

World:

Role of IMF & US in the Economic and Political Crisis of Pakistan

From its inception till date IMF bailed out Pakistan 22 times. It is often hesitant to approach IMF because of IMF's vicious conditionalities and structural adjustments but there is no other go for it. Nevertheless it did not withdraw the entire amount originally agreed upon in the earlier bailouts to save itself from the conditionalities and the popular anger that it creates. So almost 19 of these IMF programs have not been completed. Also had it not for the geo-political interests of the US it would have been reduced to dust for not stringently implementing these policies.

Tied to US Imperialism

Since 2001, Pakistan has been the beneficiary of the US Coalition Support Fund (CSF). The CSF reimburses allies the costs incurred on war on terrorism and for allowing the usage of its network infrastructure (e.g., ports, railways, roads, airspace) for US military. Every year Pakistan gets around \$ 1 billion in CSF along with \$ 335 million in humanitarian assistance. Due to inaction on the part of Pakistan the United States has recently cut another \$ 300 million from the CSF. The withdrawal of US from Afghanistan has reduced Pak's strategic importance and its affinity to China angered US resulting in the suspension of all security assistance to Pakistan, whether it is international military education and training, foreign military financing, or the CSF in the year 2018, the year Imran Khan got to power. Imran Khan aligned a step further with China. He recognised the Taliban government along with China. He publicly refused to provide bases to Washington for operations in Afghanistan. This has resulted in drastic reduction in security assistance from US and delay in the IMF bailout package approved in 2019. So he not only inherited fiscal deficit, CAD & BOP crisis from previous governments, but also the wrath of the US.

IMF & Neo liberal Policies

Pakistan's tryst with IMF started in 1958. Instead of alleviating it from its woes IMF kept it in perpetual economic crisis and debts. On an average it suffers fiscal deficit, current account deficit, and Balance of Payments crisis and had to beg IMF every 4 years and it is no coincidence that almost every 3-4 years government destabilizes and new govt. comes.

IMF imposes neoliberal policies on countries that ask for loans. Pakistan is no exception. It has to cut subsidies, expand tax base, privatise state enterprises, let the rupee to 'float' – driven by markets and facilitate FDIs. The reduction in subsidies on agriculture, fuel, electricity leads to inflation. The IMF pill for food inflation is food imports. One of the most enforced neo liberal policy of IMF is that a country has to stop producing anything that is being produced at cheaper rates elsewhere, instead they have to focus on other products and import these cheaper products. This policy is meant to reduce a self-sufficient country to a dependent country.

IMF's regular solutions for Pakistan's fiscal deficit [excess of government expenditure over its revenues] is to remove subsidies & privatize state enterprises to reduce government expenditure; increase taxes and utility bills like electricity to increase revenues; and for current account deficit (excess of spending on imports over exports) its solution is FDIs. But Pak's experience proves FDIs drained its wealth instead of generating it.

Let's delve into its recent past.

IMF and the Political Crisis

Since 2007, the completion of a particular government's term coincided with the need for financial support from IMF. No Conspiracy? In 2008 IMF loaned \$ 7.6 billion to the new PM Yousaf Raza Gillani. After the collapse of this government in 2012, IMF negotiated in 2013 with the interim government of (ex Chief Justice) Mir Hazar Khan Khoso. Later the new government of Nawaz Shariff committed itself to this deal with the promise of agri taxes and got \$ 6.6 billion loan.

In 2018-2019, the new PM Imran Khan reached out to Saudi Arabia, the United Arab Emirates (UAE), and China for help and got \$ 3 billion, \$ 3 billion and \$ 3.5 billion respectively. But he couldn't bring any change as neoliberal policies are already in place for years. Thus in 2019, he had to approach IMF and agree to its policies of increasing tax base, increasing power tariffs, privatising Pakistan Airlines and its Steel industries. But he didn't implement those unpopular schemes immediately so IMF delayed its funds and complicated the crisis. Finally Khan succumbed. He had to replace his State Bank Governor with Reza Baqir, who is working for IMF, replace the Chairman of Federal Board of Revenue [the tax collection body], and his Ministry of Finance. He even announced increase in electricity slabs. But before things could settle the economic crisis lead to political turmoil and he himself lost his post.

