

Terrorism and Political Violence (Forthcoming)

WILLINGNESS AND OPPORTUNITY

A Study of Domestic Terrorism in post-Cold War South Asia

By

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Domestic terrorism, as a form of intrastate violence, has varied widely in South Asia along with the post-Cold War period of global economic integration and political openness. How are these two phenomena— economic integration and emergence of democracies – related to domestic terrorism in South Asia? I argue that resorting to terrorism is a rational choice when individuals/groups' cost of heterogeneity -- deprivation from public goods due to geographical and ideological distance -- increases; opportunity is provided by democratization and integration to the global economy. The testable hypotheses derived from the theory are empirically tested on a dataset of five South Asian countries for the time period between 1990 and 2007. The results show that both minority discrimination and presence of unconsolidated democratic institutions increase terrorism in the highly heterogeneous South Asian countries. International trade in the presence of minority discrimination increases homegrown terrorism, but foreign direct investment neither increases nor decreases such incidents.

Keywords: Domestic terrorism, Globalization, Democratization, Discrimination, Public Goods

Introduction

March 12, 1993 -- India -- 1.25 p.m. Indian Standard Time: 13 bombs planted in cars, motor scooters, and briefcases exploded throughout Bombay. One bomb, prompting the closure of 29-story Bombay Stock Exchange, tore away a thick concrete wall between the building and densely packed vendors outside, flaying victims and blasting cars. Bombs went off in expensive hotels, a bank, a university, a hospital and other crowded places of India's financial capital killing about 300 persons and wounding another 1250.¹ Less than two months later, the President of Sri Lanka, Ranasinghe Premadasa was killed on May 1, 1993 by a suspected Tamil rebel who detonated explosives strapped to his body during a May Day political rally in Colombo, the capital of the island nation. At least 17 people including most of the President's bodyguards were blown into pieces in the powerful explosion and 60 others were wounded.²

These two incidents and many such acts of violence across time and space perpetrated by disparate peoples on disparate victims might have no physical connections, but they are related by a common thread -- spreading terror among larger audiences through the victimization of innocent people. Both of the above-mentioned events of domestic terrorism in Bombay and Colombo generated tremendous publicity, anger and, above all, fear. This kind of fear is exactly what those terrorist attacks hope to achieve.

Throughout history, desperate individuals have resorted to terrorism as a strategy for achieving their political objectives. Although the tactic of terrorism is difficult to define, it does have several key features that distinguish it from other types of violence. The following definition of terrorism given by Enders et al.³ reflects the basic features of terrorism.

Terrorism is the premeditated use or threat to use violence by individuals or subnational groups against noncombatants in order to obtain a political or social objective through the intimidation of a large audience beyond that of the immediate victims.

Terrorism can be categorized in several varieties. It is useful to think about “terrorisms” rather than “terrorism” as scholars identify many different typologies and bases for classifying terrorism.⁴ Young and Findley opine that differentiating between domestic and transnational terrorism is both desirable and potentially consequential. From a theoretical perspective, the causal mechanisms underlying domestic and transnational terrorism might be quite different. Structural factors leading to increases in domestic terrorism are endogenous to the state that experiences it.⁵ Sandler notes, “Domestic terrorism is home grown and has consequences for only the host country, its institutions, people, property, and policies.”⁶

On November 9, 1989, the shaky East German communist government resigned, and the Berlin Wall came tumbling down. The consequent collapse of the communist bloc was a triumph of neo-liberalism. In his seminal book “The End of History,” Fukuyama argued that liberal democracy and free market capitalism may constitute the “end point of mankind’s ideological evolution” and as such constitutes the “end of history.”⁷ During the final two decades of the twentieth century, development theory and practice were dominated by a single, overarching paradigm that placed market forces at the center of policy. As this paradigm radiated out to sweep the globe, so too did global capital; indeed, the Washington Consensus policies provided the unregulated, liberalized and privatized space needed for capital to become truly global.⁸ The countries of South Asia were no exceptions; a wave of economic and political liberalization followed. Pakistan and Bangladesh have fluctuated between military dictatorship and elected government; Nepal started democratic transition in 1990 that finally led to the abolition of monarchy in 2008.⁹ Both India and Sri Lanka have been democratic countries since the 1950s, but they have witnessed process of consolidation with the emergence of multiparty system. As far as global economic integration is concerned, trade and foreign investment have steadily

increased in South Asia in conformity with the global trends, although India has witnessed a greater hike in trade and investment in comparison to other countries of the region.¹⁰

Economists argue that economic liberalization is likely to alleviate the problem of poverty by stimulating economic growth; hence the rich and poor of the world would be better off than they were previously. Recent studies claim that trade and financial market integration leads to enormous socio-economic benefits in health, social spending, education, particularly in the world's poorest countries.¹¹ Therefore, we might expect more social harmony and internal peace. Moreover, conventional wisdom would suggest that democracy is likely to reduce internal political conflict because of the presence of peaceful conflict resolution mechanisms in such regimes. Scholars and policy analysts share the perception that democracy is a panacea to internal violence.¹² Therefore, post-Cold War emergence of democracies would have reduced internal violence in South Asia.

Domestic terrorism, as a form of intrastate violence, has varied widely in South Asia along with the post-Cold War period of global economic integration and emergence of democracies. The trends of domestic terrorist incidents^a roughly resemble a U-shape after 1997, declining considerably and then rising again since 2005.¹³ How are these two phenomena—economic integration and emergence of democracies – related to domestic terrorism? Do they explain the fluctuations in domestic terrorism in South Asia? I argue that terrorism in South Asia

^a While my analyses use data from 1990-2007, I recognize that domestic terrorism in South Asia did not suddenly begin with the collapse of the Soviet Union, but has existed for a much longer period of time. Terrorism in Pakistan, generally religion specific, began in late 1970s. Bangladesh has been experiencing insurgency in Chittagong Hills since the mid 1970s. Nepal's anti-monarchy movements have been rattling the Himalayan nation since 1950s. Tamil militants have been active in Sri Lanka since early 1980s. India has experienced insurgencies in the north-east since early 1950s.

results from minority discrimination; democratization and integration to the global economy provide the minority groups opportunities to mobilize.

