans[42]

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[39] Lenin, op. cit., pp. 40-41.
[40] Day, op. cit., p. 45.
[41] Vega, op. cit., p. 55.
[42] Describing French imperialism as "usurious imperialism", Lenin emphasized that the French government applied this method, especially between 1890-1910. The fact that France's capital investments are mostly in the form of loans and government bonds caused it to be characterized as a usurer compared to other colonial countries. This country's foreign capital investments have been mainly made in Europe and especially in Russia. For example, France, as a result of its loans to Russia and the trade agreement it concluded in 1905, drove Russia into a financial corner. Thus, it is possible for France to enrich itself through usury even though there is no revival in its industry or trade. However, when the debts owed to France are suspended as a result of the Russian Revolution, France intervened militarily and supported the Menshevik generals in their struggle against the Bolsheviks in the hope that the Russian Tsar would repay the debts. One of the reasons why France is called a usurer in the 19th century is that it never exported capital to its colonies. While France's capital mobility is initially based on debt and government bonds, it later turned into direct investments in areas such as banking and mining [see Lenin, op.cit.; Atılgan, op.cit.; Toussaint, Eric, "Russia: Origin and Consequences of the Debt Repudiation of February 10, 1918," CADTM, February 8, 2022, https://www.cadtm.org/Russia-Origin-and-consequences-of-the-debt-repudiation-of-February-10-1918, (June 18, 2022); Toussaint, Eric, "Russian Bonds Never Die," CADTM, August 9, 2017, https://www.cadtm.org/Russian-bonds-never-die (June 18, 2022); Gücüm, Kuntay, "Koronavirüsten Sonra Küreselleşme", Teori, May 9, 2020, https://teoridergisi.com/index.php/makale/koronavirusten-sonra-kuresellesme, (17 June 2022); Toussaint, Eric, "Rosa Luxemburg and Debt As an Imperialist Instrument: Part 1," MR Online, February 12, 2020, https://mronline.org/ 2020/02/12/rosa-luxemburg-and-debt-as-an-imperialist-instrument/, ( June 17, 2022)].

extended by France, Germany, and the United Kingdom in the 19th century, as well as to the demand for credit by natural resource-rich and underdeveloped countries in the 1970s.[43] Today, however, China's usury is more troubling in terms of its potential to undermine the functioning of the modern international system and its consequences. Looking at China in this context, Beijing has come a long way in extending loans and grants since the 1950s, when it began lending to its communist allies. Although the number of foreign loans extended by China in the 1980s and 1990s remained very low, following the "opening up policy"[44] that started in the 2000s, there has been a significant increase in the number of loans extended. Of course, this has been directly proportional to China's economic development and its growing share in world GDP.[45] Beijing has become the world's largest exporter of goods and capital. This is why China has accumulated trillions of US dollar worth of foreign reserves over the last 30 years and why the Chinese government has been looking for an outlet to redirect the excess cash in its treasury, one of the initiatives it has undertaken for these purposes is the One Belt One Road project.[46] Within the scope of this project, the Beijing administration, which tries to direct its economic power to the geopolitical arena, has been trying to increase its commitment to developing countries. Through high-interest loans, it both accelerates the flow of money to these countries and regions and economically dominates countries that are unable to repay. China has become the world's largest creditor, lending to underdeveloped countries in Asia, Europe and Africa for the construction of roads, bridges, ports and power plants.[47] In this context, it should be noted that China, a world giant in many respects, has also gone far in usury. The Chinese government has made its loans conditional on the borrower states. The United States has consistently criticized this initiative, as the infrastructure financed by these loans is part of the One Belt One Road project supporting China's world hegemony. Former US Secretary of State Rex Tillerson in his speech at the Center for Strategic and International Studies (2017) and US Vice President Mike Pence in his speech at the Asia-Pacific Economic Cooperation Summit (2018) slammed China for its "usurious" practices.[48] The Chinese government provides development assistance to foreign countries, often through state-funded banks, most of which are loans linked to the One Belt One Road project.[49] Profits from Chinese-financed projects are often insufficient to repay the loans. However, Beijing does not care as long as it can seize

[43] China's lending operations between 2008 and 2015 are similar to the lending cycle of the 1970s. Most of the main borrowers are developing and resource-rich countries that have not had access to international capital markets for decades. However, from the early 1970s onwards, these countries typically began to borrow large sums of money from the United States, Europe, and Japan in the form of bank loans (see Horn, Sebastian, Reinhart, Carmen and Trebesch, Christoph, China's Overseas Lending, Kiel Working Paper, No. 2132, 2019, p. 12).

