

Khan's Naya Pakistan to Increase Pakistan's Debt Burden

News:

On the eve of Imran Khan's inauguration as prime minister of Pakistan, several newspaper reports suggest that the former cricket player turned politician will take loans to restore the country's balance of payments deficit. Does Imran Khan really possess an effective economic policy to overcome the trade discrepancy between imports and exports?

Comment:

The inauguration of prime ministers, presidents and kings across the world reflects deep-seated traditions, pomp and ceremony. In Pakistan, it is routine for new leaders to solicit wealthy countries and international institutions for loans to plug trade deficits—dollars to pay for essential items, like oil, and to settle creditor payments in foreign exchange. Despite Imran Khan's promise to change, all indications are that he will follow the tradition of his predecessors and beg for foreign loans.

Saudi Arabia has offered \$1b in loans [1], while China has offered \$2b in assistance [2]. Loans do not come without conditions. Saudi Arabia's eagerness to offer assistance is only matched by Riyadh's expectation that Imran Khan will finally find a way to convince Pakistanis to provide more soldiers to fight King Salman's disastrous wars in the Muslim world. Meanwhile, China's gesture is intended to coax Khan to buttress Beijing's efforts to supplant American primacy in the subcontinent.

Rumors swirling in Islamabad suggest that Khan will approach IMF for a \$12 billion IMF package [3]—the largest to date. If true, this will be Pakistan's 13th bail out under the structural adjustment programme first introduced in 1980. Critics point out the IMF has been devastating for the Pakistani economy [4]. One study suggests that unemployment rate alone "increased from an average of 3.5 per cent in the 1980s to 5.7pc in the 1990s further to 6.7pc in 2000-01" [5]. Many Pakistanis believe that IMF loans have enriched the elite, eroded economic sovereignty and strengthened American hegemony in the region.

As ever the root cause behind Pakistan's perpetual cycle of boom bust followed by IMF bailouts and debt lies in policies that do not support country's economic sovereignty and severely undermine the country's domestic industries. Had Pakistan pursued a policy of building its industrial base to become self-sufficient, the country would not require foreign loans. Central to this policy is to a) provide state of the art infrastructure for industries to expand rapidly, b) encourage the adoption of heavy industry and c) meet domestic consumption prior to exporting goods.

The absence of a strong industry implies Pakistan is over reliant on the import of the most basic of goods not to mention heavy industrial items, such as heavy machinery, nuclear reactors, planes, trains, and so forth. The purchase of such items requires foreign exchange. To make matters worse, successive IMF programmes have accelerated the import bill through rapid degradation of Pakistan's industrial

base and its capacity to provide goods and services for domestic consumption. Additionally, IMF has further debilitated Pakistan's economy by insisting on privatization of the country's strategic assets and selling them off to foreigners.

Hence, Pakistan's economic policy boils to this: borrow dollars to buy basic goods, pay off interest payments and stave off default, and sell the crown jewels to multinationals. Subsequently, Pakistan's external debt has ballooned to \$92b [6] from an external debt of \$62b in 2013. The PML government has added \$30b and Khan will add \$12b at the commencement of his rule. So is Khan's economic policy likely to be different from his predecessor?

Islam provides a simple alternative to borrowing from foreigners in order to meet domestic needs. As Pakistan's treasury has insufficient funds to cater for basic needs like food, clothing, shelter, education and health care for 211m Pakistanis, Islam permits a one off emergency tax. This tax can be levied on the top 40 billionaires, or the richest 1% of the population. The latter has potential to generate tens of trillion of rupees at an emergency tax rate of 50%. This solution is very easy to implement, and enjoys widespread public support.

Nevertheless, does Imran Khan have the courage to adopt an Islamic remedy to the distinctive capitalist disease of debt burden and insufficient treasury funds? The biggest opponents to the Islamic emergency tax are the capitalist vultures around Khan—the political class, big landlords and businessmen and of course the generals. Little wonder that Pakistanis continue to live in abject poverty and misery. Allah says: ﴿وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا﴾ **“And whoever turns away from My remembrance (Quran, Sunnah, Islamic solutions)—Indeed he will have a life of misery.”** [TMQ: Taha: 125].

Pakistanis have a simple choice: To live under Khan's naya Pakistan and get more of the same false policy that has put Pakistan on perpetual life-support or to establish Khilafah Rashida (righteous Caliphate) and live under permanent economic sovereignty, where foreigners have no control over economic policy. If a simple solution like a one off emergency tax can eradicate the debt burden in an instance, think what the complete implementation of the Islamic economic system will bring to Pakistan.

**Written for the Central Media Office of Hizb ut Tahrir by
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Ref:

[1]<https://en.dailypakistan.com.pk/headline/saudi-arabia-comes-to-pakistans-rescue-with-1billion-assistance>

[2]<https://tribune.com.pk/story/1767965/1-china-agrees-give-2b-loan-pakistan/>

[3]<https://www.dawn.com/news/1424807>

[4]<https://www.dawn.com/news/1425319>

[5]Ibid.

[6]<https://tribune.com.pk/story/1711866/2-pakistans-external-debt-soars-record-91-8b/>