

11th December, 2015

Dear Mustafa,

It is December in Karachi and the cold Quetta wind has not yet started blowing, so I am sitting outside writing this. The noise of evening rush hour frames a country that has been 'pre-disastered', it has gone through so many tribulations and now exists in a semi-permanent state of calamity.

However, it feels as though pre-disaster has been accounted for. I have met a number of family run businesses in the medical, financial, and consumer areas which are conservatively showing 20-30% per annum growth rates, with some version of British law (at least on paper!). Large multi-nationals are still persisting and are pouring money into Pakistan. What are they seeing that other 'frontier investors' are missing?

Well it is possible that they think that a growing population of 190m is just too big to ignore. With the majority of the population under 24 years old the country is about to go through the same transformative period that India went through 15 years ago. And this period will be further fuelled by \$46bn of Chinese infrastructure investment that will be starting in mid-2016.

Having suffered the brunt of the first and second Afghan wars, that brought the three horsemen of pre-disaster, Guns, Drugs, and Fundamentalism to its people, it seems that they are now cantering on to sandier pastures - namely the Gulf States, and,

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specifically to Saudi Arabia, where one of the horsemen is originally from.

There is massive political and economic uncertainty emanating from the Gulf. Given low oil prices, the integration of Iran, raging conflicts on their borders (both north and south), and a restless populace entirely dependent on government largesse, it is not only plausible but also responsible, to envisage some pre-disaster scenarios for that region. All that capital that ran for cover over the last few decades to Dubai from Iran, India, and Pakistan, could now be at risk as currency pegs come under pressure; the free movement of money is questioned and those expensive apartments become mired in quicksand.

The risk is no longer with the nation of a 190m but actually with those in the Gulf who currently cannot even imagine it. The pre-disaster of the future lies in the facades of glitz and glass, that on the surface are so calm, but that is just the way the Horsemen like it.

See you in London for Christmas - Chris