

EXTERNAL DEBT MANAGEMENT OF PAKISTAN

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ABSTRACT

The accumulation of external debt is a common phenomenon of the Third World countries at the stage of economic development where the supply of domestic savings is low, current account payments deficits are high, and imports of capital are needed to augment domestic resources. The economic position of Pakistan is precarious with unsustainable external debts. Pakistan has actually failed in maintaining a balance between revenues and expenditures, which has resulted into immense fiscal crises. The debt problem is threatening our economic stability, sovereignty and also dignity. There are too many causes of huge external debts of Pakistan, but in this article I have discussed how government can manage the external debts to avoid threats of economic stability of the country.

INTRODUCTION

Pakistan's sovereignty and independent decision making capability have undoubtedly been adversely affected due to influence which the lending countries and international institutions have come to exert upon Pakistan towards achievement of their own vested interests. On the other hand the loans obtained were squandered away with out bringing about any improvement in economic resilience of the country.

Pakistan economic woes are well known. The real issue is about resolving them. Three issues are unmanageable, at least for quite some time to come. They need long-term solution. The three issues are:

1. Foreign Debts.
2. High Fiscal deficit

3. Trade Deficit.

Foreign Debts

The debt system was inducted into in our economic system by the regime of Field Martial Ayub Khan in 1958. Different experts are in view that debt is not a bad thing provided that economy grows quick enough to provide the tax revenues needed to meet interest payments on time. That will increase capital inflow and will have positive effect on economic growth and standard of living of the peoples. The increase in external debt from \$ 5 billion in 1988 to \$ 38 billion today is directly tied to poor economic planning and its associated corruption, unlimited power of Executives etc. (Pervez, 1998)

Table:1

Table: Pakistan's External Debt and Liabilities

	30.06.02	30.06.03	30.06.04	30.06.05	30.06.06	30.06.07	31.12.08
ITEM							
1. Public and Publicly Guaranteed debt	29215	29212	29875	31031	32603	33153	33759
A. Medium and long term (>1 year)	29052	29045	29853	30813	32497	33697	34889
Paris club	12516	12607	13558	13014	12811	12818	12855
Multilateral	14331	14950	14349	15358	16527	17189	17753
Other bilateral	429	512	720	808	847	929	940
Euro bonds/Saudia Bonds	643	482	824	1266	1988	1908	1900
Military/IDA	819	263	264	188	130	165	145
Commercial Loans/credits	314	231	198	182	165	35	50
B. Short Term (<1 year)	183	187	22	271	196	188	1706
IDB	2226	2028	1670	1342	1585	1478	1482
Private Non-guaranteed Debts (M< > 1 yr)	1919	2092	1762	1611	1491	1478	1482
3. IMF							
Total External Debt (1 through 3)	33400	33382	33307	34017	36670	36190	36907
4. Foreign exchange Liabilities*	3132	2122	1951	1797	1586	1528	1517
Foreign Currency Accounts	488	0	0	0	0	0	0
FF-46	214	0	0	0	0	0	0
FF-131 or OI FE250RR w/SIB	0	0	0	0	0	0	0
FF-31 deposits (incremental)	172	0	0	0	0	0	0
Special U.S.S. Bonds	924	696	552	421	247	211	199
Foreign Currency Bonds (FHA/FC)	197	175	153	151	0	0	0
National Debt Retirement Program	78	0	1	0	0	0	0
Central Bank Deposits	253	780	700	703	700	700	700
NBP/BOC Deposits	500	590	599	506	500	500	500
Other Liabilities (SWAP)	280	45	45	45	24	30	30
FCBs/FCBs/IDBs	60	32	24	10	7	8	8
Total External Liabilities (1 through 4)*	36532	35504	35258	35814	38256	37718	38424
Official Liquid Reserves	4517	6829	10004	9886	10768	10187	10139
<small>* Excluding FERCs/FCBs & DBs from 30.06.99</small>							

Source: Annual Report of State Bank of Pakistan, 2006