

# Expository Essay -

## IMF-dependent economy as a challenge to national sovereignty

### Outline:

#### 1- Introduction

**Thesis statement:** The economy supported by the International Monetary Fund (IMF) presents multiple challenges to a state's sovereignty. States' flawed policies of not opting for long term sustainable economic growth weakened their economies, eventually compromising their national sovereignty. However, multiple solutions are available to say 'goodbye' to IMF.

#### 2- Institution of IMF and its relation with states.

#### 3 - How IMF-supported economy presents a challenge to nation sovereignty.

- a. IMF dictates a country to its raise tax revenue.
- b. Subsidization in the energy sector is halted.
- c. States are pressurized to share details of project with other countries.
- d. Funding for developmental projects is suggested to be stopped.
- e. State disassociation from fixing a currency exchange rate.
- f. Privatization of loss incurring state-owned enterprises.

#### 4. Factors that lead to put economy in ICU.

- a. Relying on the aid based economy
- b. Rampant corruption in successive governments.
- c. Prevalence of civil-military imbalance resulting in political instability.
- d. Poor governmental policies fostering inflation.
- e. Addressing only short term economic issues.

#### 5. Measure to mitigate dependence on IMF-supported economy

- a. Institution to be strengthened to ensure political stability.
- b. Implementation of key structural reforms.
- c. Long term economic goals to be preferred.
- d. Attaining a balance between imports and exports.

#### 6. Conclusion

### 3. How IMF support economy present a challenge to national sovereignty.

The IMF dictates the countries raise their tax revenue, presenting a significant challenge to national sovereignty. When countries seek financial assistance from the IMF, they must adhere to strict conditions, one of which frequently includes increasing tax revenue to stabilize the economy. This mandate can force governments to implement unpopular tax hikes or broaden the tax base, potentially leading to public unrest and political instability. Consequently, while the intention is to enhance fiscal health, the imposition of these policies can undermine a nation's ability to make independent economic decisions, thus compromising its sovereignty.

Stopping energy subsidies, as required by the IMF, can limit a country's independence. The IMF may push for this to help reduce budget deficits. However, it often results in higher energy costs for people and businesses, causing public discontent and financial strain. Removing subsidies can hurt low income families the most. Therefore while it might help with economic reforms, it restricts the government's ability to support its people and manage its resources.

When states are pressured by IMF to share details of their projects with other countries, it can infringe upon their sovereignty. Transparency and collaboration are often promoted to ensure accountability and proper use of funds. However, this can lead to sensitive information being disclosed, potentially compromising competitive advantages and national security.

interests. The requirement to share such details can be seen as an external imposition on the nation's internal project management and strategic planning, thereby challenging its autonomy in handling its developmental agenda.

The IMF sometimes advises countries to halt funding for certain developmental projects to maintain fiscal discipline. This can free up resources from debt repayment and reduce budget deficits. However, stopping these projects can hinder economic growth development, particularly in critical sectors like infrastructure, education and health care. While it may stabilize short term finance, it can delay long term progress and development.

The IMF often encourage countries to adopt a floating exchange rate system instead of fixing their currency's value. This can make the economy more flexible and responsive to global market conditions. However, it can also lead to increased volatility in the currency value, affecting trade and investment. While a floating exchange rate can help adjust economic imbalances, it can also create uncertainty and financial instability.

Privatizing loss making state-owned enterprises is a common IMF recommendation to improve economic efficiency. Selling these enterprises to private investors can reduce the financial burden on the government and increase overall economic productivity. However, privatization can lead to job losses and economic challenges. While it may enhance efficiency and reduce government dep, it can also results in significant social costs and public opposition.