

*Distinguished Lecture*

## **Globalisation and Pakistan's Dilemma of Development**

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Pakistan's development project that was initiated in the 1950s with a focus on creating a prosperous and equitable society, making the benefits of scientific advancement and progress available to all the people, got lost somewhere in the labyrinth of development fashions and econometric modelling learned in American universities and World Bank/IMF seminars. The latest of these fashions being eagerly followed by the economic managers of the state is the implementation of structural adjustments, termed "Washington Consensus" by some, flowing from the operative rules and ideological framework of neo-liberal globalisation. In practice these adjustments, euphemistically called reforms, have foreclosed the possibility of improving the condition of working masses, not only in Pakistan but globally, including the developed West. If Pakistan is to reclaim its original people-centred development project, it will have to set its own priorities of development in the context of indigenous realities shared in common with its South Asian neighbours. Following the globalisation agenda at the behest of the Washington-based IFIs will sink the country into ever greater debt and mass poverty.

I am grateful to the Pakistan Society of Development Economists for inviting me to address this distinguished assembly of development workers, scholars, and planners. Let me state at the outset that I belong to that vanishing generation of Pakistanis who witnessed the birth of this nation in 1947 as young adults. As such growing up with Pakistan for us has been a conscious experience of history as biography.

Despite the traumatic events of partition, it all began with youthful hopes that freedom from the yoke of colonial rule will bring peace, prosperity and equality for all in our newly established nation. Being a college student in those early years of Pakistan was certainly an exciting time. There was impatience in the air to see things change for the better and many of the politically active amongst us switched from anti-colonial movement to a movement for democracy and social justice. With the national scene free from any kind of sectarian or ethnic tension and politics of religion yet to assume its present ferocity, the student movement focused on

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affordable and accessible education for all, mixed with some broader issues of poverty, unemployment and land reforms.

But the government of the day did not take very kindly to all this. After a few major rallies organised by the Democratic Students Federation (DSF), the vanguard of the movement, a procession of students in Karachi was fired upon in January 1953, killing several young men. The following year, while the government was becoming ever so friendly with the United States of America the DSF was banned.

### THE PURSUIT OF DEVELOPMENT

Made somewhat wiser by these events, in mid-1950s I took up the study of sociology at Punjab University which led to the discovery of another path to better the lives of millions left poor and voiceless by history. This was the development project which in Pakistan seemed to have attracted a very visible team of American academics and experts working through the U. S. aid agencies, the World Bank and the International Monetary Fund (IMF). The discipline of sociology at Punjab University itself had a strong development focus as it was being shaped under the supervision of a senior exchange professor from the United States.

The next few years were a hectic spell of learning sociology and watching from close intellectual proximity the shaping of the basic model of Pakistan's development. As a novice sociologist one could hardly appreciate the philosophical and ideological foundations of this activity, but one thing was very clear. The United States which had appeared as one of the two super powers after World War II had a declared interest in the development of Pakistan and the rest of the newly independent countries of Asia and Africa. As President Truman put it in his memorable 1949 inaugural address:

“We must embark on a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement of underdeveloped areas.

The old imperialism—exploitation for foreign benefit—has no place in our plans. What we envisage is a programme of development based on the concepts of democratic fair dealing”.<sup>1</sup>

By mid 1950s Pakistan had become a favourite candidate for receiving the benefits pledged by President Truman, having joined the network of international defence treaties with the United States against what was perceived to be the threat of Soviet Communism. It was not too long before a protocol of close cooperation was in operation between the two countries in the field of development, howsoever asymmetrical it may have been. Significantly, it marked the beginning of an

<sup>1</sup>Harry S. Truman, Inaugural Address, January 20, 1949, *Documents on American Relations*. Connecticut, Princeton University Press, 1967.

enduring trend in Pakistan to follow every one of the strategies of development devised successively in Washington and promoted globally. Pakistan's own Dr Mahbub-ul-Haq called this trend the pursuit of "development fashions" and in his second intellectual incarnation listed it among his "seven sins of economic planners".<sup>2</sup>

In 1958, like many others, I proceeded for higher education to the United States and ended up in an American land grant state university, which was heavily involved with rural development projects in Pakistan under the USAID programmes. Located in the middle of thriving agricultural communities and its own extensive experimental farms this university was one of the early show-pieces of what came to be known as the "green revolution". Practically every major department of the university was engaged in some kind of research aimed at boosting agricultural production and its marketing. My fellow sociologists were busy investigating how well farmers were adapting to innovative agricultural technologies so that their communities would enjoy a viable and prosperous future.

