

March meetings between Pakistani officials and the Fund give no grounds for such confidence. On the contrary, it is apparent that under whatever pretext, the IMF has forced Pakistan to swallow its program "hook, line, and sinker." In fact, as early as Dec. 12, one IMF official told an Islamabad-based daily that if Pakistan tries to renegotiate the accord, the "quantum [of loan] might be bigger under the Enhanced Structural Adjustment Facility arrangement, but the conditionalities will be much stiffer."

Meanwhile, Pakistan's debt is growing and the rate is expected to increase since the government is seeking loans from the international market to carry out some of the "populist" campaigns to ensure its own political survival. The much-hoped-for export sector is doing less than expected. The policy of liberal imports has resulted in raising the import bill by 8.4% during July-December 1988 compared to the same period the year before. But exports have risen by a meagre 0.7%, making a mockery of the "export-led growth" scenario. As a result, the trade deficit has increased by 26% to \$1.112 billion. Consequently, exports financed only 65% of imports instead of 70% the previous year.

Needless dilemma

This bleak situation need not have come to pass, and still may be transformed, providing the prime minister is permitted to develop an accurate picture of the country's basic economic requirements, and takes determined advantage of the well of good will that exists for her to succeed in stabilizing Pakistan. Bhutto's assumption of power was heralded the world over, including by the oil-rich Arab nations. Under such circumstances, instead of relying upon technocrats who talk and think like the IMF officials, Bhutto ought to approach various heads of state for bilateral arrangements on a long-term, low-interest basis.

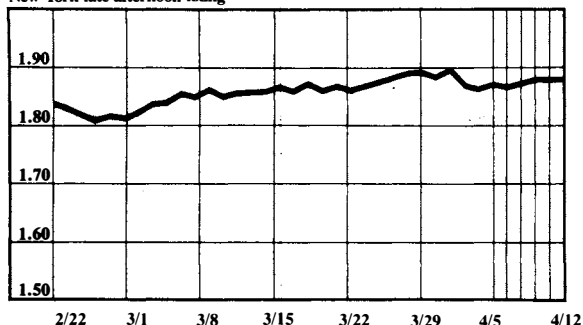
There are ample indications that investors, as well as government, are looking at Pakistan with renewed interest. It showed up when Pakistan raised nearly \$800 million from the U.S. market from a loan rotation underwritten by the U.S. administration. Another \$100 million has been mobilized by a consortium of foreign commercial banks operating in the Middle East to finance the Rice Export Corporation. The West German government has agreed to provide at least DM 100 million more this year as assistance.

Bhutto must avail herself of this good will quickly, to secure funds for investment in areas which are essential for building a stable economy but which have been decreed out of bounds by the IMF. If she turns off the technocrats' blather for a moment, she will recognize that Pakistan requires a productive agricultural sector, backed by a basic industry which provides the proverbial teeth to that agricultural sector. To meet this basic requirement, Pakistan will have to focus investment in power generation, water supply and drainage, railroads to link up the interiors, and large-scale educational programs—in short, basic infrastructure. It is the only way out.

Currency Rates

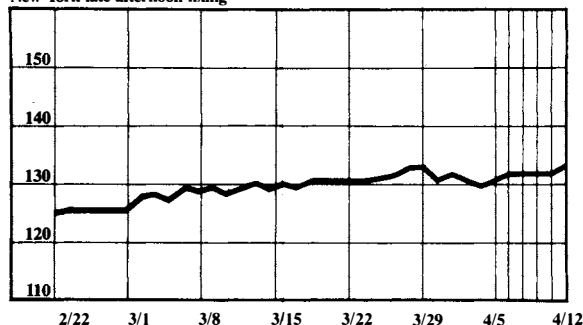
The dollar in deutschemarks

New York late afternoon fixing



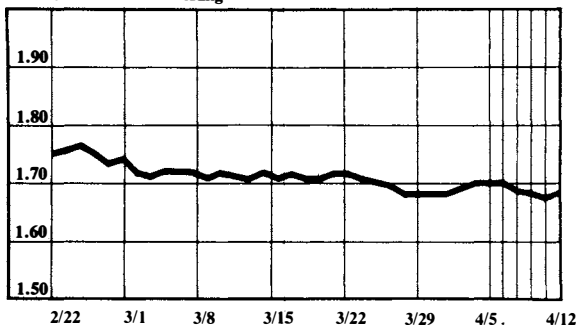
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

