

Dangers of a public backlash in response to IMF intervention : Pakistan criticized over \$7.6 billion IMF bailout

By [Global Research](#)

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ISLAMABAD, Pakistan (AP) – Analysts and opposition leaders warned Sunday that Pakistan’s decision to borrow \$7.6 billion from the International Monetary Fund to stabilize its economy at a time of rising militant violence could lead to a public backlash.

Pakistani leaders had hoped their nation’s front-line status in the fight against al-Qaida and Taliban militant would lead the international community to come to its rescue.

However, with the global economy in turmoil, the government was forced to turn to the IMF after even close allies such as the United States, China and Saudi Arabia snubbed its requests for significant bilateral aid.

Opposition lawmakers fear the IMF will impose austerity measures that will hurt ordinary Pakistanis, two-thirds of whom live on \$2 dollar a day or less. But the IMF said the package included steps to protect the poor from cutbacks.

Ahsan Iqbal, a spokesman for the main opposition party, said the government should admit its economic plans had failed, Dawn, a respected English-language paper, reported Sunday.

“The government should immediately tell Parliament what strings are attached to the IMF package,” the newspaper quoted Iqbal as saying.

Like other observers, Iqbal said the government had damaged its image by expanding the Cabinet when austerity was needed, not to mention sending a reported 200 people along with President Asif Ali Zardari to Saudi Arabia on a recent aid-seeking mission.

Murtaza Mughal of Pakistan Economy Watch, a network of economists, said Sunday that the country should still seek other options to shore up its economy. Cumbersome IMF spending rules could further slow development and upset the public, he said.

“We should avoid this loan,” Mughal said.

He suggested that Zardari and other Pakistani leaders set an example by bringing into Pakistan bank money they held in banks elsewhere.

Pakistan’s finance chief said Saturday that the IMF agreed to the bailout after endorsing plans to tackle the country’s huge budget and trade deficits. The loan will boost Pakistan’s foreign currency reserves, which have seen a rapid decline that raised the prospect of a run

on the local currency and default on the country's foreign debt.

"We have fulfilled our commitment that Pakistan will never default" on its debt, Shaukat Tareen, finance adviser to Pakistan's prime minister, said at a news conference.

Pakistan is one of a number of countries including Hungary and Ukraine seeking IMF assistance in the wake of the global credit crunch.

However, nuclear-armed Pakistan's strategic importance in the U.S.-led war on terror makes its financial and political stability of particular concern to the international community.

Pakistan's northwest, especially its wild tribal belt, is used by al-Qaida and Taliban militants to stage attacks on U.S. and NATO troops across the border in Afghanistan.

The Muslim nation is currently pursuing military operations in the tribal areas, including one in the Bajur region said to have killed more than 1,600 people since August.

Pakistan's economy, which enjoyed fast-paced growth under ex-President Pervez Musharraf, is threatened by gross imbalances caused by the soaring costs of imported oil and food.

Tareen said Pakistan would apply formally for the emergency loan this week and an IMF statement said its board would consider the matter shortly.

With Pakistan's currency having fallen some 20 percent since March, Tareen said Pakistan was hoping to receive a substantial first tranche from the fund before the end of the month.

He said the loan carries an interest rate of between 3.5 percent and 4.5 percent and that Pakistan would have five years to pay it back, starting in 2011 or 2012.

Pakistan is also hoping for direct economic assistance from a group of nations called the "Friends of Democratic Pakistan." Senior officials from the group meet in Abu Dhabi on Tuesday.

Pakistan is hoping oil-rich Saudi Arabia will supply it with fuel on deferred payment, while countries including Germany have said they are willing to boost development aid.

The IMF said other multinational donors were expected to extend further support.-AP

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