

THE MYTH OF INDEPENDENCE

PART 1 ——— ECONOMIC IMPERIALISM



“The notion that Pakistan controls the reigns to the economic resources of the country is incorrect—she doesn’t. The G-7 does. They are the ones who make all the economic decisions for us, for our country, through their institutions like IMF, World Bank, and WTO through the policies of SAP, TRIPS, and TRIMS. The idea is to expropriate our land, our labor, our raw materials, and our markets for their own profits. This is what economic imperialism is all about.”

Pakistan stands in debt of in excess of \$38.8 billion¹ (2005 est.) to IMF and World Bank (WB), a debt perpetually increasing² (courtesy of Interest), a debt impossibly repayable (or is it?), and yet, interestingly enough, suspiciously so, this scarcely bothers our lenders! Even more interesting is the fact that no Third World country as yet has ever been able to repay their loans and escape this stranglehold of debt³; so why do the IMF and WB continue to lend? And equally more important to know is from where do they find all this extra money to lend, especially when they are never repaid in full? (this is in itself a separate chapter of discussion altogether) The answer to first question however is straightforward and obvious: they want to see us and keep us in debt forever, for debt is a kind of slavery, and a tool, a means, for them, to achieve their own economic agenda, the economic agenda being expropriation of our land, labor, raw materials, and markets, for owns profits. (Michael Parenti) This is what is known by Economic Imperialism.

Having put us in debt, the IMF and WB, through the Structural Adjustment Programs (SAP), enter Pakistan, in the disguise of helping us repay loans, restructure our economics, and to eliminate poverty (which they themselves created!). SAP is non-negotiable i.e. our government has absolutely no say or any input in the matter and is only required to implement it, as it is. SAP is a series of economic policies dictating us what goods or services we should produce, consume, and distribute. Clearly, Pakistan is no longer a sovereign country and that she is actually being run by foreign imperial nations (G-7 countries) and institutions (IMF, WB, WTO, etc) and multinational corporations.

Dr. Ishrat Hussain, ex-Governor, State Bank of Pakistan (SBP) says:-

“The IMF enjoys excessive concentration of power and has a virtual monopoly of knowledge and ideas in prescribing as to what are the right policies a country ought to follow.

TOOLS OF ECONOMIC IMPERIALISM

Institutions Involved	: Banks: IMF, World Bank, etc, WTO
Economic Ideology	: Neo-Liberalism
Tools	: Debt (Interest-based Loans), Free-Trade
Policies	: SAP, TRIPS, TRIMS

It has disproportionately large influence on financing provided by other players—development banks, fund managers, debt relief by Paris and London Clubs and syndicate lending by commercial banks. A negative assessment by the IMF or even a failure to complete on time places the reputational capital of the borrowing country at great risk, erodes its credibility in the financial markets and reduces financial flows into the country. There are instances where this created a snowball effect amplifying the disequilibrium in macroeconomic balances as the IMF and other financiers collectively withheld their assistance.”

Quoted by Jawed Bukhari, “IMF Conditionality Leads to Coercive Relationship”, Dawn, 8 Sept 2001.

Seeing us in debt is what IMF and WB wants. Seeing us also that we cannot repay these loans, IMF, through SAP, intervenes to help us make available whatever funds they can to reduce this debt. This is the moment when the economic reins to the country are surrendered to IMF and WB.

The first dictation from IMF, through SAP, to our government, is to drastically cut down on social expenditure, like: health, education, child-care, pension plans etc, and on subsidies for basic goods, like: bread, petrol, sugar etc. No wonder, GNP allocation for health and education in 1990 was reduced from 2.1% and 0.7% respectively to 1.7% and 0.6% in 2003. Last year, in 2006, it was only 0.7% and 2%. Whatever money that is not spent on social sector is then transferred into the coffers of IMF and WB. Pakistan’s GDP is about \$63 billion and the saving rate is only 17%. This obviously has direct and immediate impact on the poor (Poverty Head Count was 20.74% in 1990 increased to 32.78% in 2003); cost of living goes up... school and medical fees becomes unaffordable which in return increases illiteracy rates, mortality rates, health risks, all which only adds fuel to the cycle of

poverty. Civil unrest ensues as a result. The worst affected lot is the female gender.