In the middle of all this came the news that Pakistan's fledgling democracy was swept aside and military rule imposed by Gen. Ayub Khan. Some of us at the campus thought this to be a grave development, but the reaction of our professors and official Washington was quite muted. In fact the prevailing wisdom in America at the time seemed to favour the rise of authoritarian military regimes in developing countries. Such regimes, it was argued, promoted political stability, a prerequisite for development, and provided suitable nurturing grounds for badly needed "modernising elite".

### THE DECADE OF DEVELOPMENT

It was under Ayub Khan's regime that the logic and hallmarks of Pakistan's basic model of development took concrete shape. The model was worked out in the framework of two five-year plans by a team of Harvard University experts and Pakistani technocrats trained by them. Economic growth through rapid industrialisation of import substitution variety, formed the core of this model, with the state taking up the role of facilitating accumulation of investment capital. There were four main strategic guidelines for the implementation of the model.

1. The development programme was to be designed and administered by the bureaucratic elite deemed well equipped for the task by virtue of their training, discipline and hierarchical organisation in the Weberian sense.
2. The state was to foster a class of private entrepreneurs by extending generous economic incentives to them. A visiting expert from Harvard

<sup>2</sup>Mahbub-ul-Haq, *Seven Sins of Economic Planners*. Karachi, National Institute of Economic and Social Research, 1973.

University nicknamed these entrepreneurs fondly as Pakistan's "robber barons".<sup>3</sup>

3. Wages for labour were to be kept as low as possible to maximise profitability and accumulation of capital, based on the notion of functional inequality. To put it in the words of Dr Mahbub-ul-Haq, the Chief Economist of Pakistan Planning Commission at the time: "It is well to recognise that economic growth is a brutal, sordid process. The essence of it lies in making the labourer produce more than he is allowed to consume for his immediate needs, and to invest and reinvest the surplus thus obtained".<sup>4</sup>
4. A vigorous programme of family planning was to be launched to reduce the surplus of labour in the country and to relieve Malthusian pressure on resources.

These strategies were consistently followed over ten years of Ayub Khan's rule with results that turned out to be a mixed blessing if not simply disastrous. Economic growth as measured by the rate of increase in Gross National Product (GNP) was accelerated from an average of 3.1 percent in the 1950s to 6.8 percent in the 1960s, reaching a record high of 10 percent over the year 1969-70.<sup>5</sup> However, the regime of low wages and neglect of distributive justice aggravated mass poverty and inequality across social and regional lines. These disparities fuelled a popular uprising against the Ayub regime, the political consequences of which are now well known.

### THE SECRET OF AMERICAN PROSPERITY

From the standpoint of development theory and practice, the sorry ending of Ayub regime's "decade of development" exposed the essential dilemma of Pakistan's development that has never been resolved in the country's entire history of planning. It can simply be stated as the contradiction between reconciling the demands of capital accumulation and social justice. Being tied to American advice and assistance has not been of much help in this respect either.

It is interesting to note that the decades of 1950s and 1960s were the "golden age" of economic prosperity in America, Pakistan's off again and on again ally and mentor. It was a phase of capitalist affluence in America which has never been replicated again. Apart from pockets of ethnic poverty, the average white American nuclear family had it made as the aphorism goes. Jobs were plenty and paid well

<sup>3</sup>Gustav F. Papanek, *Pakistan's Development: Social Goals and Private Incentives*. Cambridge, Cambridge University Press, 1967.