Extant literature on terrorism in the countries of South Asia focuses on the problem of marginalization of the ethnic and religious groups to causally link grievances with violence targeting civilians. Nandi¹⁴ explores the social and political context of conflict and militancy in Punjab (a state in Indian federation) arguing that social and political constructions involved in that conflict are created by the activities of the centralizing state. Ethnic differences become conflictual when a group or groups define the relationship to be unequal, identify those responsible for it, and plan what measures to adopt as a response. Wallace¹⁵ argues that terrorists' appeal drew on the theme of discrimination of the Sikhs by the predominantly Hindu Indian state. Gohain¹⁶ argues that terrorism in the Indian state of Assam in late 1980s and 1990s is the product of the total alienation of Assamese youth from the Indian state. Utter lack of public good provisions strengthens their sense of deprivation and delegitimizes state for the common people. Examining the complicated phenomenon of secessionist and inter-ethnic violence in the northeastern states of India, Hussain¹⁷ argues that the region has been caught in a vicious cycle of inadequate economic development and insufficient job opportunities, causing unrest and militancy, and then militancy and violence—which has, ironically, further retarded economic growth.

Pakistan has been experiencing the menace of terrorism by marginalized ethnic groups for a long time. Wright¹⁸ presents an analysis of marginalization of Sindhis and Muhajiris by the majority Punjabi community in post-1971 Pakistan. The nascent state's political conflict later manifested violently because of the domination of one province, the Punjab, both numerically (55 percent of population) and militarily (80 percent of the army) over the smaller provincial

ethnic groups. Similarly, the contemporary rise of Taliban insurgency in the NWFP (North West Frontier Provinces) and FATA (Federally Administered Tribal Area) regions of Pakistan has mostly resulted from socioeconomic deprivation and cultural isolation of the minority Pushtun community of this area. Taliban insurgency in these tribal areas has disguised the simmering dissatisfaction of Pushtuns with the poor delivery of public goods, the inequitable distribution of resources, and the general lack of provincial autonomy under the garb of religious fanaticism in Pakistan.¹⁹

For the past three decades, Sri Lanka and its people have suffered the menace of terrorism at the hands of one of the world's deadliest terrorist organizations: the ruthless Liberation Tigers of Tamil Eelam, better known as the LTTE or Tamil Tigers. Shastri²⁰ argues that the Sinhalese political parties used the ethnically imbalanced patterns of representation, patronage, and power aggressively to distribute jobs to members of the majority community and development benefits to their regions. Urban middle-class Tamils who had traditionally relied on employment in the professions and public services were hard hit by the discriminatory practices. Three factors might explain the causal mechanism of terrorism in Sri Lanka.²¹ Firstly, the rise of terrorism in the north and east of Sri Lanka has been due to the lack of responsiveness of the political system to the deeply felt grievances of sections of the polity. Secondly, racism, which has led to the perception of the other community's position as unreasonable, has only added to the unresponsiveness of the Sinhalese political elite to Tamil grievances. Thirdly, distribution of public goods has been extremely skewed starting from deprivation of citizenship to Tamil plantation workers in 1948 to deliberate neglect of Tamil majority areas in allotting development projects.

Scholars have interpreted the Maoist insurgency and terrorist violence in Nepal between 1996 and 2005 from ethnic and developmental angles. The Hill High Caste Hindus, Brahmin and Chhetri, and Newar (an urban ethnic group) – with their combined strength of 35 percent in total population of the country – have long been dominant in the power structure of the country. Murshed and Gates²² contend that intergroup inequality and landlessness played a central part in motivating and sustaining the conflict in Nepal. The concept of horizontal or intergroup inequality, which is highly relevant in explaining the Nepalese civil war, has both an ethnic and caste dimension. Additionally, there is also a spatial aspect to the conflict, which is most intense in the mid- and far-western regions, which are economically the most disadvantaged in terms of human development indicators and asset (land) holdings.

Similarly, Bangladesh has been experiencing the menace of terrorism by disgruntled domestic groups since 1977. There are two major sources of terrorist violence in post-Liberation Bangladesh: ethno-nationalist violence in the Chittagong Hill Tract region in southeastern part (1977-1997), and Islamic terrorism (1999 onwards). The ethno-nationalist violence has subsided with the signing of a peace accord in 1997, but continues to persist in low intensity.²³ However, the country has been witnessing rising Islamic radicalization, extremism and militancy in various manifestations since 1999. Islam²⁴ examines the primary factors that have led to the emergence of the militant groups demanding full autonomy for the Hill Tracts. The violent activism symbolized the reaction of aspiring tribal leaders to attempts by the national leadership to integrate a culturally divergent CHT with an otherwise culturally homogeneous society. Ahsan and Chakma²⁵ argue that conflicts in the Chittagong Hill Tracts resulted from internal colonization, or the settlement of previously unoccupied territories within the boundaries of the state. Post-independence governments of Bangladesh adopted a policy of encouraging the

migration of nontribal people to the sparsely populated Chittagong Hill Tracts. These nontribal people - that is Bengalis - reap most of the benefits accruing from development projects. This deprivation of the tribal people led them to perceive the Bengali-run government as having planned their total destruction and caused them to take up arms against it. Religious extremism is on the rise in Bangladesh and the groups identified with or espousing the cause of radical Islamic trends have perpetrated violence since the mid 1990s. Ganguly²⁶ argues the militant Islamic organizations championing the case of an Islamic state in Bangladesh through violent means emerged, in part, as a result of the general transformation of Bangladesh's political and social milieu. In their quest for legitimacy, two military rulers wrapped them selves in the mantle of Islam. In the process, they created conditions for the emergence of various radical groups. However, the state's failure to address endemic problems of unemployment, poverty, environmental degradation, and political order is the most compelling, proximate cause of the emergence of militant Islam in Bangladesh. Large segments of the population have little faith in the efficacy of state institutions. Islamization has been a principal factor contributing to the growth and sustenance of militancy in Bangladesh.²⁷ A powerful incentive for religious extremist violence in Bangladesh lies in the accelerated growth of madrassas^b. The inability of the state to provide basic primary and secondary education in rural areas works in favor of the madrassas, which are largely funded by religious NGOs from the Middle East.

Thus a brief review of terrorism literature in South Asia reveals that there is a lack of systematic quantitative studies of the region as a whole. The literature is largely fragmented, which prevents generalization on the causal mechanism of terrorism in South Asia. I intend to fill the gap in terrorism literature on South Asia through my research by generating and testing some

^b Madrassas are religious schools or colleges for the study of the Islamic religion. In contrast to the state-run schools in Bangladesh, madrassas offer a very narrow religious curriculum that focuses on Quranic teachings.

generalized hypotheses. It is important to note here that large-n correlational analyses cannot necessarily provide a full-picture of terrorist violence. In other work, I examine in closer detail the drivers of terrorism in India alone to better control for unique factors that remain difficult to quantify.