[44] It is the policy that began to be pursued in 1978 under the leadership of Deng Xiaoping. This policy has accelerated China's transformation from a poor, underdeveloped, and centrally planned economy into a market-driven economic powerhouse. China's reform and opening-up policies brought private enterprise and market incentives to a state-led communist system. Today, private firms contribute about 70% of China's GDP [Preen, Mark, "Economic Reform in China: Current Progress and Future Prospects", China Briefing, April 3, 2019, https://www.china-briefing.com/news/economic-reform-china-opening-up-future-prospects/, (September 18, 2022)].

[45] Horn, Reinhart and Trebesch, op. cit., p. 12.

[46] Sharma, op.cit.

[47] Karic, Tijana, World Youth Academy, https://worldyouth.academy/blog/debt-trap-diplomacy-chinas-loan-sharking/, (September 17, 2022).

[48] Ramesh, op.cit.

[49] Hatton, op.cit.

the countries' valuable underground or surface resources if the debt is not paid. In fact, China does not care much about where the loans are spent, as it is pursuing other objectives.[50]

In testing the hypothesis of this study, it is found that the loan conditions provided by Chinese institutions overlapped with the practices of moneylenders in ancient times. In the following section of the study, this issue is elaborated upon, and the characteristics of usurious states and the hidden side of Chinese loans are illuminated with a holistic approach. Before addressing the Chinese government's usury-like policies, it is necessary to briefly mention the institutions through which Beijing distributes loans and their characteristics. Immediately afterward, the issue of interest rates, which is the reason why a country is characterized as a usurious state, must be discussed. The repayment terms of these loans are then explained in line with the definition of "usurious states" put forward by the authors of the study.

First, it is worth mentioning the institutions through which Beijing distributes high-interest loans and the functioning of these structures. China's official development assistance is broadly divided into four categories. These include grants or interest-free loans provided by the government (ministries), concessional loans distributed through development banks or large multilateral financial institutions[51], non-concessional loans provided by public banks[52], and commercial bank loans secured by official insurance companies.[53] The Export-Import Bank of China and the China Development Bank account for more than 75% of Beijing's overseas lending volume. Other government agencies, such as the Ministry of Trade, play only a secondary role in this context.[54] China's Ministry of Commerce offers interest-free loans to states through "Economic and Technical Cooperation Agreements". When debtor countries have difficulties repaying their debts to the Beijing government, these are often the first loans to be forgiven or deferred. However, it should not be noticed of the fact that such loans account for only 5% of Chinese lending. Concessional loans offered by the Export-Import Bank of China are denominated in yuan. On the other hand, the bank also offers loans to public institutions that want to export from China. The interest rates on these US dollar-denominated loans are higher than on concessional loans. They also have shorter maturities and deferment periods. The China Development Bank and Chinese state-owned commercial banks (Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Agricultural Bank of China) offer loans with no concessions or special concessions.[55] After these general remarks, the first and most crucial characteristic of usurious states - lending at high-interest rates - needs to be examined in the case of China.

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[50] Oke, Tayo, "China: Generous Lender or Loan Shark?", Punch, August 25, 2020, https://punchng.com/china-generous-lender-or-loan-shark/, (September 10, 2022).

[51] Concessional loans are loans granted on more favorable terms (low-interest rates, deferred repayments, etc.) than the borrower can obtain in the market (see, https://stats.oecd.org/glossary/detail.asp?ID=5901, (September 16, 2022).

[52] Non-concessional loans include a market-based interest rate. They are loans granted on less generous terms than concessional loans (see, “Origins of the Sustainable Development Finance Policy”, IEG World Bank Group, https://ieg.worldbankgroup.org/evaluations/international-development-associations-sustainable-development-finance-policy/chapter-2, (September 16, 2022).

[53] Oke, op.cit.

[54] Horn, Reinhart and Trebesch, op. cit., p. 20.

[54] Custer, op. cit., p. 6.

**Table 1:** Lending Terms of Chinese Institutions

| Institution | Credit Type | Interest Ratio (Year) | Maturity (Year) | Postponement Duration (Year) |
|---|---|---|---|---|
| Export-Import Bank of China* | Concessional | 2-3% | 20 | 5 |
| China Development Bank | Uncompromising | LIBOR**+ 2-3% | 15 | 3 |
| Chinese Ministry of Commerce | Interest-free | 0% | 20 | 10 |
| State-Owned Commercial Banks (Bank of China, Industrial and Commercial Bank of China, Construction Bank of China and Agricultural Bank of China) | Uncompromising | LIBOR + 1-4% | 15 | 5 |
| State Owned Enterprises (Sinohydro and China Mechanical Engineering Corporation) | Uncompromising | 0.2% or LIBOR + 4% | 7-17 | 0-5 |

**Sources:** Gelpern, Anna, Horn, Sebastian, Morris, Scott, et al., How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments, Peterson Institute for International Economics, Kiel Institute for the World Economy, Center for Global Development, and AidData at William & Mary, 2021, p. 12 and p. 57-58 ; Custer, Samantha, China's Influence in South and Central Asia: Competition in the Indian Ocean and China's Engagement with Sri Lanka and the Maldives, AidData, 2022, p. 6.

