

Pakistan floods unleash desperate economic crisis

Ali Ismail**26 August 2010**

The catastrophic floods spreading across Pakistan have dashed any hopes of an economic recovery in the poverty-stricken country. The estimated death toll is around 1,500, but this number is expected to increase significantly in the coming weeks.

Millions of displaced Pakistanis are threatened with starvation and an epidemic of water-borne diseases. According to the United Nations, there have already been over 120,000 documented cases of dengue and malaria, while hundreds of thousands have been affected by skin infections and diarrhea. The World Health Organization stated that there has been a 30 percent increase in cases of diarrhea around the country since the flooding began.

The Pakistani economy had already been reeling from the global economic crisis and the militancy fueled by Islamabad's partnership with US imperialism even before the onset of the floods. Over 30 percent of the country's cultivated farmland is submerged while nearly 20 million Pakistanis, 13 percent of the population, have been displaced by the floods. The Pakistani ruling elite and its allies abroad fear that widespread social unrest could arise out of food shortages and inflation caused by the devastation.

On Monday, Pakistan's High Commissioner to Britain stated that the total cost of rebuilding Pakistan after the floods could reach \$43 billion. The IMF has warned of an economic disaster, and Pakistan's Finance Ministry has stated that the country would miss this year's gross domestic product growth target of 4.5 percent. Analysts predict that the damage and cost of recovery could reduce economic growth by more than 2 percentage points. Some are predicting a growth rate of 0 percent.

The Pakistani economy grew by only 4.1 percent last year, well below the rate of growth required to create enough jobs for the increasing numbers of young and working age people. According to Mustafa Pasha, an analyst with BMA Capital Management in Karachi, the deficit may end up being 2 percentage points wider than the official target of 4 percent of GDP. Another analyst stated that the deficit would likely reach 8 percent of GDP.

"The damage to infrastructure will hurt production at factories, while the flooding has already washed away crops," said Pasha. "Inflation will accelerate in the coming months. Under these circumstances, it is very difficult to maintain fiscal discipline."

Apart from destroying and damaging countless homes across the country, the floods have caused considerable damage to roads, bridges, and most troublingly, irrigation and agriculture. The damage to agriculture is of particular concern as it is the backbone of the Pakistani economy. About two-thirds of Pakistanis are employed in agriculture-related work, and over 70 percent of those affected by the floods are dependent on agriculture for their livelihoods, according to the United Nations. Nearly 17 million acres of farmland have been destroyed by the floods. The World Bank estimated crop loss at \$1 billion, but stated that the full impact on soil erosion and agriculture won't be known for another month when the water recedes. Pakistani Foreign Minister Shah Mahmood

Qureshi stated that crop losses would amount to "billions of dollars."

"It seems we're doomed to walking through a dark tunnel. We're on an unending path of misery," Morio Pahore, a farmer from Thul in southern Pakistan, told AFP. "We had goats and buffalo and a wooden hut. We had grain to eat. The river ate everything, leaving the whole family hungry and empty-handed. I don't think we can start again for many years. Everything is under water and even if the river recedes, the water will be there for a long time."

The main farming provinces of Punjab and Sindh have been deluged by the floods. Mohammed Ibrahim Moghul, chairman of the farmers' organization Agri Forum Pakistan, stated, "We have lost 20 percent of our cotton crops. The destruction of corn, rice, sugarcane, vegetable crops and fish farms are enormous as well." He estimated agricultural losses of about \$3 billion. Pakistan's export sector is expected to be hit hard by the damage done to cotton, sugarcane, rice and maize.

The export sector is the principal source for Pakistan's foreign exchange reserves. Pakistan's export target for this year had been \$21 billion, out of which agriculture and textiles were expected to account for nearly three-quarters of the target. The floods will have disastrous consequences for the textile sector, which alone accounts for about 60 percent of exports. Out of the targeted output of 14 million bales of cotton, at least 2 million bales have been lost, according to textile industry officials.

"The floods have eaten 3 million tons of cotton—over 20 percent of our 14 million bales for this year," said Ashfaq Hasan Khan, a former government economic adviser. "It will negatively affect by 25 percent large-scale manufacturing and ultimately impact on exports." Arif Hussain, an agriculturalist from Punjab province, estimated that nearly \$1 billion worth of the cotton crop has been destroyed and stated that this would be the most destructive factor to the Pakistani economy. While Pakistan is the world's fourth largest cotton producer, it may now be forced to import more than 3 million bales of cotton in order to feed its textile industry.

The floods have also had an enormous impact on Pakistan's sugar cane crop. The country had been struggling through white sugar crises before the floods. Pakistan has already imported over 500,000 tons of sugar in August, and will now have to purchase much more as the floods have damaged or destroyed around 80,000 hectares of sugar cane crop valued at \$600 million. Pakistan's annual demand of white sugar is 4.2 million tons.

Before the onset of the floods, the next crop was expected to produce 3.8 million tons of white sugar. Pakistan's food ministry expects output of refined sugar to fall by at least half a million tons this season after the floods destroyed a large amount of the crop. According to *Xinhua*, "Market gurus are expecting that in the months to come the cost of sugar would increase many times to around 125 to 130 rupees per kg almost double that of now."

Nearly \$250 million worth of the rice crop and an even larger amount of the maize crop have been destroyed. The floods have led to losses of

around \$500 million in vegetable, fruit and fodder crops. At least \$200 million worth of wheat stocks have been damaged, mostly in the province of Sindh. According to *Xinhua*, “The wheat seed stock with the farmers community had also been washed away by the floods and they have no seed for sowing in the next season, which will create the most desperate conditions for the farmers.” The floods have led to a shortage of fresh vegetables and fruit in the country, forcing Pakistan to import dozens of trucks of potatoes daily from India ever since August 16.

