

In the Name of God, the Most Merciful, the Most Kind

# Daily Outlook

## AFGHANISTAN

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## Peace Deadlock's Impacts on the Ongoing War

Afghan officials say they expect the Taliban to join the peace process despite their recent refusal to participate in the first face-to-face talks planned to be held in Islamabad in March. The officials hope the get the talks started before it is too late to prevent further deterioration of Security situation in the country as the Taliban are preparing to launch another bloody offensive this year. Afghanistan's foreign ministry officials believe Taliban's refusal to come to the table of negotiations was a tactical move, and hope that the Taliban would reconsider its participation in the four-way peace initiative. Taliban's refusal to take part in the talks stalemated the long-running efforts led by the four-nation group to kick-start peace talks with the Taliban for ending the conflict in the country. Despite the recent remarks by government officials, there is no hint from the Taliban to suggest the group's intentions to change their mind on the peace process and take part in the talks without any preconditions. Taliban have firmly stated that they are not going to join the peace initiative until their preconditions including withdrawal of foreign forces, end of US military operations and removal of Taliban names from the UN blacklist are met. However, both Afghan government and members of the four-nation group do not seem to be willing to consider accepting Taliban's peace preconditions. Pakistan, as a key facilitator in the Afghan peace process, has said that Taliban's conditions could not be met until the talks are concluded and yielded specific results. Taliban's peace and war behaviors remain highly obscure which makes it hard to predict what game the group is playing. Despite government's optimism to pursue the Taliban to join the peace talks, the prospect of the peace efforts remains uncertain and start of the talks this year seem to be less likely. The Taliban had unprecedented gains on the battleground in 2015, and the group is counting on this year to consolidate their gains and destabilize larger towns and cities across the country. This provides incentive for the Taliban to continue their insurgency and refuse to come to the peace negotiations. The obvious calculation is that the recent refusal by Taliban to join peace talks is going to undermine government's efforts to stabilize the country while it helps Taliban to put the government under renewed pressures. Therefore, even the Taliban agree in the future to take part in the talks, there would again be delays on the side of the militant groups.

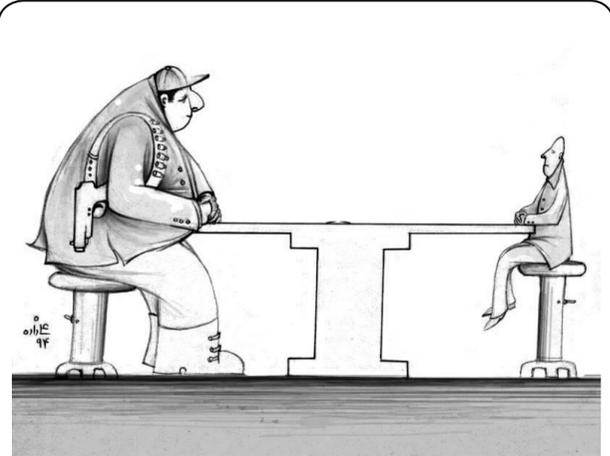
Many evidences suggested that the Taliban were ready in some points in the past to come to table of peace negotiations. They participated in a face-to-face meeting with the representatives from the Afghan government last year in Muree, Pakistan. Given this and the fact the Taliban leader Mullah Mansoor is reportedly a pro-talks figure among the Taliban senior members, the group will likely join the process to negotiate with the Afghan government. For now, the Taliban seem to be delaying the talks to indicate more strength on the battlefield.

Internal politics may be another reason for Taliban's refusal to take part in the peace talks. The Taliban's new leader has been facing fierce opposition from senior Taliban members over his leadership and his approach towards peace talks with the United States and the government of Afghanistan. Mullah Mansoor was rumored to favor talks when he was operating as the shadow leader of the Taliban. However, he is definitely in a different situation as the replacement of Mullah Omar. The new militant leader may be trying to consolidate his power and create consensus among senior Taliban members over war and peace issues. In addition, he led a far more successful insurgency last year despite the internal opposition from within the group. This may be another factor encouraging him to refuse joining peace talks while having an eye on the upcoming war season.

A failure or a prolonged peace deadlock would further inflame the war in the country and take violence into a higher level. The Afghan government needs to be prepared for this scenario. President Ashraf Ghani said recently that he is "knocking on every door" to pursue international backers to equip and train Afghan armed forces and provide them with more advanced weaponry. The upcoming war in the coming spring and summer seasons would possibly be much fiercer. Only Pakistan has the ability to ease the intensity of insurgency in Afghanistan by putting pressures on the leadership of the Taliban aimed at bringing them on the table of peace negotiations. If Pakistan does not exert pressures on the leadership of the group residing in the country and the insurgency intensifies in Afghanistan, it will not only derail the peace efforts but also deteriorate relations between Kabul and Islamabad.

