SUMMARY of the Article "Re-profiling loans," Dawn Editorial, July 30th, 2024

The editorial discusses the recent developments in Pakistan's quest for a $7 billion bailout from the IMF. The finance minister, Muhammad Aurangzeb, announced that Pakistan needs to re-profile its bilateral debt from three close allies – China, Saudi Arabia, and the UAE – for the next three to five years before the IMF can approve the bailout deal. This re-profiling involves extending the maturity period of loans totaling $12 billion to ensure more stable external financing under the IMF's 37-month Extended Fund Facility. Pakistan has a unique financial arrangement with these countries, involving annual renewals of loans and deposits due to its inability to repay because of a dollar crunch. The nation owes $5 billion to Saudi Arabia, $4 billion to China, and $3 billion to the UAE. While the finance minister is hopeful about securing these extensions, there is skepticism among others. The editorial underscores that even with the IMF funds, Pakistan's fundamental economic issues remain unresolved. The country struggles with generating sufficient export revenues and attracting foreign direct investment (FDI) to finance its imports and growth. The editorial criticizes the nation's elites for living luxurious lives on borrowed money and warns that significant changes are necessary to prevent economic collapse.

V.v.v Imp Pakistan vs IMF and its bilateral debt from three close allies – China, Saudi Arabia, and the UAE

1. Pakistan needs to re-profile $12 billion of bilateral debt. 2. The debt is from China, Saudi Arabia, and the UAE. 3. Pakistan owes $5 billion to Saudi Arabia. 4. Pakistan owes $4 billion to China. 5. Pakistan owes $3 billion to the UAE. 6. The IMF bailout package is

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worth $7 billion. 7. The IMF's Extended Fund Facility is for 37 months. 8. The finance minister is Muhammad Aurangzeb. 9. Re-profiling the loans aims to secure stable external financing. 10. Pakistan struggles with generating sufficient export revenues and attracting FDI.

Easy/Short SUMMARY:

The article talks about Pakistan needing to re-schedule its debts with China, Saudi Arabia, and the UAE to secure a $7 billion IMF bailout. The finance minister is hopeful about getting more time to repay these loans, but some people doubt it will happen. Even if Pakistan gets the IMF money, it won't fix its bigger problems, like not making enough money from exports or attracting investments. The article says that Pakistan's leaders need to change their ways to avoid an economic disaster.

SOLUTIONS to The Problem:

Diversify Export Base

Encourage the development of various export-oriented industries to reduce reliance on a few sectors and increase foreign exchange earnings.

Promote Foreign Direct Investment (FDI)

Create favorable policies and a stable political environment to attract more FDI, thereby reducing dependency on loans.

Strengthen Financial Regulations

Implement stricter financial regulations to prevent elite misuse of funds and ensure that borrowed money is utilized for productive purposes.

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Develop Domestic Industries

Invest in domestic industries to increase production capacity, reduce imports, and enhance self-sufficiency.

Enhance Tax Collection

Improve the tax collection system to increase government revenue and reduce the budget deficit.

Foster Innovation and Technology

Invest in innovation and technology to boost productivity and create new economic opportunities.

Public Awareness Campaigns

Educate the public and elites about the importance of financial discipline and the long-term consequences of borrowing.

Build Strategic Partnerships

Form strategic partnerships with other countries to gain financial and technical support for economic reforms.

Improve Infrastructure

Invest in infrastructure to support industrial growth, improve logistics, and attract investment.

Encourage Savings

Promote saving habits among citizens to increase national savings and reduce dependency on external borrowing.

IMPORTANT Facts and Figures Given in the Article:

- Pakistan needs to re-profile $12 billion of bilateral debt with China, Saudi Arabia, and the UAE.
- The IMF's new bailout package is worth $7 billion under a 37-month Extended Fund Facility.
- Pakistan owes $5 billion to Saudi Arabia, $4 billion to China, and $3 billion to the UAE.
- The country faces a severe dollar crunch and struggles to repay its debts.