Heterogeneity Cost, Globalization and Immature Democracy: Grievances and Opportunity

Any theoretical framework exploring terrorism needs to take two factors into account. The first factor is the existence of concrete grievances among an identifiable subgroup of a larger population, such as an ethnic minority discriminated against by the majority.²⁸ The second is opportunity for social or political movement to develop in order to redress these grievances.²⁹ I largely rely on a theoretic framework derived from Alesina and Spolaore³⁰ to argue that resorting to terrorism is a rational choice when individuals' grievances referred as 'heterogeneity cost' - deprivation from public goods due to physical and ideological distance from the ruling elite - increase, and opportunity for mobilization is provided by political openness and integration to the global economy.^c

There is trade-off between the benefits (e.g., lower per capita costs of public goods, better protection from foreign aggression, greater productivity for economies of scale and larger markets) from the size of heterogeneous state and the cost of its heterogeneity. Heterogeneous people may differentiate over policy preferences. Such groups or individuals who differ from the ruling class in ideology, religion, ethnicity or nationality might be deprived from public good provisions and suffer 'heterogeneity cost'. Therefore, heterogeneity cost is discrimination against a minority group in a heterogeneous country. Discrimination against minority groups who may not share vital characteristics with those of the dominant group/s - and who may have

^c Alesina and Spolaore (2003) explore how a heterogeneous nation breaks up due to deprivation of a minority group. I extend their logic to explain domestic terrorism that arises from minority discrimination in a heterogeneous state.

historically suffered from certain social and religious scars such as slavery and negative stereotypes – are rampant.

Practically minority groups, with few exceptions, seldom have political clout in a polity. Ethnic fault-lines have often been basis of political mobilization. The dilemma of the minorities may be even more severe if political parties are organized on ethnic or such divisive lines as discrimination against minorities gets institutionalized. Under such conditions, deprivation of a minority group from public good provisions – which usually involves some combination of employment discrimination, unequal access to government health, educational or social services, formal or informal housing segregation, and lack of economic opportunities available to the rest of society – helps to develop minority group grievances, which are directed against the state, economic status quo, mainstream society, and the majority population.³¹ Social exclusion and alienation from the mainstream economic system leaves aggrieved minority populations distrustful of state institutions and authority and, thereby, more susceptible to radicalization and fertile ground for terrorist movements.

The costs incurred by minority groups as a result of deprivation from some public good provisions may outweigh the benefits of living in a heterogeneous state. In such cases, the minority groups are likely to challenge the state that discriminates against such groups. If a discriminated minority lives in the border or periphery of a state, they might strive to fight for their separate homeland. Tamil region of Sri Lanka can be a good example of ethnic minorities resorting to terrorism for separate homeland as result of discrimination by the Sinhalese majorities.³² Minority groups that are routinely discriminated against may demand policy concessions by bringing about a government change if they are not spatially concentrated at one location. Homegrown Jihadist terrorism in India is a good example where discrimination against

the Muslim minority has largely contributed to a fundamentalist section demanding Islamic state in India.³³ The above discussion leads logically to the testable hypothesis defined below.

H1: As heterogeneity costs increase, the likelihood of domestic terrorism increases. The alternative is that heterogeneity costs have no relationship to domestic terrorism.

Deprivation of a minority may result in grievances and motivate some group members to demand political change. But opportunity for social or political movement in order to redress these grievances may be an important factor in the selection of strategy.³⁴ Political and economic openness might provide them such opportunities of organizational mobilization. People would challenge the state more when political system opens up as democracy provides greater mobilization opportunities for political dissent. A dictator does not care much about minority preferences and represses dissent. Non-democracies are able to inhibit the formation and mobilization of terrorist organizations through the use of highly coercive state institutions like the party, military, or secret police.³⁵ But the permissive nature of a democracy facilitates political mobilization by tolerating dissent to certain extent. A democracy is more likely to experience homegrown terrorism than a non-democracy for three reasons. Firstly, terrorists target civilians in order to extract political concessions from the government. Electoral incentive would make the political elite more responsive to costs incurred by civilians than non-democratic elite with small well-protected winning coalition. Secondly, by guaranteeing civil liberties, democracies allow terrorists to become organized and maneuver easily, reducing the costs of conducting terrorist activities.³⁶ Expansive and secure civil liberties and institutional constraints (checks and balance, election) make it harder for the legal systems in democracies to convict terrorists and for democratic governments to prevent or retaliate against terrorism.³⁷ Lastly, to terrorize a wide audience, terrorists pursue recognition and attention by seeking to expand publicity and media coverage of their activities.³⁸ Press freedom in a democracy increases the

opportunities for terrorists to be heard and watched by a large audience and hence their ability to create widespread fear.³⁹ However, in an institutionalized democracy several conflict-reducing mechanisms and greater availability of participatory option would dissuade people from resorting extra-constitutional method of political protest like terrorism in a democracy with high levels of institutionalization. Therefore, resorting to violence is a less attractive option in a mature democracy.⁴⁰

H2: An immature democracy with a low level of institutionalization is likely to experience domestic terrorism more than other regime-type states. The alternative is that immature democracy has no relationship to domestic terrorism.

Like democratization, economic globalization creates opportunities for violent political opposition to a state. Trade regime influences the trade-off between state's size and heterogeneity.⁴¹ Because of specialization and other mechanisms, interaction among a large number of individuals may increase productivity in a large market. A country's market size coincides with its political size only if the country's economy is perfectly integrated domestically but completely closed to the rest of the world. In autarkic world a small country has a small market and thus a low demand for output, low production and low probability of capital mobilization. In an economically integrated world where borders are totally irrelevant for economic interactions, the market size of each country is the world. Since the economic costs of being small fall as economic integration increases, one should observe that ethnic minorities and border regions of larger countries may prefer to split away. Separatist violence may rise.

Other types of domestic terrorism may also increase due to global economic integration. Economic globalization creates opportunities for violent political opposition to a state. Economic globalization creates winners and losers.⁴² In the developing countries, the impact of globalization has been immense in fostering great economic and social inequality. The benefits

of globalization, such as higher economic growth, are not shared evenly. Thus, the first element in the discourse of economic globalization and internal conflict is social and economic inequality. Contrary to expectation, the benefit of free trade and investment has not trickled down to the vast majority of poor people in these developing economies. Foreign Direct Investment has increased the demand of the skilled labor causing unemployment of a large number of unskilled labors.⁴³

In a heterogeneous state where one or more minority groups have been long discriminated against, economic globalization would benefit the majority population. The minorities are likely to lack skills and resources to reap the benefits of global trade and investment. By lowering the opportunity cost of violence for the losers of globalization, a move toward economic openness can increase domestic conflict.⁴⁴ If the losers of global economic integration are from the minority communities, terrorist organizations would get a steady supply of new recruits.

