Clouds of uncertainty over Afghanistan

There can be no peace unless the Taliban and Afghan security forces de-escalate

RAKESH SOOD

After Pakistan Prime Minister Imran Khan's 'successful' visit to Washington last month, another round of Doha talks between the U.S. and the Taliban has started. U.S. Special Representative for Afghanistan Reconciliation Zalmay Khalilzad was in a hurry to go to Doha via Islamabad to ensure that Pakistan will deliver. On July 31 he tweeted, "In Doha, if the Taliban do their part, we will do ours, and conclude the agreement we have been working on".

"The Afghan government has lost credibility." A suicide attack on Amrullah Saleh, the candidate for vice president, at his party office in Kabul marked the beginning of the campaigning period in Kabul. • NYT

U.S. policy reversal

U.S. President Donald Trump has reversed his Afghanistan policy over the past two years. The 2017 policy aimed at breaking the military stalemate in Afghanistan by authorising an additional 4,000 soldiers, giving U.S. forces a freer hand to go after the Taliban, putting Pakistan on notice, and strengthening Afghan capabilities. Within a year, it became clear that the policy was not working. The U.S. failed to understand that no insurgency can be defeated as long as it enjoys sanctuary. Direct talks with the Taliban began with the appointment of Mr. Khalilzad. But soon, the U.S. realised that it needed the Pakistan army's help to get the Taliban to the negotiating table. A politically savvy Khalilzad understood that his negotiating time frame was governed by President Trump's re-election due in 2020; therefore any deal had to be concluded before the end of 2019. This reality wasn't lost on either the Taliban or the Pakistan army; time was on their side.

While the U.S. maintained that the seventh round of Doha talks would cover four issues – a cessation of hostilities; an intra-Afghan peace dialogue; assurance from the Taliban that Afghan territory would not be used for attacking U.S. interests; and U.S. troop withdrawal – the Taliban made it clear that its priority was the last issue. It rejected a ceasefire, instead launching its spring offensive, Operation Fath, as well as talks with the Afghan government, describing it as a "puppet regime". The Taliban provided some assurances on the third issue but kept demanding a firm date for U.S. troop withdrawal.

The Taliban relented on the second issue, an intra-Afghan peace dialogue, when pushed by Pakistan. In early July, it met with an Afghan delegation, which included some officials who were present in their personal capacity.

The quid pro quo for Pakistan for delivering on this soon emerged in Mr. Khan's meeting with Mr. Trump on July 22. On January 1, 2018, Mr. Trump had accused Pakistan of "lies and deceit". He tweeted that while the U.S. had given Pakistan "$33 billion in aid", Pakistan was providing a "safe haven to terrorists". He conveyed his displeasure by cutting off $1.3 billion of assistance. Nearly 18 months later, with Mr. Khan standing beside him, Mr. Trump told the world that "Pakistan is going to help us out to extricate ourselves".

Mr. Khan cleverly tickled Mr. Trump's ego by suggesting that as the leader of the "most powerful country in the world", he could "play an important role in bringing peace in the subcontinent". Mr. Trump lapped it up and offered his mediation skills to help resolve the Kashmir problem, adding that Prime Minister Narendra Modi had himself suggested it during their exchange in Osaka, a claim that was promptly rejected by the Indian authorities. As a downpayment for the next round of Doha talks, the U.S. also cleared a $125 million support package for Pakistan's F-16 fleet.

Meanwhile, elections in Afghanistan have been postponed twice and will now be held on September 28 to give time for the Doha talks. The Afghan government has lost credibility and there is little support for its term being extended. A deteriorating security environment makes it difficult for a credible election to be held. Afghan security forces are losing 25 to 30 men daily, a toll that is depleting ranks and dampening morale.

Campaigning kicked off on July 28 and was marked by a suicide attack on Amrullah Saleh, the candidate for vice president as Ashraf Ghani's running mate, at his party office in Kabul. Mr. Saleh had a narrow escape but the suicide attack claimed over 20 lives. Mr. Saleh has been among the most vocal critics of the hasty reconciliation process and the U.S.'s gullibility at reposing faith in the Pakistan army. A close aide to the former Northern Alliance leader Ahmad Shah Massoud, Mr. Saleh has long been targeted by the Taliban.

The Taliban is not going to take part in the election, and once a deal is concluded, its demand will be for an interim government. Even if elections take place, an elected government would soon find itself at cross purposes with the interim government. Further, a number of promised electoral reforms are yet to be implemented.

An interim government would prepare the ground for fresh elections after constitutional amendments and electoral reforms that would be decided by the traditional Loya Jirga process over two years. However, this approach is strongly opposed by the more secular and liberal Afghan groups, including women, who see it as a step back from the democratic rights and principles enshrined in the 2004 Constitution. There is a deepening sense of unease and betrayal in the Afghan government which feels that its legitimacy is being eroded by the U.S. tacitly making deals and leaving it in the lurch.