<sup>4</sup>Mahbub-ul-Haq, *The Strategy of Economic Planning: A Case Study of Pakistan*. Karachi, Oxford University Press, 1963.

<sup>5</sup>S. M. Naseem, *Underdevelopment, Poverty, and Inequality in Pakistan*. Lahore, Vanguard Press, 1981.

enough not only to support the worker but also his family, leaving married women mainly to the role of home making and child bearing. Even when I was a foreign student I could feel the pervasiveness of this affluence. Every meal served in the dining hall of the university dormitories was a body builders delight with milk always on the tap. I remember having written to a childhood friend in Multan that those heavenly springs of milk and honey we used to contemplate as rewards for being good are already flowing in this land of the “non-believers”.

Looking at it more seriously, this unprecedented general prosperity in America of the early years of Cold War was based on a form of social contract between labour and capital which, while minimising industrial conflict, had boosted both production and consumption to phenomenal levels. Large-scale production of consumer and capital goods was vastly expanded, and intensified under Taylorist principles of Scientific Management. At the same time, liberal democracy had laid the groundwork for collective bargaining and flourishing of bread-and-butter trade unions. The result was an increase in worker productivity as well as rising wages and general standards of living, making mass consumption a reality.

But when America’s recipe for capitalist affluence was transferred and applied to friendly countries of the South, the rules of the game somehow got changed. What had produced real-life economic prosperity in America was conveniently ignored by those engaged in planning the economic development of Pakistan, both the local officials and their American advisers. In this country, development had to be achieved by following the orthodoxies of neo-classical economic theories, embellished somewhat with pseudo-sociology and anthropology. As students we were raised on a steady diet of authoritative works like Rostow’s *Non-Communist Manifesto*,<sup>6</sup> and left with little time to ponder over our fallible real-life observations. Whereas in America well paid and secure labour force had become the defacto engine of large scale industrial production and consumption, in Pakistan’s industrialisation process labour remained merely a commodity appended to capital accumulation under a regime of subsistence wages and little job security. The authors of Pakistan’s *Third Five Year Plan, 1965-1970*, wrote in a rare display of candor that “Industrial labour in Pakistan is the lowest paid in the world”.<sup>7</sup> Any sign of labour unrest was quickly suppressed through legislation, banning of workers’ unions and imprisonment of their leaders. Workers lived “under constant fear of victimisation, convictions and discrimination”, according to a survey by an ILO mission.<sup>8</sup>

In this context it was not hard to see that America’s global policy of economic assistance was subordinated to its Cold War security interests and as such it would

<sup>6</sup>W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge, Cambridge University Press, Fifteen printings from 1960 to 1967.

<sup>7</sup>Government of Pakistan, *The Third Five-Year Plan, 1965-1970*. Islamabad, Planning Commission, 1965.

<sup>8</sup>Quoted in Khawja Amjad Saeed, *Economic Structure of Pakistan*. Lahore: Newfine Printing Press, 1977.

not encourage the development of democratic forces similar to those that had extracted new social contracts at home. In fact the State Department and Washington based IFIs were ideologically hostile to Third World worker's movements and trade unions which they considered, with some justification, to be linked to socialist political parties.

### CONTINUITY IN CHANGE

The end of the first military rule in 1971 brought Pakistan People's Party (PPP) to power in what is now Pakistan, with Zulfikar Ali Bhutto as Prime Minister. This transition to civilian rule excited much speculation about the return of the issue of poverty and inequality to the centre of Pakistan's development project. The urban industrial workforce which was politically activated towards the end of Ayub regime resumed its struggle for better wages and job security, encouraged as it was by Bhutto's socialist rhetoric. But the latter adopted a policy of carrot and stick in dealing with the continued labour unrest. In the public sector, enlarged considerably by the nationalisation programme of the PPP government, workers gained some wage increases, but the private sector industrial workers did not see much relief. The private sector employers mounted their own threats to close down their establishments unless labour militancy was checked. With workers demoralised and private investment at a standstill the growth rate of GNP, the idolised symbol of development, began to decline. It went down from an average increase of over 6 percent in the decade of 1960s to 4.5 percent in 1970s.<sup>9</sup> In the end the government came clearly on the side of the employers with Bhutto's warning that the power of the street will be met with the power of the state. In the summer of 1972 the power of the state did indeed prevail over the power of the street with incidents of police firing on demonstrating workers in several cities of Sindh and Punjab. In any event, before the economic and political contestations of the 1970s could be resolved, the life and times of Zulfikar Ali Bhutto came to a tragic end.

