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Challenging the State: Evaluating the Effects of Uneven Distribution of Public Goods, Economic Globalization and Political Openness on Domestic Terrorism

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Challenging the State: Evaluating the Effects of Uneven Distribution of Public Goods, Economic Globalization and Political Openness on Domestic Terrorism

A Dissertation Presented for the Doctor of Philosophy Degree The University of Tennessee, Knoxville

Sambuddha Ghatak
May 2014
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Dedication

To my family, Mom, Prabuddha, Minakshi and Maitraya, who have provided me with love and support, often from afar. To Minakshi, my wife, who has been the best friend I could have asked for and my constant companion for the past nineteen and half years. You have been there for everything and have been a great source of happiness and confidence for me.

To Maitraya, my son, who has been a monumental source of strength and confidence for me. You inspired me to touch the sky and I can’t put into words how lucky I am to have you in my life.

To Prabuddha, my brother, who has always stood by me with material and emotional support in last seven years in my graduate school. I would not be able to finish my doctorate without your support. To Aratrika and Atreya (and Maitraya), who give me strength to reach my goal so that one day you can proudly say that your uncle (and dad) has achieved the highest level of education.

To my mom, who has always encouraged me to achieve something high in life. I owe my life to you. Finally, to my dad, who is resting in his heavenly abode. You would be the happiest person to see me achieve this height. I know you are watching my success and blessing me from your resting place. You taught me to take risk, be honest and made me what I am today.
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Abstract

The end of Cold-War ushered in an era of global economic integration and political openness in terms of emerging democracies; the world celebrated the triumph of free market capitalism as the East European ex-communist countries and Third World countries of Asia and Africa placed market forces at the center of their policy. There seems to have been a breakthrough for the idea of the Manchester School, in terms of using economics as a means of international peace. On the other hand, however, the world is not at peace. The collapse of the “Soviet Empire” was followed by the emergence, or re-emergence, of many ethno-political conflicts, religious militancy, terrorism, and severe competition over scarce resources. Domestic terrorism, as a form of intrastate violence, has varied widely along with the post-Cold War period of global economic integration and political openness, taking almost a U-shape in its fluctuations. How are these two phenomena—economic integration and emergence of democracies—related to domestic terrorism? The thesis is intended to explore whether post-Cold War trends of global economic integration and emergence of democracies are responsible for the fluctuations in domestic terrorism. A rational choice theoretic model of violent intrastate conflict that is based on three crucial factors—(1) political openness, (2) global economic integration, and (3) heterogeneity cost—is used to explain the causal relationship. I argue that resort to terrorism is a rational choice when individuals’ 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 regarding the influence of global economic integration, emerging democracies and heterogeneity cost on domestic terrorism derived from the theory are empirically tested on a global dataset of 172 countries for the time period between 1990 and 2007. I also use a regional dataset on South Asia and a case study on India to supplement my findings and situate them in historical context. I conclude with the policy implications of my findings and offer suggestions on how this research can be extended in the future.
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Chapter 1

General Introduction

Terrorism: Victimization of the Innocent

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 317 persons and wounding another 1250 (Mickolus and Simmons, 1997, p.338).

Two years later, thousands of miles away from the crowded city of Bombay, it was 9.02 a.m. on April 19, 1995. An explosion from a truck bomb caused the partial collapse of the Alfred P. Murrah Federal Building in Oklahoma City, Oklahoma. The explosives that Timothy McVeigh, a 27 year old man, arrested shortly after the incident for speed driving on Interstate 35 and possessing a loaded pistol, and his associates had planted in a rented Ryder truck brought down the 9-story building, killing 168 innocent people, including 19 children (Levin, 2007, p.4).

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. That common thread is spreading terror among larger audiences through the victimization of innocent people who are not
directly responsible for the grievances, perceived or real, of the perpetrators of violence. Both of the above mentioned events of domestic terrorism in Bombay and Oklahoma City generated tremendous publicity, anger and, above all, fear. This kind of fear is exactly what those terrorist attacks hope to achieve. Leaders of terrorist organizations want the public not only to be frightened, but also angry on the government for its failure to protect innocent citizens. They want to manipulate public emotions for their political ends, and in many cases they are successful.