* Loans granted by the Export-Import Bank of China to state-owned enterprises wishing to export from China are uncompromising. The terms of loans in this group vary according to the creditor institution and the borrower country. The average interest rate is 5% per annum and the maturity is 13 years (see Horn, Reinhart and Trebesch, op. cit. p. 53-54).

** The term LIBOR (London Inter Bank Offered Rate) stands for the interest rate applied to interbank lending transactions in the London money markets. LIBOR is set daily by the British Bankers' Association. LIBOR is a reference rate for international banking markets [see https://www.imf.org/external/pubs/ft/eds/Eng/Guide/file6.pdf 261, (November 21, 2022)].

An analysis of the interest rates on loan agreements of Chinese institutions in Table 1 reveals that the average interest rate is 2% to 3% for loan agreements with maturities ranging from 15 to 20 years. The lion's share of Beijing's lending is carried out through the Export-Import Bank of China. The base interest rates on loans offered by the China Development Bank, Chinese commercial banks, and state-owned enterprises are set according to LIBOR. However, it is necessary to mention an essential point here. Although Chinese lenders apply the above-mentioned interest rates (2-3%), it has been found that some countries borrow at much higher interest rates. To elaborate on this issue, for example, in 2010, Ecuador borrowed $1.7 billion from the Export-Import Bank of China at an annual interest rate of 6.9% with a maturity of 15 years to finance the Coca Codo Sinclair Hydroelectric Power Plant project. Similarly, Angola borrowed a total of $20 billion from Chinese state-owned banks at an average interest rate of 6% and maturities ranging from 12 to 17 years.[56] As seen, Chinese loans have high-interest rates and short-term repayment schedules. In short, Beijing tries to collect its loans as soon as possible.[57] One of the most significant reasons why China is characterized as a usurious state is the high-interest rates of up to 7% charged by Chinese

[56] Horn, Reinhart and Trebesch, op. cit., p. 21.

[57] Fuhrman, Peter, "China's Loan Shark Economy", Nikkei Asia, March 11, 2015, https://asia.nikkei.com/Viewpoints-archive/Perspectives/Chinas-loan-shark-economy, (September 17, 2022); Sharma, op.cit.

institutions. In addition, the China Development Bank, which provides only non-concessional loans, also has very high-interest rates, generally between 3-6%. The bank rarely charges low-interest rates. For example, the China Development Bank offered an interest rate of 2% to acquire the Jakarta-Bandung High-Speed Rail project, which is fiercely competed for by China and Japan. However, this rate is far from being comparable to the 0.1% interest rate offered by Japan for the same project.[58] So even when China offers low-interest rate loans, the rate is still relatively higher compared to other countries. This issue is discussed in more detail in the following sections.

In this context, the financial conditions in which China gives credit are also fundamental. In other words, the following evaluations can be made about the lending conditions of credit institutions by the Beijing administration: First of all, some reasons for China's ambition to lend money to foreign countries are securing the natural sources it needs, creating new markets for industrial input, utilizing currency surplus and geopolitical considerations.[59] Besides, among the leading conditions suggested for benefiting from Chinese credits for a country is to carry out a project in which Chinese people participate and employ Chinese workers.[60] So, what is the main reason why China encourages projects undertaken by its own companies in the countries to which it lends? In fact, what the Beijing administration wants from this is to ensure that the borrowed money given to foreign countries returns to China.[61] Thus, China is trying to prevent non-Chinese investors or workers from being employed in projects in foreign countries by making the states to which it lends money dependent on itself. In this way, the Beijing administration tries to control all of the markets it gets into.

As pointed out above, another characteristic of usurer states is a security deposit required for loans. Repayments of loans China made are secured mainly through means of seizing debtor countries' raw materials, agricultural products export incomes, or government enterprises' profits as stated in usurer states' characteristics.[62] Therefore, the main feature of Chinese loans distributed under the name of development assistance is that they have a commercial character rather than having an official and legal aspect.[63] Especially, the leading state banks China Development Bank and Exim Bank of China are in a struggle for growth in their profits.[64] Another crucial subject to be indicated here is, the loans that are given by the institutions supported by the Beijing administration focus on countries that have rich natural sources and can be guaranteed. For instance, while countries rich in natural resources are entirely suitable for China's loans, loan demands of other countries are rejected. In short, Beijing is not giving these loans randomly. The primary matter is benefitting from natural sources efficiently.[65] While countries rich in natural resources like Ecuador, Zambia, and Angola use these resources as security deposits, countries poor in natural resources promise

