بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

The Destructive Economic Colonialism of Pakistan by the International Monetary Fund

News:

“Washington, DC: An International Monetary Fund (IMF) team, led by Nathan Porter, held discussions during a February 24-March 14, 2025 mission to Karachi and Islamabad, and virtually thereafter, for the first review of Pakistan’s economic program supported by the Extended Fund Facility (EFF) and on a new arrangement under the IMF’s Resilience and Sustainability Facility (RSF).” (Source: IMF)

Comment:

The IMF deal is being praised by the rulers of Pakistan, and their mouthpieces, as a significant step toward financial stability and economic recovery. While finance is the lifeblood of any economy, driving growth, fostering innovation, and ensuring effective governance, Pakistan’s financial decision making remains firmly in the hands of neocolonialist institutions. These institutions dictate macroeconomic policies and revenue collection mechanisms, keeping the country aligned with the U.S.-led global economic and financial order.

Pakistan’s tax-to-GDP ratio is 9-10%, with a per capita income of $1,500, significantly lower than India’s (16-17% and $2,500) and the U.S.’s (25-27% and $76,000). Raising the tax-to-GDP target further burdens the already impoverished population while serving the interests of financial elites. The IMF’s fiscal policies focus not on stabilizing Pakistan’s economy but on ensuring its liquidity for debt repayment, benefiting both domestic financial elites and foreign creditors. These measures extract wealth, leaving Pakistan economically drained.

Historically, Pakistan’s economy was state-led, with controlled monetary policies, credit allocation, and industrialization. However, privatization, the operational independence of the state bank, inflation-targeting policies, and private sector-led investment have eroded state control. Today, economic assets are concentrated in the hands of a few, exacerbating inequality and weakening governance. High utility prices, driven by IMF-mandated cost-based tariffs, subsidy reductions, and energy sector restructuring, have further burdened consumers and industries. While reforms such as renegotiating Power Purchase Agreements (PPAs) and shifting industries to the national grid may provide short-term stability, they primarily serve private sector interests, increase unemployment, and push more people into poverty.

Powerful states retain strategic control over critical sectors, ensuring national stability and security. However, Pakistan has steadily relinquished this control due to privatization and deregulation, weakening state institutions. The liberalization push, particularly since the 1990s, has eroded state capabilities, placing Pakistan on a trajectory toward economic dependency, akin to much smaller nations. The IMF’s policies, including further tariff reductions, risk accelerating deindustrialization and transforming Pakistan into a mere market for developed economies. This dependency-driven model undermines Pakistan’s economic sovereignty and hollows out its foundations.

The climate action framework further exposes global inequalities. Developing nations like Pakistan face pressure to cut CO_2 emissions by 50% by 2030, while industrialized nations, particularly the U.S., continue their high emissions. Western-backed climate adaptation projects, largely financed through loans, deepen debt dependency rather than fostering genuine sustainability. Redirecting Pakistan's Public Sector Development Program (PSDP), toward climate projects comes at the cost of essential capital investments necessary for economic growth. Such externally imposed policies keep Pakistan trapped in a cycle of underdevelopment and financial subjugation.

Pakistan's socio-economic conditions have worsened. Basic necessities are unaffordable, with 48% of incomes spent on food and 28% on energy. Poverty affects 40%, which is 95 million people. Urban families struggle on minimum wages, while rural farmers face declining productivity and rising input costs. Businesses struggle as falling purchasing power shrinks demand. High taxes and energy costs raise expenses, forcing closures and layoffs. This leads to rising unemployment, stagnant wages, and economic decline. Faced by grim prospects, many Pakistanis are seeking opportunities abroad, accelerating a brain drain that deprives the country of skilled labor. Pakistan must abolish the existing colonialist system and take the divine path that will bring Justice to the whole world.

The Khilafah Rashidah's economic and financial Shariah rulings are rooted in Revelation from Allah (swt), Al-Hakeem, Al-Aleem. The Khilafah Rashidah (rightly guided Caliphate) ensures just wealth distribution, Halal means for prosperity, and revenue from Shariah-approved sources, while rejecting foreign dependency and colonialist institutions. The Khilafah will establish currency based on gold and silver, abolish riba, seize misappropriated funds from the current corrupt rulers and officials, and supervise energy and minerals for the benefit of the Ummah. Militarily, the Khilafah will achieve self-sufficiency, advancing military-grade artificial intelligence, cyber warfare, and space technology to deter enemies. Heavy industries will end a key pillar of military colonialism, which is dependence of the armed forces of Muslims on the military industries of the colonialist powers. Foreign economic dealings will be strictly regulated to protect Islamic sovereignty.

To ensure liberation (tahrir) from economic colonialism, the Ummah and its armies must depose the current rulers and re-establish the Khilafah (Caliphate) on the Method of Prophethood. This will restore justice, dignity, and strength, fulfilling its role as the best Ummah brought forth mankind. Allah (swt) said, ﴿كُنتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ وَتَنْهَوْنَ عَنِ الْمُنكَرِ وَتُؤْمِنُونَ بِاللَّهِ﴾ **"You are the best Ummah brought forth for mankind: you enjoin what is right, forbid what is wrong, and believe in Allah."** [TMQ Surah Aali Imran 3:110].

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