

AID OR -ALBATROSS?

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The essence of neo-colonialism is that the State which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside.

Kwame Nkrumah, First president of Ghana

On the 75th anniversary of its emergence as an independent nation-state, Pakistan remains beset by numerous interrelated crises, with few prospects of resolution in the short term. Arguably the most urgent of these is a spiraling debt burden that constitutes an albatross around the neck of the country's predominantly young population. In the decade 2012-22 alone, external debt has more than doubled from approximately US\$57 billion to US\$129 billion.

The primary responsibility for this growing debt burden certainly lies with domestic ruling classes who have transferred the burden of their inability and unwillingness to forge a viable and egalitarian political-economic project in what is otherwise a richly endowed country onto the mass of working people, particularly in ethnic peripheries. But a viable argument can be made that Pakistan's economic plight is due also in part to the role played by bilateral and multilateral donors in both greatly shaping development strategies over time and indebting the economy alongside.

Put differently, Pakistan is a sovereign country only in name. In this essay I offer a brief historical argument in this regard.

GEOPOLITICAL RULES

Both during the Cold War and after the onset of the neoliberal developmental regime, Pakistan's economic fortunes have been significantly shaped by the geopolitical whims of western patrons. Until the 1990s, the country was repeatedly showered with (primarily military) aid by the United States and multilateral donors as a quid pro quo for its services as a 'frontline state' against the Soviet bloc. While the most notable outcome of these geopolitical rules was an increasingly bloated and politically powerful national security apparatus, aid was also accompanied by policy influence through entities like the Harvard Advisory Group which championed strategies like 'functional inequality'.

Under both the Ayub Khan and Zia ul Haq military dictatorships, western patrons' and their intellectuals lauded Pakistan as an ally of the 'free world' and a model of economic development for the rest of postcolonial Asia and Africa. Yet both the laurels and monies dried up when geopolitical winds shifted – for the Ayub regime after the 1965 war with India and for the Zia regime after the Geneva accords of 1988.

It is in any case worth bearing in mind that the majority of aid inflows even during the good times were in the form of loans rather than grants. By 1968 at the toe-end of the Ayub dictatorship, Pakistan had received a total of US\$4.7 billion in foreign aid, of which only

US\$1.3 billion was grants. Meanwhile during the Zia years alone, Pakistan received a total of US\$4.2 billion in American aid, but net flows actually decreased due to debt-servicing requirements that had accrued during and before the 1980s.

A relative exception to these geopolitical rules was the elected PPP regime headed by Zulfikar Ali Bhutto, which came into existence after the tumult of civil war and the secession of east Pakistan. This was a period of both limited aid and greater autonomy in the formulation of development policy, reflected in the politically contentious initiatives like land reform and nationalisation of industry. Whether or not one agrees with that regime's fabian socialist strategy, it is important to recognise that it articulated a modicum of economic sovereignty vis a vis western powers.

THE SONG REMAINS THE SAME

On the surface much has changed in both Pakistan and the world at large since the end of the Cold War. But significant continuity is also visible in the global political economy and its dialectic with Pakistan's internal logics of class and state power. Most notably, the familiar pattern of donors showering Pakistan with aid and celebrating its economic 'successes' resumed during the Musharraf military regime after it consented to becoming frontline state in Washington's 'war on terror' on Afghanistan in 2001.

The previous decade (1988-99) had seen the same western donors enforce the now notorious policy regime known as 'structural adjustment' in Pakistan to far less fanfare. Growth rates in investment plummeted to as low as -3.9% in this period, investment as a percentage of GDP declining steadily to reach a miniscule 13% by 1999.

All of the gloom lifted, however, as geopolitical winds shifted. Between 2002-10, annual inflows of aid from the United States alone averaged US\$2 billion. Meanwhile, the IMF, ADB and WB disbursed more than US\$10 billion to Pakistan between 1999 and 2004. Citibanker Shaukat Aziz oversaw this aid bonanza, first as finance and then prime minister, infamously announcing in 2006 that Pakistan had forever broken the begging bowl and was well on the road to self-sufficiency.

By 2007, however, the party had met a spectacular end. Between 2002-6, the growth model celebrated by mainstream 'experts' and sustained by huge inflows of aid certainly appeared to be cause for optimism insofar as a 'new' urban middle class engaged in mass consumption fueled by cheap credit and apparently limitless supplies of low-cost non-renewable energy like natural gas. But the surge in late 2006

of major power outages – what we commonly refer to as 'loadshedding' – made clear that the prevailing development strategy was unsustainable, a fact further emphasised by the bursting of asset bubbles in the stock market and real estate sectors.

Certainly the balance of payments and foreign exchange predicaments that followed were attributable in part also to the financial crash that afflicted the entire world in that particular 2 year period (2006-8). But it is telling that the bailout package agreed in 2008 between the post-Musharraf regime headed by the Pakistan People's Party (PPP) and the IMF to the tune of US\$11.3 billion over three years was a case of old wine in new bottles. There were the same same policy conditionalities, the same refusal to redress state and class power within Pakistan – including but not limited to the military's corporate empire and other holy cows like real estate moguls and sugar cartels – and, ultimately, the same insistence that western creditors would have to be repaid at all costs.

CONCLUSION

Fast forward to 2022 and the same episode plays itself out for the umpteenth time. The government that came into existence in April 2022 has bent over backwards to secure an IMF bailout package alongwith loans from bilateral donors like China, Saudi Arabia and the UAE. The complete absence of out-of-the box thinking within the intellectual and political mainstream explains why these loan packages have been described as a 'relief' rather than a reflection of both the deeper political economy of aid and the related and relatively unchallenged dynamics of class and state power within Pakistan.

The rise of China is an important aspect of this unfolding story which certainly represents a shift from the uninhibited power of western bilateral and multilateral donors. It is beyond the scope of this essay to meaningfully interrogate this question here, but suffice it to say that simply replacing western patronage will not in and of itself resolve the ever intensifying economic and other crises that Pakistan's long-suffering people face. Without a political and economic programme that acknowledges the historical truths about the capitalist world-system whilst prefacing the needs and dignity of Pakistan's most oppressed and exploited social segments, history will repeat itself time and again as both tragedy and farce.