Pakistan’s economy: The Role of International Institutions (2018-2022)

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Pakistan’s economy has been dependant on the international institutions since 1958 when Pakistan first time approached to get loan from International Monetary Fund (IMF). Pakistan approached due to bad governance, extractive political and economic institutions, the lack of reforms, and the lack of effective utilization of human and natural resources. These issues keep the Islamabad’s economy fragile and dependent on the international institutions such as IMF, World Bank, and Asian Development Bank. All these issues are constructed by the elites in order to perpetuate their status quo. Since 1958 up to date, Pakistan has been failed to build the sustainable economy under the umbrella of IMF and such other institutions including the assistance of friendly countries like China, Saudi Arabia, and UAE and so on. Thus, the role of international institutions immensely influences both economic and political decisions and policies. In this article the role of international institutions and local elites in Pakistan’s economy will be comprehended whether international institutions and elites have been playing a positive or a negative role. Besides, the remedial measures will be suggested which keep Pakistan’s economy on the right and sustainable path in order to get rid of such uncertain phenomena.
1. Introduction

Pakistan’s economy has been going through boom-and-bust cycle since the inception of the state (George, 2023). Most of the time, Islamabad’s economy is in the state of crisis and uncertainty (Wen et al., 2022). Whenever the international institutions and major powers extend their cooperation, Pakistan’s economy goes up for the time being while these positive indicators are not a sustainable solution of the problems (Kuszewska & Nitza-Makowska, 2021). Such unstable situation suits for the major powers such as America which can influence the policies of Pakistan through the international institutions like IMF, World Bank, and FATF in order to accomplish their goal in the region (Jaffery, 2022). For instance, America wants to use Pakistan’s soil against Afghanistan, Iran, and China (Ali, 2022). Because the USA is a super power and China is an emerging power in the globe for the containment of China, America wants to perpetuate their dominance in the globe for that purpose the incumbent super power is directly and indirectly striving to thwart the economic dominance and investment of Beijing (Mearsheimer, 2021).

On the other hand, China wants to have a robust group in the region in order to face the constraints of her opponent for that China also wants to influence Pakistan’s economy (Kuszewska & Nitza-Makowska, 2021). However, both major powers are the core hurdles for the Pakistan’s economy. Additionally, the international institutions’ role in the economy also protects the interest of America in the region while on the other hand China projects and secret diplomacy and programs are also affecting the economy and the decision-making process in Pakistan to get their interest against their opponents (Lake et al., 2021). Apart from that Pakistan’s elites do not interest to boost the economy once for all but they are taking decisions on temporary basis in order to get their own interests (Rashid & Rashid, 2024). Sometime these interests are political and sometime there are apolitical (Goot & Reid, 2023). In short, elites want to perpetuate the status quo because they are beneficiaries of the system and they want to perpetuate it. Besides, the last but not the least people of Pakistan are also responsible for such fragile performance in term of economy because the people of Pakistan have been controlled by the dogmas and elites. Majority of the people are unable to think rationally and perform a duty of civic and active citizen. As a result of all these factors Pakistan’s economy has deliberately been keeping in a state of boom-and-bust cycle.

1.1 Research Questions

- Is the role of international institutions boosting Pakistan’s economy towards sustainable development or to keep them dependent?
- Who are the most responsible to keep Islamabad’s economy dependent on international institutions and major powers?
- What are the measures to be taken in order to get Pakistan’s economy out from the dependency of international institutions and major powers?

2. Research Methodology
The methodology for examining the role of international institutions in Pakistan’s economy from 2018 to 2022 entails a multifaceted approach integrating literature review, data collection, quantitative and qualitative analysis, and policy implications. Commencing with a thorough literature review of existing studies on Pakistan's economy and international institutions during the specified period, the key international institutions involved are identified, including the IMF, World Bank, ADB, and WTO. Subsequently, relevant data pertaining to economic indicators, policies, and interventions are collected for analysis. A conceptual framework is developed to guide the investigation, considering objectives, interventions, and impact of international institutions. The findings are synthesized to draw policy implications, validated through peer review, and disseminated via academic publications and stakeholder engagements, ensuring robustness and relevance in informing policy and practice.