U.S. Secretary of State Mike Pompeo has already indicated September 1 as a deadline for concluding the Doha process. Instead of a messy and contentious election, an interim government would provide a better environment for the U.S. to manage its exit in keeping with the 2020 election calendar.

Continuing uncertainties

The reality is that there can be no peace unless the Taliban and Afghan security forces de-escalate, and this will require talks between the Taliban and the government. The Taliban wants to bypass this by entering government through the back door, using the interim structure. Such a move is likely to create strains within the Afghan security force which needs a clear chain of command to function. There is a rise in ethnic polarisation in Afghanistan. With the emergence of the Islamic State, there is growing evidence of sectarian polarisation. Any dilution of the cohesiveness of the Afghan security forces, which are dependent on external funding (primarily the U.S.), would dramatically increase the risks of fragmentation of Afghanistan.

All Afghans are tired of conflict, want peace, and accept that this requires reconciliation. But not all Afghans want peace on the terms of reconciliation dictated by the Taliban. Today 74% of the Afghan population is below 30 years and has lived for most part in a conservative but open society. That is why there is no national consensus on reconciliation. In the absence of a national consensus, external actors are able to intervene to support their own favourites. But that is not Mr. Trump's problem. The U.S.'s exit will end its long war in Afghanistan but growing political uncertainties will only exacerbate Afghanistan's ongoing conflict.

Rakesh Sood is a former diplomat and currently a Distinguished Fellow at the Observer Research Foundation

The importance of finding funding

Investors should not be punished based on one-off events

GOPAL SRINIVASAN

Last week saw an outpouring of grief nationwide over the tragic decision made by an Indian entrepreneur to end his life. V.G. Siddhartha of Café Coffee Day had built a pioneering consumer business and acquired one of the largest retail footprints in the food and beverage space in India, attracting marquee investors. His story is a stark reminder that entrepreneurship is a journey of highs and lows, which doesn't just require capability and risk appetite on the part of the promoter but also demands great resilience.

Along with commiserations, the incident has also attracted some sweeping criticism – uninformed and unjustified – of the business practices of the private equity and venture capital industry. The truth is that the risk capital supplied by venture capital investors has been invaluable to entrepreneurship in India, where promoter funding by banks is frowned upon and founders are forced to rely on family and friends or take recourse to high-cost informal debt.

Spigot remained open in tough times

In the past decade, the ₹14 lakh crore of capital supplied by private equity and venture capital funds has played a pivotal role in birthing and scaling up over 4,000 Indian ventures. In addition to creating millions of jobs, firms funded by these investors pay more taxes, are better governed and make efficient use of scarce capital. This has resulted in the co-creation of popular consumer franchises like Ola, Swiggy and Paytm; bankrolled roads, airports, oil pipelines and telecommunications assets; and aided the crucial economic task of deleveraging distressed firms. This spigot of private capital has remained open for Indian ventures even as the economy and public markets have witnessed sharp ups and downs.

In fact, private investors have come to play such an important role in the Indian economy that their annual investments amounting to 1%-1.5% of the GDP, once believed to be sufficient to meet the country's growth aspirations, are now proving inadequate. India's economy is reaping its demographic dividends and young entrepreneurs and mature mega firms are taking make-or-break bets on the consumer markets.

Banking and insurance companies require billions of dollars in equity capital, privatisation is now on the anvil and an ambitious infrastructure build-out is transforming Tier-II towns. India will now need to attract private capital amounting to 3%-4% of GDP for the 'Great March' that Prime Minister Narendra Modi has flagged off to $5 trillion GDP. This is why it is important that policymakers or entrepreneurs do not take their eye off the ball based on one-off incidents.

The equity vs. debt argument

There has also been criticism of private equity investors for focussing on debt deals. Today, private capital pools offer many classes of assets, from venture to private equity to venture debt to promoter funding to hybrid instruments. It is only at the promoter's behest that private capital providers structure capital infusions as debt rather than equity deals. Further, promoters are often reluctant to cede control in their ventures and hence end up taking capital in the form of debt.

That's the fallacy of the infamous Indian promoter's 'curse'. Promoters embrace the double jeopardy of wanting to be in 'control' (the magic number of 51%) of their venture, while also believing that their equity is undervalued by the markets. Full of optimism about future pricing, they often resort to high-cost borrowings by pledging their shares. The result becomes evident during volatile times. As to the cost of debt, it must also be understood that the main mandate of private equity investors is to measure, underwrite and price risk. Structured as a limited-life closed-end funds, they have a contractual obligation and fiduciary duty to meet the return expectations of their investors and to return the capital within a relatively short time frame of five-seven years.