Secondly, increased economic competition and the resultant “race to the bottom” in social standards might lead to lowering of safety nets for the losers, and curtailing of public goods.⁴⁵ Therefore, exposure to globalization might create the conditions for social breakdown because of resistance from those who become marginalized.⁴⁶ Governments once capable of sheltering the “losers” from market forces are apparently less capable of doing so because the structural power of markets has tamed politics.⁴⁷ Thirdly, countries seeking assistance from international financial institutions like the World Bank and IMF in the form of grants/aid/loans are often forced to adopt unsuitable neoliberal policies that may harm ordinary people.⁴⁸ These initiatives primarily include reduction in expenditure on social sector and development spending.⁴⁹ Fourthly, stiff economic competition may prompt the government to violate people’s

human rights. The plight of small farmers and share-croppers in India in the wake of the country's post-1990 economic liberalization can be cited here to support the above suppositions. Scholars often connect India's Maoist insurgency and terrorism to the government's neo-liberal policy restructuring like withdrawal of farm subsidy, forceful acquisition of farm land for foreign investors and forceful displacement of millions of tribal people from their ancestral forest land without proper resettlement.⁵⁰

Lastly, in the debate regarding the effects of globalization, economists often take the rigorous neoclassical paradigm of trade as their starting point. Canonical versions of that paradigm assume that property rights are perfectly enforced. Under such conditions, greater trade openness and, more generally, economic globalization are typically found to be beneficial.⁵¹ However, in many circumstances, property rights either are not well-defined or are costly to enforce. Many countries lack proper conflict resolution mechanisms and other institutions that are necessary for neo-liberal policies to function. An illustration of how weak political institutions can adversely affect the efficacy of neo-liberal policies is seen in the ready-made garments (RMG) sector in Bangladesh. Most garments factories in Bangladesh pay little attention to labor standards and labor rights, unsafe working environment, sexual harassment and torture of women and child labor.⁵² The government agencies are negligent to flagrant violations of laws and fair labor practices. This has led to the labor unrest in the RMG sector and discontent in larger Bangladeshi society. Moreover, crony capitalism, corruption and lopsided model of industrialization have created discontent against governments in many underdeveloped countries. The above discussion logically leads to following hypothesis.

H3: Global economic integration is likely to increase domestic terrorist activities in a state. The alternative is that economic globalization is not related to domestic terrorism

In addition to the above direct hypothesis, I also test two conditional hypotheses to supplement the above three. Although terrorism might not be conditioned by opportunities, political and economic opportunities might lead to increase in terrorism even more when interacted by the grievances; hence marginal effects of opportunities on grievances, if any, would be of interest in my study of domestic terrorism.

H4: Domestic terrorism is likely to increase in an immature democracy in the presence of heterogeneity cost. The alternative is that immature democracy has no effect on heterogeneity cost in influencing domestic terrorism

H5: As the levels of economic globalization increase, domestic terrorism is likely to increase in the presence of heterogeneity cost. The alternative is that economic globalization has no effect on heterogeneity cost in influencing domestic terrorism.

Research Design

Unit of Analysis and Data

I test the hypotheses presented above on a dataset of domestic terrorism in five countries of South Asia – India, Pakistan, Bangladesh, Nepal and Sri Lanka – for the period between 1990 and 2007. I exclude three other countries of the region – Myanmar, Bhutan and Maldives – due to lack of data on explanatory variables. To test the hypotheses, I use a set negative binomial regression models on the incidents of domestic terrorism using a country-year database of five countries from 1990 to 2007. The unit of analysis is country-year. Enders, Sandler and Gaibulloev⁵³ formed the most reliable dataset on domestic terrorism by deriving their count of domestic terrorist attacks occurring within countries by separating domestic from international terrorist events published in the widely used Global Terrorism Database (GTD).^d GTD is a publicly available, open source event-count database of aggregated domestic and international terrorist attacks from 1970 to 2007 built and managed by the National Consortium for the Study

^d Access to the raw GTD database, along with descriptions of count methods and operationalization of terrorism, is available online at: <http://www.start.umd.edu/gtd/>.

of Terrorism and Responses to Terrorism, housed at the University of Maryland.

Enders, Sandler and Gaibullov⁵⁴, first of all, clearly define terrorism as the premeditated use or threat to use violence by individuals or subnational groups against noncombatants in order to obtain a political or social objective through the intimidation of a large audience beyond that of the immediate victims. They then proceed to remove those observations from the GTD that do not fall within their definition of terrorism. To identify incidents as transnational, they apply a five-step procedure. Firstly, if the venue country is different from the country of nationality for one or more victims, then the attack is clearly a transnational terrorist incident. Secondly, attacks against diplomatic targets are deemed to be transnational incidents. Thirdly, terrorist attacks against US entities that occurred outside of the US are classified as transnational terrorist events. Fourthly, a terrorist act that occurs outside of the United States and involves US fatalities or injuries is classified as transnational. Finally, any such incidents that involve the diversion of an airplane or resolution in another country, so that two or more countries are involved, are transnational terrorist events.

Based on the above five-step procedure, Enders et al.⁵⁵ identify 12,862 transnational terrorist incidents. They check the validity of their domestic–international decomposition technique by comparing the GTD international events with the international terrorist events published in the ITERATE database (International Terrorism: Attributes of Events) by Mickolus et al.⁵⁶ A total of 12,784 transnational terrorist incidents was recorded in ITERATE dataset for the same time interval. Although GTD and ITERATE datasets have some uncommon incidents, the nearly identical numbers support the methodological choices by Enders et al.⁵⁷ Next, after identifying uncertain incidents from the remaining terrorist events in GTD, the remaining 46,413

incidents are identified as domestic terrorist events because there are no grounds for identifying them as transnational terrorist events. The data on South Asia is a subset of this global dataset.

Dependent Variable

The dependent variable for the empirical models is a country-year count of domestic terrorist incidents in South Asia derived from the above mentioned dataset developed by Enders et al.⁵⁸ The number of incidents per year measures the existence of terrorism and how widespread terrorism is in a particular country. The country-year count has been used widely by scholars in quantitative studies of terrorism.⁵⁹

Core Independent Variables

I have three independent variables that are designed to test the hypotheses stated above. I describe below the operationalization of three variables – heterogeneity cost; immature or unconsolidated democracy; and global economic integration – that will be used as main explanatory variables in the empirical models.