**Domestic Terrorism**

Contemporary scholars have devoted considerable time and energy in differentiating transnational and domestic forms of terrorism. For a terrorist incident to be transnational, it must involve at least two countries. Enders and Sandler (1999, p.149) write, “Whenever a terrorist incident in one country involves victims, or targets, or institutions of another country, then the incident is characterized as transnational.” The attacks on March 11, 2004 in Madrid and on November 26, 2008 in Indian city of Mumbai (Bombay) are well-known examples of transnational terrorism. Domestic terrorism, in contrast, is terrorism that nationals carry out against their own country, including their government or their fellow countrymen and women. It does not involve foreign victims, targets, or institutions. Sandler (2003, 781) notes, “Domestic terrorism is home grown and has consequences for only the host country, its institutions, people, property, and policies.”

In other words, in cases of domestic terrorism the venue, target, and perpetrators are all from the same country. Thus, domestic terrorism has direct consequences for only
the venue country, its institutions, citizens, property, and policies. If a domestic commercial flight with only nationals aboard is hijacked to another city in the same country for political purposes, then the hijacking is a domestic terrorist act. Most terrorist acts, staged in a struggle for independence, are domestic terrorism. A domestic terrorist incident is designed to extract political concessions by groups or persons from their native government; it has nothing to do with a foreign government.

The image of terrorism that remains in the minds of many is the collapse of the twin towers of the World Trade Center in September of 2001. The enormity and the devastation of the incident that killed thousands shocked every American. Many peoples of the world who watched on television screens the horror of men and women running for their lives from the falling debris of two massive skyscrapers were similarly horrified by the ghastly incident. But careful review of data reveals that most transnational terrorist attacks kill far fewer people. The modal, or most frequent, type of terrorist attack produces no casualties at all (Enders et al., 2011). In that sense, 9/11 was an outlier as far as transnational terrorism is concerned. Frieden et al. (2010) assert that averaging 78 deaths per year (2 deaths per year, excluding the attacks of 9/11); transnational terrorism kills as many Americans as do bites by animals other than dogs.

Although in recent years, suicide terrorism has claimed the spotlight in terrorism studies because it is often considered a puzzling form of violence, Young and Findley (2011) 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, but
it is possible that the motivations for domestic and transnational terrorism are in fact similar. Regardless, a study of domestic terrorism versus transnational terrorism would have a different research design. Structural factors leading to increases in domestic terrorism are endogenous to the state that experiences it. Transnational terrorism, however, should involve a research design that incorporates factors associated with the target country as well as the country of origin of the attackers (Young and Findley, 2011, p.8).

Since the September 11, 2001 attacks, both policy makers, especially in the USA, and terrorism research have largely focused on transnational terrorism (Cronin, 2002; Enders and Sandler, 2002; Chalk, 2007). This has primarily been in reaction to the worldwide reach and recognition of al Qaeda, the Global War on Terrorism, and the availability of data on transnational terrorist incidents. Without minimizing the importance of lives lost in 9/11, domestic terrorism as a distinct phenomenon has been largely ignored despite the plethora of terrorist organizations that are principally domestic in nature. Abadie (2006) notes that while international terrorist attacks may generate more media attention, domestic terrorism is a far more frequent occurrence and accounts for the lion’s share of all terrorist activity in countries. During the period 1998–2005, the Memorial Institute for the Prevention of Terrorism dataset recorded 26,445 fatalities, but only 6447 resulted from international terrorism, of which more than 3000 were due to the 9/11 attacks (Asal and Rethemeyer, 2008, p. 447). Domestic terrorism represents by far the greatest part of all terrorist violence. Transnational terrorism, although given great
leverage in scholarly and policy circles, is actually a small subset of the much larger phenomenon of terrorism.

For the period between 1970 and 2007, a total of 66,383 incidents have been identified as terrorist incidents in the Global Terrorism Database (GTD) database. Out of this number, 12,862 are categorized as international/transnational incidents, and 46,413 are termed as incidents of domestic terrorism; demonstrating domestic terrorist incidents as far larger phenomenon than the international variety. As far as casualties are concerned, out of the total deaths of 105,147 persons worldwide from terrorism in the same period of time (1970 -2007), domestic terrorism has resulted in 91,436 deaths while international terrorism has caused 13,711 persons to die (Enders et al., 2011); hence domestic terrorism is far more devastating than the international one (see Figure 1).