The return of military rule under General Zia-ul-Haq was inaugurated rather ominously for the labouring class of Pakistan with a single incident of worst massacre of workers in the history of Pakistan. On January 2, 1978 striking workers in the compound of a textile mill near Multan were fired upon indiscriminately. Official reports listed 14 workers killed, but eye witnesses claimed five times as many deaths.

Over the next decade as Zia consolidated his rule and took several measures to restore investor confidence the stage was set for the return of the old regime of capital accumulation. Trade Union membership that stood at over one million in 1977 declined to 860,000 in 1985, while work stoppages were reduced from 779 in 1972 to just 58 in 1985.<sup>10</sup> Union activity in one of the largest state corporations, the Pakistan International Airlines was banned and many other unions were taken over by a

<sup>9</sup>S. M. Naseem, *op.cit.*

<sup>10</sup>Shahid Kardar, *Is there a Working Class in Pakistan?* in *Viewpoint*, January 7, 1988.

religious political party close to the ruling junta. The doors of US bilateral aid closed on Bhutto's government were reopened as soon as the Zia government was able to ensure the protection of foreign and indigenous capital and pledge support for the US aided Islamic *jihad* to expel the Soviet forces from Afghanistan. The United States was quick to respond with a \$ 3.2 billion aid package for the new military government with more to follow. At the same time, facing dismal prospects at home, the emigration of Pakistani workers in search of employment abroad became a steady stream which brought \$ 2 billion a year in remittances to the national economy in 1980s.

Whatever the Zia dispensation may have achieved by putting the economy back on the old path of capital accumulation and economic growth, the basic model of development behind this regime was already under attack worldwide for contributing to the wealth of a few and leaving behind large areas of poverty, marginality, and exclusion of people from social and economic progress. Developmentalism in developing countries, it was being argued, has neither raised living standards nor promoted democracy. Much of this criticism was originating from the United Nation's agencies concerned with economic, social and labour issues. By the middle of 1970s the "dethronement of GNP" had become a catchword for a campaign to redirect the goals of development from an obsession with economic growth to the material betterment of people's lives. Even from the World Bank under the presidency of Robert McNamara (1968-81), one could hear a different discourse of development. In a celebrated address to the Bank's Board of Governors in 1973, McNamara urged that the central objective of development policies must be to attack absolute poverty which was the lot of "40 percent of the nearly two billion individuals in the developing countries".<sup>11</sup>

### THE TRIUMPH OF NEO-LIBERAL GLOBALISATION

But these voices of concern about growing poverty and inequality in the developing countries were being raised at a time when the last vestiges of Keynesianism in the West were about to be destroyed by neo-liberalism. And before development theory and practice could be redesigned in any significant way to address the lingering issue of social justice it was literally hijacked to serve the agenda of a more aggressively mobile global capital which aimed at a deeper integration of all national economies into the structures and ideological framework of neo-liberal globalisation.

The core ideas of neo-liberal globalisation comprise of a set of policies now familiar to development planners around the world. These include free trade, free markets, financial liberalisation, enhanced foreign investment, privatisation, deregulation, flexible labour force, reduced public expenditures, diminished role of

<sup>11</sup>Robert S. McNamara, *Address to the Board of Governors*. World Bank, Nairobi, Kenya, 24 September, 1973.

the state and laws protecting private property rights. The credit for naming most, if not all, of these policies as the “Washington Consensus” goes to the economist John Williams.<sup>12</sup> The phrase presumably alludes to the strong role played in promoting these policies by the US Federal Reserve and the Washington twins, the World Bank and the IMF. In the field of economic development, the IMF, the more imperious but “slow learner” of the twins, can certainly claim greater credit for promoting the Washington Consensus around the world in the form of structural adjustments attached to its development aid operations.

