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Pakistan

# The myth of Direct Foreign Investment

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### **Even small DFIs that trickle into Pakistan come at exorbitantly high costs for the oppressed masses of this country**

The aggressive penetration of imperialist transnational corporations, particularly in the ex-colonial world, began after the Bretton woods treaty of 1944. World capitalist powers setup new financial and trade institutions like the IMF, World Bank and WTO for the facilitation of their investments and profits. The modus operandi was the colossal debt burden on neo-colonial countries through an unjust and cruel division of labour in the world markets. Prices of goods and products from poor countries were diminished and those of technology etc. from the advanced capitalist countries inflated. This imbalance of trade and resultant fiscal deficits forced the neo-colonial capitalist regimes into a debt trap, making them subservient to imperialist institutions and the interests of transnational corporations.

The crushing domination of the world market was hard to resist under the capitalist socioeconomic system. Nehru's state capitalist regime tried to withstand these pressures, restricting Indian markets through high tariffs. However, in the 1990's India capitulated and opened up its huge market to imperialist monopolies. Initially, the growth rates increased sharply, but it has worsened mass misery. India has the largest concentration of poverty in the world at present.

There were certain tariff controls in Pakistan until the late 1970's. However, with the advent of Reaganomics, Thatcherism and neoliberal economics under General Zia's brutal dictatorship, this model of state controls began to unravel. Under the 'democratic' governments of Benazir and Nawaz Sharif this process accelerated. Ever since, the popular mantra of economic growth and employment generation of the political elite has been Direct Foreign Investment (DFI). Pakistan's Western educated economic experts slavishly follow this disastrous IMF recipe. It's now the corner stone of Imran Khan's economic doctrine. Other parties dominating the present political setup offer the same economic formula.

Corporate bosses have amassed trillions of dollars through the treacherous connivance of the native rulers, whom they hire cheaply, squeezing the blood and tears of the workers. With the onset of every new crisis, their experts try to forge new methods to extract more surpluses. Furthermore, from 2005 onwards, multinationals shifted their production from being labour intensive to capital intensive with advanced technology and robots replacing workers.

One OECD (Organisation of Economic Cooperation and Development) research paper unmasks the DFI myth: "Foreign direct investment is often thought to bring, production, construction of new factories, and transfer of technology. That is not the case anymore... The growing complexity of the corporate structures of large multinationals has shifted the investment emphasis to other more 'secure' avenues."

Corporate production is now capital intensive, not labour intensive. Technology and robots are replacing workers

The crash of 2008 and the contraction of the markets have had a severe impact on transnational corporate profitability. These corporations are venturing into massive tax evasion and concealment of the trillions of dollars with the corporate bosses reluctant to invest due their scepticism of the system's future. This has sent alarm bells ringing in the imperialist financial institutions. The IMF internal research document, 'Finance & Development, June 2018, Vol. 55, No. 2: How tax havens work, says, "New research reveals that multinational firms have invested \$12 trillion globally in empty corporate shells, and citizens of some financially unstable and oil-producing countries hold a disproportionately large share of the \$7 trillion personal wealth stashed in tax havens...The offshore industry and financial world remains highly opaque. Because of the secrecy that lies at the heart of the services offered by

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offshore banks, lawyers, and domiciliation companies, it is hard to know exactly how much money is funnelled through tax havens, where the money is coming from, and where it is going". This capital amounts to 40 percent of all foreign direct investment.

The sleaze of the capitalist system lays bare as a healthy recovery from the 2008 crash of world capitalism is still nowhere in sight. Even smallDFIs that trickle into Pakistan come at exorbitantly high costs for the oppressed masses of the country. In the last decade, every dollar of this foreign investment extorted 14 dollars from Pakistan. Now this ratio has doubled. Imran Khan's economic policy gurus have no clue on how to get out of this vicious economic cycle. The truth is that within the confines of capitalism, there is no way out. Our mainstream parties are just representatives of different factions of Pakistan's criminal capitalist elite. Poverty, unemployment, lack of education, public health and infrastructure are in a terrible state. Deprivation and misery are appalling. Hence they rule through the gimmickry and personal antics exaggerated by the corporate media.

After the socialist revolution in Russia, the Bolsheviks expropriated all national and imperialist wealth and assets. However, they still needed advanced technology for the extraction of minerals from Siberia and development of industry. But Lenin knew that the corporate monopolies needed those contracts even more for their existence. Hence, the Bolsheviks signed deals on stiff conditions ensuring that not an extra penny of the workers republic was plundered by imperialist monopolies. In the 21st century, one can cite the examples of the socialist governments of Hugo Chavez in Venezuela, Evo Morales in Bolivia and Rafael Correa in Ecuador. Although their socialist revolutions were incomplete, the deals they signed with the transnational corporations were somewhat similar to those signed by the Bolshevik government after 1917.

Worsening crises and turbulence under this reactionary capitalism will haunt Pakistan's economy and society in the stormy period that impends. [1] Without a socialist transformation of the economy, state and society, the country cannot escape this abyss of joblessness, destitution and suffering. To accomplish such a great historical task, a revolutionary party may not yet be discernable on the political horizon. But history is witness to the fact that Marxist parties leading socialist revolutions only emerge on the verge of revolutionary movements. Such historical moments may not be that far off!

The writer is the editor of Asian Marxist Review and International Secretary of Pakistan Trade Union Defence Campaign. He can be reached at ptudc@hotmail.com

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[Daily Times](#)

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[1] <https://dailytimes.com.pk/247749/punjab-governor-adamant-cpec-will-strengthen-pakistans-economy/>