

From Crisis to Disaster -Saving Pakistan's Economy - Islamabad Post



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Suffering from political and economic crises, the Muslim League-N government is standing at the door of the IMF like its predecessors to save the moribund economy.

Currently, more than a dozen countries worldwide cannot afford to pay their external debts, due to which their currency and foreign exchange reserves have decreased to the lowest level, and inflation has reached the highest level. Among these countries, Lebanon, Sri Lanka, Russia, Zambia, Suriname, and others have defaulted due to failure to pay their external debts, while a dozen countries, including Pakistan, have entered the danger zone due to unbearable debt burden and economic crisis. Argentina is on top with \$150 billion in debt, followed by Egypt with \$45 billion, Ecuador with \$40 billion, and Ukraine with \$20 billion in second, third, and fourth place, while Tunisia and Kenya are in fifth and sixth place. Pakistan's external debt has reached unsustainable levels, and we are spending more than 40% of our revenue on debt interest payments.

Finance Minister Miftah Ismail has recently stated in a media briefing on the country's

economy that Pakistan's total external debt is 129 billion dollars, and in 2022-23, external financing of 35 billion dollars is required for the payment of these debts in December 2022.

The IMF deal is crucial for Pakistan's economic stability and to end the uncertainty, which has been delayed with foreign exchange reserves dwindling to \$9.3 billion, barely enough for a month's import bill. The currency is at an all-time low of Rs 228, and IMF wants to keep the value of the Pakistani rupee on a free market mechanism and does not accept State Bank or government intervention. On the other side, Pakistan is not getting new loans for debt and interest payments to avoid default as international institutions have made new financing conditional on the IMF program being restructured.

While the Acting Governor of the State Bank of Pakistan, Dr. Murtaza Syed, has said while discussing the concerns regarding the economic situation and the baseless news spread about the State Bank, in recent days, that there is no doubt that the next 12 months are crucial for the global economy, but Pakistan has the IMF cover. So Pakistan's economy is not as wimpy as people are making it out to be.

Dr. Nadeemul Haq, a renowned Economist and Vice-Chancellor of the Pakistan Institute of Development Economics (PIDE), who has been associated with the IMF for almost thirty years, says that Pakistani governments have been running the country with the help of the IMF for the past 75 years.

“Going to IMF is like a patient being admitted to an intensive care ward for emergency medical care and then transferred to a normal ward and then transferred to a convalescent home,” says Nadeem ul Haque, but Pakistan is such a patient who has always been in the emergency ward.

In 2019, the government of former Prime Minister Imran Khan signed a three-year program worth six billion dollars with the IMF to support the ailing country's economy. However, the Pakistan Tehreek-e-Insaf government has not been able to end government subsidies for oil and electricity to the public, nor has it been able to reach the revenue collection target promised to the IMF.

Due to this situation, the IMF program has not yet been fully implemented, and Pakistan has received only three billion dollars so far, and this agreement is to end this year.

Economists say that the government will try to convince the IMF to allow it to retain some concessions considering the country's political situation and the upcoming elections.

Dr. Nadeem-ul-Haq says that the government, as always, this time also considered political expediency instead of the ground realities, so it is unlikely that the Pakistani economy will ever be able to stand on its own feet.

According to PIDE VC, “Governments have not been able to reduce the fiscal deficit, nor have reforms been brought in the government institutions which are a burden on the national economy. The government subsidies on wheat, electricity, and oil prices have not been gradually reduced. He also stressed that many countries took emergency funds from the IMF but then stood on their own feet and called it Goodbye.

According to Dr. Haque, “India had called the IMF Goodbye in 1991. They sold their gold, paid the loan, and never looked back. Similarly, we have the examples of South Korea and Vietnam, who thanked the IMF for supporting their economies and never called him again.

Additionally, Pakistan's foreign exchange reserves have declined to \$10.3 billion, the lowest level since June 2020. The record decline in the value of the Pakistani rupee against the dollar and the resulting ever-increasing rate of inflation has left the people suffering from inflation.

Due to the unsustainable debt burden, the foreign exchange reserves and the value of the rupee have dwindled to dangerous levels, but the bailout agreement with the IMF on the strictest terms has given us a year's respite in which to improve our economy and improve our economy. By using the resources, we can take the country's economy out of the crisis and put it back on the path to success, for which we have to keep the economy separate from the country's politics.

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