But the Siddhartha incident does have one major takeaway: founders in India need more equity funding, so that they can avoid the curse of overleveraging. When entrepreneurs take on aggressively priced debt payable within stringent timelines, it exposes their venture to extreme fragility.

Equity capital in contrast is patient. Companies with growth ambitions should therefore be ideally funded with 40%-50% equity, which can act as their lifeboats in difficult times. Equity funding makes sense for private investors too, as it allows a longer runway to scale up a business. This results in a larger pie for everyone – the founder, investors, lenders and the economy. However, punishing capital based on one event can prove to be a capital punishment for India's entrepreneurial ecosystem.

Gopal Srinivasan is the founder of TVS Capital Funds

Code Red for labour

The proposed codes disempower workers

AKRITI BHATIA & CHANDAN KUMAR

The Centre's proposal to replace 44 labour laws with four codes saw the light of day after Finance Minister Nirmala Sitharaman announced it in her Budget speech. The question not being asked is: aren't these codes antithetical to the very idea of statutory protection of labour and dignified standard of living for workers? It needs to be stated here that the original labour laws, enacted after decades of struggle, were meant to ensure certain dignity to the working-class people.

The most glaring instance of the government's failure to support labour standards is the Ministry of Labour's proposal to fix the national minimum floor wage at ₹178, without any defined criteria or method of estimation. This could lead to a dangerous race to the bottom by individual States, in a bid to attract capital and investments. This is rightly being called 'starvation wage', especially given that the Ministry's own committee recommended ₹375 as the minimum. Another concerning issue is that the four codes exclude over 95% of the workforce employed in informal units and small enterprises, who in fact are in greater need of legal safeguards.

Ambiguity on wording

Above all, there is a deliberate ambiguity maintained on wording and definitions. There is no clarity on who constitutes an 'employer', an 'employee' or an 'enterprise', giving the owner greater discretion to interpret the provisions while making it more difficult for the worker to draw any benefits from them.

To minimise wage bills and compliance requirements, it is proposed that 'apprentices' be no longer considered employees, at a time when evidence indicates that apprentices are made to do jobs of contractual as well as permanent employees. The code even has a provision on "employees below fifteen years of age", which can be construed as legalisation of child labour. The code on wages legitimises and promotes further contractualisation of labour, instead of abolishing it, by insulating the principal employer from liabilities and accountability in the case of irregularities on the part of the contractors.

Slavery-like provision

And if all this were not enough, the wage code also brings back the draconian provision of "recoverable advances", a system that the Supreme Court clearly linked to coercive and bonded labour, wherein distressed and vulnerable migrant labourers could be bonded to work through advance payments. This is akin to modern forms of slavery, also encountered in rural labour markets.

Similarly, the eight-hour workday shift has been done away with, and multiple provisions of increased overtime have been inserted. The code also gives ample alibis to employers to evade bonus payments.

Further, seeking justice against unfair practices of employers has become even more difficult now as nonpayment of wages will now not be a criminal offence and penalties in case of non-compliance have been reduced. The government wants to provide a "facilitative" rather than a regulatory and punitive environment for the owners, with "facilitators-cum-inspectors" replacing the "inspectors" who used to ensure implementation of various labour laws to aid employees.

AFP

Finally, the code on industrial relations too is replete with restrictions, on forming or registering unions, calling a strike (which would entail prior permissions and notices) and seeking legal redressal for workers.

To sum it up, it won't be a fallacy to assert that the proposed laws, as they stand, resemble 'employer codes' rather than 'labour laws'.

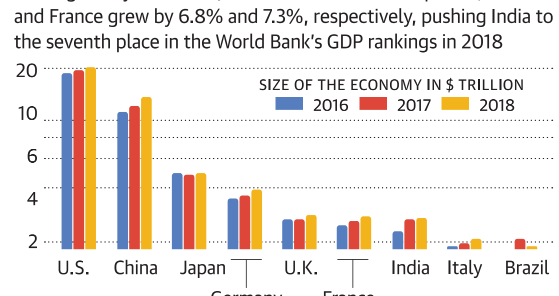
Akriti Bhatia is a Ph.D. scholar at the Delhi School of Economics; Chandan Kumar works with the Working Peoples' Charter collective

DATA POINT

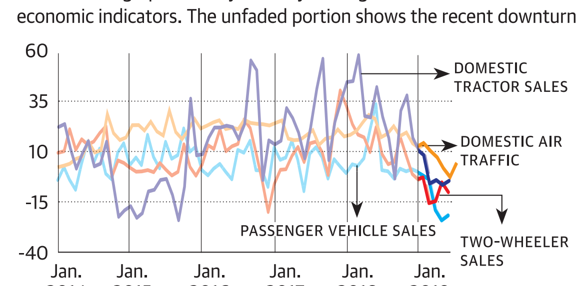
Downturn continues

India dropped two places in GDP rankings in 2018 compared to 2017. With a slump in consumption, and new investments reducing to a trickle, the government's aim of making India a $5-trillion economy by 2024 seems far-fetched.
By **Vignesh Radhakrishnan** and **Sumant Sen**

