

# No let-up in Pakistan's fiscal woes

Major challenges include repayment of Chinese loans, securing international aid



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**P**AKISTAN has long remained an 'international economic basket case', heavily dependent on foreign aid and doles, more so after the Covid pandemic. The country's economy has been in constant crisis. During his tenure as PM, an egotistic and arrogant Imran Khan was unable to sustain or build a national political consensus on his foreign and domestic policies. He offended friends and foes alike, while Pakistan's economy inevitably headed for collapse. A Pakistani friend remarked recently that his country required a Dr Mannohan Singh to pull them out of trouble! Internationally, Imran remains disliked by the West, given his Islamist propensities. He continues to be disliked by some of Pakistan's Arab friends, notably Saudi Arabia. His move to build bridges with Moscow came too late, just when his domestic political base was shrinking. Most importantly, his relations with the then army chief, Gen Qamar Javed Bajwa, who attached the highest importance to ties with the US, remained strained and even unpleasant. Gen Bajwa, nevertheless, arranged for Pakistani arms supplies to Ukraine. He also spearheaded an effort to strictly control terrorism across Pakistan's border with India.

It is no secret that Gen Bajwa realistically believed that given the looming economic disaster, it made no sense to heat up Pakistan's eastern borders with India, even as the Afghan Taliban and their Pakistani brethren were behaving in a



**PRECARIOUS:** Pakistan has barely enough foreign exchange reserves to cover one month's imports. REUTERS

growingly difficult manner. The Taliban were becoming difficult to handle both within Pakistan and across the Pakistan-Afghanistan border. Moreover, the US establishment was incensed by the humiliating situation it faced when its forces, diplomats and citizens had to flee Afghanistan. It was in this situation that the then ISI chief, Lt Gen Faiz Hameed, triumphantly entered Kabul to have a look at what many in Pakistan believed was a humiliating American surrender. The US has since then acted tough on issues of international economic assistance. Pakistan desperately needs aid and facilitation from the International Monetary Fund (IMF) to persuade the international community and international finance institutions such as the World Bank and ADB to open their doors for enhanced economic assistance to Pakistan.

Pakistan today has barely enough foreign exchange reserves to cover one month's imports. Even its 'all-weather friend' China has provided only token assistance in foreign exchange. The Chinese remain insistent on a direct presence and use of their equipment and personnel in all projects they

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undertake. Pakistan, moreover, has to repay Chinese loans in convertible currencies. International aid would not be available to Pakistan unless stringent IMF conditions are accepted. Even friendly oil-rich countries such as Saudi Arabia and the UAE would provide only token assistance. They will, however, await clearance from the IMF before loosening their purse strings. Pakistan is fortunate that Shehbaz Sharif, whose family has long-time ties with the Saudi

monarchy, is the incumbent PM. Saudi generosity may not have been forthcoming at all had Imran been at the helm now.

Pakistan's General Election is scheduled to be held around October. But, in the meantime, the army, led by Gen Syed Asim Munir, who loathes Imran, appears set to send the ex-PM and his remaining loyal followers to jail. The army has assumed powers to try errant civilians. Imran is himself out on bail in a corruption case. Pakistan's Chief Justice, who is believed to have presidential ambitions, is among the few who will make every effort to save Imran from imprisonment. The Chief Justice continues to approve release on bail of Imran's Pakistan Tehreek-e-Insaf Party (PTI) members who have been charged with criminal offences. But the determination of Gen Munir to get Imran convicted and debarred from politics is forcing influential politicians to defect from the PTI.

The heat on Pakistan by the IMF has made potential donors hold back on disbursement of aid. A senior IMF official recently noted that it is essential for Pakistan to undertake some painful reforms to clear the way

for IMF assistance. Pakistan's economy has grown at an estimated 0.3 per cent in 2022-23, with its per capita income falling last year. It is clear that in these circumstances, Pakistan will be compelled to be careful in sponsoring cross-border terrorism in India. Gen Bajwa had noted that such sponsorship of terrorism has resulted only in greater problems on Pakistan's borders and in Islamabad's ties with the international community. He was thereby acknowledging that Pakistan already had serious problems related to Tehreek-e-Taliban Pakistan and Baloch separatists. Not surprisingly, Pakistan alleges Indian involvement in these developments. Pakistan has taken note of the appreciation that Afghans and even the Taliban leadership have voiced for the vital supplies of wheat that India has been providing through Iran's Chabahar port.

Dealing with Pakistan cannot be decoupled from problems India has on its borders with China. Beijing is evidently determined to build up Pakistan's maritime and air power. But the present situation across Beijing's western borders, where Pakistan is on the verge of bankruptcy, does give India more strategic space to deal with cross-LAC issues. External Affairs Minister S Jaishankar has asserted that the relationship with China cannot be normalised till the Chinese move back from territories they entered and occupied in Ladakh.

It would be interesting to observe President Xi Jinping's approach during the G20 Summit in New Delhi later this year. His presidency has been marked by continuing border tensions with India. This has led to India and the US agreeing to increasingly cooperate in dealing with the growing Chinese military power across the Indo-Pacific. This is evident from US Secretary of Defence Lloyd Austin's visit to India and the forthcoming visit of PM Narendra Modi to Washington.