[58] Chen, Muyang, Official Aid or Export Credit: China's Policy Banks and the Reshaping of Development Finance, GCI Working Paper 1, June 2018, p. 3.
[59] Dawson, Jeff, "A Closer Look at Chinese Overseas Lending", Liberty Street Economics, November 9, 2022, https://libertystreeteconomics.newyorkfed.org/2022/11/a-closer-look-at-chinese-overseas-lending/, (October 15, 2022).
[60] Horn, Reinhart and Trebesch, op. cit., p. 21.
[61] Karic, op.cit.
[62] Sharma, op.cit.
[63] Horn, Reinhart and Trebesch, op. cit., p. 21.
[64] Sundquist, James, Bailouts From Beijing: How China Functions As an Alternative to the IMF, GCI Working Paper 15, 2021, p. 4.
[65] Sundquist, op. cit., pp. 5-12.

to pay their debts with the income they earn from the projects they will carry out on their lands. [66]

What will happen in this situation if the loans taken by the debtor countries are not paid back? What China waits impatiently for is debtor countries lapsing into default. So, how will the required deposits be paid in exchange for the debt? In the practices carried out so far, the balance dues of the debts of the countries indebted to China have either been extended or their risk premiums have been increased. As a result of this situation, the debts of the countries in question have continued exponentially. As recalled, another of the characteristics of usurer states was to ensure the systematic continuity of the debt. Thus, China easily mortgages the futures of debtor countries.[67] In other words, Beijing heads for confiscating the assets of countries when the due installment payments are not paid. For example, when Laos wanted to implement a railway project worth 5.9 billion dollars through a Chinese loan, it received a loan of 480 million dollars from a consortium of state-owned companies under the leadership of the Exim Bank of China in the first stage. Laos was trying to pay back the loan with the revenues it earns from potassium mines and was on the brink of bankruptcy in 2020 when it could not manage this. In this context, the Laos government, which requested debt relief from creditors, was forced to hand over a part of the Laos Electricity Transmission Corporation to China for 600 million dollars.[68] The security deposits demanded by China in the loan agreements also have an effect that will put the borrowing countries in difficulty. Angola signed a loan agreement with China for 2 billion dollars in 2004. Angola, which wants to make payments through oil sales, has experienced severe problems in the discharge of the debt because Angola's oil production has fallen contrary to what was expected in the period in question. The Chinese company Sinopec's acquisition of some of the shares belonging to the Angolan oil company Sonangol was even added to the agenda due to the increase in the total debt to 25 billion dollars, but the process of selling the shares has not yet been initiated.[69] Another example here is Guinea, which signed a financing agreement guaranteed by bauxite in exchange for the construction of two road projects worth $ 587 million in 2017 with the support of organizations such as the Industrial and Commercial Bank of China and the Exim Bank of China.[70] Similarly, the syndicated loan[71] borrowed from the Industrial and Commercial Bank of China and the Exim Bank of China to develop and expand a port in Sierra Leone threatens the economic independence of the country.[72]

When these non-legal collateral arrangements and the payback terms of the contracts are examined, it is understood that China's loan agreements contain more detailed terms than other examples in the credit market. These can be listed as follows; not disclosing the contract terms, opening an escrow account in a bank to secure payback, and not structuring

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[66] Kern, Andreas and Reinsbergyz, Bernhard, The Political Economy of Chinese Debt and IMF Conditionality, Global Studies Quarterly, Vol. 2, No. 4, 2022, pp. 2-6.
[67] Sharma, op. cit.
[68] Hatton, op. cit.
[69] Whitehouse, David, "Seeking Debt Relief, Angola Opens Door of Oilfield to China", The Africa Report, June 16, 2020, https://www.theafricareport.com/29991/seekin, (10 May 2022).
[70] Usman, Zainab, "What Do We Know About Chinese Lending in Africa?", CARNEGIE, June 2, 2021, https://carnegieendowment.org/2021/06/02/what-do-we-know-about-chinese-lending-in-africa-pub-84648, (September 21, 2022).
[71] Syndicated credit is outsourcing provided by a large number of lending institutions under the leadership of a leading bank. The interest rate of syndicated loans varies. A fixed value added on interest rates, such as LIBOR or EURIBOR, is used. The main purpose of such loans is to provide funds (see Yılmaz, Eyyüp, Sendikasyon Kredileri, Öneri Journal, Vol. 5, No. 19, 2003, pp. 145-154.)
[72] In 2017, China provided a loan of US$659 million to Sierra Leone for the upgrade and expansion of Queen Elizabeth II Dock in Freetown (see Gelpern et al., op. cit., p. 31).