Statement of the Problem

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”, Francis Fukuyama (1992) argued that a remarkable consensus concerning the legitimacy of liberal democracy as a system of government had emerged throughout the world over the past few years, as it conquered rival ideologies like hereditary monarchy, fascism, and most recently communism. More than that, however, liberal democracy and free market capitalism may constitute the “end point of mankind’s ideological evolution” and the

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1 Out of 175,481 persons wounded in all the terrorist attacks between 1970 and 2007, 132,492 persons were wounded in domestic terrorist attacks, while 42,989 persons were wounded in attacks perpetrated by international terrorist groups
“final form of human government,” and as such constitutes the “end of history.” Thus, global economic integration and the spread of liberal democracy are thought to constitute the ultimate route to world prosperity.

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. Financier George Soros (2002, pp. 4–10) aptly termed that prevailing paradigm ‘market fundamentalism’. Others refer to it as the ‘Washington Consensus’, building on a term coined by John Williamson (1990). Many, however, simply call it ‘free-market economics’. In addition to governments, the paradigm dominated the circles of academia, the media, the international financial institutions (IFIs), the corporate world and others involved in elite policy debate, both North and South. 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 (Board, 2004, p.130).

World foreign direct investment flows (FDI), which amounted to less than $13 billion in 1970, quadrupled every 10 years, reaching $54 billion in 1980 and $209 billion in 1990. During the last half of the 1990s, however, FDI practically exploded, reaching a peak of $1.4 trillion in 2000. The upward surge continued, reaching $4.1 trillion in 2007 (World Investment Report, 2010, p.187). Worldwide trade also increased dramatically over the same time period. Trade as a percent of GDP grew from 27 percent in 1970 to 38 percent by 1980 to 49.6 percent by the year 2000 and culminating at 59.6 percent in 2008.

During the same time period in question, there has been an increase in democratization across the globe. The percent of countries that are non-democracies as calculated by Freedom House starts at 46 percent in 1972. It falls to 35 percent by 1980 and steadily declines to 25 percent by the year 2000. In 2008, the percent of non-democratic countries declined to 22 percent (Freedom House, 2012). These trends are often used to demonstrate the extent to which the world is democratized and economically integrated or globalized (Blomberg and Hess, 2008).

From the early 1990s, countries all over the world began to open up their economies, and international trade and capital flow across borders increased exponentially. Countries from the former Communist bloc soon joined free trade organizations. The Soviet military withdrawal from Eastern Europe and the Third World
allowed democratization to proceed in many states previously ruled by Marxist
dictatorships, and led to significant progress in resolving several Third World conflicts
that had become entrenched during the Cold War. The reduction in East-West tension
also led to a decrease in inter-state conflict, some of which occurred in part due to the
superpower ideological rivalry during the Cold War.

Economists argue that global economic integration 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 before. 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 (Owen and Wu, 2007; Levin and
Rothman, 2006; Frankel and Romer, 1999). Therefore, we might expect more social
harmony and internal peace. Moreover, conventional wisdom suggests that democracy is
likely to reduce internal political conflict because of the presence of peaceful conflict
resolution mechanisms in such regimes. This perception of democracy as a panacea to
internal violence is shared by scholars and policy analysts (Schmid, 1992; Windsor,
2003). Therefore, post-Cold War democratization should be expected to reduce internal
violence like domestic terrorism worldwide.

On the one hand, there seems to have been a breakthrough for the idea of the
Manchester School, in terms of using trade as a means of international peace. In recent
years several scholars have found empirical support for the thesis that pairs of states with
a high share of mutual trade are less war-prone (O’Neal and Russett, 1997; O’Neal and
Russett, 1999; Moaz and Russett, 1993), although the causal direction between trade and conflict is not beyond dispute and scholars disagree over the theoretical explanation too.

On the other hand, however, it would be unwise to argue that the world is now at peace. The collapse of the “Soviet Empire” was followed by the emergence, or re-emergence, of many serious conflicts in several areas that had been relatively quiescent during the Cold War. Some of these new conflicts have been taking place within the former Soviet Union, such as the war between Armenia and Azerbaijan over Nagorno-Karabakh, and the fighting in Chechnya. But some conflicts also erupted or intensified in several countries outside of Russia, and many Third World conflicts in which the superpowers were not deeply involved during the Cold War have persisted after it, like the secessionist movements in India, Sri Lanka, and Sudan. Ethno-political conflicts aside, there have been other threats to international order that are, indeed, beyond the full control of major powers, even the United States. The most notable ones include religious militancy, terrorism, North-South conflict, and severe competition over scarce resources (Yilmaz, 2008).

