

## Question:

Do you think that Pakistan's economic sovereignty has been compromised as a result of IMF's bailout packages?

The term "Sovereignty" is the ability or authority of a state to govern itself. Similarly, Economic Sovereignty refers to a country's ability to exercise control over its economic policies, resources, and decision making processes without undue external influence or dependence.

This implies that a nation has the freedom and authority to determine its economic priorities, strategies, and regulations to promote its own welfare and protect its national interests.

## IMF: The Lender of the Last Resort:

The basic purpose behind the establishment of IMF in 1945 was to alleviate worst economic situation and poverty of the member countries after the great depression of 1930's and ~~was~~ the devastation that occurred after WWII.

## Working of the IMF:

IMF  
According to the former Managing Director, Dominique Strauss-Kahn, "IMF is not a charity union, but a credit union that lends money to a pool of money generated from the subscription capital of the member countries to the member countries, given that they will follow certain conditions, and ~~will~~ repay back that amount."

Moreover, the member country before coming into an agreement with IMF has to sign a letter of Intent. This letter of Intent shows that the borrower country will have to follow the conditions as stated by the IMF.

## Features of the Structural Adjustment Program (SAP):

The International Monetary Fund before reuniting the

injection of the much needed Foreign reserves — these reserves are used to purchase imports, and lead to the willingness by the investors to invest in the projects. ~~its~~ dictates the borrowing country to do certain changes in its monetary and Fiscal policies, including

### a) Reducing Budget Deficit:

~~Def.~~ Budget Deficit occurs when the governmental expenditures exceed the revenues that are generated ~~on a nation~~ wide. In this regard IMF asks the borrowing member country to implement the following policies

- i) To cut down unnecessary expenditures by adopting austerity measures
- ii) To increase Direct and Indirect Taxes on commodities and consumer goods
- iii) To rollback subsidies

### b) Privatization of State Owned Enterprises:

IMF promotes capitalist business environment, and believes that privatization lead to the competitive markets and hence improvement in the economic situation.

### c) Liberalization of Trade:

Apart from privatization, countries also have to liberalise the trade, by lowering the tariffs, ~~on~~ custom duties on the import and export of goods.

## IMF and Pakistan:

Pakistan becomes part of IMF in 1950, and takes first bailout package in 1958. Currently, IMF has 190 countries as part of the IMF program. As according to the words of former Managing Director of IMF ~~Straw~~ ~~Kahn~~ that IMF lends money ~~but~~ given that the borrowing country ~~will~~ have to comply based on its conditions.

From this point, it is clear that those who become part of bailout package by IMF will have to act accordingly.

No doubt, IMF's purpose is to strengthen the economic coordination among countries, <sup>to</sup> enhancing the capacity building of the member countries so that they can improve their economic situation by taking the wise steps.

Lastly, Member countries depends upon the bailout packages of IMF. It is the those countries, ~~who that~~ which reach out to the IMF amid worsening economic situation leading to the bankruptcy. economic

when it comes to the sovereignty of Pakistan, Pakistan signs on the document containing Structural Adjustment Program. This means that Pakistan knows what it will have to do, if it takes or becomes part of IMF's bailout packages.

IMF work like a normal bank ~~do~~ do. It also requires security, or an insurance that the borrowing country will repay back. IMF also has to lend to the rest of the member countries. Thus, when a common person takes loan from a bank, he/she has to follow certain conditions.

In the same way, ~~if~~ any government including Pakistan when takes bailout packages will have to comply ~~if~~ according to the conditions given by IMF, whether they like it or not, or whether it threaten their economic sovereignty.

In conclusion, Pakistan can't make ~~if~~ economic policies, ~~when it takes~~ unilaterally, when it takes IMF's bailout packages, which ~~according~~ is in contradiction to the basic definition of economic sovereignty. However, every organisation has its rules. If Pakistan wants to enjoy IMF's bailout packages, it will have to follow the rules irrespective of economic sovereignty.