Heterogeneity Cost: Heterogeneity cost means the presence of heterogeneity in a country and the extent to which the heterogeneous groups are deprived from public goods. Ethnic, racial or religious identity may be primordial, but such identities themselves do not produce resentment; they might coexist with amity. Moreover, ethnic, religious or racial heterogeneity generally remain constant over years at a country level, although in some rare cases mass migration or ethnic cleansing might change the demographic composition of a country. Heterogeneity being constant cannot explain domestic terrorism that varies over time at a country level. But, the ruling political elite can treat heterogeneous groups differently at different points of time; hence discrimination varies. Ethnic, religious or racial identity can serve as a ‘focal point’⁶⁰ facilitating convergence of individual expectations and be useful as a mobilization strategy; hence, political

leaders can strategically manipulate such identity for the sake of power.⁶¹ In a hostile political environment, minority group/groups may be discriminated against and the cost of heterogeneity increases for such groups. Therefore, operationalization of heterogeneity cost would have to be a composite score of heterogeneity and discrimination.

I use data on the measure of ethnic heterogeneity in 176 contemporary countries from the Finnish Social Science Data Archive.⁶² It is on a 0 to 80 scale where 0 stands for no heterogeneity and 80, extreme heterogeneity. The measurement of ethnic heterogeneity is based on the percentage of the largest ethnic group that has greatest stake in political power of the total population. This percentage indicates the level of ethnic homogeneity in a country, and its opposite indicates the level of ethnic heterogeneity (EH). The dataset on ethnic heterogeneity is designed to measure political discrimination as well. The CIA's World Factbook has been used as the principal source of data on ethnic groups, but many other sources have also been used.⁶³

To operationalize minority economic discrimination and policies to remediate discrimination in countries, I use the 'ECDIS Index' published by the Minorities at Risk Project of 2009.⁶⁴ The 'ECDIS/ Economic Discrimination' variable measures the degree to which members of groups designated as 'minorities at risk' (MARs) -- ethno-political communities in countries that 'collectively suffer or benefit from systematic discriminatory treatment vis-a-vis other groups in society' -- face economic discrimination as a result of formal or informal governmental neglect, lack of opportunities or social exclusion, and whether or not they are afforded affirmative remediation. ECDIS is coded in the Minorities at Risk database as a five-point categorical measure -- '0' for countries with no discrimination against minorities and '4' for countries with highest level of discrimination against minority group/groups. The Minorities at Risk project reports data for all possible minority groups in a country for 176 countries. The

dataset provides a score of discrimination for each minority group. I use the score for the group that suffers the worst form of discrimination in a particular country; therefore the highest economic discrimination score is used in my models to represent the highest level of discrimination. This method has been used in other empirical studies of domestic terrorism.⁶⁵

I combine these two measures – level of heterogeneity (0 to 80) and level of economic discrimination (0 to 4 – 0 for no economic discrimination and 4 for extreme economic discrimination) and convert it into a 0 to 4 index in the following way to operationalize heterogeneity cost.^e

$$\text{Heterogeneity cost} = \frac{(\text{heterogeneity index} \times \text{economic discrimination index})}{\text{maximum value of the heterogeneity index}}$$

Therefore, heterogeneity cost measures the combined effect of the presence of heterogeneity in a country and the extent of group/groups' deprivation from the political and economic benefits of public goods. This measure has not been used before and is an original contribution to the research on domestic terrorism.

Immature or unconsolidated Democracy: I use the Polity IV dataset⁶⁶ to operationalize regime type. The Polity IV conceptual scheme examines concomitant qualities of democratic and autocratic authority in governing institutions, rather than discreet and mutually exclusive forms of governance. This perspective envisions a spectrum of governing authority that spans from fully institutionalized autocracies through mixed, or incoherent, authority regimes to fully institutionalized democracies. The “Polity Score” captures this regime authority spectrum on a 21-point scale ranging from -10 (hereditary monarchy) to +10 (consolidated democracy) and

^e I ran models using ‘heterogeneity index’ (Vanhanen, 2010) and ‘minority discrimination index’ (MAR, 2009) separately. ‘Heterogeneity index’ has no relationship with domestic terrorism. But ‘minority discrimination index’ is positively related with domestic terrorism at a level of statistical significance that supports Piazza’s (2011) findings on global level.

consists of six component measures that record key qualities of executive recruitment, constraints on executive authority, and political competition. It also records changes in the institutionalized qualities of governing authority. I generate a dummy variable ‘Immature Democracies’^f coded 1 for all the countries that score +6 through +9 on the combined 21 points democracy-autocracy scale. These less institutionalized democratic countries have some, but not all the democratic institutional features that consolidated democracies have. All the rest of the countries on the Polity IV scale are coded as 0.^g This characterization of immature or unconsolidated democracies is consistent with dichotomous measures employed by other scholars in international relations.⁶⁷

Global Economic Integration: Two direct indicators of economic globalization are trade openness and foreign direct investment. In the globalization literature, both economists and political scientists have widely used these indicators as standard measures of economic globalization and national integration into the global economy.⁶⁸ They capture, respectively, two distinct and significant dimensions of economic globalization - exchange of goods and services, and monetary capital. More specifically, FDI denotes the annual sum of the value of inflow and outflow of the foreign direct investments of a country as a percentage of the country’s GDP. TRADE is the annual sum of the value of imports and exports of the goods and services of a country as a percentage of the country’s GDP. Both trade and FDI are used as percentage of GDP to assess the extent of economic integration in relation to the size of a country’s economy. Data for these two variables are taken from the World Development Indicators.⁶⁹

Control Variables

^f Immature democracy and unconsolidated democracy are interchangeably used in this paper.

^g Marshall and Jaggers (2010) recommend ‘democracy’ to be operationized as a dummy variable (1) for all countries with a combined Polity score of +6 through +10. But in the dataset for South Asia between 1990 and 2007 no country-year has been assigned a score of perfect +10. There is no ‘institutionalized democracy’ (+10) in the dataset.

In addition, I include in all models a host of controls that frequently appear in empirical studies of terrorism.⁷⁰

History of Violence: Crenshaw⁷¹ has asserted that a history of violence is a major predictor of terrorism in a given country. The culture of violence has been emphasized by scholars in several case studies.⁷² So I include a *history* variable as one of the controls in the model. It is simply a lag of the dependent variable, as the previous year's violent activities by the terrorists can be a good predictor of this year's attacks.

