

Floods and Debt: Pakistan under a double penalty

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Because of torrential rains lasting several days Pakistan is facing one of the worst predicaments in human and material terms for the last 80 years. The damage inflicted is stunning. About 22 million people are affected by the floods. Many infrastructures have been unable to withstand the onslaught of rain. Roads and harbours can no longer be used. Millions of people have had to leave their houses, and the UN estimates that there are 5 million left homeless. Makeshift refugee camps have been set up, and some 1 million people already live there in disgraceful sanitary conditions. The south of the country, and more particularly the province of Sindh, has been badly shaken by this catastrophe. Economic losses amount to billions with the farming industry severely hit, large tracts of farmland having been destroyed.

Pakistan needs help. On 20 August 2010, UN member countries committed to giving USD 200 million, but this was a mere promise, and past experience has taught us that only a limited portion will actually reach the country. The Asian Development Bank, which was to manage the consequences of the December 2004 tsunami, declared that it would lead the reconstruction effort in Pakistan and already announced a USD 2 billion loan. The World Bank added a loan of USD 900 million. Deeply damaged by a natural catastrophe, Pakistan now has to face a significant increase in its debt.

While emergency aid is essential, we have to consider what is at stake in Pakistan. In August 2008 the country was close to defaulting. Compelled to accept the help of the IMF, it has received so far a total of 11.3 billion dollars in loans with particularly harsh conditionalities: the sale of a million hectares of farmland, an end to government subsidies on fuel, an increase in the price of electricity, drastic cuts in social expenditures, etc. Only the military budget has been spared. Finally this loan has made living conditions even more difficult while jeopardizing the country's sovereignty.

Today Pakistan's external debt amounts to 54 billion dollars with 3 billion paid back every year. This debt, which exploded after 2000, is largely odious. The former regime of General Pérez Musharraf was a strategic ally of the US in the region, particularly after 9/11. Major creditors never balked at granting Musharraf the funds he needed to pursue his policies. In the fall of 2001 the US asked for Pakistan's support in its war against Afghanistan. Musharraf had accepted that his country be used as a support base for US troops and those of its allies. Later the Musharraf regime contracted more debts, with the active help of the World Bank and major powers. The loans granted have no legitimacy: they were used to buttress Musharraf's dictatorship and did not improve the living conditions of the Pakistani people. The debt contracted by this dictatorial regime is odious. Creditors were aware of the situation when they granted their loans, and given these facts it is outrageous that the Pakistani people be made to pay for the odious debt contracted by Musharraf.

In such circumstances outright cancellation of the debt is a minimum demand. As Ecuador did in

2007-2008, several countries have now carried out an audit of their debts in order to cancel their odious parts. Pakistan can and should follow such an example.

Another legal mechanism of non-payment should be taken into account in this country devastated by floods - namely the state of necessity. In this context it can claim that funds must be used to meet vital needs and not to repay its debt, without being sued for reneging on its commitments. The potential savings of three billions dollars could then be used for social expenditures to help the population.

It is therefore high time for the government of Pakistan to suspend payment of its external debt, to carry out an audit of the same, and to decide on a repudiation of the part of it that is odious. Far from being an end in itself, these measures should be a first step towards a radically different model of development based at long last on a guarantee of fundamental human rights.

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