Domestic terrorism, as a form of intrastate violence, has varied widely along with the post-Cold War period of global economic integration and emergence of democracies. Domestic terrorist incidents have varied after the end of Cold-War, taking almost a U-shape in their fluctuations. Terrorist incidents suddenly spiked in 1992 with the number reaching to 3220, the highest since 1970. But the incidents dramatically declined to a very low number in 1993, only to rise to the pre Cold-War high the next year. In 1998, terrorist incidents declined considerably and stayed at a low level of annual average of
655.57 for seven years. But, incidents of terrorism started rising again in 2005 and continued their upward move, reaching the pre Cold-War level of occurrence in 2007. The trends roughly resemble a U-shape after 1997, declining considerably and then rising again since 2005 (Enders et al., 2011)².

The same matching trends can be observed as far as deaths from such incidents are concerned. But, terrorism has been much more devastating in post Cold-War period, causing far greater number of deaths per incident than the previous periods.

In summary, terrorist incidents have widely varied after the end of Cold-War, taking almost a U-shape in their fluctuations. Fatalities from these incidents have varied in tune with these incidents, but yearly average of deaths per incident has risen. At the same time, as argued earlier, global economic integration and democratization that set in after the Cold-War have shown upward trends. Intuitively, domestic terrorism should have reduced due to economic openness, the spread of democracy and the end of Cold War rivalry. But this has not happened and this dissertation seeks to explain why not.

**Outline of the Dissertation**

How are economic integration and regime change related to domestic terrorism? Do they explain fluctuations in domestic terrorism? The dissertation explores whether post-Cold War trends of global economic integration and the spread of democracy account for the variations in domestic terrorism. I argue that individual/individuals-deprived from public goods-have resorted to terrorism in post-Cold War period of

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² It is important to note the role of the US led wars in Afghanistan and Iraq in 2001 and 2003 for a notable rise in the count of domestic terrorist incidents. But, even if we exclude the incidents in Afghanistan and Iraq, the trend still has a U shape.
political openness. Trade and investment have provided them economic opportunity. When minority discrimination is entrenched in a polity, economic prosperity in general may not alleviate grievances. Instead, aggrieved individual/individuals are likely to challenge the discriminatory state in an environment of economic and political openness.

In Chapter Two, I review previous research on terrorism, paying particular attention to the existing literature on domestic terrorism and works on other forms of terrorism that have implications for domestic terrorism. Crucial to this discussion are the theoretical and empirical discrepancies that appear in the extant research and how my research addresses those discrepancies, thus contributing to the extant literature on terrorism.

In Chapter Three, I develop a theoretic model of violent intra-state conflict that is based on three crucial factors: (1) heterogeneity cost, (2) emergence of democracies, and (3) global economic integration. I argue that resorting to terrorism is a rational choice when individuals’ cost of heterogeneity - deprivation from public goods due to geographical and ideological distance from the government -increases; opportunity is provided by political openness and integration to the global economy. From this model, I derive testable hypotheses regarding the influence of heterogeneity cost, immature democracies and global economic integration on the incidence of domestic terrorism.

In Chapter Four, I discuss the trends of domestic terrorism with descriptive statistic and review the data on domestic terrorism. Next, I discuss the data used to empirically test the theoretical propositions presented in Chapter Three and empirically test the hypotheses on cross-country dataset on domestic terrorism in 172 countries for
the period between 1990 and 2007. I operationalize concepts discussed in the third chapter. Then, I present basic descriptive statistics that highlight important characteristics of the variables and their sources, and I also introduce the statistical models to be used in the empirical analysis. Finally in Chapter Four I present my empirical finding of cross country analysis and discuss the results in a substantive way explaining the findings of the models.

In Chapter Five, I empirically test the hypotheses on region-level analysis on South Asia and discuss the results explaining the findings of the models. I confine my empirical analysis to five countries – India, Pakistan, Bangladesh, Nepal and Sri Lanka – of South Asia, not because the preponderance of active terrorist groups there in comparison to other regions of the world, but due to the convergence of almost all the explanatory factors as per the thesis’ theoretical expectations, namely, heterogeneity and minority discrimination, immature democracies, and growing trade and investment. The results of my empirical analysis on South Asia on a regional subset of the same dataset largely corroborate the findings of cross-country analysis. The factors responsible for any empirical discrepancies are then explained.