Inequality: To operationalize income inequality, I use the same measure used by Abadie⁷³, Li⁷⁴, Li and Schaub⁷⁵, and Piazza⁷⁶: national *Gini* coefficients. Uneven distribution of public goods might result in inequality in the society; hence I expect Gini to be a positive predictor of domestic terrorism. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.⁷⁷

In the case of the Gini, I impute values for years in which data are missing – Gini is published less frequently than once a year for some countries in the analysis – by just inserting the most recent value. This method of imputation is consistent with similar method employed by other scholars in international relations.⁷⁸ This variable is lagged by one year.

Economic Development: Economic development is a contentious issue in terrorism research. Scholars' findings on poverty as a driver of terrorism are inconclusive of any relationship. Some studies find that terrorism originating in a country is positively associated with the country's wealth or economic development.⁷⁹ If economic and political opportunities facilitate terrorism, we would expect that domestic terrorism might increase with the level of economic development. Therefore, I include *Gross Domestic Product per capita* held at constant 2000 US dollars as a

control variable in the empirical models. GDP per capita is lagged by one year. Data for this control variable are taken from the World Development Indicators.⁸⁰

Regime Durability: Studies find the age of the current political regime to be a negative predictor of terrorism.⁸¹ I therefore control for *regime durability*, which is calculated as the number of years the current regime has ruled, using data from the Polity IV project.⁸² The intuitive logic is that frequent regime change might prevent the government in pursuing long term counterterrorism policy providing the terrorist groups opportunity to organize.

Unemployment: Unemployment might increase domestic terrorism because it would be easier for the terrorist organization to recruit cadres if people are jobless. If the distribution of public goods were uneven, we would expect more unemployed people among the deprived than others.

Terrorist organizations might exploit the grievances of the unemployed in the deprived section of people. Therefore, I include the total unemployment as a percentage of a country's total labor force as another control variable. The data on unemployment come from World Bank.⁸³

State Fragility: Crenshaw⁸⁴ argues that a state's inability to effectively tackle violence might exacerbate the problem; hence state fragility is likely to increase terrorism. A fragile state may be an ideal breeding ground for domestic terrorist organizations because of the ease with which the groups can operate.⁸⁵ I use the state fragility index -- a 0 to 25 scale composite score of political effectiveness and legitimacy⁸⁶ -- as a control variable in the models. The index is available from 1995 to 2010; hence I use imputation to get the missing values. I expect state fragility to positively correlate with domestic terrorism. A summary of the independent and control variables is presented in Table 1.1.

[Table 1.1 here]

Analysis

I use a set of negative binomial regression models on the incidence of domestic terrorism on a database of 5 countries from 1990 to 2007. Owing to missing data for some cases, the sample size is 85. Because the dependent variable is an event count variable, ordinary least squares (OLS) estimates can be inefficient, inconsistent, and biased.⁸⁷ The Poisson regression model is often applied to model event counts, in which the mean of the Poisson distribution is conditional on the independent variables. However, the Poisson regression model assumes that the conditional mean of the dependent variable equals its conditional variance. This assumption, which may be violated in my models,^h would cause underestimated standard errors and spurious statistical significance.⁸⁸ I tried Poisson regression and the main findings remained unchanged, but a likelihood ratio test showed that the negative binomial model is more suited to the data than a Poisson model. Statistical models for the time-series, cross-sectional data as used in my models often suffer heteroskedasticity and serial correlation in the error term. To deal with these potential problems, I estimate robust standard errors clustered by country. These estimated standard errors are robust to both heteroskedasticity and to a general type of serial correlation within any cross-sectional unit.⁸⁹ The inclusion of the lagged incidents as ‘History’ variable also helps to absorb temporal dependence in the data.

Negative Binomial Results

Table 1.2 presents results for the benchmark model I and interaction models II, III and IV. Below, I first focus on the results of the benchmark model as far as hypotheses 1 to 3 are concerned and then discuss the interaction models for hypotheses 4 and 5. Both the heterogeneity cost and immature democracy are statistically significant at the hypothesized directions. With a one unit increase in ‘heterogeneity cost’ score for a country, the rate of incidents of domestic terrorism in a year would increase by the factor of 1.461 on average in that country while

^h The dependent variable has a mean of 50.04 and a standard deviation of 62.17.

controlling for all other variables in the model. In other words, a 1 point increase in the heterogeneity cost increases the annual rate of terrorist incidents by 46.1% controlling for all other variables in the model. It is significant at a 99% level of confidence.ⁱ The expected rate of domestic terrorist incidents in an Immature Democracy is 1.7953 times than that in other regime types when all other variables in the model are controlled for. Therefore, an Immature Democracy is about 1.79^j times as vulnerable to domestic terrorist incidents as a regime type other than Immature Democracy when all other variables are controlled for. Or, immature democracies are likely to experience 79% more domestic terrorist incidents than other regime

[Table 1.2 here]

types when all the other variables in the model are controlled for. This is significant at a 99% level of confidence as well. Hypotheses 1 and 2 that expected higher heterogeneity cost -- level of deprivation from public goods due to heterogeneity -- and immature or unconsolidated democracies are likely to increase domestic terrorism are supported in my study. The measures of economic globalization, Trade and Foreign Direct Investment, are not related to the rate of terrorist incidents; the coefficients for Trade and Foreign Direct Investment do not reach the level of statistical significance. Therefore, I do not find support for hypothesis 3 in my study.

A number of control variables are statistically significant in the expected directions. A one-unit increase in the 'State Fragility Index' for country increases the expected rate of incidents of domestic terrorism in a year by a factor of 1.3087 in that country while controlling for all other variables in the model. In other words, a 30.87% hike in domestic terrorist incident

ⁱ The null/alternative of no relationship between heterogeneity cost and domestic terrorism can be rejected. There is less than 1% probability that the relation between the variables found in our sample is a "fluke". This method of negation of null or contending hypothesis is widely applied in the scientific study of social sciences where inferential statistics are used.

^j The coefficients in negative binomial regression model are in the forms of logged odds. The logged odds can be converted into odds by simply taking anti log of the coefficients. Anti log of 0.585 is 1.79. It can be converted into percentage by deducting 1 from the odd ($1.79 - 1 = 0.79$ or 79%).

rate is predicted with a 1-unit increase in 'State Fragility Index' per year controlling for all other variables in the model. It is significant at a 99% level of confidence. This finding is compatible with earlier findings that weak states are ideal breeding grounds for internal conflicts like civil war and insurgencies.⁹⁰ The terrorist groups' activity in freely recruiting, organizing, and training is likely to be contingent on their ability to avoid detection by the government. Total unemployment as a percentage of a country's total labor force is a positive predictor of domestic terrorism. A one percent increase in unemployment in a country results in the rate of domestic terrorist incidents increasing by a factor of 1.1692, controlling for all other variables in the model. In other words, a 1% increase in unemployment leads to a 16.9% increase in the rate of domestic terrorist incident when all other variables in the model are controlled for. This is significant at a 99% level of confidence. Globalization might result in job loss among the losers of trade. If the jobless people are from discriminated groups, terrorist organizations might find new recruits. Finally, the control variable *regime durability* is statistically significant in the opposite direction of what I expected. A one-year increase in 'regime durability' for a country is likely to increase the expected rate of incidents of domestic terrorism in a year by a factor of 1.0185 in that country while controlling all other variables in the model. In other words, 1.85% increase is predicted in the rate of terrorist incident per year if regime durability as an explanatory variable goes up by one year, controlling all the other variables in the model. It is significant at 95% level of confidence.

