

# Pakistan's military regime to implement IMF dictates

**Keith Jones**  
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Pakistan's new military government has signaled its readiness to implement economic policy changes demanded by the IMF and foreign investors—changes previous governments failed to implement for fear of igniting popular unrest or because of opposition from sections of Pakistani's landowning and business elite.

Pakistan's new, self-proclaimed chief executive, General Pervez Musharraf, devoted much of his October 17 address to the nation to outlining the "revolutionary steps ... needed to put [the economy] back on track." The new government, pledged Musharraf, would rebuild domestic and foreign investor confidence, impose "strict austerity measures," make changes to the tax system, boost domestic savings and "turn around the state enterprises toward profitability."

These are policies aimed at placing the full burden of Pakistan's economic and state fiscal crisis on the working class and rural poor. The "austerity" axe will fall on the meager sums the Pakistani state spends on price subsidies and social and public services, since it is excluded that the military regime will touch the two-thirds of the state budget devoted to debt servicing (45 percent) and the military (22 percent.) Making public sector enterprises profitable will require massive job and wage cuts.

To boost savings, it will be necessary to raise interest rates and cut public spending so as to curtail inflation and currency depreciation. This is a prescription for economic slump. According to a Karachi-based foreign banker favorable to the new regime, "Stability and economic revival cannot be achieved at the same time ... Compared to any elected government, the military should be able to afford some painful austerity, import compression and belt tightening."

Significantly, Musharraf's national address did not include even a ritual reference to poverty alleviation or education, this in a country where 38 percent of children under five are undernourished and well over half the adult population is illiterate.

The personnel appointments that the military government has made this week are a further indication of its pro-investor and pro-IMF orientation. The Governor of Pakistan's national bank, Mohammed Yaqub, is one of four civilians appointed to a seven-member National Security Council, which is to serve as the country's supreme policy- and decision-making body. A 20-year employee of the IMF, Yaqub became bank governor in 1993. He reportedly clashed repeatedly with both the deposed Prime Minister, Nawaz Sharif and his predecessor, Benazir Bhutto, over

their failure to curtail government spending.

And as Finance Minister, the military has named a vice-president of New York-based Citibank. A 30-year Citibank employee, Shaukat Aziz had overseen Citibank's operations in Pakistan, but at the time of his appointment was head of Citibank's Global Private Bank. Welcoming Aziz's appointment, Citigroup Chairman and co-CEO Sandy Weill declared, "I am confident that his judgment and experience will be a tremendous asset for the country."

Musharraf has tried to deflect attention from the right-wing, pro-big business orientation of his government, with demagogic claims that the military will "ruthlessly pursue recovery" of "looted national wealth"—a reference to the billions Pakistan's politicians have siphoned off from the state through misappropriations, unpaid loans and bribes.

To what extent the military's campaign against corruption and tax-evasion is simply a public relations exercise remains to be seen. The military itself has been at the apex of power in Pakistan for decades and its leading personnel have all manner of family and business ties to Pakistan's political and economic elite. But the anti-corruption campaign serves multiple political purpose: it boosts the military regime's legitimacy by identifying it with popular anger against Pakistan's venal political elite; it places the politicians on notice that should they challenge the military government's authority they will be dragged into the courts on corruption charges; and it appeals to foreign investors who resent the costs and insecurities of crony capitalism.

If the military regime has been anxious to demonstrate to international capital that it can serve as its instrument in reorganizing Pakistan's economy, it has been no less solicitous of Western, and particularly US, concerns about Pakistani foreign policy. Musharraf has said his regime attaches "the highest importance to our friendly relations with major powers, especially the United States." In his national address, Musharraf declared there would be "no change of foreign policy," but then proceeded to signal that his regime will heed US calls to reduce Pakistani support for the Taliban regime in Afghanistan. Whereas Pakistan has provided the Taliban with critical political and military support in its drive to secure supremacy over its rivals, Musharraf said his government wishes "to see a truly representative government in Kabul." This suggests Islamabad now favors a negotiated solution to the Afghan civil war, that will see the Taliban sharing power with other groups.