### **THE INVASION OF STRUCTURAL ADJUSTMENTS IN PAKISTAN**

While no country, rich or poor, has escaped the impact of neo-liberal structural adjustments in the age of globalisation, let us keep our focus on Pakistan’s dilemma of development. For the technocratic development élite of Pakistan, long used to complying with the conditionalities of World Bank/IMF loans, the implementation of structural reforms was simply the next step to be followed in the process of development planning. Perhaps they did not have much of an option as the country was brought to heavy dependence on foreign economic assistance. By 1980 Pakistan had become the 10th largest recipient of the World Bank/IMF loans. The first of the loans under the Structural Adjustment Programme (SAP) was approved in 1982 when General Zia had established his military rule. But after receiving the first tranche of the SAP loan the General’s economic managers decided not to proceed with the rest, perhaps anticipating with some foresight that the enforcement of required adjustments will hurt the common people, making the General more unpopular than he already was. In any case the country had once again become the front line state in the American supported Islamic jehad against the Soviet communists, and as such was being well supplied with economic aid directly by the US and its allies.

The crunch of SAP loans came after Zia’s demise in 1990s and during the alternating civilian governments of Benazir Bhutto and Nawaz Sharif. The outgoing Zia regime had almost doubled the country’s foreign debt liabilities which stood at \$15.5 billion in the year 1990-91,<sup>13</sup> creating greater dependency on SAP loans. When Sharif replaced Benazir’s first short-lived government, he launched the first substantial package of structural adjustments to the economy in earnest. Controls on foreign exchange were lifted, first batch of state assets were privatised, business and industry was deregulated, and public expenditures on social programmes were curtailed. Pleased with this performance, the World Bank/IMF released an average of \$400 million in SAP loans over the 3 years of Sharif’s first government. When in

<sup>12</sup>John Williams, What Should the World Bank Think About the Washington Consensus, *World Bank Research Observer*, 15, No. 4, 2004.

<sup>13</sup>Government of Pakistan, *Economic Survey: 1995-96*. Islamabad, Finance Division, 1996.



1993 Moen Qureshi was brought in from the World Bank to serve as interim Prime Minister he implemented another round of structural adjustments, including 10 percent devaluation of currency, increase in prices of petroleum and electricity, dismantling of price controls on flour and cooking oil, and further reduction in Tariffs. Whatever these reform may gave accomplished for the health of the economy, for common people they spelled more misery of inflation and rising costs of basic necessities.

But more was yet to come. After Qureshi's departure and return of Benazir to the Prime Minister's office a new World Bank/IMF Extended Structural Adjustment Facility (ESAF) loan of \$1.5 billion was signed up to be disbursed in instalments. To meet the conditions of this loan privatisation was stepped up, a new regressive General Sales Tax was imposed on 268 items, import duties were further reduced and later in October, 1995, the rupee as devalued by another 7 percent. What the Benazir government failed to do was to meet the other important condition of the ESAF loan, the cutting of the budget deficit from 5.6 percent of the GNP to 4.0 percent, while over 80 percent of the budget revenues were tied up in debt servicing and defence expenditure. As a result the ESAF loan was suspended after payment of the first tranche. It took long and intense negotiations in Washington before the World Bank/IMF authorities agreed to replace the ESAF concessional loan with a \$600 million standby loan at 5.0 percent rate of interest.

While the people of Pakistan were smarting under the cumulative burden of these structural adjustments, the Benazir government was dismissed by presidential dictate, and she was forced to contest fresh elections against her main political rival Nawaz Sharif in 1997. But the traditional working class supporters of the PPP having endured the bitter medicine of structural adjustments lost interest in voting and Nawaz Sharif walked away with an easy victory based on a small turnout of voters.

