

## 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

By [Areeb Ullah](#)

Asia-Pacific Research, December 22, 2020

[Middle East Eye](#) 18 December 2020

Region: [China](#), [South Asia](#)

Theme: [Economy](#)

*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.

\*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

The original source of this article is [Middle East Eye](#)  
Copyright © [Areeb Ullah](#), [Middle East Eye](#), 2020

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Areeb Ullah](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). Asia-Pacific Research will not be responsible for any inaccurate or incorrect statement in this article. Asia-Pacific Research grants permission to cross-post Asia-Pacific Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Asia-Pacific Research article. For publication of Asia-Pacific Research articles in print or other forms including commercial internet sites, contact: [editors@asia-pacificresearch.com](mailto:editors@asia-pacificresearch.com)

[www.asia-pacificresearch.com](http://www.asia-pacificresearch.com) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [editors@asia-pacificresearch.com](mailto:editors@asia-pacificresearch.com)