

The Neoliberal State in Pakistan Is a Machine for Plunder

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Pakistani neoliberalism hasn't rolled back state intervention in the economy. Building on a predatory tradition that dates back to British colonial rule, it has used state power to enforce the ruthless exploitation of Pakistan's workers and natural resources.

Contents

- [Colonial Capitalism](#)
- [Outsourcing, Speculative \(...\)](#)
- [Imperialist Assertion](#)
- [Building Alternatives](#)

The neoliberal phase in the history of global capitalism is too often understood in terms of a simplistic binary division between state and market. In reality, the neoliberal counterrevolution spearheaded by figures like Chile's Augusto Pinochet and Britain's Margaret Thatcher was not characterized by states vacating the economic field.

Neoliberal ideologues such as Friedrich Hayek and Ludwig von Mises never wanted the regulatory state to be eliminated. Instead, they sought to reconfigure it as a tool of uninhibited class war from above, waged on behalf of the rich and powerful through various means, including the hollowing out of public services and the dispossession of the working masses.

Neoliberal globalization in Pakistan exemplifies a form of militarized, postcolonial capitalism to be found across South Asia and sub-Saharan Africa, under which the state stands front and center in multiple processes of capital accumulation. To make sense of the dialectic of state and capital that has animated Pakistani neoliberalism, we must begin by looking at its roots in the period of British colonial rule before 1947.

Colonial Capitalism

There is a dominant narrative about capitalist modernity in the so-called advanced Western countries, according to which the heroic bourgeoisie struggled against the feudal nobility to establish a new capitalist socioeconomic order and the democratic nation-state. In reality, the European bourgeoisie was by no means committed to democratic mores, even in its heartlands of Western Europe.

Elsewhere, it perpetrated outright genocide in the settler colonies of the Americas, southern Africa, and Australasia. In the other European colonies of Asia and Africa, where white settlers did not displace the indigenous population, colonial authorities blended coercion and the generation of

consent to facilitate their objectives. Democracy was conspicuously absent.

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The British Raj in India, which later splintered into the three states of India, Pakistan, and Bangladesh, facilitated the looting of [an estimated £45 trillion](#). It also entrenched forms of politics based on violence or patronage that persist to this day.

In every case, whether in Europe or the colonies, it required pressure and mobilization from the working masses to democratize the state by tempering the rule of capital. This process of emancipatory struggle by the popular classes against domestic or colonizing bourgeoisies reached its historical zenith during the period between World War II and the onset of the neoliberal counterrevolution.

In the case of Pakistan, even during the heady days of decolonization, the relationship between capital and the state that had been forged under British colonial rule did not give way to a new systemic logic. For the most part, the Pakistani state spearheaded projects of economic modernization based on the commodification of land, water, forests, minerals, and other natural resources, while facilitating accumulation by private industry and agriculture. It was only the social power of organized labor, peasant, and student movements in Pakistan that could force a modicum of wealth redistribution.

During the neoliberal period, the regulatory state has almost entirely reneged on the few commitments it had previously made to working people. In the specific postcolonial context of Pakistan, the army dominates the state apparatus. It has facilitated increasingly violent and financialized forms of capital accumulation, while itself engaging in unrestrained profiteering.

Outsourcing, Speculative Profiteering, and Pillage

During the nineteenth and twentieth centuries, the European bourgeoisie largely used the colonies as a source of cheap raw materials for their own manufacturing industries. In the neoliberal phase of global capitalism, on the other hand, there has been a growing trend to outsource manufacturing away from its original centers in the world system, taking advantage of cheaper labor costs in Asia and Africa. Various forms of sweatshop labor in those countries now generate a significant share of capitalist profits around the world.

Pakistan, for example, is now by far the world's leading producer of soccer balls: one city in Punjab, Sialkot, with a population of about six hundred fifty thousand, now produces almost 70 percent of global supply. In 2020, there were nearly sixty thousand workers employed in Sialkot's soccer ball factories. The city is also the [global center](#) for the manufacture of surgical instruments.

The Pakistani role in world manufacturing has not received the same attention and praise from the neoliberal mainstream as its neighbors India and Bangladesh. The business press has depicted the latter as success stories for respectively housing multinational pharmaceutical corporations and a

garments industry with a heavily feminized workforce. The working conditions and rates of pay for workers in all of these industries are often abominable.

The globalization of manufacturing processes also leaves workers much more vulnerable to crises such as the COVID-19 pandemic and the Russian invasion of Ukraine. Sialkot experienced a sharp drop in demand for its soccer balls during the pandemic, although the city's factory owners expected the market to pick up in advance of this year's World Cup.

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A second feature of neoliberalism in Pakistan is the windfall profits generated from speculative avenues such as real estate and the stock market. After the events of 9/11, relatively affluent Pakistanis who were living in Western countries remitted large amounts of money back to Pakistan under the tutelage of General Pervez Musharraf's US-backed military government. Plots in gated housing schemes were an especially favored destination for such investment.

This real estate bonanza has intensified over the last twenty years. Property developers have swallowed up agricultural land in suburban areas, anxious as they are to increase the supply of real estate for a hungry, upwardly mobile class of investors. The Pakistani military and other state institutions are directly involved in this process of land grabbing and dispossession of farmers and workers. Indeed, public officials, both serving and retired, often play the role of partners in these property developments, exemplifying the nexus between state and capital that underpins Pakistani neoliberalism.

The US "war on terror" provided a boost to militarized accumulation in Pakistan, providing the army with an excuse to push ahead with such processes under the guise of "counterterrorism." While the US military-industrial complex was raking in billions by [waging endless war in neighboring Afghanistan](#), its Pakistani client army also generated vast sums in the form of geopolitical rents, and by monopolizing contraband trade, roadbuilding, logistics, and construction within Pakistan.