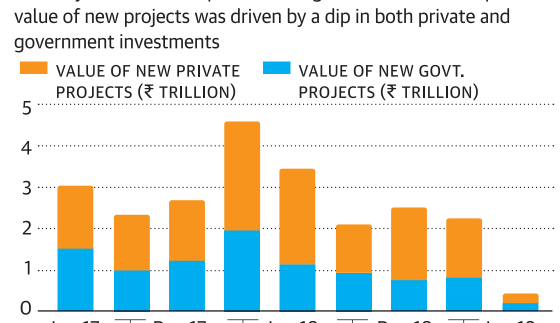
Drop in position | In 2017, the size of the Indian economy stood at $2.65 tn, the fifth largest. In 2018, India's economy in $ terms grew by 3.01% to $2.73 tn. But in the same period, the U.K. and France grew by 6.8% and 7.3%, respectively, pushing India to the seventh place in the World Bank's GDP rankings in 2018



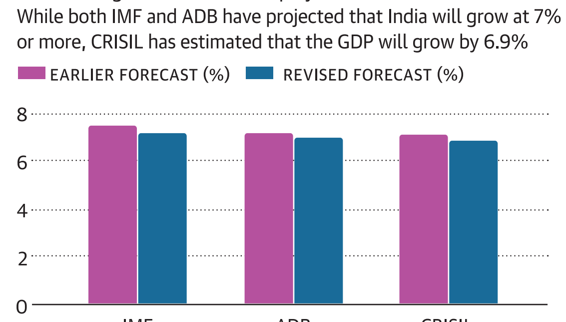
Consumption drops | Three of the four major indicators of the consumer economy recorded negative growth rates in the first half of 2019. The graph shows year-on-year % growth of four macro-economic indicators. The unfaded portion shows the recent downturn



Investment woes | Investments in new projects nosedived to a 15-year low in the quarter ending June 2019. The drop in value of new projects was driven by a dip in both private and government investments



Downward revision | The IMF, Asian Development Bank and CRISIL brought down their GDP projections for India for FY20. While both IMF and ADB have projected that India will grow at 7% or more, CRISIL has estimated that the GDP will grow by 6.9%



Source: World Bank, SIAM, DGCA, Tractors Manufacturers Association, CMIE, IMF, ADB, CRISIL

The Hindu.

FROM THE ARCHIVES

FIFTY YEARS AGO AUGUST 6, 1969

Ice-filled craters on Mars

Television pictures of the Martian South Pole flashed 60 million miles across space last night [August 4] showed ice-filled craters on the edge of the Polar Cap and stretching deep into the Polar region. Scientists at the jet propulsion laboratory here [Pasadena (California)] said pictures transmitted live as the Mariner-7 spacecraft soared across the Martian Pole at a height of 2,000 nautical miles were of very high quality. The pictures, which took five minutes to reach earth, revealed craters and the outlines of the Polar Cap. Mariner-7, though suffering from communications defects because of an apparent impact with a meteor last Wednesday [July 30], has sent better pictures than its twin, Mariner-6, which flashed over the Martian equatorial region a few days earlier. Dr. Robert Leighton, Director of the Mariner television experiment, announced proudly over the jet propulsion laboratory loudspeaker as the first close-up began to flicker on to television screens: "These pictures are coming to you live from Mars." Mariner-7 swept from the equator to the South Pole and then moved behind the dark side of Mars.

A HUNDRED YEARS AGO AUGUST 6, 1919.

Governor's Visit to Famine Area.

His Excellency accompanied by the Collector Mr. Cotterell, Mr. Dodsworth, Kallikota Estate Manager, Mr. Greg, Engineer, Captain Powell, A.D.C., and the Young Zamindar of Kallikote left for evening inspection at 4.30 yesterday [August 4] and motored a distance of 20 miles to Atagada Mathura. On the way His Excellency had a view of the Degam village on the 16th mile from Kallikote where a tank bund 2,000 feet long is sectioned and turfed. Near this there are two other tank bunds of equal length where similar work is going on. At Atagada Mathur the work is turfing and raising a tank bund 1,806 feet long. There are 1296 workers and 552 dependents. His Excellency walked some distance to see Badosagor or the big tank where earth work with a view to raise the bund was going on. This work was begun on the 12th May and finished on the 20th July. The work that yet remains to be done is sectioning and turfing. There were two thousand people employed on the work. A katcha country cart road from Mathura, fifteen miles long, has been converted into a pucka road.