Pakistan’s misery continues

written by Michael Roberts
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Supporters of jailed former Pakistani Prime Minister Imran Khan celebrate their lead in the country’s national elections in Peshawar on Friday, Feb. 9.

Pakistan has a general election on 8 February. It will decide on the next government of the world's fifth-most populous nation and the governments of its four provinces — Punjab, Singh, Balochistan, and Khyber Pakhtunkhwa. Around 128 million people can vote to pick 266 representatives to form the 16th parliament in a first-past-the-post system. They will also vote to elect the legislatures of the country's four provinces.

In a country of 241 million people, two-thirds are below the age of 30. A citizen becomes eligible to vote at the age of 18. But only a little more than half of Pakistan's electorate voted last time in the 2018 elections. The previous winner of the 2018 election was former star cricketer turned politician Imran Khan. He was ousted from office in a no-confidence vote in parliament in April 2022. Since then, he has been shot and injured and then locked up for up to 20 years on various charges of corruption and sedition. Thousands of his party members have been arrested, and he has been banned from standing. But polls suggest that he would win this election if the election were 'fair.'

No Pakistan Prime Minister has ever completed a full term. That's because ever since the formation of the country, the military has been in control. It is the most powerful institution in the country with a huge 12.5% of the government budget going towards military spending. The military decides the needs of Pakistan's elite.

Khan fell out with the military when the latter decided to switch sides from leaning on the support of China against its main perceived enemy, India and from relying on Chinese credit to survive. The military switched back to the side of the Americans with bribes of money from Saudi Arabia and the UAE and because of the desperate need to get funds from the IMF, which Khan was reluctant to take because of austere conditions attached. *"From a Washington perspective, anyone would be better than Khan,"* said Michael Kugelman, the director of the South Asia Institute at the Wilson Center in Washington. In contrast, the likely winner of the election and the candidate backed by the military is perceived as *"business-friendly and pro-America."*

The military don't want to run the country directly, but they are making sure that they get a government that follows their interests. And this is the party of Nawaz Sharif, three-time former Prime Minister, who was previously ousted for corruption in 2017 and sentenced to 10 years imprisonment. In 2022 he returned to Pakistan with his corruption conviction swiftly quashed and his lifetime ban from politics overturned. His party and the military then ensured the removal of Khan. Sharif's government is now trying to meet the demands of the IMF and the military to turn the economy around.

And Pakistan's economy is in deep trouble and in recession. Major floods caused heavy damage to crops and livestock, and with 44% of workers relying on agriculture, this has driven millions into deep poverty. Investment has collapsed. It has been estimated that Pakistan needs more than $16bn to recover from the disaster.

Pakistan's per capita income and GDP growth are the lowest in the region, bar war-torn Afghanistan. Its unemployment and inflation rates are one of the highest in the region. The Human Development Index, which measures a country's achievements through three basic dimensions – health, knowledge, and standards of living – placed Pakistan in the 161st position out of 185 countries in 2022. In other words, Pakistan is among the 25 countries with the lowest human development in the world.

Pakistan remains in the grip of a small group of landowners and business families. It is one of the most unequal countries in the world. Just 22 families control 66% of Pakistan's industrial assets, and the richest 20% consume seven times more than the poorest 20%. The top 1% of income earners have the same share of total personal income as the bottom 50% (15.7%), and the top 1% of wealth holders own 26% of all personal wealth, while the bottom 50% of Pakistanis have just 4% (World Inequality

Lab). Both the names Khan and Sharif mean ‘ruler’ or ‘noble’. Around 45% of all holders of office across Pakistan came from family ‘dynasties’, with their political direction decided by whom the military establishment selects. Most income held by the rich goes into real estate and financial assets (much of it spirited abroad).

Investment by the capitalist sector is just 11% of GDP. This compares with China at 45% or even most less developed countries at over 20%.   Exports make up just 7.6% of the country’s GDP. That’s nearly 17 percentage points less than the average for middle-income countries overall. What the country does export tends to be low-value-added products, like textiles, cotton, and rice. As a result, Pakistan relies on the flow of remittances from Pakistanis working abroad (and these have been falling) and outside funding.

