**A catastrophic collapse?**

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Friday, Jan 27, 2023

The stability and prosperity of Pakistan have been jeopardized by the current economic and political crisis.

Political instability since April 2022 and the events that followed it has brought the country to the brink of bankruptcy. As a result, Pakistan is confronting a variety of concerns, such as exchange rate instability, declining investment, elevated inflation, alarmingly low foreign direct investment, and reduced remittances.

High inflation rates, which have reached an all-time peak, are on the top of the list. The prices of commodities have more than doubled since April 2022. The recurrent increasing prices of essential goods are making it harder for the lower and middle-income classes to make a living. Many cannot even afford basic necessities. SMEs that form the basis of Pakistan's economy are shutting down every day, due to factors such as increasing input costs, lack of access to credit, and overall economic instability.

Finance Minister Ishaq Dar, who was sent as a messiah from London to stabilize the economy, has made things even worse. His insistence on maintaining the dollar artificially low has greatly exacerbated the current economic crisis. Despite the official dollar rate, the banks have been charging open market rates.

In addition, this policy caused a shortage of dollars, making it even harder for businesses to import raw materials, machinery, and other necessary goods to operate. As a result, major industries heavily reliant on imports have shut down their plants and factories.

Moreover, a decline in foreign investment has also been witnessed, as investors are hesitant to invest in a market where the currency is overvalued, and the value of their investment may decline.

With the current economic crisis at hand, maintaining foreign exchange reserves is a major challenge for Pakistan. The reserves are at a dangerously low level and are not enough to cover even three weeks of imports. The situation is added to by the fact that foreign remittances are constantly declining. This is not only making it difficult for the nation to keep up with its bills and loans but is also putting immense strain on the economy.

With the IMF holding the threat of taxes over Pakistan’s head, the situation has worsened. The IMF is constantly refusing to relax its conditions to release the next tranche of around $1 billion. Instead, it proposes to further burden the country’s poor by raising taxes. However, this proposal has been met with resistance and scepticism, as many Pakistani economists believe that the IMF's proposed reforms do not align with the best interests of the country. The question is: do we have a choice?

The current government is indeed failing to take timely and effective measures to address the crisis. However, it would not be fair to exclusively blame the government. Many stakeholders have played a key role in fostering the current political crisis, including the leaders of opposition parties.

In particular, Punjab's constitutional crisis has had a disastrous effect on the economy, and it will take years to bounce back. The recent drama in the Punjab Assembly and its dissolution has further aggravated the situation. This lack of leadership and vision is adding to the sense of hopelessness that many Pakistanis are feeling.

The current state of the economy is unsustainable and if this bubble bursts, it will lead to an economic collapse. To address the underlying issues of the current economic crisis, all stakeholders unanimously need to take joint action to create a comprehensive and sustainable economic reform plan.

The reform plan should include implementing structural reforms, addressing the causes of current political and economic instability, creating an environment that is conducive to investment and growth, and implementing pro-business policies that can attract foreign and domestic investments.

Furthermore, options other than the IMF should be explored as opposed to hastily opting for a new loan programme from the IMF every time. This could include setting up a Pakistan Sovereign Wealth Fund. This may help provide the nation with a stable source of funding not reliant on loans from the IMF. Additionally, cooperation with other nations should be increased to gain access to new markets and investment opportunities. Finally, to increase productivity, competitiveness and create new industries, the government should incentivize investment in technology and innovation.

It is crucial that Pakistan’s leaders, irrespective of their political rivalry, take immediate and decisive action to address the economic crisis. The stakes are very high this time, and the fate of the nation is in the balance. It is a ‘now or never’ situation. The future of Pakistan depends on the actions taken by the government and other stakeholders. All stakeholders must come together to address the crisis and make the necessary sacrifices for a better future.

The writer is a lawyer.