

# Pakistani premier Imran Khan imposes austerity mini-budget

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After coming into power by exploiting social anger and anti-war sentiment, the ruling Tehrik-e-Insaaf (PTI) of Pakistan's Prime Minister Imran Khan is positioning itself to drop his limited electoral promises and attack the working class with deep budget cuts. Khan's pro-austerity and pro-imperialist line have been exposed barely two months after his election. At the same time, he is aligning Pakistan with US imperialism while seeking to renegotiate financial deals with China.

On September 18, the PTI presented the 2018 Finance Supplementary (Amendment) Bill, dubbed the "mini-budget," in the National Assembly. The mini-budget was closely coordinated with the International Monetary Fund (IMF) and was presented after Pakistani officials held a video conference with the IMF officials at the Finance Ministry.

Presenting the budget, Finance Minister Asad Umar claimed that Pakistan faces "difficult times" and called for "difficult" measures to slash budget deficits. Noting that the budget deficit had grown to 6.6 percent from 4.1 percent, Umar said: "The most dangerous situation is that if we continue as we have, the budget deficit will expand 7.2 percent by the end of the ongoing year. This is the assessment of the finance ministry as well as economic experts."

Umar claimed these measures were the only way to halt the fall in the rupee's value against the dollar and save Pakistan's plunging economy, warning that the country's foreign exchange reserves had fallen to the equivalent of two months' worth of imports. While Pakistan's foreign currency reserves have plunged to \$9.3 billion, external debt stands at \$92 billion.

Umar said that difficult decisions had to be made or inflationary pressures would build up to the point that they would become painful for the average consumer.

Prime Minister Imran Khan exploited social anger at

the previous PML-N government to win the July election, making demagogic promises, including to create more jobs and provide relief for the poor, while criticizing the murderous US drone attacks in the Federally Administered Tribal Area.

Khan formed his government by picking ministers who have already worked under former military ruler General Pervez Musharraf, Pakistan Muslim League (Nawaz), and Pakistan People's Party (PPP) governments, which imposed IMF austerity measures and collaborated with the US-led NATO war in Afghanistan. With his mini-budget, Khan is ditching his electoral promises and pursuing policies similar to those of its predecessors.

The mini budget consists of price and tax hikes on the most essential items such as food and gas. To cut the budget deficit, Khan is proposing a cut in the federal Public Sector Development Programme from Rs 1,030 billion to Rs 700 billion, along with new taxation measures.

The government will also increase customs and regulatory duties, including on mobile phone imports. Through severe cuts, it hopes to bring in some \$1.5 billion. It has also formed a special cabinet committee to oversee privatizations of public sector firms.

Last week, Pakistani officials held talks with the IMF, as the PTI government prepares to seek a bailout. In exchange, the IMF will demand severe austerity measures.

The *Diplomat* wrote, "It is likely that the IMF, before offering any new loan program to Pakistan, will ask for a number of reforms that may not be in the interest of Pakistan's middle and poor classes. It is expected that the tax base targeting the salaried class is expected to grow and more direct and indirect taxes are likely to be called into action. Meanwhile, subsidies in the field of

agriculture and other areas are likely to see a significant reduction in the coming weeks and months.”

With its austerity measures and collaboration with the IMF, the Khan government is moving rapidly toward a confrontation with masses of working and oppressed people, in a country of 210 million people where the majority live on under US\$2 a day.

More than 60 percent of Pakistanis struggle to find food, and women and children are the most affected by the poverty. Half the youth are unemployed, while 3.8 million children are exploited in slave labor conditions. About 25 million children have no access to education, with thousands of schools lacking basic facilities, including water, electricity and sanitation. The conditions of public hospitals are worsening with a lack of beds, medical equipment, medicines and doctors.

At the same time, just 22 Pakistani billionaires monopolize enormous wealth. These include former Pakistan Muslim League (PML-N) prime minister Nawaz Sharif (US\$1.4 billion), and the former president of Pakistan and Pakistan People’s Party (PPP) co-chairman Asif Ali Zardari (US\$1.8 billion).

The Khan regime’s defense of the interests of the banks, of US imperialism and of the super-rich points to the historic bankruptcy of Pakistani capitalism. Corrupt, sclerotic, and totally dependent on its ties to imperialism, it has nothing to offer to the masses.

The growing conflict between Washington and Beijing has undermined the deals the Pakistani capitalist class tried to use to overcome the essential unviability of the Pakistani state—the product of the partition of the Indian subcontinent in 1947—imposed upon independence from British imperialism. The Islamabad regime maintained an alliance with both the US and China that it sought to mobilize against its arch rival, India.

Now, however, Islamabad is confronted with the reality that its two key “allies” are pursuing a bitter war for influence and geo-strategic advantage across the Middle East and Central Asia.

Khan is, for now at least, tacking closer to Washington. Dropping his campaign rhetoric against US drone murder, Khan met with US Secretary of State Mike Pompeo last month and urged him to build strong relations with Pakistan. He declared he was “optimistic” about relations with Washington. “You know I’m a born optimist,” he said. “A sportsman

always is an optimist.”

However, Islamabad is still also committed to developing its economy and industry via the multi-billion-dollar China-Pakistan Economic Corridor (CPEC) project, the “flagship project” of China’s Eurasian BRI (Belt and Road Initiative). Launched in 2015, the CPEC is a planned network of roads, railways and energy projects linking western China to Pakistan’s strategic Gwadar Port on the Indian Ocean, near the oil-rich Persian Gulf.

*The Diplomat* reported, “China has so far invested \$19 billion in various sectors of Pakistan’s economy while nine of the 22 under-construction and planned projects have been completed. Around 30,000 Chinese are working on different projects across Pakistan.”

Pompeo has already stated that it would be “unacceptable” for Pakistan to use US financial aid to pay off infrastructure and industrial debts to China, however, and Pakistan’s economic foundations are at the mercy of any major international shock.



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