Back in office, Sharif continued on the path of structural reforms, claiming a heavy electoral mandate. Then in May 1998, when the people of Pakistan were waiting for the structural reforms to work their magic—though economy was going from bad to worse, with GDP increase rate stalled at about a jittery 4 percent,<sup>14</sup> average, India exploded a nuclear device for the second time as a test of its atomic weaponry. In reaction the Sharif government followed suit by detonating its own nuclear contraption against a spate of warnings issued by the United States and other G-8 countries. United States and Japan, the two major aid donors immediately imposed sanctions on both India and Pakistan which came as a blessing in disguise for Sharif government's economic woes. Blaming the economic crisis of Pakistan on these sanctions, and taking advantage of the nationalist xenophobia generated by the

<sup>14</sup>Average GDP rate for 1990-1998, reported in World Bank, *World Development Report*, 1999-2000. New York, Oxford University Press, 2000.

nuclear tests, his government declared emergency in Pakistan on May 28 and froze \$11 billion in foreign currency bank accounts held by local and expatriate Pakistanis.

However, this move was hardly enough to save the day for Nawaz Sharif, as the economy kept teetering on default. In America there was already talk about Pakistan's future as a "failed state".<sup>15</sup> The US could have made, in the words of Henry Kissinger, a horrible example of Pakistan, but in December 1998, after a meeting with Nawaz Sharif in Washington President Clinton decided to rest the matter after obtaining assurances from the Prime Minister to observe non-proliferation and negotiate peace with India. As an incentive to compliance, Clinton also promised his support of an IMF bailout package to Pakistan.<sup>16</sup>

In fact, the IMF has had little problem with its aid operations in Pakistan as the country's development planners have rarely declined to comply with the conditionalities of its loans, the latest of the series euphemistically called structural reforms. The real problem that IMF and the Bank were having in 1990s was the mounting discontent with their development strategies blamed for enriching the rich and impoverishing the poor. By the fiftieth anniversary of the birth of Bretton Woods institutions, this discontent had turned into a loud and widespread campaign under the rallying cry of "Fifty Years Is Enough".<sup>17</sup>

#### STRUCTURAL ADJUSTMENTS WITH POVERTY REDUCTION?

Faced with these protestations, the Washington twins were compelled to do something about their image without changing their ideological commitment to neo-liberal globalisation. The IMF came up with the novel idea of integrating poverty reduction with its structural adjustment agenda. In September, 1999 it changed the name of its Extended Structural Adjustment Facility (ESAF) to Poverty Reduction Growth Facility (PRGF).<sup>18</sup>

This reformulated lending procedure was ready when a month later the Nawaz Sharif government was swept aside by yet another military coup. The economic managers of the new administration under the leadership of a new finance minister, no stranger to the financial world of Washington, had little problem producing Pakistan's first comprehensive Poverty Reduction Strategy Paper (PRSP) required to qualify for the PRGF loan. The strategy paper met quick approval of the IMF Executive Board on December 6, 2001,<sup>19</sup> resulting in a new round of concessional lending in tranche.

<sup>15</sup>Richard Hass and Gideon Rose, *A. New U. S. Policy on India and Pakistan*. New York, Council on Foreign Relations, 1997.

<sup>16</sup>*Dawn*. Karachi, December 12, 1998.

<sup>17</sup>Kevin Danaher (ed.), *Fifty Years is Enough: The Case Against the World Bank and International Monetary Fund*. Boston, South End Press, 1994.

<sup>18</sup><http://www.imf.org/external/np/exr/facts/prgf.htm> accessed November, 2004.

<sup>19</sup><http://www.imf.org/external/np/dn/2003/051203.htm> accessed November, 2003.

