

Pakistan's Leadership Surrender's Our Economic Sovereignty to IMF

News:

"ISLAMABAD: Pakistan has committed to further increase electricity tariff from next month (August) and is also bound to fully implement the Financial Action Task Force's (FATF) 27-point action plan in three months as part of the \$6 billion programme conditions, reveals an International Monetary Fund (IMF) report." (tribune.com)

Comment:

Now IMF is dictating our internal affairs openly as never before. IMF is showing us our real picture which is dark and gloomy. Our elite made us trapped into this dead end. Be that civil rule or military rule.

IMF serves global capital (finance and multinational corporations (MNCs)) by creating opportunities for it. Secondly, stemming from this is a so-called market ideology that is anti-development. Third, this ideology results in prior actions and conditions in IMF programs that are mutually contradictory. Fourth, these prior actions and conditions set the stage for the next crisis and bailout package.

Low and low- middle-income countries, like Pakistan, seek IMF assistance due to balance-of-payment deficits and declining foreign currency reserves. Trade deficits are often the result of aggressive import liberalization pushed by the World Trade Organization agreements. The IMF is an enforcer of this liberalization on countries unfortunate enough to need a bailout. It has pushed import liberalization far in excess of the commitments Pakistan made to the WTO. **Pakistan was turned into a consumer society before it learnt to truly produce.** The IMF insists on market-determined interest rates. No interest rate in any country is entirely market-determined; the central bank plays a major role in determining it. One prior action for Pakistan's current bailout package is a much higher interest rate. This guarantees that the debt crisis will worsen since the government will borrow domestically at high interest rates to address the fiscal deficit problem. As the debt mounts the interest cost will make IMF fiscal targets difficult to meet.

The ostensible justification for the devaluation is that it will encourage exports because it will be cheaper for the rest of the world to buy from Pakistan. However, many factors, other than domestic prices (such as world income, business networking, and political alliances) determine exports. While import liberalization results in increased imports, higher local business costs due to higher interest rates, utility, taxes, and other input costs impede exports. The devaluation causes import costs of machinery and intermediate goods to rise in local currency terms. The devaluation is also potentially inflationary (undermining IMF's inflation target) due to a rise in import costs. Finally, the devaluation increases the costs of repaying the

foreign debt. The devaluation does, however, create an opportunity for MNCs to buy local assets, which are now cheaper in foreign currency terms.

Another priority for the IMF is repayment, which is why it has pushed for privatizing even public utilities, such as Wapda, if it deems they are a drain on the budget. Economists view public utilities as natural monopolies and hence part of public provision because the market power that accompanies monopolies results in higher prices for the consumer. Efficiency reforms and finding better ways to subsidize low-income consumers are the standard recommendation. Privatization, however, creates opportunities for MNCs. IMF being a colonialist institution protects the interests of foreign investors. It never demands to rectify contracts with IPP's which allowed undue payments like capacity charges rather forces full payments to them at the cost of local people & economy.

After decades of social criticism, the very sophisticated IMF public relations campaign has tried to persuade critics that they have changed and that, in particular, they are poverty sensitive. A comparison of prior actions and conditions from three decades ago and recent programs for Pakistan indicates no intrinsic change. There is no real diagnosis since the conditions are based on ideology. Handouts for poverty alleviation will not make up for the decline in living standards, resulting from higher indirect taxes and inflation, which will follow Pakistan's current IMF bailout.

There cannot be any sovereignty without economic sovereignty, and Pakistan, led by Bajwa, has handed over Pakistan's sovereignty to IMF, a colonialist institution which exploits balance of payment crisis in developing countries and to push structural reforms whose only objective is to protect US or Western interests whether economic or political. IMF never strengthened any countries economy because this will put a developing country in line with colonialist economies.

Only Khilafah (Caliphate) on the method of Prophethood can ensure economic prosperity according to our Deen. Islam presents a unique economic model which focuses on distribution and circulation of wealth rather than production and accumulation of wealth within handful elites. Islam mandates bi metallic currency based on gold and silver only, and Islam prohibits interests which ultimately block the road for interest accumulating foreign loans. Islam prohibits blood sucking taxes like sales tax, income tax, withholding tax etc...! Rather, it advocates wealth based revenue generation. Islam rejects democracy and forbids Muslims from granting dominance to the colonialist in any of their matters.

﴿وَلَنْ يَجْعَلَ اللَّهُ لِلْكَافِرِينَ عَلَى الْمُؤْمِنِينَ سَبِيلًا﴾

“ALLAH swt does not permit the believers to grant the kuffar authority over them” [Surah Nisa 4:141]

Written for the Central Media Office of Hizb ut Tahrir by

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