



DridhG Security International Private Limited

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Geopolitics Might Save Pakistan from Economic Fallout

Who will bail out Pakistan? How does Pakistan's Economic Situation Impact India?

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- Who Might Bail Out Pakistan? - Geopolitical Analysis
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Pakistan's Current Situation

According to a report by the United States Institute of Peace (USIP), Pakistan must repay USD77 billion between April 2023 and June 2026. Given Pakistan's economic situation, such repayment is impossible without fresh loan support. There are three countries Pakistan seeks out for economic support - China, Saudi Arabia and USA. The question really is, who will bail out Pakistan and what impact will this have on India?

Who Might Bail Out Pakistan?

1. In case Saudi Arabia or other middle eastern countries like the United Arab Emirates (UAE) extend support, it is unlikely to have an adverse impact on India as India has better ties with both such nations. In January 2023, there were reports which mentioned that representatives from UAE and Saudi Arabia had asked those from Pakistan to "forget Kashmir" and be-friend India. Ever since his appointment as the Prime Minister of India Narendra Modi's government has worked towards making UAE and Saudi Arabia among India's valued strategic partners. India's economic arrangements with both, UAE and Saudi Arabia puts the bilateral association between these countries and Pakistan at a periphery. Under the India-UAE Comprehensive Economic Partnership Agreement, the countries target to increase bilateral trade to as much as USD100 billion over a five-year period from 2023. Between April 2020 and March 2023, Saudi Arabia invested nearly USD3.2 billion in India already. In July 2023, the United Arab Emirates has deposited \$1 billion with Pakistan's central bank to support foreign exchange reserves. Pakistan's economy is roughly 10 times smaller than India's and so this loan amount to the estranged neighbour will really not impact India significantly given India's better bilateral relations with UAE.
2. It is unlikely that the United States of America (USA) will extend further financial aid to Pakistan. And this might also be due to the relationship Pakistan shares with China, both economically and geopolitically. The USA, like India, is known to oppose the China Pakistan Economic Corridor (CPEC).
3. According to an International Monetary Fund (IMF) report in September 2022, 30 per cent of Islamabad's total external borrowing is from China. Pakistan might depend on China for loans. Meanwhile, China is rapidly increasing its influence in the Middle East. Both Riyadh and Tehran announced normalisation of



relation in March 2023, following high level meetings with the Chinese president Xi Jinping. This had practically ended the US monopoly over Saudi Arabia.

Possible Impact on India

1. If China bails out Pakistan: Increased Chinese control over Pakistan might have either an immediate or indirect impact on India, which is at loggerheads with China over recent years ever since the Galwan faceoff between Indian and Chinese troops along the Line of Actual Control.
2. If Pakistan Falls:
 - a. There might be a law-and-order situation if Pakistani refugees enter India illegally, particularly from Pakistan Occupied Kashmir.
 - b. Although it is already speculated that the Pakistani political leaders and military supports terrorist networks against India, once Pakistan becomes a failed state, there is a possibility of increased terrorist activities against Indian interest in a quest of acquiring power. This might be on similar lines of what the Taliban forces did in Afghanistan once USA retreated.

Conclusion

Pakistan and India have mostly shared a turbulent relationship since both countries became independent entities. In the current geo-political scenario, China is a bigger threat to India than Pakistan. We, at Dridhg Security International Pvt. Ltd., opine that the existing state of Pakistan, though also not favourable (for India) is better than an economically stripped and fallen Pakistan due to the involvement of China between the two countries.

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