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Pakistan's new prime minister promises “paradise” for investors, as mass anger over price hikes, joblessness grows

Pakistan's National Assembly elected Shehbaz Sharif, the president of the Pakistan Muslim League (Nawaz), as the country's prime minister Monday, one day after ousting Imran Khan and his Pakistan Tehreek-e-Insaf (PTI—Pakistan Justice Party) led government in a highly contentious non-confidence vote.

The government's parliamentary defeat was prepared over several weeks by the defection of PTI coalition partners, principally the Karachi-based MQM-P, and several PTI MPs. However, the most important “non-confidence vote” was that cast behind the scenes by the Pakistani military, far and away the country's most powerful state actor. As the political maneuvering became more intense in recent weeks, the military top brass made clear that it had soured on Khan, whose election it had helped orchestrate in 2018, and would no longer backstop his government.

Shehbaz Sharif is a right-wing businessman, who has thrice been the chief minister of Punjab, Pakistan's most populous state. He is the younger brother of Nawaz Sharif, the three-time prime minister, erstwhile political protégé of the late US-backed dictator General Zia-ul Haq, and founder of the Pakistan Muslim League (Nawaz) or PML-N. In 2017, the Supreme Court ordered Nawaz Sharif to step down as prime minister due to Panama Papers-related corruption revelations, and the following year he was sentenced to a 10-year jail term and barred from holding public office for life.

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Pakistan's change of government has been precipitated by a devastating socioeconomic crisis that has raised the specter of mass social unrest and by sharp divisions with the ruling class over Pakistan's foreign policy and geostrategic alignments.



Acting President of Pakistan Sadiq Sanjrani, left, administers the oath of office to newly elected Pakistani Prime Minister Shahbaz Sharif during a ceremony at Presidential Palace, in Islamabad, Pakistan, Monday, April 11, 2022. (Press Information Department via AP)

Shortly after his election as prime minister Monday, Shehbaz Sharif gave a nationally televised address in which he promised to make Pakistan a “paradise” for investment. At the same time, in an attempt to mollify the mass anger over spiralling prices and buy his government some time, he announced a 20 percent increase in the monthly minimum wage to 25,000 rupees or about US \$135, and promised that wheat flour would be temporarily available at a reduced price. Given that the official inflation rate is over 15 percent and the rupee has depreciated against the US dollar by some 20 percent over the past nine months, the minimum wage increase, even if granted in a country where many employers flout labour regulations, will far from compensate the poorest sections of the working class for recent increases in the price of food, fuel and other basic necessities.

Yesterday, Shehbaz Sharif met with economic experts to discuss the economic crisis and in particular the threat the country's foreign currency reserves, currently equal to no more than two months' worth of imports, will dry up. In an attempt to avert further depreciation of the rupee, Pakistan's central bank raised its benchmark lending rate by 250 basis points

last Thursday to 12.25 percent, prompting angry denunciations from sections of business who argue the rate rise will stifle commercial activity.

Sharif's aides have made clear that the new government's first priority will be to resume negotiations with the International Monetary Fund (IMF). As part of a \$6 billion IMF bailout Khan and his PTI government first negotiated in 2019, the previous government implemented two rounds of savage IMF austerity and "structural readjustment," slashing social spending and subsidies on the price of essential goods and selling off public sector enterprises wholesale.

The first round of IMF-dictated "reform" came in 2019-2020. The second, adopted in January, included regressive tax increases and subsidy cuts aimed at producing more than \$2 billion worth of savings by June 30 and many billions more in the years to come. However, to the consternation of the IMF, the PML-N, the other opposition parties and the corporate media, Khan reinstated some subsidies on gas and electricity tariffs last month in the hopes of assuaging popular anger and saving his government.

Sharif is also expected to make improving Islamabad's badly frayed relations with Washington a top priority. Indeed, the incoming government is likely hoping that if it makes geostrategic overtures to the US, the latter will prevail on the IMF, which it dominates, to be somewhat less onerous in its economic "reform" demands.

In recent weeks, the Pakistani military made it known that it opposed Khan's stance of so-called "neutrality" on the US-NATO war on Russia over Ukraine. The Pakistan military has a close institutionalized partnership with the Pentagon that stretches back to the early years of the Cold War. Moreover, it and large sections of the Pakistani bourgeoisie calculate that India's strategic predicament over the Ukraine war provides Islamabad with an opportunity to court Washington's favour.

India, Pakistan's historic rival, long ago supplanted Pakistan as Washington's principal South Asian and Indian Ocean ally, and in recent years has become a veritable US frontline state in its military-strategic offensive against China. However, India has retained close military-security, diplomatic and economic ties with Russia, and despite strong pressure from Washington and its allies has refused to bow to their demands that it label Russia the "aggressor" and downgrade its relations with Moscow.

