

Why do we go to the IMF?

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THE **resumption** بحالی of the IMF package, that was badly needed to **avert** بچنے an external payments crisis, has **reignited** دوبارہ زندہ کیا passions. As most countrymen **wrestle** لڑنا with the question of whether or not the Fund is a tool of **neocolonialism** to keep countries like Pakistan **sedated** بے چین and **subservient** تابع, what is lost in the debate is why we always wind up at its door. Let's take a **peek** جھانکنا.

Energy is the relevant sector to get this conversation going as it constitutes the largest portion of our import bill. Economic growth and economic **mobility** حرکت و نقل depend on energy, whose demand rises as economies expand (along with other factors like population growth). A large portion of Pakistan's entire energy **edifice** عمارت is dependent on imported fuels, given our **meagre** معمولی internal energy sources.

Aside from raw material, the machines and equipment **underpinning** بنیاد کرنا، سہارا دینا our power production are also imported – from turbines at hydel power plants to equipment at **LNG**, coal and furnace oil plants. So, not only are we importing raw materials, we are also importing services to **sustain** برقرار رکھنے them over the long term. All these have to be paid for in dollars.

Here, let me address a **misconception** غلط فہمی , that **'indigenous** دیسی sources of power will take care of the matter. Think again. These can't be **utilised** استعمال without outside help. Decades after the construction of the Mangla and Tarbela dams, we still need foreign experts to solve critical issues related to them. Consider the Neelum-Jhelum run-of-the-river hydel power project, which has **extracted** نکالے **gazillions** کروڑوں روپے from Pakistanis under the label of 'surcharge'. Meant to utilise an 'indigenous' source of energy, hardly a year later it is down due to a 'fault' that required the services of foreign experts because our own 'experts' could not identify it. (It meant **inflicting** پہنچانا losses in the billions on consumers due to power production from expensive, imported fuel).

The case of other **indigenous** مقامی sources is somewhat similar: we cannot build nuclear power plants without foreign help; we had to hire foreign experts to determine whether our coal plants could use Thar's indigenous coal, etc.

This is not a **revelation** الہام : there has been recognition for long that Pakistan creates problems for itself that, in turn, generate a demand for dollars, which we are usually short of. The Economic Survey of 1980-81, for example, **recognised** that **long-gestation** projects under the public investment **garb** بھیس was the main reason for **saddling** جکڑنا Pakistan with an external debt of \$9bn. Yet, PSDPs refuse to **budge** کم کرنے ! It's still about grand projects like roads that incentivise an increase in **vehicular** آمدورفت traffic, in turn creating more demand for dollar imports, as the main components of the products of our highly protected car

manufacturers are imported.

Let's move to the role of public regulations. A few of endless examples will suffice کافی . We have this infinite fascination

دلچسپی with horizontal sprawls پھیلاؤ, complemented by 'housing societies' in the public and private sector. Aside from cities becoming administratively difficult to govern, a result of these endless sprawls is the need for more vehicles, leading to greater demand for energy products such as oil and diesel. There has, arguably, never been an estimate of the increase in energy imports that accrued جمع ہوتی ہیں to the country due to this endless expansion. But if ever such an exercise is carried out, the results will make other import-related issues – like IPPs – look puny کوالٹی میں خراب.

These endless sprawls have resulted in millions of acres of fertile ذرخیز agricultural land being gobbled up کچل دیا جا رہا ہے over time. Given that more than 100 agricultural 'research' institutes are producing little or nothing in terms of higher land and crop productivity, complemented by a rapidly expanding population, there is little choice but to import food staples اشیاء to meet our food requirements – so much for being an 'agricultural country'.

Another good example: the illogical fascination with uniform pricing. In terms of the ultimately بلاآخر imported energy products, it leads to waste. Pakistan's fast-depleting تیزی سے کم reserves ذخائر are an apt مناسب illustration, مثال of this phenomenon. First, it was Balochistan, and now it is Sindh whose natural gas reserves are dwindling ہونا fast. There has, historically speaking, always been an incentive

ترغیب to consume it inefficiently because they have been under-priced, primarily due to uniform prices that are way below the market prices. Had the pricing been market-based from the start, there might not have arisen the need for importing expensive LNG or coal, which severely taxes our dollar earnings.

Moving away from big-ticket items, even the micro level does not inspire much confidence. Consider the common office chair. Some time back, they were in short supply, carrying a premium. That's because they are **merely** محض 'assembled' here from imported parts. Most other products fare little better.

To summarise, Pakistan's economic **edifice** عمارت is built in a manner that, unless we import, our economic activity will come to a **standstill** جمود. And as **GDP** inches up, we end up importing more – to the extent that our dollar earnings will never be enough to pay for our imports. So whether it's the IMF or anyone else, Pakistan will sooner or later knock at their door for dollars.

How to change all this? Before someone presents 'import **substitution** متبادل' as the **Holy Grail**, God save us from that

predicament پریشانی. Our earlier experiments only ended up producing **rent-seeking** کی باہمی تعاون کے بغیر منافع کی

سےٹھ **seths** and the likes of the car industry that sells low-quality tin for millions – the promised 'localisation' never happened. For a start, enough of **brick-and-mortar** 'plans' that create more liabilities than assets, besides raising pampered generations of subsidy-sucking businessmen under the banner of 'infant industry' and 'qaumi mufaad' (national interest). Neither do we need NOCs or hundreds of regulatory

agencies to scare away (stay away) foreign and domestic investors.

The way out of our dollar cash-flow troubles lies in greater global integration and trade, promoting competition and developing our human capital base. For a change, take the government out of business and let Schumpeterian creative destruction prevail on a level playing field.

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Neocolonialism can be described as the subtle propagation of socio-economic and political activity by former colonial rulers aimed at reinforcing capitalism, neo-liberal globalization, and cultural subjugation of their former colonies.

LNG

Liquefied natural gas is natural gas that has been cooled down to liquid form for ease and safety of non-pressurized storage or transport. It takes up about 1/600th the volume of natural gas in the gaseous state. LNG is odorless, colorless, non-toxic and non-corrosive.

The term **surcharge** refers to an additional charge, fee, or tax that is added to the cost of a good or service beyond the initially quoted price. A surcharge is often added to an existing tax and is not included in the stated price of the good or service

Independent power producers (**IPPs**) are non-utility generators (NUGs) that are typically not owned by the national electricity company or public utility. IPPs generate electricity for sale to the national electricity network

Gross domestic product (**GDP**) is the total monetary or market

value of all the finished goods and services produced within a country's borders in a specific time period.

The **Holy Grail**) is a treasure that serves as an important motif in Arthurian literature. Various traditions describe the Holy Grail as a cup, dish, or stone with miraculous powers: providing eternal youth, or sustenance in infinite abundance, often in the custody of the Fisher King.

Brick and mortar (also bricks and mortar or B&M) refers to a physical presence of an organization or business in a building or other structure. The term brick-and-mortar business is often used to refer to a company that possesses or leases retail shops, factory production facilities, or warehouses for its operations.

Schumpeterian growth is economic growth that is driven by innovation and governed by the process of creative destruction. Formal economic models have been created that operationalize Schumpeter's notion of creative destruction