

## Pakistan Returns \$1bn to Saudi Arabia and Turns to China for Loan Assistance

Cash-strapped Islamabad forced to return part of soft loan amid tensions with Riyadh

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*Cash-strapped Pakistan has returned \$1bn to Saudi Arabia as the second instalment of a \$3bn soft loan, and is turning to China to help pay the rest.*

Saudi Arabia has historically never asked Pakistan to repay its loans.

But earlier this year, the kingdom broke diplomatic norms and pushed Islamabad to repay the \$3.3bn loan after Pakistan's foreign minister admonished Saudi Arabia for not criticising India's crackdown in Kashmir.

Islamabad sent its army chief **General Qamar Javed Bajwa** to Saudi Arabia in August to solve the diplomatic spat, but he was snubbed and denied an audience with **Crown Prince Mohammed bin Salman**.

Last year, [Saudi Arabia reportedly strong-armed Pakistan](#) into not attending an Islamic summit that was dubbed the rival of the Organisation of Islamic Cooperation.

### 'China has come to our rescue'

Pakistan, which has \$13.3bn in central bank foreign reserves, could face issues clearing the next Saudi instalment.

Pakistani officials told Reuters that their country planned to give another \$1bn, with the help of China.

"China has come to our rescue," a Pakistani foreign official told Reuters.

A finance ministry official said that Pakistan's central bank was in talks with Chinese commercial banks. He noted that the option for a debt swap option was also on the table.

"We've sent \$1bn to Saudi Arabia," the financial official said, stating that it planned to send another billion next month. The first \$1bn was paid back in July.

Although a \$1.2bn surplus in its current account balance and a record \$11.77bn in remittances in the past five months have helped support the Pakistani economy, having to return the Saudi money is still a setback.

Washington has raised concerns about Pakistan turning to China, fearing it will fall into a debt trap.

In 2018, Sri Lanka handed over its Hambantota port to China after it failed to repay Chinese loans to build it.

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