An interpretation of the benchmark model (Model I) in terms of change in rate of domestic terrorist incidents with discrete changes in independent variables that are statistically significant is presented in Table 1.3. The change in predicted rate of terrorist incidents due to one independent variable is calculated while keeping all the other count variables at their mean and

all the categorical variables at their modal value of 1 using ‘prchange’ command of Long and Freese⁹¹ in Stata. If the value of heterogeneity cost is changed from its minimum to maximum, 31 (rounded) more cases of domestic terrorist incidents are predicted. Similarly, change from other regime type to immature or unconsolidated democracy would result in 17 (rounded) more cases of terrorist incidents a year. Similarly, if the values for state fragility, unemployment and regime durability are changed from minimum to maximum, there would be 118 (rounded), 133, and 50 (rounded) more cases of domestic terrorist incidents a year.

[Table 1.3 here]

Model II (see Table 1.2) shows that the interaction-term between heterogeneity cost and immature democracy is statistically significant at a 95% level of confidence. Immature Democracy as a regime type increases domestic terrorism in the presence of heterogeneity and discrimination. I find support for hypothesis 4 that the more individuals or groups face heterogeneity costs in a state, the more the state is likely to suffer from domestic terrorism if the aggrieved individuals get greater political opportunity in the form of living in an immature democracy. The coefficient of the interaction term is interpreted below.

Rate of Incidents = $b_1 + b_2 \text{ immature democracy} + b_3 \text{ het. cost} + b_4 \text{ immature democracy} * \text{het. cost} + \text{Controls} + e$

$= b_1 + b_3 \text{ het. cost} + \text{immature democracy} (b_2 + b_4 * \text{het. cost}) + \text{Controls} + e$

When heterogeneity cost is zero, the expected rate of domestic terrorist incidents in an Immature Democracy is 1.033 times than in other regime types when all other variables in the model are controlled for. But if the heterogeneity is at its maximum of 0.637, the expected rate of domestic terrorist incidents in an Immature Democracy is 2.084 times higher than in other regime types when all other variables in the model are controlled for. The marginal effect of

immature democracy across heterogeneity cost in influencing the rate of domestic terrorist incidents is presented in Figure 1.1.

Similarly, model III (see Table 1.2) shows that the interaction term between heterogeneity cost and trade is statistically significant at a 99% level of confidence. Trade increases domestic terrorism in the presence of heterogeneity and discrimination. I find support for hypothesis 5 that the more individuals or groups face heterogeneity costs in a state, the more the state is likely to suffer from domestic terrorism if the aggrieved individuals get greater economic opportunity in the form of increased participation of the state in international trade. The coefficient of the interaction term is interpreted below.

$$\begin{aligned} \text{Rate of Incidents} &= b_1 + b_2 \text{ trade} + b_3 \text{ het. cost} + b_4 \text{ trade} * \text{het. cost} + \text{Controls} + e \\ &= b_1 + b_3 \text{ het. cost} + \text{trade} (b_2 + b_4 * \text{het. cost}) + \text{Controls} + e \end{aligned}$$

[Figure 1.1 here]

When heterogeneity cost is zero, 1% increase in trade changes the rate of incidents by a factor of 0.8651 on average while controlling for all other variables in the model. But if the heterogeneity is at its maximum of 2.62, 1% increase in trade changes the rate of domestic terrorist incidents by a factor of 1.0425 on average when all other variables are controlled for. The marginal effect of trade across heterogeneity cost in influencing the rate of domestic terrorist incidents is presented in Figure 1.2.

[Figure 1.2 here]

Lastly, model VI (see Table 1.2) shows that the interaction term between heterogeneity cost and Foreign Direct Investment is not statistically significant. Foreign Direct Investment was not related to terrorism (see Model I in Table 1.2) in my empirical finding. I also do not find statistical support for the interactive hypothesis in relation to heterogeneity cost and FDI.

Therefore, Foreign Direct Investment as a percentage of a country's GDP neither increases nor decreases domestic terrorist incidents even in the presence of heterogeneity and discrimination.

Conclusion

In my empirical analysis, I found support for hypotheses 1, 2, 4 and 5, but hypothesis 3, that economic globalization is likely to increase domestic terrorism, did not get empirical support. Economic globalization in the presence of heterogeneity and minority discrimination increases domestic terrorism. The findings have several policy implications. The people of these countries in South Asia cannot enjoy the benefits of trade because their governments discriminate against the minorities. It is interesting to note here that regime duration increases terrorist incidents; I expected a negative relationship. The political regimes in the region consistently follow discriminatory practices. The longer the regimes survive, the more institutionalized the discriminatory practices are. Therefore, the governments need to take effective steps to rid the institutionalized practices of discrimination, although I do not argue in favor of regime change in those countries. All the five countries in my study currently have democratic regimes. However, the democratic systems are not institutionalized; they do not guarantee rule of law for all the citizens. The governments need to take steps to strengthen their democratic institutions. Democratic consolidation would probably bring greater internal peace in those countries.

It is important to note in the conclusion that terrorism in South Asia is often tied to the geo-politics of the region. The Islamic terrorism that afflicts India and Bangladesh draws its ideological inspiration from the Jihadists of Pakistan and their ideologue Ala Maududi. The Indian government agencies routinely blame the Pakistan government and its intelligence agency Inter Services Intelligence (ISI) for providing logistic support to homegrown Islamic terrorist

organization in India.⁹² Islamic terrorist organizations in Bangladesh are alleged to have ties in Pakistan. Similarly, Pakistan routinely complains India's role in aiding Beloch rebels and Indian intelligence agencies role in fomenting crisis inside Pakistan. Sri Lankan Tamils received moral and material support from India in the initial years of Tamil insurgency. Nepal's Maoists rebels are connected to like-minded groups in India and China. Both Nepal and India's Maoist rebel organizations are believed to have the indirect blessings of Communist Party of China.⁹³

Mathematical models, although limited in explaining the complexities of terrorism in South Asia, can identify some causal mechanisms in explaining the phenomenon. Therefore, this paper contributes in the accumulation of scientific knowledge in the study of terrorism.

