

Pakistan: An Economy on the Brink

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Following the economic collapse of Sri Lanka in mid-2022, Pakistan is close to sliding into the same disaster.

There is US\$3 billion remaining in the country's foreign currency reserves that can pay for only two weeks of imports.

Inflation is near 40 per cent.

The value of the national currency—the rupee—is in free fall.

Pakistan's debt is near default and has increased by 38 per cent in one year.

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Factories are shutting down due to lack of spare parts, including those making life-saving medicines.

According to the United Nations' World Food Programme (WFP), "5.1 million people in Pakistan are likely to be a step away from famine-levels of hunger by the end of March—an increase of 1.1 million people from the previous quarter." Chris Kaye, the Pakistan country director for the WFP warns: "that number is frightening."

Pakistan's negotiations with the International Monetary Fund (IMF) for a US\$1.1 billion loan proved unsuccessful in February. Since 1950, Pakistan has got 23 bailouts from the IMF. However, on February 17, Khwaja Asif, Pakistan's defence minister, stated that the country "has already defaulted and is bankrupt" and that "the IMF does not have the solution to Pakistan's problems."

Tariq Amin-Khan tells me that a mixture of military and feudal domination, combined with many years of crony capitalism, is to blame for Pakistan's economic debacle. He is an associate professor of politics and public administration at Toronto Metropolitan University and is a Pakistani-Canadian.

Pakistan's powerful military has, directly or indirectly, ruled the country for almost all of its 76-year history. Currently, the army orchestrates a farcical political system, rigging elections to put its favoured political parties in power. The military has not let any civilian leader complete her or his term in office.

The military also dominates the country's economy (along with feudal landlords) by, as Khan puts it, "monopolizing" entire sectors and running a multi-billion dollar business empire that "contributes to the economic crisis by throttling competition and innovation."

Pakistan's largest business conglomerates, the Fauji Foundation and the Army Welfare Trust, are both military outfits.

When I asked Khan to give examples of the economic sectors that the military monopolizes in Pakistan, he answered: "Almost any sector can be such an example, especially real estate, which is a huge one. Large Pakistani cities contain 'defence societies' where the most expensive land is owned by the army.

"The army even makes and sells foodstuffs, including cereal. They have a lock on corn flakes!

"Pakistan's economy is on life support while the military's web of industrial interests—banks, insurance companies, airline, housing and land development—seem to be thriving. These three factors: military capitalism, the feudal stranglehold on the rural economy and crony capitalism, in which a handful of business owners are favoured by politicians and bureaucrats, amount to a colossal mismanagement of the Pakistan economy which has brought on this economic crisis."

Land is still the main source of wealth in Pakistan and 63 per cent of the population lives in villages, according to Khan. Land is highly concentrated in Pakistan and this concentration is increasing, says Khan.

Two per cent of households own 30 per cent of total landholdings, which results in massive poverty and inhibits economic development.

"Feudal landlords have been blocking industrialization and other economic initiatives for 75 years in Pakistan," emphasizes Khan.

Pakistan's poverty rate stands at an astounding 78.3 per cent, according to the World Bank.

The third factor responsible for Pakistan's economic crisis is crony business capitalism, explains Khan. These business groups are the "weakest" part of the elite triad (relative to the military and feudal landlords), says Khan, and became prominent after the corrupt privatization processes of the 1980s and '90s (and continuing today), when bureaucrats and politicians sold lucrative public enterprises to favoured business groups at fire sale prices for kickbacks.

So why is it that Pakistan keeps getting IMF bailouts? Because Pakistan, and especially its army, were created by Western imperialism.

The IMF and the World Bank are U.S.-dominated and Pakistan's military is not an independent actor; its domestic primacy has been ensured by the fact that it has served Western imperial aims, first British then American, for seven decades.

As Pakistan's founder, Mohammad Ali Jinnah, remarked: "If great countries such as Britain and the United States want Pakistan to exist then how can it not?"

Pakistan was carved out of India in 1947 by the British Empire as part of its divide-and-rule policy, which was meant to weaken sovereign states. The United States took over from Britain in 1948, giving \$400 million to set up the Pakistan army, which it wanted to use against India and the Soviet Union.

Under the Congress Party's rule, India was a close ally of the Soviet Union from 1947 to 1990. With the \$400 million from the U.S., "a security state that looked to the West for survival was born," as Pakistani economist Yousuf Nazar put it on February 5, 2023.

So the World Bank and IMF loans flowed to Pakistan despite the fact that it was, and remains, an economic basket case. As long as the Pakistan army served U.S. strategic aims, its looting of Pakistan and the consequent poverty of most Pakistanis did not matter to Washington.

First the Pakistan army got lots of American aid money due to the Cold War, then due to the U.S. War on Terror, as Pakistan borders Afghanistan, which the U.S. and NATO occupied for 20 years.

The Pakistan army was an instrument of Western colonialism, so it resorted to internal colonialism to enrich itself. However, this military parasitism has proven to be disastrous for the country, leading to its disintegration in 1971, when its eastern half—known as East Pakistan—broke off from West Pakistan and became the independent nation of Bangladesh.

From 1948 to 1971, the Pakistan army exploited East Pakistan's considerable jute resources to enrich itself while denying this province economic and political rights.

When the East Pakistanis, who were the majority of Pakistanis and were made up of largely one ethnic group, known as Bengalis, rebelled, the army massacred up to three million of them in the last eight months of 1971.

Having learnt nothing from its loss of half the country, the Pakistan army invaded the province of Balochistan in 1973, where the Balochi ethnic group had launched a separatist insurgency against its domination and proceeded to kill thousands of Balochis; a massacre that continues today, with the disappearance and murder of up to 100,000 Balochis.

However, the insurgency has only intensified, with constant attacks on army outposts and spectacular assaults on urban targets in the large cities of Karachi and Lahore.

Like East Pakistan, Balochistan is rich in resources and highly exploited by the army, with its people gaining little from their own wealth. Natural gas from Balochistan provides 40 per cent of Pakistan's energy needs but only six per cent of the Baloch get it.

The province also has considerable deposits of oil, coal, copper, gold, silver, platinum, aluminum and uranium. Balochistan makes up 43 per cent of Pakistan's land area.

"Pakistan is going to lose Balochistan the way it lost East Pakistan in 1971," says Naela Quadri Baloch, president of the World Baloch Women's Forum, who accuses the Pakistan army of committing genocide in Balochistan.

"The Baloch insurgency has now become a national movement," Quadri Baloch explains, "and the guerrilla struggle has the support of the Baloch masses, which is the key to its success. Social movements of all kinds, including women's groups, students, human rights organizations, intellectuals and religious leaders back the call for an independent Balochistan."

The economic crisis is likely to weaken the Pakistan army's control over Balochistan. As Quadri Baloch points out, "already, the army is dismantling many of its outposts in Balochistan due to lack of fuel."

The province of Khyber Pakhtunkhwa (KPK), which borders Afghanistan and is home to the Pakhtun ethnic group, is riven with terrorist violence carried out by the Tehreek-i-Taliban Pakistan (TTP), known as the Pakistani Taliban. In January, the TTP killed 101 policemen in a single suicide bombing and injured another 180.

"The people of KPK are alienated from Pakistan and those of Balochistan even more so," Tariq Amin Khan says. "Unless Pakistan can break the stranglehold of the military and the feudal landlords on its economy and achieve real progress through land reform and the setting up of free health care and education systems for its people, the danger of its national disintegration is very real."

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