Pakistan's dependance on IMF is a structural weakness that undermines its economic sovereignty, geo-politics and geo-economics. Discuss

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1) **Introduction:-**

No country has ever rose to power by acquiring loans from foreign organizations, you need to fix home first

- Syed Karim,
the roots to progress

This quote signifies that a country cant achieve greatness by acquiring loans. Internal stability is required to progress. Similarly, Pakistan's dependance on IMF is an internal structural weakness caused by balance of payment crises and the narrow tax base. This reliance on IMF loans undermine economic soverignity of Pakistan fostered by debt trap and debt servicing. Geo-politics are also being influenced as there is western influence of US in the policy making and the continious debt trap weakens Pakistans position to defend against India. Lastly, geo-economics of Pakistan are also being damaged by IMF loans constant loans weaken image of pakistan as a reliable investment destination and weakens development in CPEC.

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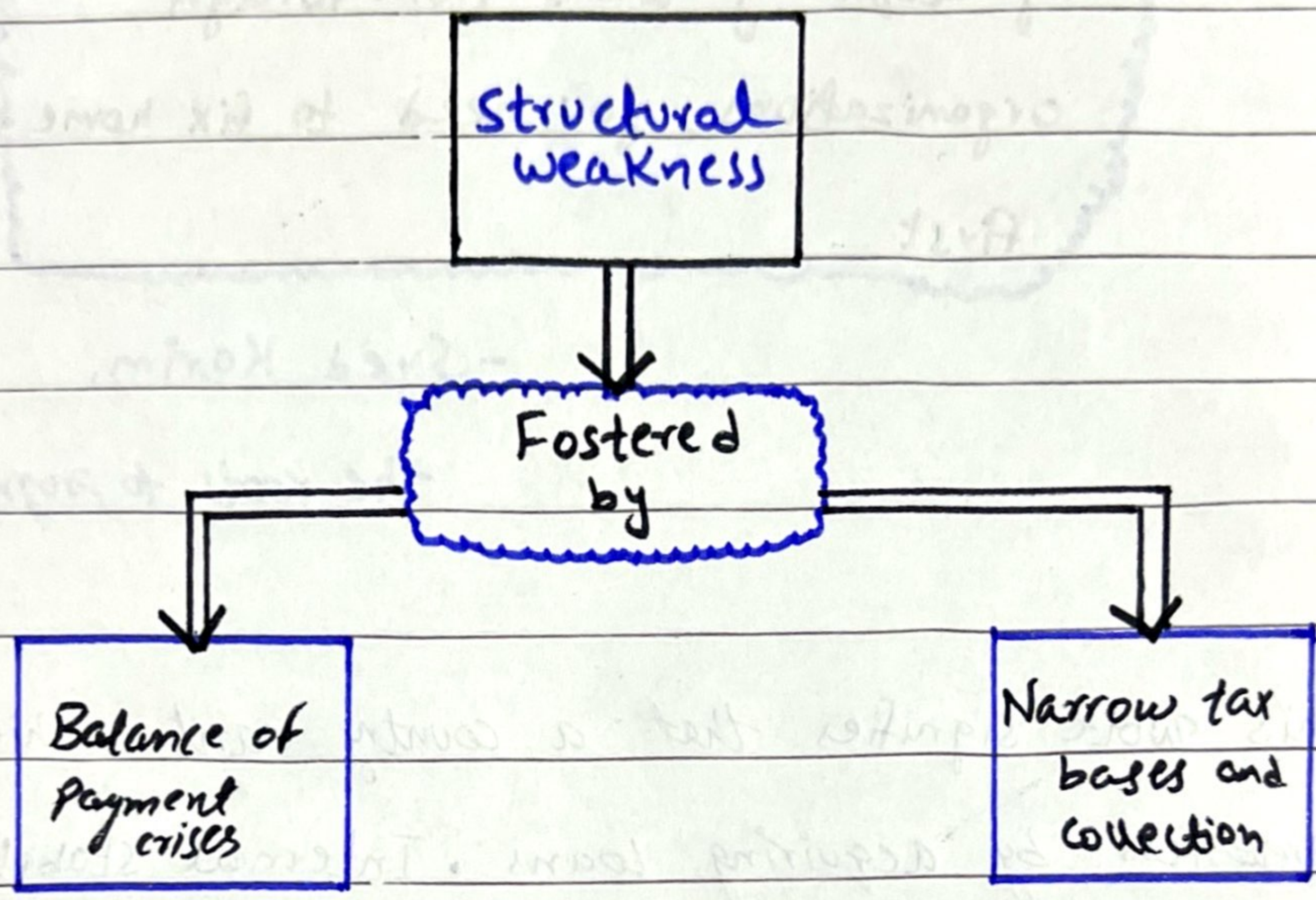
## 2) Pakistans dependance on IMF loans is a structural weakness




