

Q To what extent can Pakistan maintain its economic sovereignty amidst heavy external debt? Discuss with reference to the influence of IFIs and key bilateral partners.

## INTRODUCTION:

Economic sovereignty is the independence of decision-making of a state in its economic affairs. Unfortunately, Pakistan has been facing burden of mountain of external debt. This external debt affects the economy tremendously. Pakistan has been acquiring loans from decades from International Financial Institutions (IFIs) like - International Monetary Funds (IMF) and World Bank (WB). Similarly, the financial assistance from the friendly countries, such as - Saudi Arab, China etc. These loans bring some conditionalities and policies that are accepted at the time of loan acquirement. Therefore, those conditionalities effect the economic fabric of Pakistan.



## THE GOLDEN HANDCUFFS OF EXTERNAL DEBT:

Certain conditionalities that IMF specify for the loan will be discussed in the further analysis:

### ✓ AUSTERITY MEASURES:

The policy dictation of IMF is, firstly the austerity measures. IMF and other IFIs condition Pakistan to cut its expandings and subsidies - such as, electric subsidy and fuel subsidy; and the financial assistance program. Such subsidies burdens the economy enormously.

### MONETARY TIGHTENING:

The government's expenditures must be ~~low~~ down & graded. Also, the ~~interest~~ rate must be increased to compete the rupee into the market-rate.



## PRIVATIZATION OF STATE-OWNED ENTERPRISES:

The state-owned enterprises and industries that are in debt or not functioning effectively, must be privatized. This phenomenon will ensure its efficiency as well as its revenue generation.

## TAXATION REFORM - IMPLEMENTATION OF INDIRECT TAXES:

IMF condition Pakistan to introduce new taxes and indirect-taxes. An effective tax system can uplift the economy of the country and reduce budget deficit.

## THE INFLUENCE OF KEY BILATERAL PARTNERS:

### CHINA - THE STRATEGIC ECONOMIC PARTNER:

China, whose relations with Pakistan are deeper than ocean and



higher than mountains; helps Pakistan's economy through investment, aid and loan. The mega-projects like BRI-CPEC, Pakistan is key partner of China. Besides this, China also support Pakistan by giving loan. The conditionalities of those loan are implicit

Moreover, China expect to get support of Pakistan in the matters of Taiwan, Hong Kong and rivalries in China-Pacific Ocean. Thus, this not only undermine the economic sovereignty, but also the foreign-policy sovereignty of Pakistan.

## SAUDI-ARAB AND UAE PARTNERS:

Saudi Arab and UAE, all whether partners or brother countries, also supports Pakistan through loans. The loans that UAE and Saudi Arab provides are mainly the Sof



Loans The conditionalities of the loan are not much that could effect the economic sovereignty explicitly. Rather, they expect support in key issues like in Yemen, Syria etc.

Additionally, in the past the sectarian countries conflict hindered the economic sovereignty of Pakistan. The <sup>deteriorated</sup> ~~deteriorated~~ relations of Saudi and Iran, influenced Pakistan to have be more inclined towards the Saudi, which resulted in delay of projects with Iran - TAPI gas pipeline. However, Pakistan always wanted mediation between these two countries; and balanced the relations with Saudi as well as Iran.

## LIMITED SOVEREIGN ACTION:

The ~~economy~~ sovereignty of Pakistan is limited by the



loan conditionalities. The decisions as well as the policies of Pakistan are highly influenced by external bodies. The international made-imported economic policies, not only undermine the economic sovereignty but, also the socio-fabric of Pakistan. Some other International institutions that hinder Pakistan sovereignty are:

## MAJOR RELIANCE ON FOREIGN ASSISTANCE - EXPO IMPORTS:

Pakistan depends on foreign assistance in mega-projects, such as coal extraction and gold or any other mineral minning. ~~Oil~~ ~~international~~ is due to lack of resources other than natural. Pakistan cannot afford machinery that could extract minerals. But, any participatory country demands its share in these mega-projects.



This cuts-off the complete right on resources and also cannot get ~~fully~~ benefits from it.

## INTERNATIONAL POWER PRODUCERS (IPPs):

The international power producers that generate electricity in Pakistan are now the major setbacks to the economy. The agreements with IPPs ~~are~~ old and ~~the~~ which generate expensive electricity. The rate of electricity is beyond the purchase power parity (PPP) of the people. Thus, Government provide subsidy to the consumers. This heavily burdenize the economy of Pakistan.

## CONCLUSION - SOVEREIGN~~TY~~ Economy UNDER IMPORTED ECONOMIC POLICIES

The external debt has weakened the economic sovereignty of Pakistan. The major cause is



flawed agreements with International bodies. The current situation of Pakistan does not allow to not acquire loan. However, if the effective measures are taken the economy could be revived again. The agreements should be revised, Government expenditures should be minimized and by public-private partnership; the institutions can once again reach its effectiveness. Therefore, to ensure the economic sovereignty, the external debt must be less acquired as possible ~~and~~ to reduce the influence of external IFIs and key bilateral partners.

answer is fine but a bit bland  
add flow charts and give some data too  
this is very basic generic answer  
support your argument with examples and data  
8/20