IMF, through SAP, also pressurizes our governments to sell off public assets and companies i.e. to privatize everything. Remember the only recent privatization of Pakistan Steel Mill a⁴nd the Karachi Electric Supply Corporation (KESC)? [PTCL, WAPDA?]. We are often told and taught how privatization does wonders to the effectiveness and efficiency of the company privatized. This may or may not be true, a matter in which I am not going to indulge. What I however do know and do understand is that the government is usually the largest employer in the country and privatization of public companies mean only one thing: massive layoffs, henceforth increasing unemployment and desperation to work at any wage. Besides, privatization also means running businesses only for the sake of profits, not social welfare. Privatization also means transfer of ownership of local companies to foreign multinationals.

Our governments are also pressurized into removing all economic trade barriers and tariffs and regulations. Pakistan is thus forced to open up its economy to free trade and foreign investments, allowing multinational corporations the access to natural resources and workers at bargain basement prices (i.e. at reduced or discounted prices). This enables them to purchase and control everything from water, health-care and educational facilities to agricultural technology and indigenous plants and knowledge (case in point: Basmati Rice). This foreign ownership of domestic resources, services, and production, compromises local initiative and industry, and undermines our sovereignty and democratic rights. Do you know that to attract these “lucrative” foreign investments, we have to first promise them tax breaks, low labor wages, free trade zones⁵, and pledges not to enforce labor and environmental laws? We also promise not to collect taxes on imports. This measure benefits export markets and greatly biases if not eliminates local competition and producers as low-cost foreign goods out-compete domestically produced goods. What more, whatever profits they make

here, is transferred out for the investment and development of their own countries.

SAP also forces us to switch from subsistence to export economies, meaning, that instead of growing for and feeding food to our own people, we must do so for their people. When all the indebted countries are forced to do the same, and told to grow the same commodities, a huge price war erupts, resources become even cheaper, and in order to survive these countries are left with no option but to increase production, and exports, just to keep the currency stable and earn foreign exchange to pay off debts. While all this is happening, we must also keep in mind that these investors can pull out their capital very easily (capital flight) if things get messy, leading to an economic collapse like we saw in 1997-99 in Asia, Mexico, Brazil, etc. This invariably means that we remain poor, or get poorer.

Enter WTO, and its own set of policies specifically designed for economic imperialism: Trade Related-Aspects of Intellectual Property Rights (TRIPS) and also, the Trade Related Investment Measures (TRIMS)—all in the name of free-trade to which we beat our drums to in joy. Free-trade is a rhetorical slogan and a utopian dream best practiced and promoted for the realization of multinational corporate interests only (profits, imperialism etc). One direct result of free-trade within and between countries is the polarization between the “haves” and the “haves-not” i.e. the rich (people and countries) keeps getting richer and the poor, poorer. Inequality in Pakistan has increased from 37.6 in 1990 to 41.6 in 2003. The richest 10% share nearly 1/3rd of the wealth while the poorest 10% shares only about 4%. Such is the level of discrimination.

Today there is a worldwide over campaign for the abolishment of TRIPS agreement altogether. If you remember, IMF, through SAP, was advocating for the privatization of companies. Now, WTO, through TRIPS, is advocating for the privatization of knowledge and even life forms and living organisms! This stems from the typical capitalist mentality that anything and everything can

be privately owned, even if it happens to be a biological resource! By this what it basically is after is the total control over the supply of food and medicine in the world which is but a blatant declaration of economic imperialism! As of today, six corporations alone own 70% of patents on staple food crops, allowing them to set market price for them and block competition for 20 years!

We must understand the implications of TRIPS to our economic survival. About ½ of our population is employed in agriculture which accounts for 22% of GDP! In 1997 RiceTec which is a Texas-based company patented for themselves our Basmati Rice as their own invention. By doing this they have claimed ownership of all Basmati Rice grown anywhere in the world, obligating the farmers to buy seeds from them and pay royalties on it, thus monopolizing on its production and distribution.