Millions of head of livestock have also been killed or threatened by the floods. According to Sher Mohammad, director general of Pakistan’s Livestock Department, at least 400,000 animals in 11 districts have been affected, but other districts have yet to report back on their losses. The Livestock Department also stated that well over \$100 million worth of cattle were lost in the floods. Pakistani officials are asking for at least \$2.3 million for the treatment of affected animals, according to *Dawn*. A statement released by the UN Food and Agriculture Organization (FAO) stated, “Some 200,000 cows, sheep, buffalo, goats and donkeys have already been lost, but the toll will possibly be in the millions including poultry.”

Many thousands of farmers were forced to abandon their livestock in order to escape the floods. Millions of head of livestock are at risk from starvation and disease. Many more will die unless enough feed is delivered to affected areas. One FAO official stated, “We are still trying to get a feel of how much feed is available in the country, as much of it has been destroyed. Then we have to transport the feed, which is also challenging with so much of the infrastructure damaged.” Countless numbers of farmers and agricultural workers will be thrown into complete destitution if they lose their animals to hunger or disease. Rural families rely on their livestock not only for income, but for meat and milk production as well.

There are growing fears that the floods may lead to food shortages and inflation. According to Sakib Sherani, senior adviser to the finance ministry, a variety of growth estimates would need to be revised in the coming weeks as the water recedes. Sherani told Reuters that inflation could spiral out of control to a rate of 25 percent, barring a steep drop in commodity prices. The price of food staples has already increased drastically since the floods first hit. According to the *Times of India*, “Food prices are soaring. Pakistan has suffered an electricity crisis for years, but now the flood waters have forced power stations to close, exacerbating energy cuts and leaving entire communities without power.”

In a country where the majority lives on less than \$2 per day and where poverty was already on the rise due to the economic crisis, high inflation could lead to a social catastrophe across the country as well as unrest. “I have lost what I saved for my children,” Mohammad Mossa, a farmer, told Reuters. “Where will I get money for seeds?”

The international response to the unprecedented disaster has been inadequate at best. So far, 30 countries have pledged to contribute about \$700 million to the relief effort. The Asian Development Bank has offered Pakistan \$2 billion in emergency loans. Pakistani officials are meeting with IMF officials this week in order to renegotiate the terms of Pakistan’s \$10 billion IMF program. Pakistan is seeking to ease the program’s targets or extend the repayment period.

A Reuters article noted, “Higher costs and food shortages could enrage people who had lost everything in the floods and who are already angry at their government for its slow response to the disaster.” The response of the Pakistan Peoples Party-led government can only be described as disgraceful. Relief camps are overflowing with internally displaced people while hunger and disease are spreading across the country. There is a major shortage of tents as well as clean water. Less than 8 percent of the millions of displaced people have access to clean water.

President Asif Ali Zardari’s decision to go through with a planned trip to Europe in the middle of the disaster has also stirred up anger among

Pakistani workers in the cities and the countryside. There have even been reports of Pakistani authorities setting up fake relief camps to allow politicians to stage photo-ops. Once the politicians and journalists leave these camps, they are shut down and flood victims turned away. An article in *Dawn* described what happened when Prime Minister Yusuf Gilani visited one of these fake relief camps in Dera Ismail Khan.

“The camp was set up hours before the prime minister’s visit. Hundreds of people had to wait for a long time in searing heat to get their share from a truck loaded with flour parked right in front of them on the other side of the road. The prime minister visited the camp for a few minutes, asked an old man a few questions about the estimated cost of construction of a two-room house and left without distributing any cheque or announcing any package for the affected people.

“The camp, as expected, was wound up soon after the departure of the prime minister. People at the camp confirmed that it had been set up early in the morning and they were told that they would get some help from the prime minister if they went there. They said they waited for hours to get some goods.

“Mohammad Shafi, an old man, said he was living in the open in a miserable condition near his destroyed house, like many others. ‘At times there is no food and we starve.’ Other people said there was an urgent need for 4,000 to 5,000 tents, but only about 100 people had been able to get these. Some unidentified men were seen speaking in whispers to people who were talking to reporters in an apparent attempt to prevent them from revealing ‘secrets’.”

There have also been reports of fake NGOs collecting relief funds. According to *Dawn*, “The names of some of the NGOs which have set up their camps in different cities have not been heard before. Some of them have been using the names of leaders of the ruling Pakistan People’s Party to avoid action and checking of their credentials by the administration and the police.” High-ranking Pakistani officials claim that nothing can be done about the fake NGOs and that it is the responsibility of local officials to deal with the problem.

Several protests have been held against the government for its frustratingly slow response. Washington is no doubt concerned that the situation could spiral out of control. The establishment think tank, the Brookings Institution, noted, “The overall result is that Pakistan needs massive support, as the magnitude of the requirement is clearly beyond its own capacity, both in terms of resources and expertise. Outside nations should view this not cynically, but through a lens of both aid and strategy. The human need is obvious; Pakistan’s stability is critically important to the end result sought by the US in Afghanistan, while an improvement in South Asian stability, and most importantly the India-Pakistan relationship, would make a significant difference in the overall environment.”

The pitiful response to the disaster, along with the ongoing economic crisis, may lead to a social explosion in the coming months. The Zardari government, which has done next to nothing to improve the living standards of the working class and rural toilers, and which has collaborated with imperialism, was already despised by the majority of Pakistanis before the floods submerged one-fifth of the country.

“The government has not bothered with us. Nobody has asked about us. We are on our own,” Ibrahim Khan, a farmer from Swat, told Reuters. There is no doubt that tens of millions of Pakistanis share this sentiment.



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