MCQs from the Article:

1. *What is the total amount of bilateral debt Pakistan needs to re-profile?*

A. $7 billion
B. $10 billion
C. $12 billion
D. $15 billion

2. *Which countries does Pakistan owe the $12 billion debt to?*

A. USA, UK, and China
B. China, India, and UAE
C. China, Saudi Arabia, and UAE
D. Saudi Arabia, UAE, and Qatar

3. *What is the amount Pakistan owes to Saudi Arabia?*

A. $5 billion
B. $4 billion
C. $3 billion
D. $2 billion

4. *What is the duration of the IMF's Extended Fund Facility for Pakistan?*

A. 24 months
B. 30 months
C. 37 months
D. 48 months

5. *What does the editorial criticize about Pakistan's elites?*

A. Their foreign policies
B. Their investment strategies
C. Their luxurious lifestyles on borrowed money
D. Their export revenues

VOCABULARY:

1. *Re-profiled* (verb) (□□□□ □□□□□□□ □□□□□□): To change the terms of a loan, such as extending the repayment period.
2. *Bailout* (noun) (□□□□□ □□□□): Financial assistance given to a failing business or economy.
3. *Lender* (noun) (□□□□□ □□□): An organization or person that lends money.
4. *Bilateral* (adjective) (□□□□ □□): Involving two parties, usually countries.
5. *Crunch* (noun) (□□□□□): A critical or difficult situation.
6. *Rollover* (noun) (□□□□ □□□□ □□ □□□ □□□): Extending the duration of a loan or investment.
7. *External financing* (noun) (□□□□□ □□□□ □□□□□□): Funding obtained from outside sources or countries.
8. *Insolvency* (noun) (□□ □□□□□□□): The inability to pay debts.
9. *Export revenues* (noun) (□□□□□ □□□□□□): Income from selling goods or services abroad.
10. *Non-debt-creating flows* (noun) (□□□□ □□□□ □□□□ □□□□ □□□ □□□): Financial inflows that do not require repayment.
11. *FDI (Foreign Direct Investment)* (noun) (□□□□ □□□□□□ □□□□ □□□□ □□□□ □□□): Investment from foreign entities into domestic businesses or assets.
12. *Armageddon* (noun) (□□□ □□□□): A dramatic and catastrophic conflict or

event.
13. *Subsidized* (adjective) (□□□ □□□□□□): Supported financially by the government.
14. *Luxurious* (adjective) (□□□□□□): Extremely comfortable, elegant, or enjoyable.
15. *Elites* (noun) (□□□□□□□): A select group that is superior in terms of ability or qualities.
16. *Debt* (noun) (□□□): Money that is owed or due.
17. *Facility* (noun) (□□□□□): A service or space available for a particular purpose.
18. *Revenue* (noun) (□□□□□): Income, especially of a company or organization.
19. *Collapse* (verb) (□□□□ □□): To fall down or give way suddenly.
20. *Critical* (adjective) (□□□): Of crucial importance.

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Re-profiling loans

Editorial

JUST when we thought that the new $7bn IMF bailout was within our grasp, the finance minister surprised the nation by revealing that Pakistan had to get its bilateral debt from three of its close allies 're-profiled' for the next three to five years before the lender approved the lifeline deal next month. Speaking at a news conference on his return from China on Sunday, Muhammad Aurangzeb told the media that Islamabad had already asked its three main creditors, including China, Saudi Arabia and the UAE, to re-profile their loans amounting collectively to $12bn for up to five years for more stable planning of Pakistan's external financing under the IMF's fresh 37-month Extended Fund Facility. "Between now and the IMF board meeting, we have to ensure confirmation of external financing from friendly bilateral partners," he said.

As a report in the paper pointed out, Pakistan has "a peculiar financial arrangement" with the countries mentioned — consisting of loans and deposits that can be renewed annually as Pakistan is unable to repay the money because of the dollar crunch. They "form a major part of the IMF programme". Pakistan owes $5bn to Saudi Arabia, $4bn to China and $3bn to the UAE. Will these creditors agree to the request for extending the maturity period of these loans? The finance minister is quite hopeful, although others are not. He says he is in contact with his counterparts in these countries for the rollover of loans for an extended period of time, and claims that he has their assurances of support that would help Pakistan plug the external financing gap. Even if these countries agree and we secure the IMF dollars, it will not solve our deep-seated problems. Pakistan is in a fix due to its inability to earn enough export revenues and attract non-debt-creating flows, such as FDI, to pay its import bills and finance its growth. It is a shame that a country of 240m finds itself on the brink of insolvency and is forced to knock on door after door for bailouts because its elites have become addicted to living luxurious and subsidised lives on borrowed money. The sad thing is that they are not ready to change even in the face of Armageddon. Something has to change — and soon — before the economy collapses under its own weight.

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