

US dictates IMF on loan to Pakistan

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WASHINGTON: US Secretary of State Mike Pompeo, in an interview with CNBC television, said the United States looked forward to engagement with the government of Pakistan's expected new prime minister Imran Khan but said there was "no rationale" for a bailout that pays off Chinese loans to Pakistan.

"Make no mistake. We will be watching what the IMF does," Pompeo said. "There's no rationale for IMF tax dollars, and associated with that American dollars that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself," Pompeo said.

The Financial Times reported on Sunday that senior Pakistani finance officials were drawing up options for Imran Khan to seek an IMF bailout of up to \$12 billion.

An IMF spokeswoman said: "We can confirm that we have so far not received a request for a Fund arrangement from Pakistan and that we have not had discussions with the authorities about any possible intentions."

Speaking in Beijing, Chinese Foreign Ministry spokesman Geng Shuang said the IMF has its own standards and operating rules when cooperating with relevant countries. "I believe they will handle it appropriately," he told reporters, without elaborating. — Reuters

Mehtab Haider adds from Islamabad: The fat is in the fire after the statement of US Secretary of State Mike Pompeo publicly warning that Washington would closely watch whether the IMF's bailout money for Pakistan is utilised for paying back the Chinese loans or not. He asked the IMF not to give Pakistan a bailout if Islamabad intends to use this facility for paying back to China.

The US possessed 17 percent weightage in the Fund's Executive Board and then European Union (EU) also followed the US line of action.

It clearly demonstrates that Washington is highly uncomfortable with the China Pakistan Economic Corridor (CPEC) being the flagship project of the Belt and Road Initiative (BRI), launched by Chinese President Xi Jinping for connecting Asia, Central Asia, Europe and Russia as it will increase influence of Beijing in this part of the world.

It is beyond any doubt that Pakistan's economic vulnerabilities are increasing and the exchange rate showed some stability after commitment of China for providing \$2 billion as breathing space and stop-gap arrangement in order to ensure smooth political transition in Pakistan.

Pakistan is in dire need of dollar inflows to bridge its external financing gap as Dr Hafiz Pasha, former finance minister, has projected that Pakistan's total requirement is \$28 billion for the current fiscal year. Pakistan can float an idea to convince the

Chinese leadership for the creation of Asian Monetary Fund (AMF) or creation of special window for providing balance of payment (BoP) support to those countries that are part of the BRI programme and facing any crisis on external front of the economy.

The experience of Sri Lanka and some African countries can be cited as an argument for making the BRI successful. The Chinese leadership can also be convinced due to this latest statement issued by the US secretary of state.

Pakistan's Finance Ministry intends to prepare a detailed strategy for giving extensive briefing to the incoming PTI-led government on the IMF loans. China has provided over \$6.5 billion on different accounts to Pakistan in the last fiscal year and has agreed to provide \$2 billion more but it could be only breathing space for the country. Pakistan could meet around 40 percent financing requirement with the help of China but it will have to manage the remaining 60 percent from other avenues. If the foreign currency reserves continue to fall and remain two months below the import bill, then the multilateral creditors such as the World Bank, ADB and others would not provide assistance for budgetary support, making the IMF support necessary in such a situation.