

Shabir Ahmed

### **Fixing the economy: high-stakes gamble?**

The government appears determined to go through the reform process, and it seems to have the blessings of the proverbial ‘powers that be’. Some would say the Powers won’t let the government deviate from the path (IMF Plus?) even if it wanted to.

We say more power to your elbow. The country just cannot afford to go its merry way any longer. The day of reckoning was overdue, and we can’t atone for our sins on a wing and a prayer. It is going to take a heavy toll. We don’t have a choice.

The costs of this course correction are already totting up in the form of increasing unemployment, higher cost of living, and sinking business sentiment. Public mood seems to oscillate between hope and fear, across the economic divide.

What is hope, of the rulers as critically as that of the people, founded on? Quite simply, that we as a nation do not face the fate of those we accuse of living beyond known means – with no air conditioning and home-cooked food! We have to learn to live within our means.

Since our expenditures have little leeway we have to earn more. In pursuit of more revenues burdening the already taxed more is just collateral damage. Since our exports have little latitude we have to control imports. If in pursuit of narrowing the dollar-gap inflation goes up that’s the price to pay.

Hope doesn’t extend to our becoming another Denmark. That will be dreaming. Transition from a security state to a welfare state is not part of the IMF script. The script is about numbers, not political economy.

At first blush the IMF programme looks intimidating: revenue target is too ambitious, roll back of subsidies a bit unfair (why should I pay for the system’s inefficiencies?), devaluation more a problem than the solution, and documentation though necessary may ring the death knell of the informal sector that has been the employer of last resort.

But you pry through the programme and you see no more than baby steps: despite a 40% growth in tax collection our Tax-GDP will be below regional average; despite 40% devaluation our FX reserves will remain precarious; despite restraining the primary balance fiscal deficit may hit 8% of GDP.

Even these baby steps could make us stumble and left with scraped knees. Learning to walk before we can run, yearning for prosperity, will require a consistently high level of determination – and sacrifice.

Also, the risk extends beyond domestic challenges. The external environment will be as key a determinant as our internal resolve. Making sacrifices at home, sorrowfully seeing many more descend below the poverty line, will not be enough if the global powers find their interests to be asymmetrical with ours.

In other words, our foreign policy stance is going to be just as central to resetting our economic fundamentals, if not more, as our reform process.

PM’s US visit gives hope, without our getting starry-eyed. We have to reconcile to the quintessentially quid pro quo basis of Pakistan-US relations. (They proscribed BLA and we arrested Hafiz Saeed; they raise Shakil Afridi and we say Aafia Siddiqui; PM says the two hostages - American University Kabul professors – will be released soon and Trump showers praise).

Trump may not have publicly demanded 'do more' but these two defining words do figure in the White House statement following the visit.

You do more and you can expect economic dividends: a benign IMF, FATF sword scabbarded, and doors to both Official Assistance and commercial loans flung open. But is 'do more' only Afghanistan-specific, or has the scope been widened this time around? We do not know.

Delivering peace in Afghanistan (more than bringing Taliban to the table), terrorism and militancy, passive relations with Iran, trade with India and full transit facilities to Afghanistan, are the known knowns. It is the unknown unknowns – how will improved relations with the US sit with the 'eternal' ties with China, for instance – that could haunt us.

Choosing sides will be myopic. Trying to play both sides will be amateurish: you tango with two and you risk tangling with both. This kind of tightrope walking is going to need a long pole that seems to be in short supply.

It doesn't have to be a choice between compromising our economic interests and becoming a pawn in the emerging Great Game, between sovereignty and capitulation, but haven't we done that before? We have greater hopes with the current combo but it remains a high risk area. We certainly don't want Gwadar and Reko Diq, for instance, to become casino chips.

On the domestic front one sees little evidence of any viable risk mitigation strategies for the tough but badly needed reforms. You can't go on making life harder for people and not communicate with them. More spokesmen, more tiresome tirades, neither consoles nor gives hope. 'Communicating' needs political action.

Silencing the opposition, in the hope that there will be fewer to lead the disgruntled; or muzzling free speech in the expectation that criticism of policies will be muted, is fraught with risks – unless you can put some quick runs on the board, of which there are not even timorous signs.

We don't need an Aldous Huxley to tell us it is not 1940; nor is it the terrain that was available to Goebbels. Look at the U-turn Brazilian President Bolsonaro, as Iranian a crusader against corruption, has had to take. Instead of studying the Egyptian experience we should look at the volte face that the Greek have had to undertake after years of austerity and hardship. To the chagrin of IMF and EU, the new Greek Prime Minister proposes to completely reverse the reform process.

Between the daunting external scenario and an inhospitable domestic climate fixing the economy is not going to be a piece of cake. But that is something that has to be done, against all odds and despite the fear of failure.

Shah Mahmood Qureshi couldn't have put it better when he said there may be a hundred differences among the political parties but there can be no differences on National well-being. What we need is for this sentiment to be concretised. Without political cohesion economy will remain a high-stakes gamble.

Let's improve the odds. Let's think National Government.

shabirahmed@yahoo.com