

IMF Prescriptions Ensure Pakistan's Economic Misery

News:

The Dawn published a story on 16th September 2018 which claimed that according to a source with direct and detailed knowledge of the matter, the International Monetary Fund (IMF) has asked for Rs160 billion worth of new tax measures in the current fiscal year, which ends in June 2019, in order to stabilise the fiscal framework. The emphasis on a revenue target is a departure from the standard practice for IMF, the economic hitman for the Western economies. Previous IMF programmes were built around a fiscal deficit target, and it was left to the government to decide how it was going to be achieved. This time the IMF is laying out specific revenue targets for each year of the proposed programme and is asking the government to commit to raising the tax-to-GDP ratio by 0.4pc of GDP by June 2019, followed by 1.1pc in FY20 and 1.2pc in FY21.

Comment:

After coming to power in August 2018, the Bajwa-Imran regime presented the economic situation of Pakistan as on the verge of collapse. It raised alarm that foreign reserves were falling, whilst trade and budget deficits were increasing. It presented a two prong strategy, 1) seeking financial help from “friendly” countries such as China, Saudi Arabia and UAE and 2) negotiating a bailout package from the IMF. The IMF package is always coupled with harsh conditions, such as increasing taxation and prices of utilities as well as weakening the local currency.

So, acting as an earnest slave to the colonialists, the regime put itself to the task of securing IMF conditions, even before a bailout is finalized. It increased taxes by presenting a mini-budget in September 2018, to raise Rs 183 billion in additional taxation and increase the prices of gas and electricity substantially. It then entered into talks with the IMF for a bailout package in November 2018. This exercise of increasing taxes and utility prices was meant to secure an IMF package with fewer conditions, by fulfilling conditions in advance. Now, the regime has committed to further impose taxes to the tune of 200 billion Rupees in the ongoing fiscal year 2018-19. So in one year people will be burdened with almost 400 billion Rupees more in taxation. This is in addition to the fatal IMF condition of weakening the Rupee which has led to surge in prices that have broken the already breaking backs.

The IMF prescription of increasing taxation and prices of utilities, whilst weakening the local currency are to choke the economy by crippling industrial and agricultural economy. The industrial and agriculture sectors have been crying about the high cost of doing business for quite some time. Yet, the instead of implementing the economic system of Islam, the Bajwa-Imran regime continued with the failed capitalist economic system, under IMF guidelines. So much for its claims of seeking to establish a model of the Madinah State.

Pakistan can only achieve its actual huge potential, if the economic system of Islam is implemented. Only then Pakistan can truly become a state like Madina. It is Islam alone that will ensure a strong economy, which previously enabled the Khilafah to become the economic marvel of the world for centuries. Anything short of the economic system of Islam under the Khilafah (Caliphate) on the Method of the Prophethood will ensure the continued decline of Pakistan's economy. So the Muslims of Pakistan must work for its immediate re-establishment to attain the pleasure of Allah (swt) and security in the worldly life. Allah swt said, ﴿وَمَنْ أَعْرَضَ عَنْ ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا﴾ **“And who-ever turned his face from My remembrance (Quran), then undoubtedly, for him there is straightened life” [Taha:124]**

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