**Description:-**

The flow chart shows the structural weakness in pakistan that motivates reliance on IMF loans.

## 2.1) Balance of payment crises a never ending tussel since the very origin

Since the origin of pakistan, it has been engulfed in balance of payment crises. This lead to the knocking of IMF's door to gain short term stability.

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The exports of Pakistan are 33 billion doller whereas the imports are 55 billion dollers, creating a balence of payment issue that require loans to tackle

- Budget 2024-25

## 2.2) Narrow tax bases and collection reducing economic growth

Pakistan is unable to diversify its tax bases properly which gives birth to economic chaos. moreover only a minimum amount of people pay taxes which necessitates economic reliance through IMF loans.

Only 1% of pakistani citizens pay their taxes, damaging economic growth and fostering reliance on IMF

World Bank, 2024

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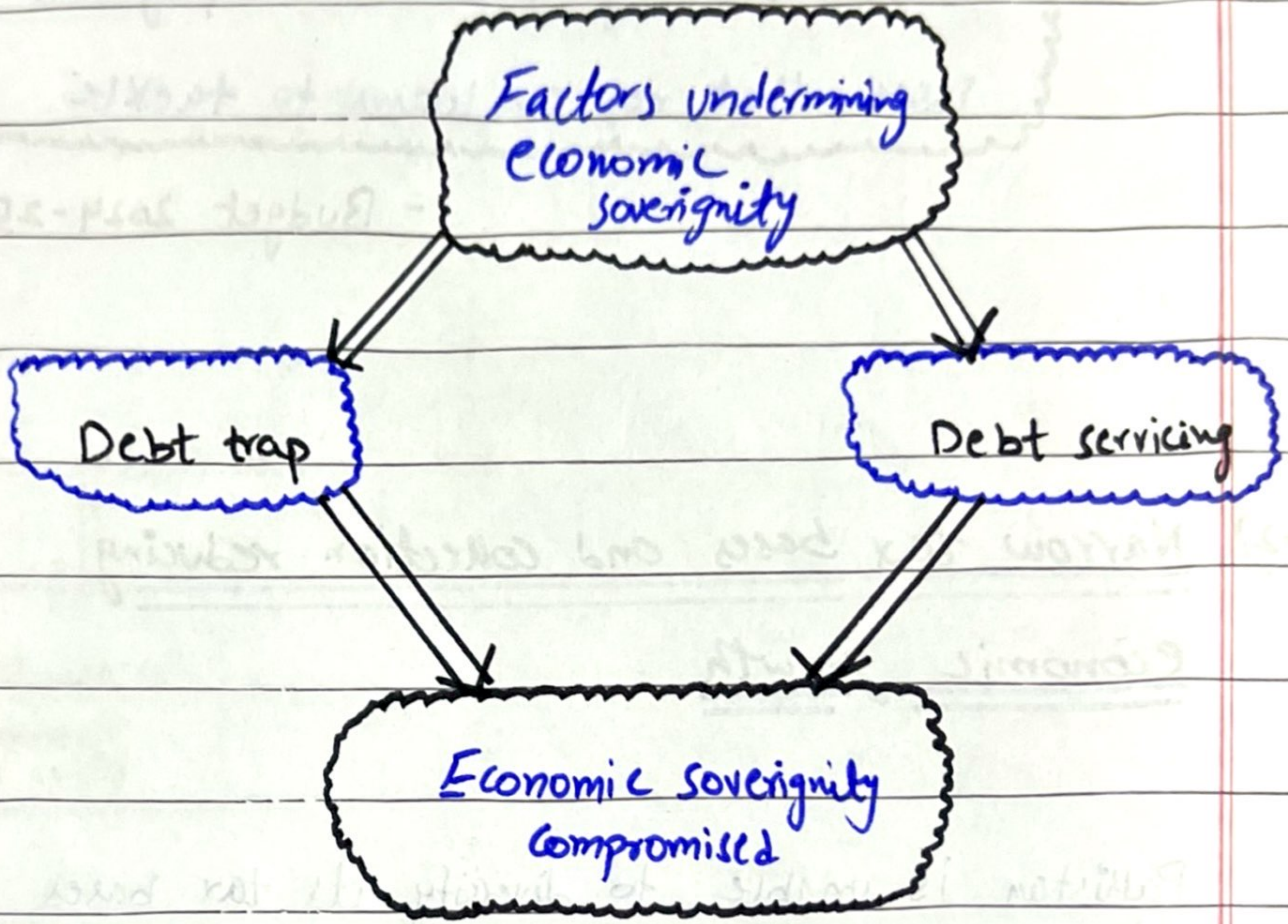
## 3) Dependance on IMF undermines economic soverignity of Pakistan