For weeks prior to his government's ouster, Khan accused a "foreign power," which he subsequently named as the United States, of being behind the efforts to unseat him and accused the opposition of colluding with it.

Sharif, in his national address Monday, made reference to this, announcing that an in-camera briefing of the parliamentary national security committee will be held to review Khan's claims. "I will step down," he demagogically declaimed, "if there is one iota of evidence against me."

In his efforts to prevent the opposition from voting him out of office, Khan ran roughshod over parliamentary and constitutional norms, including prevailing on the deputy speaker to rule the non-confidence motion illegal when it was first brought before the National Assembly on April 3 and then getting the president to order parliament dissolved.

The Supreme Court, which on numerous times has given its legal imprimatur to patently illegal actions by the military, including coups, in this case ruled that the deputy speaker and Khan had overstepped their authority and ordered the non-confidence vote be held last weekend.

Khan has made clear he will not recognize the new government as legitimate, and with the aim of undermining it and pressing for new elections, he and more than 100 PTI MPs have already resigned their parliamentary seats.

Popular support for the right-wing Islamic populist PTI has fallen sharply over the past two years. Yet Khan, a one-time cricket star and self-proclaimed guardian of Islamic "values" and "anti-corruption fighter," continues to command support among sections of the urban middle classes. On Sunday evening, hundreds of thousands of his supporters joined demonstrations in major cities across the country.

While Khan has attacked Washington, he has conspicuously avoided criticizing the military either for helping orchestrate his government's defeat or for its close ties to the Pentagon. Clearly, Khan hopes he can win back the military's support. Similarly, the military has denied reports that Khan tried to fire the army chief and declare martial law on Saturday in the run-up to the non-confidence vote, although the courts were reportedly on stand-by to overturn an order from Kahn sacking General Qamar Javed Bajwa.

There are widespread fears within the ruling class that factional infighting within the political establishment will exacerbate an already explosive situation where the government must impose unpopular measures aimed at improving the profitability of Pakistani capitalism and placing the full burden of the economic crisis on the working class and oppressed masses.

As in Sri Lanka, where mass protests have erupted against the government, economic conditions have become unbearable for many of the Pakistani people. The COVID-19 pandemic, which excess death estimates suggest killed 700,000 people, and now the war are driving tens of millions deeper into poverty. In 2021, according to the Wealth Inequality Database, the top 1 percent of Pakistanis monopolized 25.8 percent of the country's wealth, while the share of the bottom 50 percent was about one-fifth that, 5.5 percent. Last month the Pakistan Institute of Development Economics reported that over 30 percent of Pakistan's youth are unemployed.

Just as the opposition parties cynically sought to leverage the mass anger over the disastrous economic situation to wrest power from Khan, so they now fear that he will seek to rally support by denouncing them when they implement the austerity measures demanded by the IMF, including those previously agreed to by his own government.

Further complicating the situation, Shehbaz Sharif must stitch together a government comprised of parties, including the Bhutto family-led Pakistan People's Party, that traditionally are bitter rivals of the PML-N and some of which were until recently part of the PTI-led coalition government. Moreover, all of these parties will be jockeying for position in the run-up to the next national election, which must be held by August of next year.

Undoubtedly, Washington encouraged Pakistan's military and opposition in their efforts to remove Khan and the TTP-led government and will welcome Islamabad echoing its war propaganda against Russia. But its principal concern is with Islamabad's close ties to Beijing. Pakistan has dramatically expanded these ties in recent years in an attempt to offset the ever-burgeoning US-India alliance, which has seen Washington give New Delhi access to advanced US-made weapons systems and endorse Modi's provocative, ostensibly retaliatory "surgical strikes" inside Pakistan.

In his Monday speech to the nation, Sharif pledged to move forward with the \$60 billion China Pakistan Economic Corridor (CPEC). For the Pakistani bourgeoisie, the CPEC constitutes a much-needed economic shot in the arm, but for Beijing, by providing pipeline, railway, and highway links to the Pakistani Arabian seaport of Gwadar, the CPEC has great strategic significance.

During the 16 months that his presidency overlapped with Khan's prime ministership, US President Joe Biden refused to once talk to Pakistan's government head even by phone. On Monday, White House Press Secretary Jen Psaki declared that Washington has "a long, strong and abiding relationship with Pakistan, an important security relationship." But when asked if Biden will phone Prime Minister Shehbaz Sharif, she refused to answer, saying, "I don't have a prediction of a call at this point of time."

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