

Pakistan's interim government to seek IMF loan

Vilani Peiris
20 April 2013

Pakistanis are scheduled to vote in elections for the National Assembly and all four provincial legislatures on May 11. But the key decisions regarding the economic crisis that is ravaging the lives of workers and rural toilers and the AfPak war, which has transformed the Federally Administered Tribal Areas into a US killing zone, are already being made—behind the backs of the people—by the military, political and business elite in Islamabad and Rawalpindi. And by the Obama administration and the IMF in Washington.

Last week the “nonpolitical” government put in place for the election period and headed by interim Prime Minister Hazar Khan Khoso hurriedly put together a delegation to participate in the annual meetings of the International Monetary Fund (IMF)/World Bank, which started in Washington yesterday.

While in Washington, the delegation will reportedly discuss with IMF officials terms for an emergency loan of between \$5 billion and \$8 billion.

“Their main mission will be to discuss a future IMF loan,” explained a top official at Pakistan’s Finance Ministry. “There is a sense of urgency.”

Home to more than 180 million people, Pakistan has foreign currency reserves of just US \$6.6 billion, prompting widespread fears of an imminent current accounts crisis, further rapid depreciation of the Pakistani rupee and soaring interest rates. Pakistan’s reserves are the equivalent of only two months of imports. Moreover, it must soon begin to make debt payments to the IMF on previous loans. Almost \$1 billion is reportedly due by the end of the Pakistani government’s fiscal year, June 30.

Amongst the political elite of Pakistan it has been known for months that the government will soon strike a deal with the IMF to impose yet another brutal economic restructuring program. This will involve social spending cuts, tax rises, the sell-off of state-owned enterprises, and the reduction or outright elimination of energy- and food-

price subsidies.

But the politicians, whether from the Pakistan People’s Party, the dominant partner in the coalition government that ruled the country for the past five years, the Pakistan Muslim League (Nawaz), its principal rival, the religious fundamentalist parties or the Tehreek-e-Insaf of former cricket star Imran Khan refuse to speak publicly about this.

Instead they are cynically making promises of increased funding for education and health care and a substantial hike in the minimum wage—promises they know full will never be kept.

The PPP-led government continued the policies of the military regime led by General Pervez Musharraf that preceded it, imposing IMF-dictated austerity measures, presiding over a dirty counterinsurgency war against Balochi ethno-separatists in Balochistan, supporting the US-NATO occupation of Afghanistan and, at Washington’s behest, mounting military offensives against Taliban-allied elements in the country’s north-western tribal areas that displaced millions of people.

One expression of the continuity between the old and new regimes was the fact that the party created by Musharraf to provide a civilian cover for his dictatorship, the PML (Q), was ultimately welcomed into the PPP-led coalition.

In 2011 the IMF suspended payments on a loan that Islamabad had contracted in the midst of the world financial crisis in 2008 on the grounds that the government had failed to meet deficit reduction targets. The PPP coalition had signed on to the IMF’s deficit reduction demands but fearing a social explosion balked at implementing them. The opposition parties, meanwhile, resisted the PPP’s appeals for a “national consensus” to impose the IMF measures, calculating that they could make political gains by posing as opponents of further austerity.

The IMF never did release the final tranches of the 2008 loan and, in exploratory talks with Pakistani officials last year, reportedly said it would have to have tangible evidence that its scorched-earth policy prescriptions were being implemented before providing a further loan to Islamabad.

The possibility that the interim government could be used to impose the IMF-dictated measures—just as so-called technocrat governments were employed in Italy and Greece to force through austerity programs that failed to gain parliamentary support—has been discussed in Pakistani political circles for months. While some sections of the elite have advocated such action, arguing it would somewhat insulate the incoming government from popular wrath, others have warned it could backfire, since the imposition of sweeping austerity measures would so clearly exceed the constitutional mandate of the unelected caretaker government.

Washington will play a pivotal behind the scenes role in the IMF negotiations. Popular anger over US drone strikes and other flagrant violations of Pakistani sovereignty forced Islamabad to halt some US-NATO shipments to Afghanistan in 2012, but Islamabad and Washington have since resumed full public cooperation in waging the Afghan War and the Pentagon and Pakistani military have reaffirmed their decades-old partnership.

Under such conditions, Washington can be expected to facilitate Islamabad's loan request, but not without a price. Although a major element in Pakistan's economic crisis is a severe energy shortfall, the US has threatened Islamabad with sanctions if it proceeds with plans to build a pipeline to draw natural gas from its western neighbour, Iran.

According to the AFP, the Pakistani delegation to Washington will also meet US State Department officials to "discuss payments of the Coalition Support Fund, money paid by the US to compensate Pakistan for its fight against Islamist militants." This is the blood money Washington gives Islamabad for its pivotal role in sustaining the Afghan war.

Last Sunday, a US drone fired two missiles at a house in Datta Khel in North Waziristan, killing four people.

Under the PPP government, the US vastly expanded its drone strikes in Pakistan, killing more than 2,000 people, many of them civilians, and raining terror across FATA. While the PML (N) and especially the Tehreek-e-Insaf will on occasion denounce the drone strikes, they, like the entire Pakistani elite, are committed to maintaining the US-Pakistan strategic axis and to working with

Washington to restructure its puppet government in Kabul in preparation for the withdrawal of much of the US-NATO occupation force next year.

The new US Secretary of State, John Kerry, did not include Pakistan in his recent visit to the Asian region. While PPP leader and Pakistani President Asif Ali Zardari has been a strong proponent of close relations with Washington and has given his secret consent to the drone strikes, he clearly calculated it would not help the PPP's electoral fortunes to be seen hosting a senior Obama administration official.

However, Kerry did meet the head of Pakistan's armed forces, General Kayani, in Jordan on March 24. According to a statement issued by the Pakistani military, their discussions focused on the "reconciliation process in Afghanistan and security issues concerning the South Asian region."

On Friday, Musharraf, the former military dictator, surrendered to authorities the day after a court had ordered him jailed pending the hearing of treason charges against him for his imposition of a state of emergency and sacking of Supreme Court judges in November 2007. This is only one of several high profile cases against Musharraf.

Earlier this month, he returned from self-imposed exile to stand as a candidate in the coming national election. But he has been denied ballot status due to the grave criminal charges against him.

In a statement denouncing the order for his arrest, Musharraf said the High Court's refusal to extend his bail would create "unnecessary tension amongst the various pillars of state and possibly destabilise the country."

To date, the military top brass, which made clear it did not favor Musharraf's return for fear it would draw attention to their immense political and economic power, has said nothing about Musharraf's detention, while continuing to make pro forma statements about its support for democracy.

Since Musharraf's loss of the presidency in 2008, the military has remained Pakistan's most powerful political player, retaining control over the country's geopolitical and military affairs as well as Washington's endorsement as its most important Pakistani ally.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact