

US threatens to nix IMF bailout of Pakistan

Sampath Perera
10 August 2018

Pakistan, the world's sixth most populous country, is again teetering on the brink of economic collapse. Its foreign currency reserves have fallen to less than what is needed to cover two months' worth of imports, and the rupee has lost 20 percent of its value in US dollar terms since the beginning of the year.

In ruling circles in Pakistan, as well as on international money markets, it is taken as almost a given that Islamabad will approach the International Monetary Fund (IMF) for an emergency loan just as soon as a new government takes office.

Having won a plurality of seats in the general election held July 25, the right-wing Islamic populist Imran Khan and his Pakistan Tehrik-e-Insaaf (PTI) are expected to take up the reins of power in coming days. The man Khan has reportedly chosen to be his finance minister, Asad Umar, has been speaking publicly about the need for an IMF bailout and the incoming government's determination to push through large-scale privatizations and sweeping social spending cuts as part of an IMF sanctioned "restructuring program."

However, Washington, which has a decisive voice in the affairs of the IMF, has rudely served notice that it intends to exploit Pakistan's economic vulnerability so as to disrupt Islamabad's military-security and economic partnership with China. Secretary of State Mike Pompeo has gone so far as to suggest that the US could nix an IMF "rescue" of Pakistan altogether.

According to press reports, Islamabad needs an IMF loan of some \$12 billion. Were such a loan to be granted, it would be the 13th IMF bailout of the nuclear-armed South Asian country since the late 1980s. Islamabad completed paying back its last loan of \$6.6 billion less than two years ago.

Each IMF loan has been conditional on the imposition of brutal "structural readjustment" measures—privatization, deregulation and social spending cuts—that have further impoverished the Pakistani population.

Yet the ruling elite and IMF are adamant that pro-

market "reform" has not gone far enough. Speaking Wednesday, Umar, who until recently was Pakistan's highest-paid CEO, claimed no "real reforms" had taken place under the previous government, led by the right-wing industrialist Nawaz Sharif. The government and IMF, complained Umar, "kept glossing over the challenges with Panadol [acetaminophen] to bring down the fever instead of curing the disease with real reform."

As of May, Pakistan had external debts of \$92 billion, equivalent to 31 per cent of the country's GDP (gross domestic product). According to the IMF, among "emerging markets and mid-income economies," Pakistan has the greatest financing needs. In the fiscal year that ended last month, Pakistan's current account deficit rose to \$18 billion, or 5.7 percent of GDP.

In a CNBC interview last week, Pompeo proclaimed that there was "no rationale" for an IMF bailout that helps pay off Pakistani debts to China, signaling that the US intends to use any IMF intervention not just to improve investment opportunities for American big business in Pakistan, but to mount a power play against China.

"Make no mistake. We will be watching what the IMF does," declared Pompeo. "There's no rationale for IMF tax dollars, and associated with that American dollars that are part of the IMF funding, ... to go to bail out Chinese bondholders or China itself."

Pompeo's provocative pronouncement reeks of hypocrisy. For decades, IMF loans to countries ensnared in the increasingly frenetic gyrations of world capitalism have principally, if not exclusively, gone to paying off their creditors in American, European and Japanese financial institutions, while imposing on the local populace savage austerity and economic restructuring programs in the name of economic "reform."

In recent years, this process has been exemplified by Greece. Large sections of the Greek population have been pauperized as a result of successive restructuring programs dictated by the IMF, European Central Bank, and European Commission. These programs have not only exacerbated Greece's economic decline, they have

pulled it ever deeper into a debt trap, resulting in further emergency loans and austerity measures.

The real issue is Washington's concern over the burgeoning ties between Pakistan and its so-called "all weather friend" China and in particular over the China Pakistan Economic Corridor (CPEC).

The \$60 billion CPEC, which is being financed largely by Chinese loans and investments, is a major element in Beijing's One Belt, One Road (OBOR) infrastructure development initiative. One moreover, with obvious geopolitical implications, since it would enable Beijing to partially circumvent the Pentagon's strategy to impose an economic blockade on China by seizing Indian Ocean and South China Sea "chokepoints." The centerpiece of the CPEC is the building of pipeline, rail, and road links between the Pakistan Arabian Sea port of Gwadar and western China.

Over the past year, Pentagon and Trump administration officials have increasingly spoken out against the OBOR, claiming its financing is opaque and that China is using the offer of infrastructure development to gain leverage, including through debt, over smaller countries.

Pompeo's remarks represent a new stage in this campaign. In reporting on Pompeo's remarks *The New York Times*, which increasingly acts as a conduit for the intelligence agencies, noted, "Pakistan's economy, it seems, has become yet another battlefield between the United States and China."

Pakistan was long Washington's principal South Asia ally and as part of that partnership US imperialism backstopped a succession of military dictatorships in Islamabad. But, in the interests of harnessing India to its military-strategic offensive against China, Washington for well over a decade has been lavishing strategic favors on New Delhi, Pakistan's arch-enemy, while downgrading ties with Islamabad.

In response, a nervous Pakistan has pursued closer ties with China, thereby further souring relations with both Washington and New Delhi.

How far Washington intends to go in making good on Pompeo's IMF threat remains to be seen. At the very least, it will use any IMF loan to bully Pakistan and gain financial and other information about the CPEC.

The Trump administration has blown hot and cold on relations with Islamabad since Trump warned in a speech outlining his Afghan war policy a year ago this month that Washington would retaliate against Pakistan if it did not bear more of the burden in the US war against the Taliban.

Islamabad's alternatives to the IMF are not promising. It is looking to raise money from the Pakistani diaspora and is considering asking Saudi Arabia to defer payments for costly oil imports. The latter would likely elicit demands from Riyadh that Pakistan assist it in intensifying pressure on Iran—a conflict Islamabad is desperate to avoid because of its potential to inflame Shia-Sunni relations inside Pakistan.

Long an also-ran in Pakistani politics, Imran Khan gained political traction in the run-up to the 2013 Pakistani elections by denouncing the brutal and indiscriminate US drone war in the tribal areas bordering Afghanistan.

He has since toned down any anti-US rhetoric, while cultivating close ties to the Pakistani military establishment.

So as to lay the groundwork for a formal request for an IMF loan, Khan has tasked Asad Umar with pouring cold water on his vapid election manifesto promises of an "Islamic welfare state" and with championing a neo-liberal agenda for Pakistan. Last week Umar told the London-based *Financial Times* that a PTI government will be "decisive and move fast," and that this will include, within its first 100 days in office, removing 200 large public sector enterprises "from government control" and placing at their head "people from the private sector."

Umar has since denied that this is a "shock and awe" privatization plan. But clearly the intent of transforming public sector enterprises into companies run on private sector "principles" is to prepare them for sale to domestic and foreign big business; and it will, in any event, require a massive drive to increase profits through layoffs, wage cuts and speed-up.

To the chagrin of the ruling elite and western media, the previous government backed off fully implementing an IMF-approved privatization plan after encountering mass opposition.

Clearly Pakistan is entering a new period of convulsive economic and geopolitical shocks and social struggles—all of which point to the urgency of the working class advancing its own socialist-internationalist program to rally the toilers against the craven Pakistani bourgeoisie and imperialism.



To contact the WSWP and the
Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)