the debt at the Paris Club. The arbitrariness of acting in an unorganized market, considered one of the characteristics of usurer states above, is manifested in these practices of China. In short, details of installment loans or any event of default are not published. In addition, arbitrary actions are being taken by breaking the rules laid by the laws. Here, lending contracts are usually in the form of commercial loans containing privacy conditions. All these provisions are not in use for other international credit institutions. On the other hand, Chinese banks usually require debtor states to have a certain amount of cash in an account in an overseas country giving the creditor the right to access it. To set an example, by an agreement between the China Development Bank and the Economic and Social Development Bank of Venezuela, Venezuela has been approved to withdraw money from a joint account in an overseas country if it pays the installment of the loan to China. Another interesting practice is that countries that owe money to China cannot apply to international organizations such as the Paris Club, the International Monetary Fund, and the World Bank to restructure their debts under any circumstances.[73] The agreements also enable aspects for China such as canceling loans or making changes in the fixed-term plan.[74]

Another feature of usurer states is the violation of the principle of transparency. China also disregards this significant principle. China primarily makes a confidentiality agreement with the debtor countries not to disclose the terms of the loan just as loan sharks act illegally without the need for any documents,[75] Beijing denies "global partnerships", which are safety valves designed to increase the transparency of provided aid. That is to say, while China ignores the principle of transparency, Western credit institutions consider this principle as a strategic necessity.[76] Loans are not issued directly by the Chinese government, but rather are opened through related organizations. Also, the loans granted by the companies cannot be observed through the "international debt monitoring systems" since they are not duly registered.[77]

Finally, it should be emphasized here that China's main intention is not to develop countries but it is only trying to make indebted countries dependent on themselves. China's loan supports are often used to aid unproductive projects such as cultural centers, stadiums, airports with low passenger traffic, dysfunctional bridges, and government facilities that provide limited or temporary economic benefits.[78] For instance, Tajikistan has built the largest flagpole in the world with a part of the 40 million dollars loan taken from China, which can be considered a usurer state according to the conceptualization above. In addition, the Tajikistani administration has allocated a significant part of the 310 million dollars loan it received from China in 2018, amounting to 230 million dollars, for the construction of the parliament building.[79] Therefore, what can be concluded is that the obligations of the states requesting loans are at the lowest level. In other words, what the borrowing countries do with the amounts given to them is not very important to China. One of the characteristics that usurer states are looking for in the countries where they give loans is this type of low awareness of responsibility and prodigality.

[73] Gelpern et al., op. cit., p. 35.
[74] "Database Reveals Secrets Of China's Loans To Developing Nations, Says Study", Reuters, March 31, 2021, https://www.reuters.com/article/uk-china-emerging-debt-idUSKBN2BN14H, (November 18, 2022).
[75] Horn, Reinhart and Trebesch, op. cit., p. 21.
[76] Cormier, Ben, Chinese or Western Finance? Ransparency, Official Credit Flows, and the International Political Economy of Development, The Review of International Organizations, 2022, pp. 7-8.
[77] Horn, Reinhart and Trebesch, op. cit., p. 9.
[78] Mlambo, Courage, China in Africa: An Examination of the Impact of China's Loans on Growth in Selected African States, Economies, Vol. 10, No. 154, 2022, p. 10.
[79] Türk, Fahri, Büyük Güçlerin Kıskacındaki Ülke Tacikistan, Ankara: Nobel Publishing, 2022, p. 75.

## Comparison of Chinese Loans with Other International Organizations

The following conclusion can be made when comparing the lending conditions that caused the characterization of China as a usurer state with the obligations imposed by other international organizations and states: First of all, it is pretty challenging to make an empirical comparison about the loans granted by China and other international organizations. Because the contracts signed by Beijing contain confidentiality clauses that prohibit disclosure of loan terms, as mentioned above.[80]

The development assistance provided by China and Western countries is relatively different. While Western organizations consider economic concerns when granting loans, China puts forward many political conditions in addition to the above-mentioned economic concerns to the countries requesting loans. In this regard, Beijing expects these countries to support its "One China" policy invariably. In other words, countries that recognize Taiwan are unlikely to receive development assistance from China.[81] Another condition for a country to benefit from Chinese aid is that it makes specific political commitments, which occur in the forms of political cooperation, not to support the Uighurs, to vote in favor of China in polls held at United Nations sessions.[82]

It can be argued that US foreign aid is mainly dependent on the mutual interests of states and that Washington even prioritizes countries that are free of authority misuse, political corruption, and human rights abuses. Western countries, on the other hand, apply the same criteria to those seeking loans. In the context of development assistance, Germany, Japan, the United Kingdom, and the United States focus mainly on the needs of countries seeking loans. Since the "One China" policy shapes Beijing's lending system, the interests of this country go far ahead of those of the states it financially supports. [83] Additionally, a significant portion of China's lending (65%) is used to finance infrastructure projects. Countries that traditionally focus on development assistance tend to focus more on social areas (health, education, and humanitarian aid). Unlike other Western countries, a significant portion of China's lending is financed by state-owned banks or commercial enterprises. [84] Despite the existence of many international lenders, the transparency of their conditions, and the equal application of these conditions to all, the main reason why developing countries turn to China is that they cannot meet the basic application requirements of international lenders. [85] Western states and institutions emphasize democracy and respect for human rights. Since China does not care about this, the country's credit institutions are preferred by developing countries, especially those that adopt authoritarian and totalitarian governance. [86] The main reason for international institutions to limit the amount of credit allocated to developing countries is the weak institutionalization and high probability of delinquency in these countries. [87] The disregard for democratic institutions and the disrespect for human rights, as it will be recalled, is one of the characteristics of usurious states. Therefore, with this attitude, China also fulfills this characteristic of usurious states.