3. Literature Review and Results

3.1 Historical nexus of IMF and Pakistan’s economy

IMF (International Monetary Fund) has been established in 1944 in order to maintain the world economic structure (Head, 2021). IMF provides loan to those countries which are facing balance of payment issues. Besides, IMF boosts monetary cooperation and trade and economic growth while discourages the harmful policies which are affecting prosperity and progress (Moyo, 2024). In 1950, Pakistan became member of IMF. In 1958, Islamabad got its first loan tranche. Ever since, Pakistan has constantly been approaching to IMF for bailout. For Instance, 1965, 1968, 1972, 1990, 1993, and to date, in 2019, Pakistan has been approached to get bailout for the balance of payment issues.

In spite of the above mission, IMF has been using by the United States of America in order to get their interest done (Kentikelenis & Stubbs, 2023). The system has been designed to keep the legacy of colonialism on other way which is neo-imperialism. “The United States holds the largest share of votes in the IMF, the revival of the loan provides message to international investors that both IMF and America are confident that Pakistan would take the necessaries reforms in the economic sector” (Atlantic Council, 2023).

Additionally, IMF policies are harmful for the developing economies especially for Pakistan such as: tight monetary, fiscal, and market base exchange rate policies are not worthy for such kind of fragile economy (Naeem et al., 2023). For instance, the IMF monetary policy is to shoot the interest rate up which enhances capital costs and discourages investment and curtails the economic growth. For instance, In October 2022, Pakistan’s enhanced the interest rate up to 15 percent as per the IMF instructions which effects the economy immensely (Naeem, et al., 2023). Besides, in terms of fiscal policy IMF urges for the austerity measures owing to such policies most of the developmental works are being stopped, pressures are being exerted on the industries by the government owing to the IMF instructions which disturb smooth running of the economy (Yasin, 2023). Lastly, the market-based exchange rate which means the devolution of currency as per the IMF’s instructions. For instance, in the last October Pakistan’s depreciated its currency up to 17 percent which enhanced the inflation and debts.
“IMF’s policies are not beneficial for the developing economy especially for Pakistan” (Binte, 2022). Henceforth, IMF is not a solution for the enhancement and progressive sustainable economy of a country whereas IMF strives to control and influence the decisions making process of both foreign policies and domestic policies. In the current economic meltdown Pakistan needs to comply the IMF’s conditions for the time being and commences the sustainable economic project and comprehensive strategies.

3.1 FATF and Pakistan’s Economy

Financial action task force was established to prevent the money laundering and terror financing while FATF has also been using as a tool to get political benefit and prime interest of the super power (Mirza, 2020). For instance, Pakistan was put into the grey list in 2018 and was constantly being forced for the compliance of the given points. However, Pakistan had accomplished it on time while owing to the Indian lobby and the US’s interest they keep Islamabad in the grey list in spite of their adherence efforts with the FATF’s SOPs. For instance, after Pulwama attack India provided information to the organization that Pakistan is, by now, providing finance to the militants. On the other hand, the US wanted to get support from Islamabad in order to make sure the peaceful pull-out from Afghanistan. Owing to these factors, it seems that FATF is a tool to complete the interest of the major powers in the region and across the globe. Besides, Purvaja stated that “America uses FATF to meet her interests” (Purvaja, 2020). Henceforth, FATF is a tool to protect the interest of the super power in the incumbent world order as per the above facts and arguments.

3.2 The World Bank and Pakistan’s economy

Apart from the IMF and FATF the World Bank is also directly and indirectly connected with the IMF (Nanyun & Nasiri, 2021). For instance, IMF has been established in order to maintain the world monetary system byupholding the countries which are in a critical juncture (Carvalho, 2022) while on the other hand the World Bank has been created after World War two in order to restructure the obstructed infrastructure (Gabor, 2021). However, by the passage of time the nature of its functions has been changed and now the World Bank provides economic assistance to the development projects across the world. The World Bank has contributed on the subject to condition that IMF agrees and provides loan to a country which is passing through a critical juncture in terms of economy.

The World Bank works to curtail poverty, unemployment, and ignorance, and so on while on the meanwhile critics say that the World Bank is working to implement neoliberal economic policies which are directly and indirectly uphold the interest of the influential and powerful countries (Herbert & Odeniyi, 2021). For instance, Ha Joon Chang argued that “the World Bank and IMF present themselves as a good Samaritans whose only motives are to assist the developing world, but they are actually bad Samaritans because their motives are essentially selfish” (Joon, 2007).

