

The Finance Minister Cannot Fix the IMF Controlled Economy of Pakistan

News:

Finance Minister of Pakistan, Mr. Ishaq Dar on Sunday, 16th October 2022, urged the International Monetary Fund (IMF) and multilateral donors to provide greater policy support. He asked the IMF to tailor its response to the situation in Pakistan and similar countries by taking into consideration the serious economic, social and political challenges that they face amid climate-induced calamities, according to a press release issued by the finance ministry.

Comment:

Mr. Ishaq Dar took the charge of the Finance Ministry on 28th September 2022. His arrival was celebrated by the regime, along with many economists, who had great expectations that he will be able to stabilize the exchange rate of the Pakistani Rupee, which was free falling against the dollar, thereby bringing the economy out of the woods. Mr. Dar claimed that in his opinion the actual exchange rate of the Pakistani Rupee is around 200 Rupees per dollar. When he assumed office, the dollar was trading at 232 Rupees in the open market. Afterwards the Rupee started to gain and the bullish run continued, until it touched 218 Rupees against a dollar. But then it again started to lose steam and currently is trading at around 224 Rupees, against the dollar in the open market.

In order to maintain good value of the Rupee against the dollar, Pakistan needs healthy dollar reserves. There are four main sources of getting more dollars, exports, remittances, foreign direct investment and foreign loans. Being a country which imports a lot, in comparison to exports, Pakistan always remains a dollar deficient country, despite remittances. In order to fill the gap, Pakistan depends on foreign direct investment or foreign loans from the IMF, the World Bank and so-called friendly countries. However, even if you have very large dollar reserves, even then you cannot stabilize the Rupee against the dollar, as we have seen in the case of India. The Indian Rupee is continuously losing its value for the last one year. Today it is trading at 82 Indian Rupees against a US Dollar, despite having more than 550 billion dollars in reserves. On top of that, the Reserve Bank of India (RBI) injected almost 100 billion dollars into the market during the last 12 months to stabilize the Indian Rupee.

The great expectations from Dar very quickly started to fizzle out. He only has the same tools offered by the capitalist system, which have been employed by every finance minister of Pakistan. So, Mr. Dar is also asking the same IMF and World Bank to provide greater support. Pakistan has already been receiving the so-called support of the IMF and international donor agencies. However, this support has only resulted in more dependence on the dollar, the US and the West, to the extent that we have lost our economic sovereignty. So demanding greater support from the IMF and World Bank will definitely result in further dependence and slavery.

We need a radical change. We have to move to gold and silver based currency, declare oil, gas, electricity as public property, which will reduce their prices, establish heavy industries to become self-sufficient, end interest (Riba) and all interest payments, amongst many other matters that are commanded by Allah (swt). However, this radical change can never occur under democracy. It can only occur by re-establishing Khilafah (Caliphate) on the Method of the Prophethood. The Khilafah will uproot the capitalist economic system. It will implement the economic system of Islam, and defy the current world economic order, by establishing the Islamic economic world order. And this is the only way forwards.

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