An assessment of the loan conditions put forward by international credit institutions and Chinese state-owned banks reveals that China's loans to foreign countries involve high-

[80] Mlambo, op. cit., p. 10.
[81] Hoeffler, Anke and Sterck, Olivier, Is Chinese Aid Different?,World Development, No. 156, 2022, p. 2.
[82] Shamiev, Sherzod, China's Policy of Political and Lending Conditionality: The Case of Chinese "Debt-trap Diplomacy" in Central Asia, Master's Thesis, OSCE Academy, 2019, p. 74.
[83] Hoeffler and Sterck, op. cit., pp. 13-14.
[84] Usman, op. cit.
[85] Mlambo, op. cit., p. 10.
[86] Hatton, op. cit.
[87] Gelpern et al., op. cit. p. 9.

interest rates and short maturities, in contrast to loans from other international actors such as the World Bank or the International Monetary Fund. [88] For instance, China's interest rate is higher than the rates demanded by organizations and countries such as the World Bank, France, and Germany. Chinese loans are usually short-term. For that to be explained, other international lenders lend to developing countries with an average maturity of 28 years, while the maturities offered by China are limited to an average of 15 years. In some cases, this maturity may even fall below 10 years. [89] On the other side, while development loans from countries such as Germany, France or Japan have an interest rate of 1.1% and rarely include collateral requirements, a typical loan offered by Chinese institutions has an average interest rate of 4% and often requires collateral. [90]

Here, it is necessary to mention the World Bank, one of the biggest supporters of underdeveloped countries, to reduce poverty and increase common prosperity and the credit conditions of this institution. The World Bank provides financial assistance to governments and focuses on strengthening the private sector in developing countries. The World Bank provides services such as technical assistance, political risk insurance, and dispute resolution via institutions such as the International Development Association, the International Bank for Reconstruction and Development, the International Finance Corporation**,** the Multilateral Investment Guarantee Agency,[91] and the International Center for Settlement of Investment Disputes.[92] Unlike China, which provides commercial loans, the World Bank does not set interest rates according to the risk condition of countries. For this reason, the conditions of loans distributed to underdeveloped and developing countries for the mentioned bank do not differ much. The World Bank helps these countries with payback plans even if the debtors become overdue.[93]

**Table 2:** Comparison of Loans from the People's Republic of China and the World Bank

| **People's Republic of China** | | | |
|---|---|---|---|
| Region | Weighted Average Interest Rate (annual) | Weighted Average Maturity (year) | Weighted Average Postponement Period (year) |
| Sub-Saharan Africa | 2.91% | 17.1 | 5.7 |
| East Asia | 2.52% | 15.1 | 5.7 |
| Europe and Central Asia | 5.21% | 18.8 | 5.1 |
| Latin America and the Caribbean | 5.81% | 11.5 | 2.1 |
| The Middle East and North Africa | 3.33% | 13.9 | 3.3 |
| South Asia | 3.49% | 16.9 | 4.5 |
| **The World Bank** | | | |
| Sub-Saharan Africa | 0.85% | 28.3 | 9.5 |
| East Asia | 1.81% | 18.8 | - |
| Europe and Central Asia | 2.52% | 13.1 | 6.6 |
| Latin America and the Caribbean | 3.02% | 11.3 | 7.2 |

88 Horn, Reinhart and Trebesch, op. cit., p. 5.
89 Wang, Kai, "Çin Yoksul Ülkeleri Borç Tuzağına mı Düşürüyor?," BBC News Türkçe, January 7, 2022, https://www.bbc.com/turkce/haberler-dunya-59892272, (July 10, 2022).
90 Custer, op. cit., p. 14.
91 Sundquist, op. cit., pp. 1-2.
92 While the International Development Association focuses on the poorest countries in the world, the International Bank for Reconstruction and Development helps developing countries and countries high in creditworthiness. The International Finance Corporation**,** the Multilateral Investment Guarantee Agency, and the International Center for Settlement of Investment Disputes, on the other hand, focus on strengthening the private sector in developing countries (see Sundquist, op. cit., pp. 1-2).
93 Custer, op. cit., p. 5.

| | | | |
|---|---|---|---|
| The Middle East and North Africa | 2.79% | 17.6 | 5.8 |
| South Asia | 1.59% | 21.8 | 7.9 |

**Sources:** The data are summarized by the authors in the table of Morris, Scott, Parks, Brad and Gardner, Alysha, Chinese, and World Bank Lending Terms: A Systematic Comparison across 157 Countries and 15 Years, CDG Policy Paper, No. 170, 2020, pp. 40-41.