The major capitalist powers, with Washington in the lead, have, for their part, signaled to Musharraf and the generals that they have gotten their message and are ready to do business with them.

On Wednesday, US President Bill Clinton extended a waiver, first issued last year, of most of the sanctions imposed on Pakistan after it conducted nuclear tests in May 1998. Moreover, Clinton also waived sanctions imposed three days after the coup on Pakistani purchases of food and other agricultural products and on U.S. bank loans and credits to the Pakistani government.

Earlier US Secretary of State Madeleine Albright praised Musharraf for ordering Pakistani troops to withdraw from the border with India in all areas but the Line of Control that separates Indian and Pakistani Kashmir.

But the most forthright vote of support for the military came from the Pentagon which has long had close ties with the Pakistani generals. According to Associated Press, "Pentagon leaders are not alarmed at the military takeover in Pakistan. They view General Musharraf as pro-western and capable of controlling the country's nuclear weapons."

The Canadian government's reaction to events in Pakistan typifies the developing consensus among western powers that the Musharraf regime is to be embraced, not condemned. In the days after the coup, Canadian External Affairs Minister Lloyd Axworthy spoke of the need to suspend, if not expel Pakistan from the Commonwealth. By the time he left this week as the head of a four-man Commonwealth delegation to Pakistan, Axworthy was holding out the carrot of economic aid if the military regime would simply lay out some type of a timetable to a return to constitutional government. Said Axworthy, "You'll note we have demanded the restoration of democracy, rather than the Sharif government."

As for Sharif, he remains in military custody. Only last month the US State Department issued a statement emphatically opposing any non-constitutional removal of the Pakistani government from office. Now it is hard-pressed even to condemn his detention without charge and without the right to see lawyers or his family.

In the immediate aftermath of the coup, it was suggested by a top IMF official that the IMF might withhold further funds to Pakistan. But the IMF has now resumed negotiations with Pakistani officials on the release of the next portion of scheduled loans, and Washington has scrupulously avoided any public comment on continued IMF support for the regime.

This is not to say that the US and other Western powers have yet arrived at a new *modus vivendi* with Pakistan's military regime. But they are anxious for one. Behind the West's acquiescence in Sharif's overthrow is its fear that the Pakistani state is imploding under the impact of economic, social and political crisis. The bitter wrangling between rival factions of the political elite has blocked the reorganization of Pakistan's economy, even as it teeters on state bankruptcy, and was opening the possibility for other more powerful discontents to emerge. The coming to power of the military is in the manner of a preemptive strike against potential mass opposition to the dictates of the IMF and domestic and foreign capital.

Buoyed by the tepid criticism of the coup, Musharraf has for the first time spoken on how long he believes the constitution may need to remain suspended. Wednesday he said, "No time-frame

has been set for elections, but we have fixed a period to improve the national economy and achieving the targets can take six months, one, two or even three years."

The claims of the Musharraf regime, which have been echoed by the Western press and politicians, that this is a "liberal" coup led by moderates and pro-democrats are farcical. The constitution has been suspended, emergency law has been declared, all the federal and provincial governments disbanded and the federal and provincial legislatures suspended. Under Provisional Constitution Order 1 the chief executive has dictatorial powers. The courts have no authority over his actions and the country's laws, other than the suspended constitution, remain in effect at his whim: "all laws other than Constitution shall continue in force until altered, amended or repealed by the chief executive or any authority designated by him."

Last but not least the economic program of the new government cannot but lead to a vast widening of the social chasm between the rich and poor.

Although Musharraf, like countless dictators before him, claims he acted to save the country from corruption and dictatorship, the only known policy disputes between the military and Sharif concern the latter's refusal to establish a National Security Council, to give the military a greater say in public policy, and over the Pakistani military's incursion in Indian Kashmir.

There likely were also the tensions between Sharif and the military over how to enact the IMF's policy prescriptions. Not only is the massive military budget a drain on productive state investment in infrastructure; the military controls important sectors of the Pakistani economy. Most importantly it is charged with running the national hydroelectric and irrigation authority, WAPDA. One of the major bones of contention between the IMF and the Pakistani government has concerned the rates foreign-built power plants are able to charge WAPDA.



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