The final pillar of Pakistan's neoliberal accumulation regime has been a no-holds-barred expropriation of the commons under the guise of "development." This has meant targeting a range of different geographical zones, from coastal deltas and inland waterways that constitute the traditional means of livelihood for fishing communities, to mountainous highlands that are rich in mineral deposits (and which play host to reckless forms of tourism). Pakistani and multinational elites have also greatly intensified the extraction of gold, copper, and coal resources from historically oppressed peripheral regions.

Imperialist Assertion

It was the International Monetary Fund (IMF) and the other international financial institutions (IFIs) that crafted the overarching plan for neoliberalism in Pakistan. Since 1988, Pakistani governments have signed more than a dozen loan agreements with the IMF. In every case, the familiar package of conditions euphemistically known as "structural adjustment" came with the deal: liberalization of

trade and finance, privatization of state-owned industries, drastic cuts to public subsidies, and the commodification of nature. By exploiting a perpetual balance of payments crisis and a ballooning fiscal deficit in Pakistan, the IMF has facilitated profiteers, both foreign and domestic — especially those seeking quick returns through speculative investment.

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Unsurprisingly, the IMF has never demanded that Pakistan's militarized ruling class forfeit some of its own privileges through a meaningful redistribution of wealth. On the other hand, it has always insisted that the Pakistani state must repay its external debt, no matter what the consequences may be for the country's working masses. The beneficiaries of this soaring debt burden are of course global creditors, including the IMF itself.

Two areas of expenditure account for roughly 60 percent of Pakistan's annual budget: defense and the servicing of debt. Subsidies for big industrialists, landowners, and the rich — sometimes hidden, sometimes unconcealed — account for much of the remaining 40 percent, along with government overheads. Civilian bureaucrats and military personnel act more like viceregal colonial masters than servants of the people; in 2021, pensions and salaries for government officials were approximately equal to total development expenditure. Throughout the years of neoliberal counterrevolution, state spending on health, education, and other basic needs has continuously declined: it now amounts to less than 2 percent of Pakistan's total GDP.

Neither the global financial crisis nor the COVID-19 pandemic have resulted in any meaningful change to a political-economic architecture that reduces large parts of humanity to the level of "surplus populations," as Karl Marx called them. Most of the people consigned to that status reside in the youthful regions of South Asia and sub-Saharan Africa. The destruction of the natural environment also continues unabated, and regions like South Asia will bear the greatest share of that burden. Scientists predict that [devastating heat waves](#) like the one that afflicted the region in May 2022 will become more and more common as the climate crisis intensifies.

In summary, Pakistani neoliberalism has consolidated and exacerbated patterns of capital accumulation and colonial statecraft that have structured social life in the region for the best part of three centuries. In contrast with Latin America, where the ravages of neoliberalism led to a revival of left-progressive movements, Pakistan and the South Asian region as a whole are more and more in the grip of reactionary political forces.

Building Alternatives

Of course, this story is not unique to South Asia. There is a global wave of reaction, from Europe and North America to countries like Brazil and the Philippines, that does not seem likely to abate in the near future. Its leading figures appeal simultaneously to the upwardly mobile classes by promising to protect their wealth and the wider social order, and to other sections of the population who have not benefited from neoliberalism by posing as antiestablishment iconoclasts and inciting rage against the proverbial "other."

The organizing efforts of left-wing progressives must focus on “surplus populations” as well as young people who have the kind of middle-class aspirations that can make them a potent audience for right-wing bigotry when left unfulfilled. Like the other countries of South Asia and sub-Saharan Africa, Pakistan has an overwhelmingly young population. Sixty-five percent of its two hundred thirty million people are below the age of twenty-five. This demographic layer will shape the crises — political, economic, environmental, and social — resulting from the decline of neoliberalism.

Social media has already become an important site for political debate and opinion-making among Pakistan’s predominantly youthful population, and rapidly intensifying digitalization will greatly shape the country’s future political trajectory. On the whole, the political right has benefited more from the growth of digital spaces in Pakistan and beyond, and young progressives will need to reflect on how they operate through these platforms.

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The rising power of China will also have a huge impact on the world’s political economies. This is especially true in a country like Pakistan, where Beijing has already undertaken substantial investments under the auspices of the China-Pakistan Economic Corridor, part of the trillion-dollar enterprise known as the Belt and Road Initiative. The “Washington Consensus” that the IFIs have imposed throughout the postcolonial world virtually without impediment for decades now faces a rival developmental vision that some have called the “Beijing Consensus.”

In discussing China’s role, it is important to avoid playing into the hands of US imperialism, which is demonizing its rival power. However, the [concrete impact of Chinese developmentalism](#) in Pakistan to date has been to worsen class and ethno-national divides as well as ecological despoliation. It is certainly possible that Pakistan’s interaction with China could evolve in more progressive ways. However, that will depend on the extent to which the Left can build a hegemonic alternative across a wide cross section of Pakistani society.

Building that alternative will mean articulating a politics founded upon redistribution, which pays adequate attention to the demands for recognition among Pakistan’s historically oppressed genders, castes, religious groups, ethnicities, and nations. Most importantly, perhaps, we must replace the rapacious pillage of the commons that has characterized the neoliberal period with a revolutionary horizon in which humanity and nature can coexist in harmony. Rosa Luxemburg’s famous warning that we face a choice between socialism or barbarism is more relevant than ever today.

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P.S.

• Jacobin. 06.09.2022:

<https://jacobin.com/2022/06/neoliberalism-pakistan-south-asia-sub-saharan-africa-colonialism-state-power>

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