After examining Table 2, it is generally seen that World Bank credit conditions have lower interest rates, longer maturities, and postponement periods compared to China. In the table above, which shows that loan terms vary by region, it is understood that the average interest rate on a Chinese loan is 3.8%. This rate is almost twice the average interest rate of a World Bank loan of 2%. In addition, the average maturity of Chinese loans was recorded as 15.5 years, and the World Bank as 18.4 years. The maturities of Chinese loans are slightly shorter compared to the World Bank. However, the average postponement period for World Bank loans is 6.1 years, while the postponement period for Chinese financial institutions is 4.4 years.

Today, the most concessional loans of the World Bank are given with a fixed interest rate of 1.54%, a 10-year postponement, and a 40-year maturity. These conditions are offered to underdeveloped countries through the International Development Association. The least compromising loans the Bank offers to developed countries through the International Bank for Reconstruction and Development are fixed loans at the 6-month LIBOR reference rate. These are usually lent for 18 to 20 years and over LIBOR plus 205 base points.[94] For example; there are two main differences between China's lending approach and the World Bank's foreign aid policies. First, Chinese credit institutions focus on ruinous profits compared to the World Bank. Secondly, Chinese credit institutions do not pay attention to the repayment capacity of a debtor country because they want their customers to default. The World Bank, on the other hand, does not have such treatment for borrowers.[95]

Another lending institution, the International Monetary Fund[96], offers concessional loans through the “Poverty Reduction and Growth Foundation". This institution has three concessional lending facilities: extended loan[97], reserve loan[98], and fast loan.[99]. Although these have different maturities and postponement periods, they are all interest-free today. The postponement period of extended loans with a maturity of 10 years is 5.5 years. The postponement period of reserve loans with eight-year maturities is 4 years. Fast loans are loans with a postponement period of 5.5 years and a maturity of 10 years.[100]

In the light of the above-mentioned information, it is inferred that the concessional loans of the fund in question do not contain an interest rate. In a way, the interest-free loans of the Chinese Ministry of Commerce (20-year maturity, 10-year postponement period)

[94] Custer, op. cit., p. 15.
[95] Morris, Parks and Gardner, op. cit., p. 7.
[96] It serves to stabilize the international monetary system. The IMF provides loans to countries with balance of payments difficulties and assists members. It provides privileged financial support in less developed countries to help them achieve a lasting poverty reduction for a sustainable macroeconomic position (see “How Does the IMF support Low-income Countries?”, International Monetary Fund, https://www.the IMF.org/en/about/Factsheets/IMF-Support-for-low-income-Countries, (November 21, 2022).
[97] These are medium and long term commitments entered to find a solution to long-term balance of payments problems (see Ibid., November 21, 2022).
[98] Current or potential short-term balance of payments are used to finance countries in need during economic recessions caused by internal or external shocks (see Ibid., November 28, 2022).
[99] They are rapid financial assistance with a single upfront payment for less developed countries facing urgent balance of payments needs (see Ibid., November 28, 2022).
[100] Ibid.

seem to be more advantageous here. However, it should be noted again that only 5% of the loans distributed by Chinese organizations are in this way. Therefore, there is no need in comparing loans in this class with other organizations. So, what are the other conditions for getting a loan from the International Monetary Fund that make it possible to compare with China? When a country in question borrows from the fund, it agrees to adjust its economic policies according to the fund's guidelines. The organization acts according to economic criteria subject to observable and regular reviews. The allocation of funds depends on compliance with quantitative performance criteria such as international reserves and budget deficits or borrowing targets consistent with the program objectives.[101] Unlike the Chinese-controlled organizations, the International Monetary Fund does not lend money for projects in need of financial resources. A government in question and the fund must strictly agree on the economic policies of the country requesting the loan.[102] In addition, this organization does not accept payback in any currency other than US dollars. Conversely, the Chinese government has a wider field of action in this regard and continues to lend in different currencies. Although the International Monetary Fund aims to solve the economic problems of borrowers, it sets conditions for them to make radical reforms. In contrast, China usually provides loans on the condition that resources are exported, or large infrastructure projects are given to Chinese construction firms.[103]