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Table 1.1: Summary Statistics of Independent Variables

Variable	Number of Obs.	Mean	Std. Dev.	Min.	Max.
Heterogeneity Cost	90	1.569	0.889	0.637	2.625
Immature Democracy	90	0.755	0.496	0	1
Trade	90	43.71	19.38	15.68	88.636
Foreign Direct Inv.	90	0.826	0.843	-0.098	3.97
History	85	49.14	62.1	0	383
Inequality	90	37.89	5.38	30.6	50
Economic Development	90	1475.57	825.07	491.13	4279.73
Regime Durability	90	23.2	22.06	0	59
Unemployment	90	5.93	3.22	1.845	14.7
Fragility	90	15.48	2.08	12	20

Table 1.2: Negative Binomial Regression Models of Grievances and Opportunities of Domestic Terrorism 1990-2007

Independent Variable	Model I	Model II	Model III	Model IV
Heterogeneity Cost	0.379** (0.114)	0.226 (0.156)	-0.551† (0.294)	0.382** (0.04)
Immature Democracy	0.585** (0.148)	0.014 (0.073)	_____	_____
Trade	-0.018† (0.009)	_____	-0.062** (0.012)	_____
FDI	0.401 (0.318)	_____	_____	-0.393 (0.502)
Heterogeneity Cost * Immature Democracy	_____	0.478* (0.204)	_____	_____
Heterogeneity Cost * Trade	_____	_____	0.031** (0.01)	_____
Heterogeneity Cost * FDI	_____	_____	_____	0.301† (0.171)
History	0.003 (0.002)	0.004** (0.001)	0.004** (0.001)	0.004 (0.002)
Inequality	-0.008 (0.023)	-0.056** (0.013)	0.009 (0.016)	-0.002 (0.035)
Economic Development	0.0001 (0.0002)	0.0004** (0.0001)	0.0001 (0.0001)	-0.00002 (0.0003)
Regime Durability	0.018* (0.008)	0.002 (0.005)	0.017** (0.003)	0.018* (0.008)
Unemployment	0.156** (0.041)	0.129* (0.062)	0.091† (0.047)	0.038 (0.056)

State Fragility	0.269** (0.054)	0.25** (0.05)	0.177** (0.044)	0.239** (0.065)
Constant	-2.458 † (1.469)	-0.884 (0.752)	0.64 (0.873)	-1.73 (1.475)
Number of Obs.	85	85	85	85
Wald χ^2	66.41**	62.48**	62.28**	60.98**
LR Test (alpha=0)	1609.43**	1854.17**	1785.63**	1617.07**

Note: Dependent Variable is the country year counts of domestic terrorist incident.
Robust standard errors are clustered on country in parentheses.
(† p<0.10, *p<0.05, **p<0.01)

Table 1.3: Change in the Predicted Rate of Domestic Terrorist Incidents with Discrete Change in the Values Independent Variables of Statistical Significance in the Benchmark Model

Independent Variable	Unit Change	Effect on the yearly rate of terrorist incidents
Heterogeneity Cost	Min - Max	+ 30.89
Immature Democracy	0 - 1	+ 17.33
State Fragility	Min - Max	+ 118.4
Unemployment	Min - Max	+ 133
Regime Durability	Min - Max	+ 49.7

Min – Max: Change from minimum value of the independent to its maximum value.

0-1: Change from value 0 to value 1 of the independent variable.

Note: The change in predicted rate of incidents due to one independent variable is calculated while keeping all the count variables at their mean and all the categorical variable at 1 (modal value).

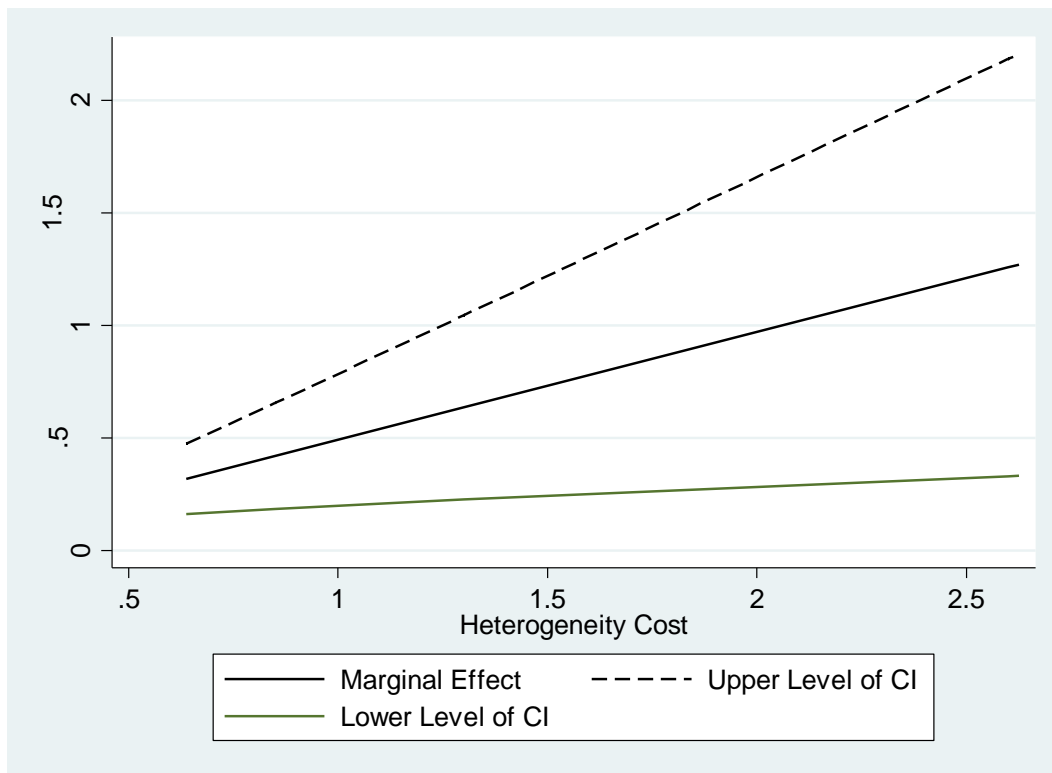
Figure 1.1: Marginal Effect of Immature Democracy across Heterogeneity Cost (95% C.I.)

Figure 1.2: Marginal Effect of Trade across Heterogeneity Cost with 95% C.I.

