AXIOS

Updated Jul 25, 2018

Expert Voices

After elections, debt crisis looms in Pakistan

Sameer Lalwani

A Pakistani stockbroker looks at an index board during a trading session at the Pakistan Stock Exchange in Karachi on July 4, 2018. Photo: Rizwan Tabassum/AFP via Getty Images

Pakistan's national election campaign has ended, and voters are headed to the polls today. With the incumbent PML-N party hobbled by numerous criminal cases, electoral disqualifications, and arrests, and with its leader in prison, most analysts expect that Imran Khan's PTI party will win the vote.

The big picture: Whatever coalition government forms will have to confront a brewing balance-of-payments emergency, not unlike those in 1999, 2008 and 2013. Pakistan lacks sufficient currency reserves to cover its imports for more than 2 months (the IMF recommends having enough for at least 3). If Pakistan can't cover those costs or the service on its debts, its economy could sink into a crisis.

agencies to downgrade Pakistan's outlook to "negative."

Another challenge is rising Pakistani imports for China–Pakistan Economic Corridor (CPEC) infrastructure projects. Chinese soft loans are supposed to stimulate private investment, industrial production and export growth, but these have not materialized, and investors worry about corruption, taxation, political instability and bureaucratic red tape.

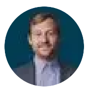
While the military has been the guardian of the Pakistani state, it lacks the tools or training to effectively steer the economy, leaving the job up to civilians, whether technocrats or politicians.

Pakistan is likely to follow its past playbook and turn to Saudi Arabia, the IMF or China for cash — but each would come with strings attached. Saudi Arabia could demand military support in Yemen; the IMF could require significant economic reforms, with the U.S. seeking greater Pakistani pressure on the Taliban; and China might insist on equity swaps in exchange for stabilization loans or debt restructuring.

What to watch: After the electoral dust settles, various states will likely continue jockeying for opportunities in Pakistan's unsteady economy.

Sameer Lalwani is senior fellow for Asia strategy and South Asia Program co-director at the Stimson Center.

Go deeper



Dave Lawler
Jul 23, 2018

Pivotal Pakistan election fought on uneven playing field

AXIOS

PML-N supporters at a rally in Rawalpindi. Photo: Muhammad Reza/Anadolu Agency/Getty Images

Pakistan will go to the polls on Wednesday to elect a new prime minister in what will be the country's second ever civilian-to-civilian transfer of power.

Why it matters: Pakistan is a nuclear power with volatile relationships with the U.S. and its neighbors, India and Afghanistan. An election that could have been a democratic breakthrough has been fraught by violence and military meddling. Things could still get worse. “We could be heading for a period of prolonged instability if you have a hung parliament,” says Ashley Tellis, a former State Department official now at the Carnegie Endowment.

AXIOS

James Schwemlein
May 15, 2019 - World

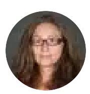
Expert Voices

Pakistan's new IMF agreement calls for major reforms to avert crisis

Pakistan reached a preliminary agreement with the International Monetary Fund for $6 billion in support over 3 years — a much-needed infusion as the country aims to buttress foreign reserves and forestall an economic crisis.

The big picture: For decades, Pakistan's government has prioritized military investments over development, yielding a thriving nuclear weapons and ballistic missile program but declining economic competitiveness. Its performance in this latest IMF program will establish whether Prime Minister Imran Khan renews the country's Faustian bargain or becomes the change agent he has claimed to be.

Go deeper (1 min. read) ⟶



C. Christine Fair
Updated Jul 25, 2018

Expert Voices

Military dominance dampens prospects for change in Pakistan elections

Pakistani soldiers patrol a street in Karachi on July 24, 2018. Pakistan's military deployed hundreds of thousands of troops to oversee polling stations ahead of the July 25 election. Photo: Asif Hassan/AFP via Getty Images

At issue in Pakistan's much-watched general election Wednesday are a range of domestic and foreign policy issues, including the rapprochement between the Taliban and the Afghan government, continued sponsorship of terrorism in neighboring India, and the country's economic future.

Yes, but: Ultimately, the army will have its way before, during and after the poll. Little is likely to change with respect to Pakistan's foreign policy or those domestic policies that the army deems integral to its objectives. Whoever emerges as the prime minister will encounter the same constraints on power as the current one.