**Description:-**

The following flow chart shows factors that undermine economic soverignity.

### 3.1) Debt trap a never ending vicious cycle

The loans that pakistan acquire may bring short lived stability. But, in the long run it confines pakistan in a debt trap, having no way out.

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> IMF loans are not the solution they bind Pakistan with the eternal chains of debt
>
> - Maleeha lodhi, Pakistan beyond the crises

3.2) Debt servicing no room for economic growth

This leaves no room for pakistan to invest and escape the shackles of debt. majority of the budget goes in the form of debt servicing weakening economic soverignity of Pakistan.

> 50% of federal revenues go into debt servicing, damaging the economic soveriginity of Pakistan
>
> - Budget 2024-25

4) Depandance on IMF undermines geo-politics of Pakistan

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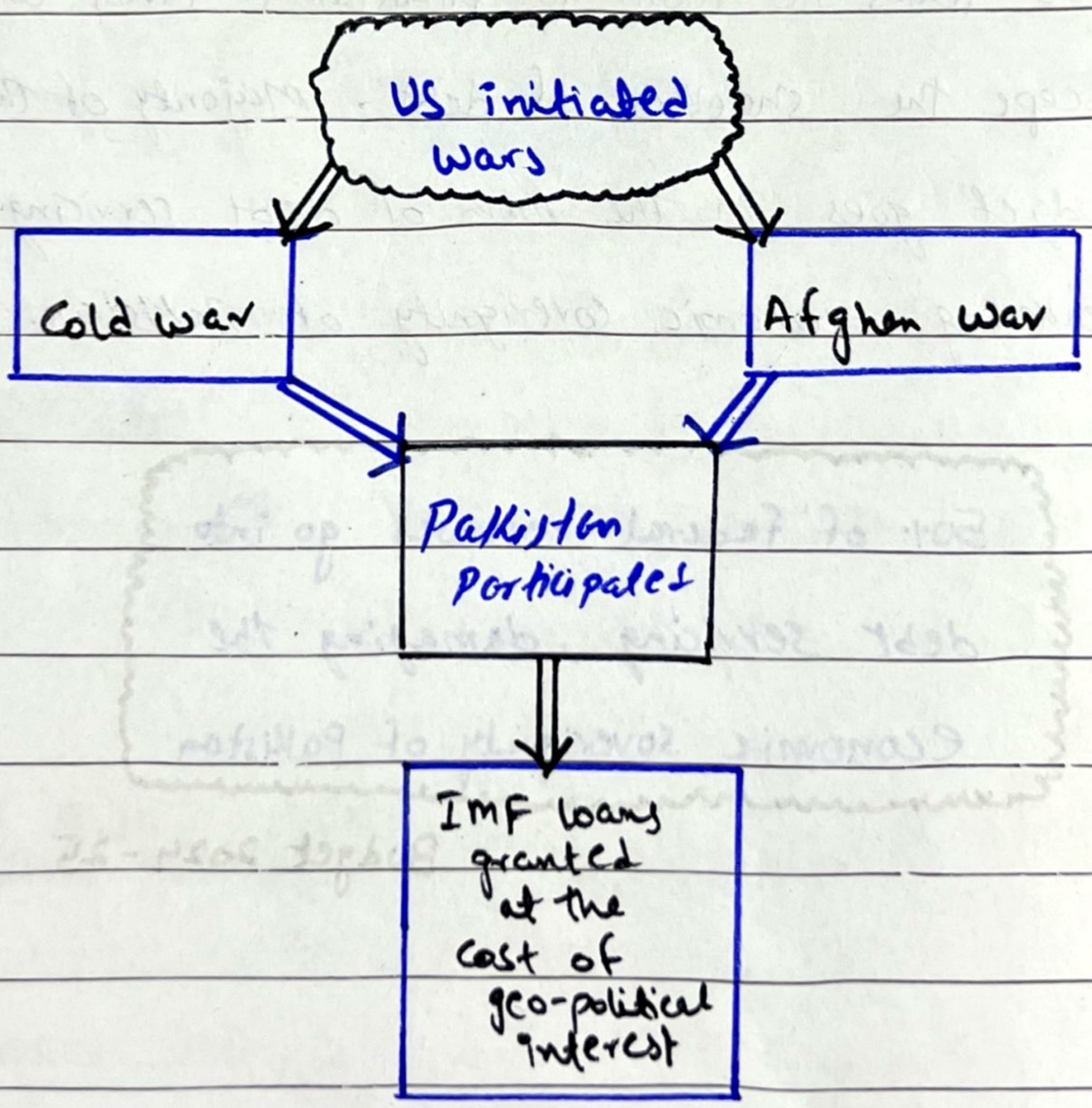
## 4.1) Westeren US influence in the policy making of Pakistan

IMF is run by the US. To acquire loans pakistan has to accept conditions of IMF in policy making. This eventually incorporates the US interest in the policy making of Pakistan, which undermines its geo-politics.




**Description:**

The following chart shows how aiding US helped to secure loans at the cost of of Pakistans geo-political interest

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4.2) Burden of debt trap weakens pakistans position to defend against India underming geo-political interest

