

# Pakistani Economy Is Collapsing Fast

by Mary Burdman

The economic situation in Pakistan, the key U.S. base of operations for the war against Afghanistan, is growing more desperate by the day. Pakistan, a nation of 156 million people, is already burdened with at least \$36 billion in international debt. After two decades of war in Afghanistan, Pakistan is now host to 2 million Afghani refugees.

When the Bush Administration made clear, that blame for the Sept. 11 attacks on New York and Washington would be shifted outside the United States — rather than on the internal rogue forces actually responsible — Pakistan was plunged into an even more precarious economic situation.

Foreign importers of Pakistani textiles, especially in the United States and Europe, are cancelling orders on a large scale. Commerce Minister Abdul Razzak Dawood said on Oct. 25, that the cancellations are hitting at the time when Pakistan usually gets most of its international orders. While Pakistani factories and ports are operating well, he said, “the slowdown of the buyers is affecting our industries. . . . The main assistance we are looking for is the market access for our products.” This means factories will shut down, and unemployment will shoot up, he warned.

At the same time, foreign companies are shutting down operations in Pakistan, and, with foreign airlines pulling out, exporters are having to pay much higher freight costs for what orders still exist. The Islamabad Board of Investment warned on Oct. 26 of “acute difficulties” for the Pakistani economy. Among other problems, the United States and Europe have been delaying in issuing visas to Pakistani businessmen, while the United Arab Emirates cancelled visas altogether, further cramping exports.

Former World Bank economist Shahid Javed Burki recently wrote in *Dawn* that Pakistan could lose \$1 billion worth of exports in the wake of Sept. 11. Other estimates put the losses as high as \$2 billion. Pakistan has only \$2 billion in foreign reserves.

The U.S. and international financial agencies have “pledged” a pathetic \$800 million-worth of financial aid to Pakistan, but this — when it materializes — is but a drop on a hot stone.

## Urgent Call For Debt Relief

Islamabad urgently called for extensive debt relief, in a ten-point proposal to U.S. Economic Undersecretary of State

Alan Larson, who was in Islamabad on Oct. 23. The demands reportedly include “re-profiling” of \$12 billion in bilateral debt, because Pakistan cannot wait for debt write-off. A write-off would take much too long, because it would require the Western creditors to change their laws to permit so radical a measure.

What has materialized to date, has been World Bank “approval” of a \$300 million credit — for the “restructuring and privatization” of the Pakistani banking system! This is hardly the way to aid a rapidly collapsing economy.

The International Monetary Fund, meanwhile, is making noises about a “major” poverty-reduction loan, but amounts and dates of delivery, as ever, have yet to materialize.

Pakistan is also calling for \$5 billion worth of debt relief from Japan, which on Oct. 26 lifted the sanctions it had imposed on Islamabad after the latter’s 1998 nuclear tests. Tokyo is considering an \$800 million new loan to Pakistan.

Meanwhile, Washington has made it absolutely clear that it will continue to exert heavy political pressure on Islamabad to comply with U.S. demands on such issues as “nuclear proliferation” and “democracy.” On Oct. 23, Pakistani President Gen. Pervez Musharraf asserted publicly, that there was “no question” that his country would not give up its nuclear program, which he called the cornerstone of Pakistan’s national security.

## The Refugee Crisis

At the same time, desperate and destitute refugees from Afghanistan continue to flood into Pakistan. Since Sept. 11, an estimated 40,000-60,000 Afghan refugees have crossed the officially “closed” border. On one day, some 6,000 poured through Chaman Point alone, and many thousand more are crossing via unmonitored sections of the border in the mountains. For most Afghans, Pakistan is the only external country they can reach, due to the U.S. bombing, the breakdown of internal transport, and the mountainous terrain. There are at least 180,000 more internal refugees in Afghanistan now, and many of them could try to reach Pakistani as the situation deteriorates.

UN agencies, which have called for \$585 million in aid to care for the refugees, have so far only had some \$67 million in aid “confirmed” — although how much even of that has actually been delivered, is not known.

One ironic effect of the situation, is that the value of the U.S. dollar against the Pakistani rupee has been falling steadily since Sept. 11. While one reason for this, is that Pakistani trade has been severely curtailed, leading to much less demand for dollars, another may have to do with reported large purchases of Pakistani, Afghan, and Iranian currencies in the local markets. The Peshawar *Frontier Post* notes the local view, that U.S. and other intelligence agencies may be buying the funds, clearly for use in attempts to buy off various groups inside Afghanistan.