

## Headlines:

- **A Faltering Economy and the IMF 'Do More'**
- **PTI Ensures Private Gas Producers to Make Billions in Profits, Whilst Breaking the Back of the Common Man**
- **Rotten Capitalism Will Never Revive Pakistan's Economy**

## Details:

### **A Faltering Economy and the IMF 'Do More'**

On 7 October 2018, Prime Minister, Imran Khan, has hinted at approaching the International Monetary Fund (IMF) for "bridging loans" during the critical phase the country is passing through. Considering that the government's search for alternative sources of funding from friendly countries and overseas Pakistanis has more or less dried up, while foreign exchange reserves are declining at an accelerating rate, the PTI government seems all set to go to world's 'financial policeman' the IMF. Currency depreciation, hike in interest rate as well as gas and electricity tariffs and fiscal tightening (raising taxes & cutting development expenditures) are the so-called corrective measures the PTI government has already embarked upon to qualify for the IMF Programme. Terming the de facto punitive measures 'not sufficient', the IMF delegation has insisted upon to do more devaluation, levy more taxes, more increase in interest rates and further increase in gas and power tariffs.

The impact of these preconditions on poorer countries like Pakistan are devastating. Many developing nations are in debt and poverty partly due to the policies of international institutions such as the International Monetary Fund (IMF) and the World Bank. This is despite the IMF and World Bank's claim that they will reduce poverty. Following an ideology known as neo-liberalism, and spearheaded by IMF and other institutions known as the Washington Consensus (for being based in Washington D.C.), Structural Adjustment Policies (SAPs) have been imposed to ensure debt repayment and economic restructuring. But the way it has happened has required a debtor country to reduce development spending and increase taxes and utility tariffs, while debt repayment and other economic policies have been made the priority. In effect, IMF demands that aid recipient country to lower the standard of living of their people. The IMF prescription of reduction in subsidies and welfare expenditures coupled with increase in indirect taxes and tariff, results in the increase in price level in the recipient country. Almost invariably, IMF measures start a spiral of inflation which affects all products.

The IMF policies, with devaluation and increase in interest rate as their cornerstones, are often responsible for economic recession in debtor countries. A short-term stabilization of the balance of payments may occur, but the price for this reduction in the use of domestic productive capacity, an increase in unemployment and a reduction in the growth rate- sometimes even a real reduction of Gross Domestic Product (GDP). By dint of their devaluation policy prescription, IMF donors keep the exchange rates in their favor. Then, the resources from the poorer regions become even cheaper, which favors

consumers in the West. It often means that the poor nations remain poor, or get even poorer. Moreover, in the past, IMF loans have been used to achieve political objectives of the leading western capitalist nations. In the approval of final disbursement of IMF's loan to Pakistan, the United State would surely want to see how far Pakistan goes in the realization of her foreign policy objectives in the region.

The Muslims must re-establish the Khilafah (Caliphate) on the Method of the Prophethood to end the colonialist control. Only then the strength of the Muslims will be used to liberate them from the oppression of the colonialists through the implementation of Islam. Allah (swt) said, ﴿يَا أَيُّهَا الَّذِينَ ءَامَنُوا اسْتَجِيبُوا لِلَّهِ وَلِلرَّسُولِ إِذَا دَعَاكُمْ لِمَا يُحْيِيكُمْ﴾ **“O you who believe! Give your response to Allah and His Messenger, when He calls you to that which gives you life.”** [Surah Anfal 8:24]

### **PTI Ensures Private Gas Producers to Make Billions in Profits, Whilst Breaking the Back of the Common Man**

The Compressed Natural Gas (CNG) price crossed the Rs100 per kg mark for the first time in the country's history on 6 October 2018, after the government hiked it by 40 per cent from Rs700 MMBTU to Rs980 per MMBTU. Station owners in Karachi are now charging Rs103-104 per kg and Rs100-101 per kg in other parts of Sindh as against the previous Rs81.70 per kg. The CNG was sold at Rs67.50 per kg in December 2016 when it was deregulated by the government and within 10 months it has now increased by 54%.

