

Debt and denial

That Pakistan is in a debt crisis is undeniable. The government's total foreign debt is now over \$100 billion and debt servicing will soon take up one-third of the budget. Clearly the situation is unsustainable with the point of no return likely to be reached as soon as this year as repayments to China and yields for the Eurobond are coming due. Immediate disaster may have been staved off with loans from the Gulf States but the optimism of the PTI government is in stark contrast to the reality of the situation.

On Thursday, Finance Minister Asad Umar said there is no chance Pakistan will default on its debt, and once again punted over whether Pakistan will seek a new IMF bailout. Umar's optimism is mystifying. The only reason the country will not default on loans is by borrowing more money, thereby adding to the total debt and only pushing forward the day of reckoning. It is also misleading to say that the IMF had not placed any non-financial conditions on Pakistan during the negotiating. The usual IMF prescription of devaluing currency and removing subsidies may be financial in nature but the effects they will have will be very real and should not be dismissed so casually.

The finance minister seems to believe that the country's debt will become manageable thanks to a reduction in its import bill and an increase in exports and remittances due to the performance of the PTI government. The reality is that the total import bill has only fallen because of a 40 percent drop in the international price of oil since October. Given the volatility in oil prices and Pakistan's dependence on imported oil, relying on low prices to keep our imports down does not come across as sound economic strategy. The country's exports have not increased by anywhere near as much as was projected when the China-Pakistan Economic Corridor was sold to us as the panacea to Pakistan's economic woes. It is also not clear as yet what plan the current government has for getting the country on track. To be clear, though, it is not the fault of the PTI government that Pakistan faces a debt crisis. The problem has been brewing for decades and every government deserves its share of the blame. But the way out surely cannot be to be in denial about the severity of the crisis.

Editorial