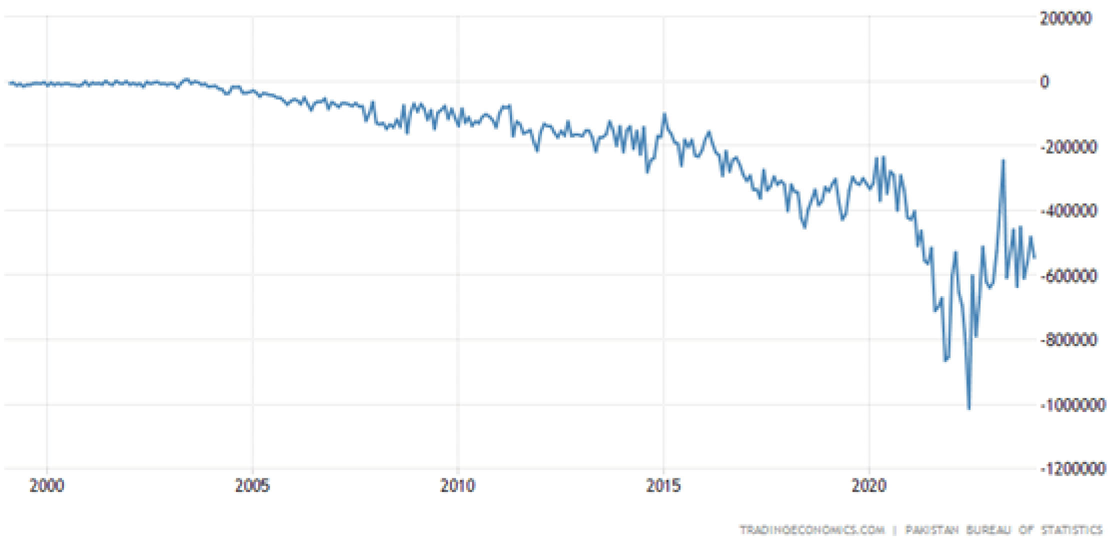
Remittances $bn

Pakistan depends heavily on imported oil. A constant decline in the value of the country’s currency has resulted in much higher energy costs. Pakistan’s real effective exchange rate, a broad measurement of the strength of a currency, declined from 88.0 in 2022 to 72.0 in 2023, and the Pakistan rupee is down 40%

against the US dollar in the last year. The falling currency and rising living costs drove the inflation rate to near 40% (now around 30% a year). Interest rates are at a record high, crushing investment.

This decline in the value of Pakistan's currency is because of the country's export failure. Pakistan is essentially running on foreign loans. External debt accounted for 36% of the country's nominal GDP in 2023, a noticeable increase from the previous year. The government debt-to-GDP ratio reached 89%. By June 2026, Pakistan will have to repay around $80 billion in foreign debt.

Balance of trade PKR m



Of Pakistan's $126bn external debt and liabilities, [30%](#) is owed to China. Under the Belt and Road Initiative, China has invested more than $60bn in the China-Pakistan Economic Corridor (CPEC), which began in 2015. This connects the Pakistani port of Gwadar in the Arabian Sea to China's north-western region of Xinjiang through a network of highways, railways, and pipelines. So far, of the numerous projects agreed upon under CPEC, only a few have been completed. Chinese frustration over endless delays in project completion, halting of projects, and security threats to its nationals working in Pakistan has resulted in hesitation to invest in new projects.

The military wants to switch away from Chinese funding to that of the West and the Arab states. In July 2023, the IMF approved an emergency $3bn Stand-By Arrangement (SBA) to avert a complete collapse and debt default. But the IMF wants Pakistan to go further and completely 'float' (sink!) its exchange rate, ostensibly to boost exports. And for any further loans that Pakistan wants, the IMF is insisting on the government increasing electricity tariffs and cutting government spending.

The military is now looking to sell off state assets to attract foreign investment. It has established a military-dominated body to manage major economic projects in the country — the Special Investment Facilitation Council (SIFC). Comprising the prime minister and army chief, the SIFC has greenlit 28 investment projects to pitch to the Gulf nations. The SIFC is also trying to sell off the Reko Diq mines, one of the world's largest reserves of gold and copper, to Saudi Arabia. Other plans include outsourcing the management of airports to the UAE, privatizing the national airline on an accelerated timeline, and expediting a free trade agreement with the UAE, referred to as the Comprehensive Economic Partnership Act. With this strategy, the government hopes to get the US to back a further IMF loan.

Meanwhile, some 700,000 workers have lost their jobs following the closure of about 1,600, or about one-third, of the country's textile factories, which contribute 60% of the country's total export earnings. One textile-working family explained how the escalating cost of living was affecting them and their five children. The couple work extra-long hours to feed their three daughters and two sons, none of whom go to school. *"We used to somehow manage our daily expenses within 500 Pakistani rupees (£1.40; $1.75) a day. Now things have changed. To cook just one meal, we need 1,500 rupees,"* Mr Maseeh said. His wife added: *"Our earnings are not enough even to provide a good meal. How can we afford to send our children to school?"*

Pakistan's adults vote today but with no prospect of obtaining an end to the disaster that is Pakistan's capitalism and landlordism and its military rule.

Source: Michael Roberts' blog