The Third World Network concludes:

“TRIPS is... not a step towards “free-trade.” It is the reverse: it restricts rather than promotes technology flow, giving a boost to monopoly practices instead of curbing them.”

Khor, M. (1996). Free Trade - For Whom? Orbit Magazine No 60.

Michael Perelman in his book, *Steal This Idea: Intellectual Property and the Corporate Confiscation of Creativity* (Palgrave, 2001), writes:

“Stronger intellectual property rights will reinforce class differences, undermine science and technology, speed up the corporatization of the university, inundate society in legal disputes, and reduce personal freedoms.”

OXFAM INTERNATIONAL ON TRIPS: Apart from the threats to public health, developing countries are worried that high levels of IP protection will raise the cost of acquiring technology and knowledge-intensive goods. There are also fears that TRIPS will strengthen corporate power in agriculture, weaken farmers' seed-saving rights, and reduce national control over biological resources.

Yet another serious infringement on democratic rights are the Trade Related Investment Measures (TRIMS) which pressurizes our governments to open domestic finance to corporate control, eliminating our ability to shape our own

policies relating to foreign investment and capital controls. TRIMS are rules specifically designed to prevent us from looking after our own domestic firms in favor of multinationals. Do we not have the right to use policy options to increase the capacity of our own productive sectors, especially small and medium enterprises?

Pakistan must begin to understand clearly that no developed country has industrialized without protection and government support of critical industries, and additionally, more importantly, that all those developing countries which have conceded to the demands of IMF, WB, and WTO, by throwing their economies open to international markets have only sunk deeper and deeper into vicious cycles of poverty and debt. Simply put it: we must stop borrowing loans and find practical ways to solve our economic crisis.



What is the way out from all this mess?

How can Pakistan get rid of herself from this mounting debt?

How can Pakistan become independent from the need of borrowing loans?

How can Pakistan resume economic sovereignty without isolating herself from the international community?

How can Pakistan safeguard and promote her own interests?

Or is Pakistan in a situation from which it is now almost impossible to escape from?

MR. TAHIR HUSNAIN

Mr. Tahir Husnain is the Director of Economic Justice & Development (EJAD) organization based in Islamabad, and this is what he had to say on the subject.

I fully agree with you but first of all we have to look at our own policies adopted by our representatives (Governments). In fact, we have to correct our own political and democratic structure to get rid of all these institutions. Each and every government in Pakistan, whether it was democratic or military led, always served the interests of the individuals rather than serving the interests of the whole nation and country. Is there any public debate held by any government on issues which are important for social, political and economic uplift of the country? The answer is: NO. We are facing problems not only due to these international institutions but also due to the feudal landlords and big industrialists who are in the government. I just want to quote an example here. Middle and lower income class suffered a lot due to the sugar crises and stock market crash. The people responsible for all this are few individuals in the government and in the opposition. Inquiries are still in process and how long it will go on, nobody knows. It is these people who are serving the interests of these financial institutions (IMF, World Bank, and also WTO). First of all we have to correct our own systems. Until and unless we have leaders with honesty, vision, and passion to serve the country and the poor, it will be impossible for us to find the way out from all this mess. Iran is an example for us. Their leadership is strong and so the nation is with them as they know that they are fighting for them because of which nobody is able to dictate them, neither these financial institutions nor any superpower country like America. Get an honest leader for the country and I assure you that nobody will be able to dictate us.

Getting rid of mounting debt and becoming independent from the need of borrowing loans require a long term planning for this cannot happen in just couple of years.

There are some suggestions though:-

1. New democracy is required: "living democracy" goes beyond the mere existence of an elected government. It means accountable governance.
2. A huge reduction in the defense budget is required.

3. Cut down non-development expenditures. This is one of the major causes in increasing the debt burden.

4. Economic growth is a necessary condition but not a sufficient condition for economic development. Increase in the development expenditures is required as a healthy and educated nation can be more productive than an unhealthy and uneducated nation. Governments must invest more in health, education and other social avenues.

5. A transparent policy making system is required. All the stakeholders should be involved in the policy making process and their suggestions should be given importance.

6. Privatization can add towards rapid economic growth. But privatization is for the institutions with bad performance not for the institutions with high efficiency levels. Privatization of the sick units should be given priority along with the safeguard measures for the employees of the institutions. Privatization process should be fair and transparent.