The constant strain of debts fosters more economic reliance. This makes it difficult for Pakistan to tackle the threats of the neighbouring rival India, weakening pakistans geo-political leverage.

> Geo-politics require freedom, the dependence on IMF and the never ending debt trap weakens Pakistan's position to tackle Indian motivated threat
>
> Abdul Sattar, The curse of reliance

5) Dependance on IMF undermines geo-economics of Pakistan

5.1) Constant loans weaken image of pakistan as a reliable investment destination

The never ending debt of pakistan, strike fear in the heart of investors to invest here. This damaged image reduces the FDI investments in Pakistan, effecting global economics of pakistan.

5.2) **Slowing of the development of CPEC effecting geo-economics**

The constant loans, their servicing, reduces Pakistan investment capital. This slows down the development in CPEC projects. This hinderance weakens the geo-economics of Pakistan to a great extent.

> CPEC is a game changer for geo-economic growth of Pakistan, but being a loan based economy undermines its effectiveness.

- IPRI, CPEC prospects and Challenges

6) **Conclusion :-**

To conclude, yes, Pakistans reliance

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on IMF loans is a structural weakness which arise because of narrow tax bases and balance of payment crises. This reliance weakens economic soverignity of Pakistan by debt traps. It also undermines the geopolitics of Pakistan due to western reliance and effect the geo-economics by slowing the progress of Pakistan.