

No Room for Complacency

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Recent external developments have been quite favorable for Pakistan , some of them quite unexpected. Pakistan's emerging importance after May skirmishes with India, President Trump's soft pronouncements coupled with warm welcome to the top leadership, the souring of US- India relationship, a fairly good deal on reciprocal tariffs, upgrading of credit ratings, prospective investment in ' massive oil reserves " and minerals etc have created some euphoria. But this exuberance should be tampered with the past experience that relationships with big powers are transactional in nature and not permanent . High wire acts are fraught with perilous risks . We should not lose our guards and get intoxicated with " feel good " factor . Our policy makers should not make believe that easy life is ahead and they are no longer obligated to adhere to the onerous task of building a strong economy through stabilization and deep rooted reforms . There is no room for complacency as we are far from overcoming domestic vulnerabilities accentuated by adverse external conditions. Deglobalization, inward looking industrial policies, onshoring and near shoring of supply chains, disruptive and exorbitant tariffs acting as barriers to international trade and openness, likely slowing down of the US economy, Climate change risks, Artificial Intelligence penetration have made it difficult for emerging economies to repeat the exceptional progress made during 1990-2015 period . Domestically, the drivers of competitiveness—productivity of industrial and agriculture sectors through diffusion of innovation, less skilled workforce , dysfunctional institutions of governance, political instability, inequitable and distortive taxation structure, overregulation and intensive intrusion of the state agencies in market transactions, outdated model of energy pricing , continuing losses of state owned enterprises are stumbling blocks in generating jobs, expanding exports , reducing poverty and attracting investment . Digitization, financial inclusion and emerging technologies absorption are still at infancy stage and have yet to

permeate the lattices of transaction structures . Debt burden has not yet reverted to the legal benchmark of 60 percent of GDP and roll over risk of short term deposits by friendly countries remains high . Foreign exchange reserves are inadequate in relation to the growing needs of a buoyant economy and as buffer for unanticipated shocks in the future. Continuity and consistency of economic policies are yet to be tested when faced with politically unpopular decisions that pulverize the privileges enjoyed by the rent seeking classes including those defying formalization and documentation.

Many reforms resulting in stabilization, deregulation of wheat prices, non essential drugs, Pakistan Single Window, automation and data integration of FBR taxes with third party data bases, phasing out regulatory and additional duties and reduction in rates and slabs , right sizing of the Federal Government , privatization of PIA and DISCOs, reforms of Civil Services , introducing a competitive market for energy sector, have been initiated and have to be successfully brought to culmination . Other planned reforms such as targeted subsidies and training of females through BISP, repair of provincial finances by raising outcome based investment in social sectors, developing employable skills for the youth, efficient use of irrigation water, drought and heat resistant seeds, industries providing intermediate inputs such as Steel, Petrochemicals , Active Pharmaceutical ingredients, Electronics and Export facilitation are yet to see the light of the day .

Delivery of basic public services to the ordinary citizens has suffered since the dissolution of directly elected, fully empowered and well resourced local governments. Stiff resistance by the elected legislators of the Provincial and National assemblies who fear losing their clout and influence has not allowed the devolution to be completed. It is not realized that the level of dissatisfaction with the Government of the day would dwindle once the local communities take charge of their own affairs , mobilize and allocate resources for what they perceive to be their priority needs in their respective areas. Surveys have shown that citizens have easy access to their local councilors for getting their grievances redressed compared to their MPAs or MNAs .

Lahore, Karachi, Islamabad Metropolitan Corporations would no longer be dependent upon the Provincial or federal Governments who can then allocate higher volume of resources to the backward districts .

Underpinning the agenda of economic and social revival is the imperative of improved internal security situation. Continuous instability in Balochistan and merged districts of KP has not allowed foreign or domestic investors to explore our mineral resources. Chinese who helped us with CPEC projects are now reluctant to come to Pakistan for fear of their lives and property. The recent interest by the US in these sectors can only be actualized if the security situation improves. That requires local communities to have a say and control and the projects are designed to benefit them in form of jobs, contracts, services, roads and internet connectivity , skills training, support to Small and medium enterprises or other economic activities suited to their endowments. . The present approach whereby the provincial and federal Governments maximize their returns to the neglect of local communities has to be reversed. Security situation under this scenario is likely to get better over time when trust and credibility are established and the genuine representatives of people get elected to local, provincial and national assemblies instead of contrived electables. Over time Youth unemployment would recede, literacy ,enrolment levels and social indicators , infrastructure would catch up with those in the developed districts and the temptation to join or implicitly support the militants would be suppressed.

Pakistan's favorable geostrategic position would be strengthened if we don't have to rush to the IMF and friendly countries for bailout every time we have a crisis or adopt stringent administrative measures to restrict imports of raw material, machinery, components and thus hurt sustained growth . We have to walk a tight rope foreign policy by not alienating our long term all weather friend China while keeping healthy relations with our major trading partner – the US. It is heartening that we are moving in that direction but this has to be sustained over time. We have to make best possible efforts to improve our relations with our neighboring countries including India . Prosperous South

Asia is the precursor for regional peace and stability and for the welfare of 2 billion people living in the region.

To sum up, Pakistan is fortunate to have a confluence of favorable circumstances at present but this should not lull us into complacency and deviate from the chosen path of inclusive and sustained growth . We have to consolidate the reforms initiated , undertake planned ones and reorient our foreign policy.