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Pakistan: Capitalist crisis and the working class

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Since Imran Khan lost a parliamentary vote of confidence and Shahbaz Sharif of the Pakistan Muslim League (N) replaced him as prime minister, the political crisis wracking the country has taken even sharper forms. In response to his ouster, Imran Khan threatened a Long March of his supporters to Islamabad to force the government?s resignation and the calling of new elections. Despite implementing pro-capitalist policies for years, he resorted to right-wing populist and social demagogy combined with pseudo anti-imperialism.

The ?Long March? failed. Faced with police repression, Khan?s party, the Pakistan Movement for Justice, PTI, proved unable to sustain the mobilisation and rally new forces. For the time being, the new government seems to have won the struggle within the ruling class and Sharif?s government is looking relatively stable.

Unsurprisingly, its first attack is on the workers and the urban and rural poor ? by increasing the price of petrol. The government has also slashed the budget for higher education by 50%.

Contradictions of the ruling class

Shahbaz Sharif became Prime Minister on April 11. Although a cabinet was formed, it has had problems functioning and confusion reigns within the ruling coalition over whether or not to dissolve the National Assembly. The reason for getting rid of Imran Khan and the PTI was to keep the system running and end the deep divisions in the state institutions. This includes within the army which, behind the scenes, remains the power in the country. Nevertheless, the middle class rallied to Khan, threatening to turn these divisions and contradictions into open warfare.

Although the allied parties including Shahbaz Sharif wanted to prolong the government, it was clearly a dilemma since it was obviously failing to run the system in the interest of capital and the anti-Khan faction in the army was coming to realise this; that the system had entered cul-de-sac and only new elections could restore confidence in the interest of capital.

The problem for Khan, the PTI, and their long march was that they did not have a tradition of mass street protest. He could not mobilise even the middle class. Ironically, the arrest of PTI members and violence in several cities, in the long run, is likely to have saved the PTI's reputation for determined opposition. In the short term, however, it also showed the limits of this party.

The Supreme Court intervened, seeking to balance the conflict between the various factions of the ruling class so that it did not turn into an open fight. This has given Sharif the opportunity to formulate policies with the IMF, in the interests of capital.

The economic, political and social crisis in Pakistan is so severe, however, that it is very difficult for any single government to impose the destructive policies of the IMF. Therefore, a new election is likely, sooner rather than later. But first the government and the state institutions need to address the immediate economic and financial crisis facing the country.

Economic crisis

Pakistan's current account deficit has widened to a cumulative $13.8 billion since the start of the current fiscal year in

July 2021. This compares to a deficit of $543 million for the same period a year earlier. The mercantile trade deficit widened by an alarming 57.85 per cent, year-on-year, reaching an all-time high of $43.33 billion by May on the back of higher-than-expected imports. The 11-month deficit, currently standing at $ 47bn, has already surpassed the highest full year?s trade deficit from 2018.

Moody's Investor Service downgraded Pakistan's outlook from stable to negative, citing "heightened external vulnerability" and uncertainty around "securing external financing to meet the country's needs". Pointing out that the country's foreign exchange reserves declined to $9.7 bn at the end of April, sufficient to cover "less than two months of imports", the statement concluded that external vulnerability had been amplified by rising inflation, which puts downward pressure on the current account and the currency.

The historic Rs 60 increase in petrol prices in one week means that the IMF programme will be revived and loans will have to be obtained from other institutions and countries on top of the IMF. Whilst Pakistan has escaped falling into the abyss of bankruptcy, it is very difficult, if not impossible, to turn to that into recovery for a long period of time.

The demands made by the IMF in return for a rescue package worth about $6bn, whose precise conditions are currently being negotiated, will be drastic. Further price rises for basic goods, and cuts like 50 % for higher education, are likely. A massive increase in the electricity base tariff - by up to Rs 7.50 per unit - is to be expected by the 1st of July, a rise of about 50% on current prices (from Rs16.64 to 24.14 per unit).

Furthermore, the finance ministry is promising the privatisation of power companies and other institutions, adding to the inflationary punishment imposed on the working people and the urban poor. Their jobs will also be taken away from them and programmes are being drawn up to deprive students of access to education.