The new Prime Minister and his team immediately committed to IMF, approved electricity bill hike of Rs. 4.8/unit [Before this hike the unit rate

varied between Rs. 2-2.4]. They announced that they will push for privatisation of Pakistan Steel Mills and Pakistan International Airlines.

Even though IMF has bailed out Pakistan 22 times, and enforced neo-liberal policies its situation has not improved but deteriorated. It turned from a food exporter to a food importer, more and more towns are facing electricity blackouts. Every few years Pakistan's foreign currency reserves fell to a level equivalent to only two month imports [every year the imports keep rising].

A trend is visible in Pakistan – any Prime Minister who has worked for International Financial Institutions or Banks will be able to complete his full term but those who won popular elections or backed by the Military lose their power abruptly mostly due to 'Corruption'.

Wheat and Sugar crisis...

This is a 'Reuters' article in 2009. But this same heading is being seen in the newspapers over the past few years. It means the policies enforced by IMF since 2009 have only perpetuated the crisis if not exacerbated it.

While the cause for the present food crisis is thrown on climate, it is actually the neo liberal policies that ensured years of unsustainable support price for farm produce, its policy of replacing local production with imports from cheaply producing black sea countries, and its policy of eliminating import duties on wheat.

According to the Pakistan Bureau of Statistics (PBS), wheat import increased 100% to \$ 92.29 million in September 2020, compared to no imports in the same month of the last year. Sugar import shot up 5,536% to \$ 12.34 million compared to \$ 219,000. Import of raw cotton soared 2,249% to \$ 88.56 million in September compared to \$ 3.77 million in the same month of the last year.

State Bank of Pakistan Governor Dr. Reza Baqir, the IMF man, says that the food inflation was seasonal. If food inflation is seasonal, fiscal deficits & CAD are cyclic, debts are perennial, food exporter becomes food importer, after the involvement of IMF for over 65 years, is it not perpetrated by IMF and the US imperialism? Does it not prove that imperialism only expropriates but never alleviates, IMF is the cause and not the solution?

Similarities among the Nations of the Sub-Continent

Although not strange, like in India, every new government in Pakistan blames its predecessor governments but not IMF because to survive it needs funds from IMF thus proving the impact of finance capital on Politics. Not just in Pakistan, Finance Capital is dictating the agriculture and agri-industry policies in many south Asian countries in the temperate and tropical zones. Primarily it is attacking the self-sufficient in food. It is forcing various

restrictions on the water resources available aplenty and their utilisation in these Sates.

In all these countries, the export and import policies continue to be more or less the same, and wheat and grain are not allowed to be exported even though they are capable of. The situation is so terrible that these countries are not allowed to export to European countries which are experiencing a severe shortage of grains due to the ongoing conflict between their regular exporters Russia and Ukraine. Exports of food and other goods are also not permitted between the neighbouring countries of the subcontinent. Persistently some or the other conflict like border conflict, or conflict between the majority and the minority communities is invoked to keep a perpetual enmity between these countries. To sum up, the question before Pakistan is whether to serve the market needs of China or that of US and Europe.

Imperialists continue their tactics of imposing hegemonic policies, interfering in the internal affairs of the countries and constantly destabilizing governments to continue their imperialist exploitation. It is not surprising that along with Pakistan we find in these 5-6 countries similar policies and similar crises. In some countries they install their puppets as the rulers, and in some others they have their compradors who do not hesitate to mortgage the interests of their own people. Military budgets account for more than 40 per cent of the budgets in all these countries, and foreign exchange evaporates as interest on foreign debt. All these countries are experiencing the disastrous consequences of giving up self-reliant policies and adopting dependent economic policies.

The day the progressive forces, patriots and revolutionary forces who lead the people in all these countries understand the conspiracies of imperialism and its local compradors, recognize them as the common enemy and defeat them, this world turns a better place for everyone including flora and fauna.