7. Instead of promoting consumption in the society, government must promote savings. Savings will lead to higher investment and higher investment will lead to more employment opportunities for the people in the country. It will ultimately help to reduce the poverty in the country.

8. Democratic decision-making is required. Open democratic process for the public is required.

9. Control the rising inflation in the country as this will help in reducing the debt burden

10. Corruption in the country is rising on an alarming rate. Corruption in decision making at the top level has also led to an increase in the debt level.

11. Tax to GDP ratio in Pakistan is very low. But by only increasing this ratio will not only help us to get out of debt trap. Effective utilization of this money is also required.

These are some policy suggestions for the long term planning. Pakistan requires a complete overhauling particularly at the top level. Americans in the recent past had published some of their secret files one of which revealed that one of Pakistan's foreign ministers served them as their agent in the past. These superpowers countries and IFIs have their agents in the top-hierarchy of our country who are only

ACTION BOX

1. Do not spend beyond your needs. Be constructive.
2. Show active citizenry. Participate in influencing or holding people accountable who are formulating and implementing various economic policies in the country. Be critical but show them alternatives at the same time.
3. Do not let corruption corrupt you. Break the chain. Don't bribe. Don't be bribed. A single man can be brought down to his knees but an entire society cannot. Network. Support each other.
4. Challenge the Banking Sector: Ask conventional banks to convert to Islamic banking and Islamic banks to step up now. Boycott banks who deal in Riba.
5. Serve your country: Stop treating employees as slaves, the environment as garbage ground, and your business as an end unto itself. Contribute to the welfare of the country. Pay taxes. Don't bribe. Resist cheating. Break the chain of fraud and corruption by not getting involved in it.

servicing their interests. We must get rid of these people as it will invariably help us free ourselves from these financial institutions and their multiple-string attached loans.

As far as we are dependent on the loans and grants of the IMF, World Bank, ADB and other financial institutions, it will be impossible for us to resume our economic sovereignty. We are not only borrowing these loans but also their policies. How can an individual or institution suggest you a policy which will be favorable for the majority of the people of your country without knowing the requirements of the people first? All the financial institutions are getting funds from the developed countries and so in return are only serving their interests alone. It's a kind of neo colonialism. They are exploiting developing countries. Look at WTO: Doha round was declared as the development round for the developing countries, but from the current situation it seems like it is a market-access-round which benefiting only the developed countries.

It's all about playing the right cards at the right time. They are playing their cards very well but as far as Pakistan is concerned,

we played very badly. In fact our cards are being played by someone else.

We have to identify our strengths and weaknesses first and then go for policy making. Agriculture is our strength but our domestic policies are not in the best interests of this sector. We must protect agriculture in the WTO negotiations. In the industrial sector, labor intensive technology should be adopted because we have abundant labor. It will not only reduce our costs but will also save foreign reserves.

We went for the nationalization, we failed. We are privatizing our profit making institutions like PTCL, Steel Mill etc, which are also harmful. We are injecting a lot of money in sick units and than privatizing them at a very low price. At least I am not able to find any rationale behind all this process. Administration cost of all the privatization process is very high.

The whole point is this that we have non transparent systems and corrupt leaders who are serving the interests of not only the few influential landlords and industrialists but also the interests of the developed countries at the cost of our poor people and our country.



“We are not only borrowing these loan but also their policies. How can an individual or institution suggest you a policy which will be favorable for the majority of the people of your country without knowing the requirements of the people first? ... its kind of neo-colonialism.”

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FOOTNOTES

1. This figure gives the total public and private debt owned to nonresidents repayable in foreign currency, goods or services; This figure when divided by population count, comes approx to Rs. 28,000/person i.e. every Pakistani is in debt of this amount to IMF and WorldBank
2. 14.22% increase in Debt was recorded in 2006
3. Exception being Venezuela which only recently has declared independence from all IFT's
4. The decision has been sensibly reversed by the Supreme Court of Pakistan
5. A 'free trade zone' means that goods can cross the border in either direction without tariffs or taxes of any kind.