For the first time in its history, the exchange rate for the dollar in Pakistan has risen to Rs.202 in the interbank market. The rupee lost 8 percent of its value against the dollar in less than one month. Pakistan's current account deficit and trade deficit figures are in jeopardy due to heavy payments.

Inflation was already at 13.4% in April and rose to 14.5% in May. Wheat imports will push it up to 16% in June and some estimate that it will continue to rise to 23% in the summer. Between April 7 and May 23, the State Bank raised its key policy rate by 400 basis points. Pakistan needs $37bn next year and this is a big burden even with the IMF programme. The Pakistani state and ruling class therefore are in desperate need of IMF credits and additional support from countries like Saudi Arabia or China to avoid a financial collapse like in Sri Lanka.

On the other hand, the IMF programme will impose austerity and "adjustment measures" which will mean cuts, losses and outright misery for millions. It will be difficult for the working class and the urban poor to eat twice a day. People are already not getting medical treatment and are forced to withdraw their children from educational institutions. Following these IMF policies will mean that Pakistan's economy will shrink, leaving more workers unemployed. This government has plainly decided to bury the workers and the poor alive in the name of economic recovery.

The solution of the ruling class

Despite the ruling class's own infighting, all factions agree that the only way to save the economy is to abide by the IMF programme. A recent UNDP report states that the benefits and subsidies to Pakistan's elite, including the corporate sector, landlords, powerful politicians and the military, are estimated at Rs17.4 bn which is about 6% of economy. While the working class find it difficult to survive, corporate profits increased by 50%.

The IMF, as the guardian of global capitalism, does not comment on this because it has the same vested interest in maintaining this system as the government and the media.
However, concessions and subsidies are one of the main triggers of the current economic crisis.

Sharif's government has announced a support package of Rs28 billion, which would be just Rs 2,000 per family. But, since this will be distributed within a clientelist framework, this will mainly, if not only, favour his political supporters.

What to do?

What is needed now is for organisations of the working class, the peasantry, the poor and all the oppressed, the victims of the IMF and the government, to unite around a programme of action. The trade unions, left wing parties and organisations need to wage a common struggle against the attacks and for an alternative solution to the current crisis. For this we propose a series of key demands to solve the crisis in the interest of the working class.

For example, the minimum wage should be sufficient to allow a decent quality of life for workers. Workers? wages should be linked to inflation. For every one percent increase in inflation, there should be a one percent increase in wages.

In order to impose such a demand and to fight, the currently fragmented trade unions, which organise only a small percent of the 60 million strong working class, and the very weak left wing organisations, will not be enough. They need to campaign for mass assemblies and the election of councils of action in all workplaces, private or public, in working class estates, in town and countryside.

Thereby the presently unorganised can be organised and engage in joint struggle with the existing unions and left parties, rallying the workers and poor to mass demonstrations, occupations and mass strike action to repeal the IMF programme and to make the rich pay for the crisis. Such organs could also control the implementation of demands like a minimum wage and the indexation of wages and social benefits or pensions.

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 to prevent unemployment.

The education and health budgets 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 could be set up on this basis.

There must be an end to all tax exemptions and subsides for the capitalist and landowning class. Massive funding should be directed towards increasing the productivity of agriculture, especially to meet the consumption need of the masses. The land should be expropriated from big landowners and handed over to the peasantry and rural labourers. Price control committees, linking the rural producers to the workers in the cities should be established.

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 all this can never be undertaken by a government committed to capitalism.

We need a government, based on the workers' own organisations which need to be created in the current struggle, to deal with the existing disastrous situation and defend the interests of the overwhelming majority of the population.

Support for such a strategy will not be spontaneous, it has to be won by a determined campaign. Those who see the need for a revolutionary strategy, whether in left parties or trade unions, need to organise themselves to fight for it in all working class organisations, as well as amongst the oppressed layers of society, women, youth and the oppressed nationalities.

They need to unite to discuss the political basis for a revolutionary working class party and work out a programme of action, linking the struggle against the IMF with the struggle for a working class revolution in Pakistan and the entire region. In this way, we can fight back against the ruling class crisis and its attacks on the working class and poor in Pakistan.

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