

The agenda

Page No.08 Col No.02

AS of writing this piece, it was impossible to know what outcome the elections will produce, except to say that the polls seemed to be correct in projecting a tight race. Despite the intensity of the rhetoric and the deeply polarised discourse, a decisive outcome is looking very unlikely. The only thing to talk about after the elections, therefore, is the road forward.

First job for whoever is invited to form the government after the results are tallied up will be to assemble the numbers for a confidence vote. Given how the early numbers are shaping up, it looks like this will be anything but straightforward. The PPP had to make an alliance in 2008 to get the numbers, but the arithmetic was simpler in those days because there was a wide-ranging consensus against Musharraf and his Q League. With the PPP and the PML-N in alliance, the vote for the leader of the house was easy enough.

Likewise in 2013. The vote was easy enough because the PML-N with 126 seats they did not need anybody's support to form a government. That made their job easier, though they had problems of their own to face in years to come. The PPP was subjected to blackmail by its coalition partners throughout its term and had to rule from a position of weakness compared to its successor.

The economy will press down upon the new dispensation with great urgency.

The next government will face the challenge of assembling the numbers in a highly divisive and polarised environment. Coalitions will be difficult to manage in this climate, and the possibility of a forward bloc is no longer an option post 18th Amendment. So herding the independents and reaching out to those one has vilified no end will be necessary. This will take serious politics, which will take serious maturity, to pull off. Challenge number one.

The economy will press down upon the new dispensation with great urgency. Again, it is important to bear in mind that the economic situation is nowhere near as bad as it was in 2008, and not as bad as it was in 2013 either. The financial system is not nearing complete collapse, the stock market is not frozen, banks are not seeing a tidal wave of withdrawals to the point where the State Bank has to massively adjust its reserve ratios in order to inject liquidity into the system.

And unlike 2013, we are not seeing crippling levels of circular debt shut down large parts of the power supply chain, no 20-hour-long blackouts and no imminent depletion of the reserves. There is pressure on the foreign exchange reserves, undoubtedly, and some extraordinary steps are being taken by the State Bank to stem outflows even if these steps impact the conduct of day-to-day business. But there is no manifest sign of crisis, no disruptive impact on day-to-day life, and reserves will not be hitting critical levels for another few months.

So this time things are the other way round from the last two moments when an incoming government had to face a dire economic situation. The crisis is still a few months away, which gives the new government time to formulate its response. But the parliamentary arithmetic is likely the biggest complicating factor in the equation. Will the new government find its feet and pull its partners behind itself in the short time it has before matters reach critical proportions?

There are big problems waiting for the next government, though it is important to underline that none of them have yet graduated to become what we might call a ‘crisis’. That could happen in the months to come, but it is not here yet. The problems are well known by now — foreign exchange reserves depleting at the rate of \$1.2 billion per month approximately, with barely enough to provide two months of import cover at the moment. Next up, the fiscal situation, which will require a mini budget to manage. Next, the circular debt, which will require dealing with the power producers, who are probably terrified that a new government might demand a renegotiation of their power purchase contracts. Likewise with the LNG terminal operators, who are also likely playing out various scenarios about how a new government might play out for them.

A new government trying to halt and renegotiate the terms on which many of the contracts signed during the PML-N era is probably the biggest axe hanging over the economy. The new government has to draw up an action plan for building reserves to take to the IMF, it has to arrange immediate revenues to prevent runaway fiscal deficit, manage outstanding payments to the power producers (either by twisting their arms or by borrowing to bring down their receivables and keep the turbines running).

This is not crisis management, but it is moving fast with a decisive direction to avert a possible crisis. This job will become difficult to execute if the government is unable to snap out of campaign mode, or gets stuck in the politics of vengeance and decides to pursue its opponents from yesterday, or gets bogged down in explaining its choices and the politics of necessity if it has to make unsavoury coalitions, or if it delays attention to economic management, thereby blowing the window of opportunity and allowing the situation to descend into a crisis.

How fast the new government can move is now crucial, and the parliamentary arithmetic could complicate a quick and robust response. The confusion will be amplified if questions about the vote are raised and rigging allegations pile up before the courts and the media. Stories of what happened at the polls will be told in the days to come. Every bit of legitimacy that the incoming government can muster will count, given the choices it has to make in its early days. If all goes well, a crisis may yet be averted.

The writer is a member of staff.

khurram.husain@gmail.com

Twitter: [@khurramhusain](https://twitter.com/khurramhusain)

Published in Dawn, July 26th, 2018