In the lending approach of the European Union, which is another element of comparison, it is necessary to place the legal bases in a central position. There is no emphasis on the rule of law in the loans given by China. For the EU, authoritarian countries' lack of transparency and accountability can trigger undemocratic practices. In a sense, this situation makes China an option for authoritarian governments. Human rights, freedom of expression, and pluralism are sine qua non-principles in the functioning of democracy. The standards of China and the EU differ significantly from each other here. Again, this situation is in the interest of the elites who rule their country with an autocracy.[104] A transparent process must be operated to recruit personnel for projects that will enter the EU market, which is open to all companies based on non-discrimination and equal treatment. In contrast, when offering loans for infrastructure projects, China requires debtor countries to use their preferences in favor of Chinese contractors and workers. Another point to understand the nature of the loans of China is that EU loans ensure financial feasibility, environmental sustainability, and infrastructure development as well as improved working conditions and the quality of many that allow guarantee transparency rules. EU projects or loans require high bureaucratic capacities.[105] In particular, environmental sustainability is among the standards that European investment banks consider for funding. To put it with an instance, the EU does not provide funds for thermal power plants that pollute the environment. China, a major coal exporter and significantly dependent on coal power plants for energy, finances such investments. Finally, the EU expects governments not to interfere directly in their economic policies. In China, on the contrary, state control plays a significant role in economic issues.[106] In a sense,

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[101] "Stand-By Arrangement", International Monetary Fund, October 7, 2021, https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement, (November 28, 2022).
[102] "IMF Lending", International Monetary Fund, https://www.imf.org/en/About/Factsheets/IMF-Lending, (November 28, 2022).
[103] Sundquist, op. cit., pp. 1-2.
[104] Zweers, Wouter, Shopov, Vladimir, Putten, Frans-Paul van der, et al., China and the EU in the Western Balkans A Zero-Sum Game?, Clingendael Report, 2020, pp. 43-45.
[105] Zweers et al., op. cit., pp. 45-46.
[106] Zweers et al., op. cit., pp. 47-49.

China is like a lifeline for countries that are looking for financing and are far from transparency in their policies. This is because Chinese loans do not require reporting of financial activities from debtor countries like Western creditors.[107] Therefore, as long as there are authoritarian governments that are undemocratic and think only of their interests, demands for China's heavily conditioned loans will continue.

## Conclusion

As stated above, in this article, the conceptualization of “usurious states” is discussed regarding the Chinese case study. First, with the acceleration of globalization, the structures of economic and political dependence in the international system have strengthened. In such a situation, developed countries increase their profits, while developing or underdeveloped countries are almost left at the mercy of usurious countries to be able to share the last crumbs of the shared cake. For all purposes, undemocratic and developing countries that cannot borrow from institutions such as the World Bank and the International Monetary Fund because they cannot meet the conditions put forward by these institutions turn to China. On the other hand, Chinese lending institutions do not turn away customers with no door to knock on other than China. Instead, by taking advantage of this situation as a loan shark, China is trying to make the borrower country dependent on itself through the loans.

In the introduction section of this study, the following question has been raised: "Can countries that lend money to developing countries at high-interest rates and covet their strategic assets in return be characterized as usurers?" In order to respond to this research question, the definition of usury, its historical background, and the conditions of its emergence were first focused on. Afterward, it is clarified which actors applied to usurious states and why. In this context, the characteristics of usury states have been determined by defining usury in particular. Then, these features are applied step by step to the Chinese case study. Finally, to have a clear understanding of China's lending strategy, the lending conditions of international credit institutions have been put on the table. Thus, the research shows that the study's authors have confirmed the following hypothesis: "Some countries are engaged in usury by using their economic power as a means of pressure on other states to gain economic and political influence in the international system."

According to the definition of “usurious state” made above, it has been understood that China bears all the characteristics of usurer states. At this point, it has been stated that usury is an actor-centered perspective, while debt trap diplomacy is focused on the actions of the actors in question. As explained above, China adheres to the following principles when issuing loans. These are determined as follows; high-interest rates, short-term payment plans, the privacy provisions of the agreements, occupying an unorganized market, created debt spiral, not fostering democratization, and not respecting human rights, keeping the obligations from the debtor countries at the lowest level, collateral required in return for debt and coveting countries' strategic assets.

Since this study focuses on the conceptualization of usurer states, it makes a clear distinction with the concept of debt-trap diplomacy. The last-mentioned concept is just one of the tools used by usurer states. States that practice debt trap diplomacy provide high-interest loans to states that demand debt. However, is this the only method the usurious behavior uses to make countries rich in natural resources dependent on themselves? Or is this just one of the incarnations of the desire to dominate the debtor states? The means to achieve

[107] Cormier, op. cit., p. 10.

specific goals may change, but changing mindsets is as complex as splitting the atom. In other words, behaviors (usury) are more dangerous than the tools used (debt trap diplomacy) because they can manifest themselves in different forms each time. As a result, this conceptualization has brought a new and original perspective to mainstream literature because it defines the usurious states for the first time. Many countries in the world are exposed to usury. As the details of the loan agreements prepared by China have come to light, many states have begun to realize the severity of the situation. Even some countries, such as Uzbekistan, are justifiably suspending projects that could be realized through assistance from China. Therefore, the most important thing to remember is that the loans given by the usurious states put the debtor countries into a debt spiral.

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