
PAKISTAN SEEKS ECONOMIC LIFELINE WITH FRESH CHINA LOANS

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Pakistan expects to obtain fresh Chinese loans worth up to US\$2 billion (S\$2.7 billion) to help it avert a balance of payments crisis, Pakistani government sources said, in another sign of Islamabad's growing reliance on Beijing for financial support.

Lending to Pakistan by China and its banks is on track to hit US\$5 billion in the fiscal year ending in June, according to recent disclosures by officials and Pakistan finance ministry data.

The ramp up in China's lending comes as the United States is cutting aid to Pakistan following a fracture in relations between the on-off allies. In February, Washington led efforts that saw Pakistan placed on a global terror financing watch list, drawing anger in Islamabad.

The new Chinese loans being negotiated will help bolster Pakistan's rapidly-depleting foreign currency reserves, which tumbled to US\$10.3 billion last week from US\$16.4 billion a year ago.

Chinese commercial banks lent US\$1 billion to Pakistan's government only last month.

The reserves decline and a sharp widening of Pakistan's current account deficit have prompted many to predict that after a general election likely in July, Islamabad will need its second International Monetary Fund bailout since 2013. The last one was worth US\$6.7 billion.

Beijing's attempts to prop up Pakistan's economy follow a deepening in political and military ties in the wake of China's pledge to fund badly-needed power and road infrastructure as part of the US\$57 billion China-Pakistan Economic Corridor, a key cog in Beijing's vast Belt and Road initiative.

"I think this month we will get that US\$1 to 2 billion," said a senior Pakistan government official, saying the funds will come from Chinese state-run institutions.

A second government official confirmed Pakistan was in "sensitive" talks with Beijing over extra funding for up to US\$2 billion.

Although Pakistan's economic growth has soared to nearly 6 per cent, the fastest pace in 13 years, the structural problems with the economy are coming to the fore.

It is similar to 2013, when foreign currency reserves dwindled and Pakistan narrowly escaped a full-blown currency crisis.

"The current situation appears to be a replica of what we experienced in 2013, albeit on a slightly larger scale," said Mr Yaseen Anwar, who was Pakistan's central bank governor in 2013.

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