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Islamabad: is the fog lifting?

Is it for real? Does 2020 promise the tabdeeli we had all given up on? Well, not quite the tabdeeli that was made a song and dance of around the container, but sleeping with the enemy one. Suddenly, the screams of thieves and dacoits from one side and shouts of incompetence and victimization from the other seem to have proceeded on a furlough.

We do not know for how long the shouting match will remain suspended, but let's count the blessings that the new Gregorian year has ushered in.

The NAB law that no one except its executors was happy with has been castrated. Business community can celebrate it as an NRO and the bureaucrats can breathe a tentative sigh of relief. The latter have also been assured by the PM that they have nothing to fear. He will 'protect' them! Will they now stick their neck out and savour the decision-making tray, topped with the housing cherry?

Meanwhile, grant of bails has become de rigueur. Courts are getting impatient with NAB's inability to make out cases that can stand the test of reasonableness.

Saudi and the Emirates dignitaries trooped in, apparently to take the stench out of Kuala Lumpur fiasco. UAE's promise of a \$ 200 million gift should do something for our bruised ego. Plus, Etisalat has offered \$287 million to settle the long-festered PTCL payables. It may be short of the \$800 million outstanding that our books show, but come on, beggars can't be choosers.

The Afghan imbroglio seems to be heading in the right direction, with give and take all around, giving Pakistan a fresh menu of options. Trump's Suleimani dare may have stirred the hornets' nest, but who knows what blessings it may have in store for us. Regional disturbances and our economic well being have a history of coincidence. Empty pockets naturally gravitate towards the overflowing one that are in a spot of trouble?

The anguish and pain that the Musharraf judgment caused seems now to have been relegated to the odious past year. There are brighter beacons of hope on the 2020 firmament. Looks like Justice Waqar Sethwill have more judgments to pen.

The alacrity with which all seem to have come together on the extension/reappointment issue is a realization of reality; an acceptance of the wise dictum, "if it aint broken don't fix it". Or, don't fight wars that you can't win. Except the wisdom of persisting with the review petition, when legislative work asked for by the court seems to be in the bag, defeats us.

Parliament suddenly seems to have snapped to attention. With talk of 'minimum common agenda' going unchallenged from across the aisle we all seem to have the same book in our hands. Will we soon be on the 'same page'? It appears we are as close to a National government as we can get. Was that the original script?

Unless Donald Trump spoils the party we are trudging along fine, thank you. Modisarkar is stewing in its own juice. Unbothered with any nuances of right and wrong, we have assured the world of our neutrality.

Most assuredly, our soil will not be used, unlike the last time when Uncle Sam came to dinner in our neighbourhood. We can sit pretty, praying Trump's impulsiveness does not make us pay too heavy an oil price.

But there remains a fly in the ointment: the Economy.

The Economic team is working overtime to assuage our fears of economic distress. The wizards are reminding us 2019 was the year of stabilization. They are now broadcasting '2020, the year of growth'. FBR taxes are up 16%, inflation will be subdued, investments (especially foreign, courtesy the SEZs) will rush in to combine with housing start-ups to create jobs, and exports will take off on the back of subsidies and greater market access to China.

Things are being done to encourage greater remittances. The tenor of debt investment (the so called hot money) is moving towards the longer term paper. Imports maintain their downward trajectory. All together, our FX reserves shall remain healthy and volatility in the exchange rates will stay firmly behind us.

It is the government's confidence – repeated pronouncements of sab acha - that worries us. What happens if.....?

What happens if exports persist with their extraordinary anti-growth resilience? Throw in more subsidies? Is the mismatch between quantitative growth and dollar-term gains indicative of our subsidizing foreign consumers – Pakistani tax payers' money ending up in foreign pockets - more than giving a heft to our exports?

What happens if imports begin to rise, as they surely will if the government now has growth as a priority? Even if it is FDI that partially finances import growth it will be countervailed by outflow of profits – unless it is export-oriented FDI, of which we see few signs.

What happens if revenue growth does not keep pace with expenditure demands? Expenditures are likely to grow, especially on defence, debt-servicing, and subsidies. On the taxation side we have squeezed out as much juice as possible. In reality, it is the non-tax 'one offs', not FBR revenues (even with 16% growth they are way below target), that have papered over a largish fiscal deficit.

What happens if inflation does not pare off significantly enough to give SBP the confidence to bring interest rates down and spur investments? For the moment, few are willing to bet on a quick lowering of interest rates. If the National Savings Directorate slashes its profit rates, raising moans from senior citizens, it has more to do with channeling savings into more desired investments than signaling an interest rate cut.

There will always be 'what ifs', the known unknowns, when you transition, pain and all, to macroeconomic stability. The trouble arises when you mindlessly resort to 'talk without legs'.

You basically have two options: either you retain credibility by telling people it will be more time before it gets better; or risk credibility by promising what you can't deliver, something for which the government has acquired a reputation.

Government spokespersons need to recognize the growing skepticism. People want a credible roadmap, not speeches. If you don't have a roadmap, tell them the truth. Living on a wing and a prayer is no policy. Let the fog lift.

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