

‘China’s loans to Pakistan to lift debt repayment ability’

Page No.15 Col NO.06

BEIJING: China’s loans to Pakistan essentially aim to drive the country’s economic development, and thus the loans must be offered in a way that aligns with the local economy and helps Islamabad boost manufacturing and exports, China’s leading newspaper Global Times said on Monday.

Pakistan expects to obtain \$1 billion to \$2 billion of fresh Chinese loans to help avoid a balance-of-payments crisis. “Some observers hope China’s economic assistance will help the country avoid having to go to the International Monetary Fund (IMF) for a bailout, but the key issue is the sustainability of China’s financial help.”

China would not be stingy in offering help to Pakistan to strengthen its infrastructure, but China’s bank loan was a market-driven commercial decision in line with international practices. “The main point is Pakistan’s debt repayment ability.”

China-based financial organisations stick to a principle of not imposing additional political conditions when providing loans to other countries, distinguishing them from most western financial institutions like the IMF. This could be one reason why Pakistan welcomes Chinese loans.

“China is likely to continue to finance new projects in the country but will also assess their debt repayment ability to avert the risk of bad debt,” the article said.

The multi-billion dollar China-Pakistan Economic Corridor (CPEC) has begun to bring tangible benefits to Pakistan’s economy, which would likely boost Pakistan’s debt repayment ability. “It is possible that we’re entering a virtuous cycle in which Chinese loans promote the development of the CPEC, and this then improves Pakistan’s debt repayment ability.” However, the South Asian country may need to propel economic reforms to ensure the effectiveness of the loans and allow the local economy to benefit more from CPEC projects.

It is hoped that people will learn a lesson from the IMF’s operations. In 2013, the IMF approved a loan plan for Pakistan to support its programme to stabilise and rebuild the economy, but the multilateral lender failed to strictly monitor the use of the loans, and in the end they did little for Pakistan’s economic development.

Now the country’s economy is on an upswing with the help of Chinese loans.

Nadeem Javaid, who advises the prime minister and works closely on the CPEC programme, was quoted for saying last year that debt repayments and profit repatriation from CPEC projects will reach \$1.5 billion to \$1.9 billion in 2019, rising to \$3 billion to \$3.5 billion by the following year.

China is likely to strengthen economic collaboration with Pakistan under the CPEC program, in a bid to ensure the effectiveness of the loans.