The Taliban's refusal to join the peace initiative led by the four-nation group also is threatening the whole peace initiative and the efforts to start negotiations with the Taliban. Unexpected rise of Taliban attacks, high rate of casualties and other adverse developments could easily doom the peace process into failure and affect the cooperation among the four-way group countries. The four-way initiative is perhaps the most viable peace plan so far tested for establishing cooperation among key external players. Both Afghanistan and Pakistan need to do more to salvage the four-way initiative from failing. Pakistan should ensure it exerts sufficient pressures on the leaders of the Taliban whose families are residing in the country.

The upcoming war season will be decisive in determining if the Taliban will join peace talks in the future. The Afghan government needs to ensure better management of war affairs and military leadership of the security forces to prevent the Taliban from making any substantial military gains. Military defeats on the battlefield can better persuade the Taliban to join the peace negotiations aimed at ending the long-lasting conflict in the country.



## The Electoral Reforms Still in Disarray

By Abdul Ahad Bahrami

Despite the recent breakthrough in the electoral reforms stalemate, the process still seems to be stalled with the government failing to get the relevant authorities start working on the formation of the two election commissions. According to the reports, the government is yet to authorize the Selection Committee and other relevant authorities to begin consultations on selection of new commissioners for the Independent Election Commission (IEC) and the Electoral Complaints Commission (ECC). Despite the signing of the long-awaited presidential decree on the electoral reforms by President Ashraf Ghani, there are suggestions of divisions among political leaders over the reforms process. A deputy of the electoral reforms commission, Sediqullah Tawhidi, warned on Thursday of serious consequences if the authorities continue to fail implementing the reforms.

The continued failure of the government to proceed the reforms based on the recommendations of the electoral reforms commission suggest much deeper problems existing over the crucial reforms process. The legal obstacle that blocked the way for starting implementation of the reforms process is now resolved with the recent presidential decree on the reform plan that was signed by the President about a week ago. The government should have begun implementation of reforms process and tasked the selection committee to start its work on formation of the two election commissions. Seemingly, the government leaders are still far away from having the required consensus over the reforms and the formation of the bodies involved with both the reforms process and future elections in the country.

It seems there are power struggle going on among certain circles within the government over the reforms process and the future electoral bodies that are to be selected by the selection committee. Tawhidi's remarks suggest that certain circles within the government and loyal to one of the stakeholders of the national unity government are attempting to influence the process by having appointed their favored individuals in the electoral bodies. The recent delays in the electoral reforms process must have been resulting not only from the legal stalemate over the presidential decrees but also on the divisions hovering over the reforms process.

The leaders of the national unity government have long and rightly insisted on their determination to make the reforms and deliver the promises for better governance and transparency of future elections. There is now a broad political consensus among the leaders of the national unity government for reforming the electoral system and processes. However, there are divisions simmering on the lower levels tiers and members of the two main political blocs of the presidential

election-era along with other political circles are competing for more influence over the reforms process. For these political circles, more influence over the ongoing reforms process is meaning having more influence over the future elections in the country.

The divisions will most probably stay over along the process. The stakeholders of the country's politics including the two main political blocs within the government will attempt to manipulate the process so that they will have influence on the national institutions responsible for holding future elections. However, the leaders of the national unity government need to ensure the political rivalries do not block or tamper with the legitimacy of the reforms process. They need to ensure the task will be done in a way to be acceptable to the entire political spectrum of the country. The politicians need to ensure that they will play the game fair and will not undermine the country's long-term interests. The output of the electoral reforms will be the legacy of the national unity government. Therefore, the leaders need to realize the immensity of the task and be cognizant of the legacy they will leave behind.

The signing of the presidential decrees is a major breakthrough in the process, and should open a way forward for implementation of the reforms recommended by the electoral reforms commission. The leaders need to end the delays in the process and ensure smooth process of the implementation of the recommended reforms. The government needs to restore public trust into the reforms process by making tangible progresses in the process as the last week's signing of the presidential decree over the electoral reforms. It will help the government to overcome challenges existing for the political development of the country particularly for leading and delivering a successful electoral reform and paving the way for holding the upcoming parliamentary elections.