The increase in CNG prices will increase the overall cost of living, as CNG is the fuel of the middle classes. Commuters on public transport would also higher transportation charges because 70% of buses are running on CNG. The transportation of vegetables and fruits is via CNG based transports too. The government has said private companies they are buying at higher rates than selling, causing a burden on the state treasury through subsidies. The root of the problem is the privatization of gas production. According to the Ministry of Petroleum and Natural Resources' data for the first quarter of 2015, more than 50% of gas production was produced by private companies. The top gas production companies have achieved record profits in FY2018. Pakistan Petroleum Limited (PPL) has increased its profit by 32% to Rs. 45.8 Billion. OGDCL profits have increased by 23% to 78 Billion. Mari Gas company profits have increased by 68% to Rs. 15 Billion, due to which the company has declared FY18 as the best ever year for the company's profitability and production. So in order to ensure profits for the private owners of gas interests, the regime is breaking the back of the common man.

The PTI government is not bringing change because it is maintaining the privatization of the gas sector. Only Islam can deliver real change as Islam has forbidden the private ownership of energy resources. RasulAllah (saaw) said, «ثَلَاثٌ لَا يُمْنَعْنَ: الْمَاءُ وَالْكَأُ وَالنَّارُ» **“Three cannot be denied (to anyone): water, fire and pastures”** (reported by Ibn Maja from Abu Hurairah). This narration has an *Illah* (reason) that its prevention is because they are from the public utilities. So public property includes all that causes fire i.e. energy resources be it electricity, gas or petroleum. Its individual ownership is Haraam in Islam and these resources are neither owned by the state nor individuals. The state administers these resource to ensure that their benefit is used for all the citizens, regardless of race, colour, school of thought and religion. Furthermore, the Khilafah state will abolish taxes upon energy resources which have further greatly inflated their prices. It

may charge to cover their production and distribution costs, but any profit from sales, such as to non-hostile non-Muslim states, will be put to use for taking care of the public's needs. Thus, Islam's energy policy will contribute to low energy cost and a massive industrialization of Pakistan, supervised by the Khilafah.

## **Rotten Capitalism Will Never Revive Pakistan's Economy**

Launching a mega housing program to construct five million affordable housing units in the country, Prime Minister Imran Khan on 9th October 2018 assured the nation that he would rid Pakistan of the prevailing economic decline. He said the prevailing crisis was temporary and a good day would come soon as the country had the potential and numerous resources which needed to be tapped, adding that, "I will give the nation road map and will guide the nation every week on his government's economic plans."

The PTI came to power on a rhetoric that it will revive the economy of Pakistan and get it out of debt trap. However, in its first 100 days, the honeymoon period, PTI was not even able to consolidate and the situation has gone from bad to worse. Imran Khan strongly campaigned against foreign loans, especially the IMF program, to an extent that he said before coming to power, that he would rather prefer to commit suicide than go for IMF loans. Yet on Monday, 8th October 2018, his Finance Minister, Asad Umar, announced approaching the IMF for a bailout package. Umar claimed that, "The challenge for the current government is to ..... ensure that this spiral of being in an IMF program every few years is broken once and for all." However, many governments in the past went to the IMF program with the same claim of Asad Umar but never succeeded. The reason is simple. The IMF does not provide assistance to strengthen the economy of states like Pakistan. It always seeks to make them more reliant on foreign assistants. The IMF achieves this objective through her demands for increase in electricity and gas prices, increase in taxes, devaluation of the currency and cuts in developmental work. The regime of "change" has implemented IMF policy even before going to the IMF again. So, what is to be expected when they do?

Regardless of rhetoric of "change," the PTI government is not rejecting the rotten capitalist system and embracing the economic system of Islam. Pakistan's economy can never be revived by the PTI, not in a hundred days or a hundred months. Islam's economic system ensures the availability of electricity and gas at affordable prices, as they are public property that are managed by the state on behalf of the people. Islam's economic system ends all non-Shariah taxes, like the GST, so the prices of commodities fall and the people are encouraged to buy, which pushes demand for more production. Islam's economic system ends the fiat currency and ensures that currency is based on gold and silver which ends uncertainty with regard to the strength of the currency. Above all, Islam does not allow taking IMF program at all. Hizb ut Tahrir adopted in the *Introduction to the Constitution* Article 191 that "*The State is forbidden to belong to any organisation which is based on anything other than Islam or which applies non-Islamic rules. This includes international organizations like the United Nations, the International Court of Justice, the International Monetary Fund and the World Bank*".