Here in the case of Pakistan, The World Bank has been playing crucial role in terms of specific projects development. These economic assistances are lucrative to some extent because the temporary settlement of an issue while in the long run it is a destruction because
of the debt enhancement and policies control. Under such international institutions major powers like America. They want to achieve their interests by using these institutions in order to keep the developing countries, especially Pakistan, in the clutches of neo-imperialism.

3.3 Trade War and Pakistan’s Economy

As Washington and Beijing has been confronting each other at all fronts, America wants to maintain her hegemony while China is struggling to enhance her power and economic superiority in the globe (Prestowitz, 2021). China, from the past few decades, has tremendously been improving its economy and Washington wants to contain her (Ikenberry et al., 2022). Owing to the US-China trade war, Pakistan has been facing the music because of its geostrategic location. China wants to use Islamabad for its own interest and expand the BRI flagship programme while the US is striving to disturb the atmosphere where China wants to invest (Fazal & Khan, 2023). As a result of trade war, between China and the US, effects Pakistan’s economy. In this scenario both countries try to use their clout in order to get their objectives done. For that purpose, the US has been using international institutions like IMF, FATF, and The World Bank and so on whereas China uses the developmental projects as a tool to get her interest done in the region (Zeitz, 2021). As Ahmad mentioned that “trade war effects the economic plan of the developing countries” (Ahmad, 2018). Henceforth, trade war compels the incumbent super power to use the international institutions to meet their interest.

3.4 International Institutions’ role in Pakistan’s Economy from 2018-2022

In 2018, the general election was taken place and a new party, PTI, came up as a majority party and they promised with the masses that PTI would not approach to IMF for the loan and they were in the illusion that PTI could handle balance of payment through the extended cooperation of friendly countries like China, Saudi, UAE, and so on (Bibi & Rizwan, 2022). In contrary, the situation was worse of the imagination of PTI’s government they took the decision to approach to the IMF loan programme. In July 2019, IMF executive board approved the Six billion dollars under the EFF (Extended Fund Facility) arrangement. When IMF extends cooperation to a country they are also providing some conditions and policies as well. Under EFF Pakistan has been taking decisions as per the directions of IMF except in the last days of Imran’s government (Bernhard, 2007).

When it comes to the decisions making process especially in foreign policy arena, IMF influences the decisions because the world order has been designed to keep the dominant countries’ dominancy intact (Öniş & Kutlay, 2020). For instance, when British was a super power, they colonialized the other states in order to perpetuate their dominancy by exploiting them (Arukwe, 2022). However, in modern democracy such physical colonialism has been changed to imperialism. Under imperialism the new order has designed which runs through their institutions to control the developing countries (Fakih, 2020). For instance, from 2018 to 2022 Islamabad had been controlled by the FATF and IMF because of the major powers’ interests in the region (Anam et al., 2022). However, for the time being FATF sworn has left while the IMF is still in the full swings. Thus, they want Pakistan to be in uncertain and fragile situation until they are upholding the Chines’ and the Russians’ projects’ influence in the
region. Besides, when Pakistan joins the IMF loan programme in 2018 since that Islamabad foreign and domestic policies have been driving by the international institutions. All these institutions take fund from those states and they are striving to accomplish their wildest interests (Dawn, July 2019).

In 2020, Corona disturbed the economic cycle of the globe which also affected the Islamabad’s economy and IMF showed its flexibility towards Pakistan. However, Khan’s government breached the agreement with IMF and curtailed the price of oil instead of enhancement at the verge of his dismissal it boosted trust deficit between IMF and Pakistan which still effects Pakistan’s economy. “Khan’s decision of reducing the fuel prices enhances the trust deficit between IMF and Islamabad” (Aljazeera, 2022).