The national unity government cannot afford a time-consuming and undermined process of electoral reforms. It will harm its credibility and that of the stakeholders of the government. The failure to deliver the reforms process will leave the country's politics vulnerable to adverse unexpected developments. It will undermine the future political experiments including the upcoming parliamentary elections in the country. There is much to be done in the preparations for the parliamentary and provincial council elections. The government must avoid the current parliament going into the second and third years of working beyond its legal term. The government needs to hold the parliamentary election in a sooner possible time and hold it fairly and transparently. For all these, the government needs to exhibit a show of political will and assure the public that the electoral reforms process is heading to the right direction.

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## The Fear Factor in Global Markets

By Kenneth Rogoff

The phenomenal market volatility of the past year owes much to genuine risks and uncertainties about factors such as Chinese growth, European banks, and the oil glut. For the first two months of this year, many investors were panicked that even the United States, the world's most comforting growth story, was about to fall into recession. Indeed, among the experts who participate in the Wall Street Journal's monthly poll, 21% believed a recession was around the corner.

I won't deny that there are risks. A big enough hit to China's growth or to Europe's financial system could certainly tip the global economy from slow growth to recession. An even more frightening thought is that by this time next year, the US presidency may have turned into a reality television show.

Yet, from a macroeconomic perspective, the fundamentals are just not that bad. Employment numbers have been strong, consumer confidence is solid, and the oil sector is just not large enough relative to GDP for the price collapse to bring the US economy to its knees. In fact, the most under-appreciated driver of market sentiment right now is fear of another huge crisis.

There are some parallels between today's unease and market sentiment in the decade after World War II. In both cases, there was outsize demand for safe assets. (Of course, financial repression also played a big role after the war, with governments stuffing debt down private investors' throats at below-market interest rates.)

Even a full decade after World War II, when the famous economist John Kenneth Galbraith opined that the world might experience another depression, markets went into a tizzy. People still remembered how the US stock market had fallen 90% during the early years of the Great Depression. Back in the 1950s, it was not hard to imagine that things might go wrong again. After all, the world had just navigated through a series of catastrophes, including two world wars, a global influenza epidemic, and of course the Depression itself. Sixty years ago, the specter of atomic war also seemed all too real. People today need no reminding about how far and how fast equity markets can fall. After the 2008 financial crisis, US stocks fell by more than 50%. Equity markets in some other countries fell significantly more: Iceland's, for example, plummeted by over 90%. No wonder that once the recent market drop hit 20%, many people wondered how much worse it could get – and whether fears of a new recession could become a self-fulfilling prophecy.

The idea is that investors become so worried about a recession, and that stocks drop so far, that bearish sentiment feeds back into the real economy through much lower spending, bringing on the feared downturn. They might be right, even if the markets overrate their own influence on the real economy.

On the other hand, the fact that the US has managed to move forward despite global headwinds suggests that domestic demand is robust. But this doesn't seem to impress markets. Even those investors who remain cautiously optimistic about the US economy worry that the US Federal Reserve will view growth as a reason to continue raising interest rates, creating huge problems for emerging economies.

There are other explanations for volatility besides fear, of course. The simplest is that things really are that bad. Maybe the individual risks aren't of the same order of magnitude as in the 1950s, but there are more of them, and markets are starting from a much more inflated position.

Moreover, financial globalization has profoundly deepened interlinkages, magnifying the transmission of shocks. There are large pockets of fragility and weakness in world debt markets, with current monetary easing covering up deep-rooted problems beneath the surface. Some have pointed to a lack of liquidity in leading markets as driving the massive price fluctuations; in a thin market, a small change in demand or supply can sometimes require a big shift in prices to restore equilibrium.

The most convincing explanation, though, is still that markets are afraid that when external risks do emerge, politicians and policymakers will be ineffective in confronting them. Of all the weaknesses revealed by the financial crisis, policy paralysis has been the most profound.

Some say that governments did not do enough to stoke demand. Although that is true, it is not the whole story. The biggest problem burdening the world today is most countries' abject failure to implement structure reforms. With productivity growth at least temporarily stuck in low gear, and global population in long-term decline, the supply side, not lack of demand, is the real constraint in advanced economies. In the long run, it is supply factors that determine a country's growth. And if countries cannot manage deep structural reform after a crisis, it is hard to see how it will happen. Running the government like a reality TV show, with one eye always on the ratings, is not going to do the job. (Courtesy Project Syndicate)

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