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As Pakistan seeks IMF bailout, US intensifies pressure on Islamabad

Pakistan's newly elected Islamic populist government has begun negotiations with the International Monetary Fund (IMF) on an emergency bailout.

In televised remarks Oct. 10, Prime Minister Imran Khan said that Pakistan's foreign reserves fell last month to \$8.4 billion, which scarcely exceeds the total Islamabad must pay on outstanding government debt in the remainder of 2018, leaving the government no choice but to turn to the IMF. Khan said he would also be seeking financial help from "friendly countries," which was universally interpreted to mean China and Saudi Arabia.

Washington, meanwhile, has served notice that it intends to leverage Pakistan's current account crisis to disrupt Islamabad's longstanding and ever-closer economic and strategic partnership with China, and to pressure Islamabad to bolster its support for the US war in Afghanistan.

According to press reports, Pakistan will request at least \$7 billion from the IMF. This is an amount larger than any of the twelve previous loan cum neoliberal economic restructuring agreements that Islamabad has contracted with the IMF during the past three decades.

When in opposition, Khan and his Pakistan Tehreek-e-Insaf (PTI-Pakistan Movement for Justice) criticized the "humiliating" terms that the IMF dictated to various Pakistan Muslim League and People's Party of Pakistan (PPP) led governments. But with the aim of winning IMF support, Khan and his PTI brought down a "mini-budget" late last month

that was chock-full of austerity measures, quickly putting paid to their populist promises of an “Islamic welfare state.”

Last Saturday, on his return from the annual IMF-World Bank meeting in Bali, Indonesia, Finance Minister Asad Umar warned of coming “painful measures,” saying the population should brace itself for an economic slowdown and price rises. Pakistan’s currency has lost more than 25 percent of its value in US dollar terms over the past year.

The US has dominated the IMF since its founding and has always used IMF loans to pursue its predatory economic and strategic objectives.

What is different today is the extent to which Pakistan’s economic and strategic crises are intertwined, adding a new explosive charge to each.

During the Cold War, Pakistan came to strategically rest on the twin pillars of Washington and Beijing. But over the past decade this has become increasingly untenable. Not only has US imperialism mounted a massive and ever-widening economic, diplomatic and military-strategic offensive against China whose logic is all-out war. Washington has dramatically downgraded relations with Islamabad, long its principal South Asian ally, so as to woo Pakistan’s historic arch-rival India and transform it into a “frontline” state in the US drive against China.

China and Pakistan have responded to the US-India “global strategic partnership” by strengthening their own economic and strategic ties, as epitomized by the China Pakistan Economic Corridor (CPEC). This in turn has further soured both countries’ relations with Washington and New Delhi.

Washington sees Pakistan’s economic troubles as a choice opportunity to strong-arm Islamabad to distance itself from Beijing, including by leveraging resentments with Pakistan’s venal elite over the distribution of the CPEC spoils and the growing presence of Chinese businesses and exports within the Pakistan economy.

In late July, as Khan and his PTI were preparing to take the reins of power, US Secretary of State Mike Pompeo warned that Washington might block IMF assistance to Pakistan, since China and Chinese investors could stand to benefit. “There’s no rationale,” said Pompeo, “for IMF tax dollars, and associated with that American dollars that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself.”

Pompeo’s remarks were echoed by US State Department spokesperson Heather Nauert at a news briefing last Thursday. She said Pakistan’s request for IMF support would be closely scrutinized, adding that “part of the reason that Pakistan (has) found itself in this situation is Chinese debt.”

Nauert emphasized that the US has “been tracking fairly closely” the burgeoning economic ties between China and Pakistan.

Since last fall, Washington and the western media have been mounting an increasingly vitriolic campaign against Beijing’s Belt and Road Initiative (BRI), which aims to counter the US drive to strategically isolate and encircle China by promoting the development of infrastructure links across Eurasia. A key element in this propaganda offensive is the claim that Beijing is seeking to gain strategic and economic leverage over countries by luring them, with the offer of infrastructure projects, into “debt traps”

The CPEC is an especially important component of the BRI—according to the London-based *Financial Times* “85 projects worth as much as \$90 billion” are “in planning stages, under construction or completed”—and one that has a major strategic thrust.

CPEC’s flagship project is the development of road, rail and pipeline links between the Pakistani Arabian Sea port of Gwadar and western China. Such a corridor would link China to the oil-rich Middle East and help China to partially offset US plans to impose a blockade on coastal China in the event of a conflict.

Washington is insisting on “transparency” about all CPEC projects, including their financing, as a condition for any IMF assistance, and the IMF is already taking up cudgels over the issue. Asked about Pakistan during the IMF-World Bank meeting, IMF Managing Director Christine Lagarde said that her organization would insist on “absolute transparency about the nature, size and terms” of all Pakistan’s debts, including those related to CPEC projects.

China has said that it has no objections to the IMF gaining access to the financial details of the CPEC. For his part, Pakistan Finance Minister Umar has said that Washington’s claim that Pakistan is being weighed down by debts to China “is [a] totally wrong narrative.” According to Umar, payments to China account for just \$300 million of the current \$12 billion hole in Pakistan’s coming loan payments.

Washington’s other major demand is that Islamabad must assume more of the burden in the Afghan War, by eliminating so-called Taliban and Haqqani Network “safe havens” in its territory.

Commenting on his meeting last week with Pakistan Foreign Minister Shah Mehmood Qureshi, General Joseph L. Votel, the commander of the US Central Command (CENTCOM), demanded that Islamabad “ensure that there” is “no movement back and forth” across the Afghanistan-Pakistan border, and “that fighters can’t come back into Pakistan to get aid or medical care or other things.”

The Pentagon and Trump administration calculate that a ratcheting up of the war by both the US and Pakistan could bloody the Taliban into accepting a “negotiated settlement” on terms favourable to Washington. Thus Votel combined his insistence that Pakistan intensify military operations in its already war-devastated tribal areas with a call for Islamabad to pressure the Taliban to the bargaining table. “They can do this,” said the general currently in overall command of the 17-year long US war in Afghanistan. “They can put pressure on [the Taliban] to do this.”

With Pakistan tottering on the brink of state bankruptcy and a potential economic collapse, Islamabad’s long-brewing strategic crisis threatens to come to a head, sparking economic and geopolitical shock waves that would reverberate across the region and beyond.