In 2021, the US left Afghanistan, it was a critical juncture for the United States of America to cope with the situation. It was the time they needed Pakistan’s help and owing to their economic vulnerability the US kept Islamabad under pressure through international institutions such as IMF and FATF. However, the withdrawal from Afghanistan was not a mere interest in a region to keep Pakistan’s fragile and control while Pakistan geostrategic location was, is, and will be crucial for the America. The US wants to contain the troika of China, Russia, and Iran for that containment Pakistan’s uncertain situation suits her and through economic pressure they can get things done in the region as per their will. Henceforth, international institutions have been playing a crucial role in the economy of Pakistan but it is not a solution to keep the Islamabad’s economy on the right path under international institutions. Therefore, Pakistan’s elites whether they are from military, politics, bureaucracy, and any other field need to create consensus in order to keep the country out of such imperialism or else the upcoming generations will also be used by such super power race.

3.5 Pakistan’s Elites and its Economy

Unfortunately, Pakistan elites who are in the power corridors whether they are politicians, generals, judges, and bureaucrats they all are responsible for the fragile economy because they are beneficiaries of the system and they want to perpetuate the status quo (Javed & Nabi, 2022). For instance, politicians are blaming each other as a mafia in order to keep their position intact. If an individual tries to identify the elite mafias as per their statements he/she will never reach to the conclusion that who are the elite and beneficiaries while in the reality they all are (Nsabimana, 2021).

Moreover, without doubt military generals are more influential and more powerful they intervene in the affairs of parliament, courts and other institutions like NAB, election commission and so on (Reayat et al., 2021). Owing to the maintenance of their dominancy they are using their clouts to bring artificial and fragile government which would dependent upon them (Tomczyk & Ewertowski, 2023). Thus, they control the whole system and actual power. Intervening in the affairs of other institutions is creating conflict which leads to destabilisation and corrupt practices which effects Pakistan’s economy (Saleem et al., 2023). The destabilization curtails foreign direct investment and other domestic businesses (Ozekhome,
2022). As a result, Pakistan’s faces economic vulnerability and dependency upon international institutions and major powers.

Additionally, Pakistan’s justice system is unable to provide justice to the commoners because influential people are buying the Judges in order to get their favourite decisions (Aslam et al., 2022). For instance, in the Bhutto’s execution judges was used by the military establishment. In the most recent information, General Bajwa and General Faiz Hameed managed the Imran Khan’s disqualification in order to rescue him from disqualification. Owing to such culture both nationally and internationally Pakistan’s justice system is notorious and weak (Gondal et al., 2023). As a results of all these domestic factors Pakistan’s economy is dependent upon international institutions, major powers, and other countries such as Saudi, UAE, and so on.

3.6 People of Pakistan and Pakistan’s Economy

Above all, majority of the people of Pakistan has deliberately been keeping in a state of ignorant and dogmas owing to which they are not ready to adopt modern trends in order to maintain their country’s progress and development intact (Sajjad, 2023). They believe in conspiracy theories which keep them in a state of complex they do not have dare to compete with the world in terms of technology and innovative grounds while believing in the conspiracy theories (Hayward, 2021). For instance, they do not believe in science and rational and they keep blaming others for their failure. For example, during corona many people in the rural areas were praying that may Allah extirpate non-believers by the corona virus and protect Muslims (Restivo, 2023). On the other hand, those who understood rationality and science they reacted to those people please wait for some time because we need vaccines in order to get rid of the virus once the non-believers would make vaccines then we would collectively pray for their destruction (Stanley et al., 2021).

Moreover, people believe that all what they face in the state of Pakistan are owing to the United States of America (Asher, 2021). They believe that America is responsible for everything in the state of Pakistan while on the other hand they are unable to correct their own mind-sets rather than blaming other (Asher, 2021). Most of the masses are irresponsible and blind followers and unable to assess things rationally (Hauer, 2022). For instance, people are being made fool by the politicians on their narratives in order to get power while the people are unable to critically comprehend the state of mind of their leaders rather than blind following (Arif, 2023). At the end, under the realist perspective every state tries to get their interest. Under this school of thought if Pakistan provides space to the US by ignoring their domestic factors and unable to make their economy independent then the US, China, and even other countries can also get benefit from that (Bastos, 2021). Henceforth, Pakistan’s need to work hard and remove their internal hurdles, differences and dogmas so that they can cope with the situation effectively.

