

The "Naya Pakistan" of the IMF

Shahzad Arshad Sat, 18/05/2019 - 08:44

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On May 12, Imran Khan's government signed a deal with the International Monetary Fund, IMF, for loans adding up to \$6 billion over the next 39 months. On top of that, Pakistan also hopes to receive between \$2 billion and \$3 billion in low interest loans from the World Bank and Asian Development Bank. The pact comes after the resignation of former finance minister Asad Umar, who was replaced by IMF-backed Hafeez Sheikh. Raza Baqir, who played a major role for the IMF in Egypt, overseeing enormous economic dislocation, has been appointed Governor of the State Bank so now this "son of the soil" will supervise the implementation of the IMF's policies at home.

The IMF's executive board has yet to seal the deal, and only then will the conditions of the deal become clear, what is certain, however, is that Pakistan will be bound by the IMF's terms, and that points to many potential dangers underlying the deal. So this is the reality of Khan's "Naya Pakistan" - New Pakistan.

Neo-colonialism

The deal has materialised after long negotiations over the past few months, in which the ruling Pakistan Tehreek-e-Insaf also had to sacrifice its poster boy, Asad Umar, by taking away the finance ministry from him. Then, high-ranking officials of the finance ministry were not included in the final stages of the negotiations, which hints that all the IMF's conditions were simply accepted in what is, in reality, a sell-out package. In any case, the way this deal was signed behind closed doors is shameful and contrary to democratic method. Finally, it illustrates how Pakistan is a semi-colony, subordinated to global economic institutions.

Economy

According to new IMF statistics, Pakistan has an external debt worth \$27 billion that it has to repay within the next two years. This would be the largest repayment in the region during this time. However, besides debt repayment, there will also be a current account deficit in the next two years, for which another estimated \$20 billion would be required. This means that in the next two years, Pakistan would need to find between \$46 billion and \$50 billion. The accumulated debt is 77 percent of the national GDP. All of this depicts a horrific economic situation.

Sacrifices

When the ruling class talks of austerity, it means a major attack on the working class and the rural and urban poor and, thus, Prime Minister Imran Khan is now demanding that the people face up to the difficult times and prepare for sacrifices. The IMF pact is a major attack launched against the working and middle classes. While this pact will determine the course of the people's lives in the coming years, the need for taking their opinion on the pact was not felt in this so-called democracy.

Conditions

One of the conditions of the IMF pact is that interest rates, already at 10.75 percent, will be increased,

possibly as high as 14 percent. Another is that the regulatory authorities for electricity, oil and gas, NEPRA and OGRA, will be made independent so that the government is not held responsible for an increase in prices that is expected to bring in an extra Rs340 billion in the next three years. Similarly, the tax on petrol, already at Rs40 per litre, will also be raised.

The IMF has also demanded a devaluation of the rupee against the dollar by 20 percent, making the exchange rate Rs170 to the dollar. A leading economist, Dr Kaiser Bengali, predicts that, in the current situation, that might rise up to Rs200 by the end of the year. Such a drastic increase in the price of the dollar will mean that inflation, already at 10 percent, will inevitably rise further so the future looks bleak indeed. Even so, the State Bank will not intervene to support the rupee.

Privatisation on a large scale, including hospitals, is also on the cards, and the government has further agreed that it will reduce the budget deficit to just 0.6 percent of the GDP. This can only mean more cuts in the budget for development projects, health and education as well as subsidies.

New taxes of an additional Rs750 billion are being introduced in the upcoming budget. Former finance minister Miftah Ismail has said that the government will have to impose taxes worth Rs800 billion to achieve the target and, bearing the rising rate of inflation in mind, that figure could rise to Rs1 trillion.

Social crisis

According to a government report, all social indicators are showing that national economic growth could reach its lowest point for the past eight years. A report issued by the national accounts committee on July 16 says that Pakistan's economic growth, which was expected to reach 6.2 percent, actually stands at 3.3 percent now. After the IMF's conditions are imposed, the growth rate may drop further, to 2.5 percent. According to Dr Hafeez Pasha, approximately 800,000 to 1 million people have so far been rendered jobless due to slow economic growth while 4 million people are now living below the poverty line. It is expected that in the next two years, another 8 million will be living below the poverty line.

Neoliberalism

All previous IMF bailout packages and their neoliberal solutions have failed to bring about any long-term or sustained improvement in the economy. The current bailout package will be no different with further large-scale privatisations, rising unemployment and increases in poverty and inflation. The IMF insists that, even though its policies have an immediate impact on economic growth, they also lead to an improvement as the capitalists' faith in the economy is restored.

According to Dr Akmal Hussain, Dean of the School of Humanities and Social Sciences at the Information Technology University, however, empirical evidence suggests otherwise and investigative reports have made it clear that the assumption is flawed. According to one report that looked into 130 countries that implemented IMF's programmes, in all of them, economic growth was adversely affected. The situation in Pakistan is no different. Once again, people are being asked to make sacrifices in the name of national economy. However, none of this will improve anything for the people.

What is to be done?

At the moment, the entire bourgeois opposition is fighting to safeguard its own interests, each section trying to force the government to make a compromise to its advantage. It is only the working class, rural and urban poor, peasants and the oppressed sections of society that can join hands to fight against the tyrant state and the whole of its policy.

In the current scenario, it is all the more important to connect the fight for democratic rights with the fight against the bourgeoisie's economic attacks. The young doctors, paramedics and nurses have waged a

brave struggle against privatisation of healthcare institutions. A similar struggle has recently been waged by the workers of utility stores against the attacks of the ruling class. It is only class struggle that can compel the state to back off. In the current times, it is the unity of the working class that can defeat the IMF's programme and oust the government of Imran Khan. Finally, this struggle will have to be transformed into a struggle against the capitalist system itself.

Demands

The minimum wage should be sufficient to allow a quality life for workers. Workers' wages should be linked to inflation. With every 1 percent increase in inflation rate, there should be a 1 percent increase in wages.

Instead of privatisation, state-run institutions should be handed over to the democratic control of the working class. All the institutions that have shut down after privatisation should be re-nationalised under workers' control. Those institutions whose management has been handed over to the private sector should be put under the democratic control of the working class, thereby reversing all kinds of privatisation.

Instead of cutting jobs, working hours should be reduced so as to prevent unemployment.

The budgets for education and health should be increased by imposing a wealth tax on capitalists, big landowners, multinational companies and other rich sections of society. New healthcare centres and educational institutions should be set up thereafter.

An end to all tax exemptions for the capitalist class.

Subsidies should be introduced on a large scale in agriculture. Moreover, land should be expropriated from big land owners and handed over to the peasantry and rural labourers.

The budget for development projects must be increased on a large scale so that social facilities and free homes for the working class as well as the rural and urban poor may be constructed.

Companies that produce electricity must be taken over by the state and put under the democratic control of the working class.

Rejection of the IMF programme, including refusal to repay the debts of global economic institutions, is a precondition for the planned and balanced development of the economy but this can never be undertaken by a government committed to capitalism. We need a government, based on the workers' own organisations, to deal with the existing disastrous situation and defend the interests of the overwhelming majority of the population.

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