

The Prime Minister Nawaz Sharif during his election campaign, made claims that on assuming power he will get rid of external debts, however, the PML-N government is no different from its predecessor in this regard and knocking the doors of international lenders vigorously and vehemently. Pakistan's external debt and liabilities stood at \$61.8 billion as of March 31, 2014, rising by \$906 million in previous nine months. Most of this external debt is made up of loans from multilateral lenders and Paris Club. Islamabad owes International Monetary Fund (IMF) around \$3.6 billion.

"We appreciate the PML-N's commitment, expressed in its Election manifesto 2013 to reduce country's dependence on foreign loans. However, this promise is yet to be translated into action through undertaking solid and alternative measures to reduce the chronic debt burden."



"Pakistan drowning into Debt"

"We Demand"

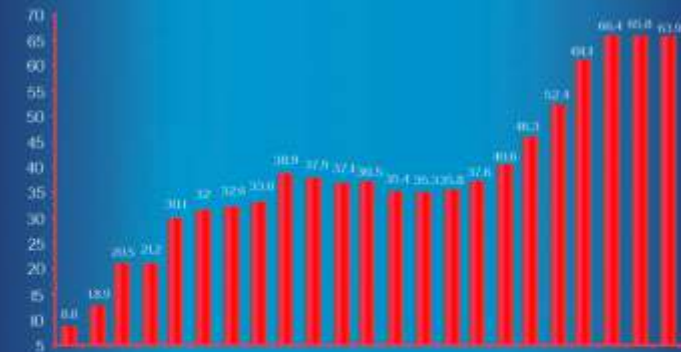
Government of Pakistan...

- Establish Independent Debt Audit Commission.
- To demand **"DEBT RELIEF"** from donor community and IFI's on the pattern of War hit Germany as Pakistan is bearing a heavy cost of **"WAR ON TERROR"** which has inflicted an economic cost to the tune of \$102 billion in the last 13 years.
- To establish a **Parliamentary Debt Audit Commission** to assess the true picture of the public debt and ascertain the illegitimate portion of debt.
- To make all debt agreements, a **Parliamentary Debate** in line with the recommendations of the National Assembly's special Committee on Foreign and Domestic Loans, established on 27th July 2012.
- To fulfill its commitment to engaging with Swiss authorities under the new Swiss law, **'The Restitution of Illicit Assets Act, 2010'** (RIAA) and take practical steps to bring back the Pakistani money.

WE URGE THE GOVERNMENT OF PAKISTAN TO REPUDIATE THE DEBT ACQUIRED BY NON-REPRESENTATIVE REGIMES

We urge the Government of Pakistan to establish a Debt Audit Commission in line with the recommendation of the Special Committee on Foreign and Domestic Loans (SCFDL), "Government must obtain expert opinion of the independent economists of impartial assessment of country's alarming debt situation."

We urge the Government of Pakistan to empower the parliament to decide on the Acquisition, Disbursement & Repayment of all (new/old) loans.



WE DEMAND A DEBT FREE PAKISTAN

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The Third World (developing) countries sought foreign debt to increase the productive potential (capacity) of their economies. Although productive potential of the economies increased to some extent, yet it promoted “debt seeking behavior” a great deal. This behavior is closely associated with unlimited desires which in turn pump up artificial demand.

Since the foreign debt was dollar denominated, the poor developing economies did not have the dollar earning capacity. For instance, the prices of many commodities produced by poorer countries have fallen, sometimes drastically due to international competition since 1980s. Poor countries thus have less hard currency to service their debts and the 'knock-on' impact on exchange rates meant that poor country debts (*often counted in foreign currency like US dollars*) ballooned still further in real terms for the country.

The statistics show that the developing country debts swelled from \$70 billion in 1970 to \$1340 billion in 1990, \$1970 billion in 2000, and \$3,545 billion in year 2009. Thus the debt burden in absolute terms increased almost 40 times in 35 years. On the contrary, the share of developing countries in the world GDP slightly increased from 15.4% in 1970 to around 22% in 2010. By combining these two statistics, it can be safely claimed that foreign debt outsmarted the size of the economy i.e. GDP. Moreover, the share of developing countries in the world population increased from around 73% in 1970 to 82% in 2010, showing that more people became poor in the developing countries.

The third world debt did not prove to be beneficial for the local populations. It has allowed the transfer of massive amounts of capital from poor countries to rich countries. The reimbursements under debt servicing impacts directly on the poor countries' social welfare budgets, and has resulted in the "economic re-colonization" of the periphery by the transnational companies and governments of the most industrialized countries

Pakistan Debt:

In technical sense, the debt to GDP ratio is an important statistics which shows to what extent a country is “solvent”, meaning the ability of a country to repay its debt. This ratio has considerably declined since 2001 when it touched 90%. Although the successive governments got rescheduling with Paris Club creditors on multiple occasions, the last restructuring was availed in December 2001 by the Musharraf regime. This restructuring provided a much needed breathing space to the economy as shown in Figure-1. The sharp fall in the domestic and external debt from FY02 to FY07 can be traced due to this rescheduling in 2001.



Pakistan debt is ever increasing and never come down since 2007. Pakistan added \$1.6 billion in external debt in 8 years (2000-07) but added \$19.6 billion in just 4 years (2008-11). In the later period, particularly since 2008 it was the domestic debt which more rapidly increased than the foreign debt, as shown below.

In June 2014

Total debt liabilities: **Rs18, 241 billion**

The foreign Debt stands at: **Rs4, 791 billion**

The Domestic Debt stands at: **Rs10, 907 billion**

The Debt to GDP ratio stands at: **63.3%** (*Still falls short of meeting the 60% target set under the Fiscal Responsibility and Debt Limitation Act*).

The Debt servicing ratio stands at: **Rs1100 billion**

The Ratio of Revenue/debt repayments: **47%**

Every Pakistani owes Debt: **Rs.101, 338**

Every government goes to the IMF for breaking out of balance of payment crisis since it provides a natural solution to the problem. However, opposition parties raises hue and cry to attain political mileage out of it. The interesting phrases to score politically are “begging bowl” and “slavery”. However, they turn a deaf ear to this jargon when they themselves are at the helm of affairs.