This brings us to the latest phase of Pakistan's development planning. The picture of how Pakistan's PRSP has worked in practice as a policy document controlled by IMF (although "owned" by Pakistan) emerges from three years of its implementation closely monitored by the Fund staff through no less than nine documented reviews. Economic growth as measured by the rate of increase in GNP remains the number one concern, but is yet to move up to the celebrated high figures of the Ayub and Zia eras. The main instrumentality of growth remains the relentless implementation of structural adjustments based on the "Washington Consensus". That means privatisation which is proceeding well although IMF would like to see more progress in the sale of major state assets, investment environment for both foreign and local capital is improving, the reduction of budgetary deficit and public debt is on target, customs and tariff reforms to lower the costs of doing business in Pakistan are well under way, tax concessions and subsidies are being eliminated, poverty reduction expenditures are rising, and above all macroeconomic situation looks very good. The foreign currency reserves have also increased sharply, which may not have as much to do with structural adjustments as with the windfall from America's Operation Enduring Freedom and a rebounding of remittances generated from the sweat and labour of expatriate workers.

There are of course other sociologically interesting objectives embedded in IMF's new poverty reduction discourse, such as devolution of power, participation of the civil society, empowerment of the poor, the challenge of inclusion, good governance, and transparency. But these potent phrases strike one like mantras flowing out of a sorcerer's bag than having much to do with the real life situation of Pakistanis living in poverty.

#### **INCOMPATIBILITY OF STRUCTURAL ADJUSTMENTS AND POVERTY REDUCTION**

What is more telling about Pakistan's economic performance under the PRGF arrangement, monitored closely by the Fund staff, is the lack of any significant reduction in poverty. In its ninth and final review under the PRGF arrangement, the IMF Board, while praising Pakistan's "strong recovery from the economic crisis of the 1990s," goes on to conclude that the country "continues to face major challenge ... to achieve significant and lasting reduction in poverty".<sup>20</sup> In other words, Pakistan's perennial dilemma of development remains unresolved. On their part, Pakistan authorities have decided not to proceed with the last and final tranche of the PRGF amid affirmations, from both sides, of continued cooperation in matters of economic development.

The fact of the matter which does not receive mention by either side is that the neo-liberal globalisation agenda which the IMF and the Bank have been extending to

<sup>20</sup><http://www.imf.org/external/np/2004/pr04259.htm>, accessed December, 2004.

Pakistan since 1980s in the form of structural adjustments has practically foreclosed the possibility of any significant reduction in poverty.

Why is it so? The answer to this question lies in the common observation that the overwhelming majority of the poor in the world, including one-third of the people of Pakistan who live below the national poverty line,<sup>21</sup> are workers, employed, unemployed, or underemployed, including their dependents and many women whose work remains unrecognised and un-waged. It, therefore, stands to logic that any effective programme of reducing poverty must be directed at improving the position of workers in the labour market and the work place. Yet most of the structural adjustments—the diminished role of the state, free market fundamentalism, privatisation, deregulation, flexibility of labour—which operate at the heart of neo-liberalism accomplish the opposite, creating the structural conditions which make it virtually impossible for workers to climb out of poverty.

In the ongoing process of restructuring the world economy on neo-liberal lines, the position of capital and its cross-border mobility has been enhanced tremendously. The role of the state as a key player in promoting distributive justice has been undermined and subordinated to the so-called free market. Labour and working classes have turned out to be the biggest losers, bearing the burden of “competitive austerity.”

There are some revealing figures about what this restructuring of relations between capital, state and labour has accomplished worldwide. In the United States, the organic core of liberalised global capitalism, the income gap between the top fifth and the bottom fifth of households was narrowing before 1973, but between 1973–1996 this gap increased by 50 percent.<sup>22</sup> In 1950, one-third of American waged and salaried workers belonged to trade unions but in 1995 this figure dropped to only 14.2 percent; just in one decade of neo-liberal ascendancy, between 1985–1995, union membership in the U.S. declined by 21.1 percent and in the U.K. by 27.7 percent.<sup>23</sup> During roughly the same period of globalisation, child poverty increased by one-third in the United States and by one-half in Britain.<sup>24</sup>

The affluent worker of the America of 1950s and 1960s is now displaced by the flexible worker who lacks a job for life, is adjustable with respect to wages and hours of work, and lacks collective bargaining and union protection. The flexible worker is often a single mom or single dad, and if married, needs a working spouse to make ends meet or keep up with the American standards of consumption.

<sup>21</sup>UNDP, *Human Development Report 2004*. New York, United Nations, 2004. (Figures for 1990–2001).