Additionally, Pakistan’s masses put religion at every front which keeps Islamabad unable to take independent decisions in order to boost its economy. For instance, elites created narrative against India to not normalize relation with India in terms of trade and people strongly considered them as an enemy of Islam; however, trade and business have nothing to do with
Islam it should be opened. Another instance is that that Israel is an advance in the field of technology and IT by commencing relations with Israel will boost the economy to some extend while owing to the religious factor Pakistan’s masses are unable to accept such idea even most of the Islamic countries have cordial relations with Israel such as UAE, Turkey and so on. Henceforth, Pakistan needs to normalize relations with India and Israel in order to boost its economy.

3.7 Who is the most responsible for the fragile economy of Pakistan?

When it comes to the responsibility that who is accountable for such uncertainty and fragile economy of Pakistan the answer would be more than one factor (Javed e al., 2020). However, there are a gigantic number of factors which keep Islamabad’s economy as a back burner such as major powers, international institutions, military establishment, bureaucracy, politicians, judiciary and people while the elite mafias surpass the rest of the factor because they have created a space for the international institutions and major power owing to their own interest. Besides, they have deliberately been keeping the masses ignorant and away from the critical and rational thinking (Zahoor & Rumi, 2020). Henceforth, in the above all factors elites’ mafias are responsible for such uncertainties and fragile economy whether they are from military, bureaucracy, politics, business, and any other field.

4. Conclusions

In a nutshell, Pakistan’s economy has been dependent on the international institutions since 1958. In the last five yours Pakistan’s economic performances are vulnerable and major powers through international institutions are striving to exploit the situation in order to get their interest in the region. Pakistan has two options either Islamabad should bow before the international institutions by adopting the policies direction or to default. The second option is out question the elites do not want to destroy their hegemony and want to perpetuate it. Henceforth, they have adopted the first option reluctantly because of its political price.

Owing to such reluctance and dubious policies, the elites are further making mistakes pushing Islamabad into further economic crisis. Henceforth, the international institutions’ instructions are to be addressed for the time being in order to make their path on the right direction and then move for the sustainable development rather than dependencies upon the international institutions. However, by adopting the international institutions’ policies instructions are easy while to keep the country in the right direction is not a piece of cake. Such sustainability will take robust planning and honest and bold decisions which seem difficult to be taken by the existence elites as a whole. Elites are beneficiaries and they are mere striving for their interest. Hence, both the dependency theory and the elite theory are pertinent to examine that IMF and elites captured are the core issues which keep Pakistan is in the state of chaos and turmoil.

4.1 Recommendations

- For the sustainable growth lands should be redistributed on equal basis because it can be utilized effectively. Most of the lands are controlled by the few and they are unable to use it productively and effectively.
• Education system must be corrected in order to provide rational and civic citizens for the long run. For instance, Pakistan’s education produces three type of people who are unable to tolerate one another. For example, those who have studied in the elites’ school have different approach, those who have gone through the government education system have different approach, and those who have accomplished their education in the madrasahs have different ideas. If Pakistan’s will try to go with that set up. It would be difficult to utilize those upcoming generation for a robust economy. Henceforth, education system must be updated in order to keep the economy on the right path in future,

• Dogmas and negative narratives should be curbed in order to comprehend the phenomena and boost the economic activities. For instance, the world is working with one another regardless of any religious basis but they focus on national interest including Muslims’ state then why not Pakistan. Pakistan is unable to make diplomatic relationship with Israel because of religion. If Pakistan builds relations with Israel it will also boost the economic progress especially in IT sector. Moreover, politicians including military establishment must extirpate the narrative of Indian’s animosity because they are the neighbour both the country should work on social issues through friendly ways. Kashmir issue must be resolved and LOC should be declared international border because in the nuclear warfare there is no ways to captured each other territory. Henceforth, it is crucial to resolve the issue peacefully on the realistic ground in order to make a robust economy.

• The above recommendations are for the sustainable and for the long run while for the immediate basis government need to enhance the tax net and adopt the policies of IMF for the time being in order to get out of the crisis situation because IMF is not a solution but a political tool of the major power.

• Taxes should be imposed and flexible exchange rate policy should be adopt in order to create stability in the market.

• Neighbour countries should be convinced for their extended help in order to stabilize the balance of payment crisis and then work for the sustainable growth.

• Austerity measures must be taken and all kind of sports should be stopped and their capital should be used for the human development in this crisis situation.

• Skills programme should be announced in order to create business minds because all of youngsters are seeking job rather than business because of the environment. Government is failed to provide a conducive atmosphere for the businesses.

5. References