<sup>22</sup>G. Burtless, *et al. Globophobia: Confronting Fears About Open Trade*. Washington D. C., Brookings Institution, 1998.

<sup>23</sup>ILO figures quoted in Harvey J. Krahn and Graham S. Lowe, *Work, Industry and Canadian Society*. Nelson, Scarborough, Canada, 2000.

<sup>24</sup>Remarks by Acting Director, UNESCO at World Summit for Social Development, Copenhagen, March 5–12, 1995, quoted in Jan Art Scholte, *Globalisation: A Critical Introduction*. New York, ST. Martin Press, 2000.

Gone also are, I might add, those thriving farming communities that were to be seen around the State University I attended from 1958 to 1961. Last time I visited my American Alma Mater before 9/11, those prosperous farming settlements had either disappeared from sight or reduced to ghost towns. But those farms were still green and growing bountiful genetically altered crops now owned by agribusiness corporations.

Obviously, what goes on under the “Washington Consensus” has failed the working people of America. It can hardly be expected to work for the toiling people of Pakistan whose position has never been enviable and is certainly much too vulnerable to be left to the mercy of the unregulated market. From what one can glean from the available data on Pakistan, union membership in the country has continued to decline from 850,517 in 1985 to 296,257 in 1999; the proportion of employees covered by collective bargaining has declined from 1.44 percent in 1990 to 0.91 percent in 1999; and the wage costs as proportion of total production in Pakistan stood at the abysmally low figure of 6.0 percent in 1999.<sup>25</sup>

Clearly, the development project that was initiated in the 1950s with a focus on eradicating poverty and inequality from Pakistan got lost somewhere in the labyrinth of development “fashions” and econometric modelling learned assiduously by our scholars in the Ivy League universities of America and IMF/World Bank seminars. The question that I want to leave here is whether it is possible to revive that original development project defined, at least rhetorically, around normative preoccupation with poverty alleviation and equality?

It seems to me that there are a few favourable conditions at the moment which raise that possibility. First of all, inevitable as the hegemonic sweep of neo-liberal globalisation may appear, its agenda is under attack both from within and without. From within, there are emerging warnings that capitalism in its neo-liberal articulation is headed towards depression economics and an internal crisis with its purely market calculations.<sup>26</sup> From without the system it is under frontal challenge by world-wide social movements such as the World Social Forum and many environmental and feminist initiatives.

Foreign debt is the main lever used by donor countries and multilateral aid organisations to break resistance to the imposition of external economic agendas and development policies. Pakistan authorities have made this year a \$1.1 billion repayment of foreign debt, which is an encouraging sign if the intent of this move is to break out of the vicious circle of loans and debts. More encouraging in this respect is the re-energised India-Pakistan peace movement which can lead to decrease in

<sup>25</sup>ILO, Socio-economic Primary Database: SES Questionnaire (Pakistan), Geneva, accessed December, 2004.

<sup>26</sup>For just two voices of insider dissent, see George Soros, *The Crisis of Global Capitalism*. New York, Public Affairs, 1998 and Joseph Stiglitz, *Globalisation and its Discontents*. New York, W. W. Norton, 2002.

heavy defence spending and therefore less reliance on foreign debt accompanied by policy constraints.

Yet another hopeful development is the reactivated interaction being witnessed in the context of South Asian Association for Regional Cooperation, SAARC. Cooperation among South Asian countries, where an estimated 40 percent of the world's poor live, is the key to building an environment in which indigenous policies can be designed to solve South Asian problems in the context of South Asian realities. One must remember that Pakistan is historically, geographically, culturally and temperamentally part of the South Asian subcontinent and will remain so no matter what kind of national ethos the "petro-wahabis" are trying to impose on the country. Pakistan stands a better chance of setting its own priorities of development in cooperation and concerted action with its South Asian neighbours, India in particular, than trying to resist alone the agenda of globalisation set elsewhere.

But first it has to be seen whether there is a will and a consensus among the countries of South Asia to bring poverty reduction to the centre stage of development planning.