Chapter Six presents a study on India: this chapter explains the reason for selecting India as a case study and situates the theory in historical perspective. I analyze the causes and nature of two sources of terrorism in India prevalent since 1990s. The first set comprises of a network of rage-driven Indian Muslim youth and Indian Jihadist outfits who, with the support of the Pakistani terrorist groups like Lashkar-e-Taiba (LeT) and Jaish-e-Mohammad (JeM), seek vengeance for the ‘sufferings’ inflicted upon their
community, active throughout India since late 1990s. The second set is formed by radical Leftists known as Maoist insurgents who have grown as India’s biggest internal security threat in last one decade. The similarities and differences of the two disparate sets of terrorist groups are discussed. The case study supplements the generalized findings of the large-N study and regional analysis.

I conclude in Chapter Seven with a summary of what has been learned and offer suggestions on how this research can be extended in the future. I devote a section of the chapter on the policy implications of the findings of this research.
Chapter 2

Literature Review

The end of the Cold-War ushered in an unprecedented era of global economic integration and political openness. The world celebrated the triumph of free market capitalism as the East European ex-communist countries and Third World countries of Asia and Africa placed market forces at the center of their policies. Many elites concluded that economic integration and trade led to international peace. Still, the end of Cold War was followed by the emergence, or re-emergence, of many ethno-political conflicts, religious militancy, North-South conflict, and severe competition over scarce resources. Terrorism, both transnational and domestic, continued to frustrate political elites in many countries. How are economic integration and the spread of democracy related to domestic terrorism? This dissertation explores whether the post-Cold War trends of economic integration and the emergence of democracy are responsible for fluctuations in domestic terrorism. In this Chapter, I define domestic terrorism. Then, I review extant literature on domestic terrorism. Finally, I note the theoretical and empirical discrepancies that appear in the extant research and how my research addresses those discrepancies.

Defining Terrorism

Terrorism is a difficult term to define as scholars and policy makers disagree over motivations, tactics, targets, and consequences. Writing about the concept thirty years ago, Jenkins (1980, p.1) states that terrorism has no exact or accepted definition. And in the years since, it appears as though scholars, governments, and organizations have still
not been able to reach a consensus. As Alex Schmid and Albert Jongman (2008, p.1) put it, “The search for an adequate definition of terrorism is still on.”

Hoffman (2006) describes the scholarly search for a unanimously accepted definition of terrorism in the following words.

In the first edition of his magisterial survey, “Political terrorism: A Research Guide,” Alex Schmid devotes more than a hundred pages to examining more than a hundred different definition of terrorism in a effort to discover a broadly acceptable, reasonably comprehensive explication of the word. Four years and a second edition later, Schmid was no closer to the goal of his quest, conceding in the first sentence of the revised volume that the “search for an adequate definition is still on.” Walter Laqueur despaired of defining terrorism in both editions of his monumental work on the subject, maintaining that it is neither possible to do so nor worthwhile to make the attempt. “Ten years of debates on typologies and definitions,” he responded to a survey on definitions conducted by Schmid, “have not enhanced our knowledge of the subject to a significant degree.” Laqueur’s contention is supported by the twenty-two different word categories occurring in the 109 different definitions that Schmid identified in survey. At the end of this exhaustive exercise, Schmid asks whether the above list contains all the elements necessary for a good definition. The answer, “he suggests” is probably ‘no’. (Hoffman, 2006, pp.33-34)

Hoffman (2006, pp.40-41) then proceeds to usefully distinguish terrorism from other types of violence and identify the characteristics that make terrorism the distinct phenomenon of political violence that it is. The author sums up all the characteristics of terrorism and proposes to define terrorism as the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change. Levin (2006, p.1) asserts that terrorism refers to tactics and strategies used by individual/individuals to further their objectives.

Throughout history, desperate individuals have resorted to terrorism as a strategy for achieving their political objectives. Terrorism has been used not only by the weak and marginalized to overthrow unpopular political regimes and provoke social change but
also by the strong, and the powerful, for the purpose of maintaining their advantaged position in society.

Although scholars have tried to differentiate terrorism from guerrilla warfare and insurgency with valid arguments (Hoffman, 2006), rebels have often used terrorism as a strategy, including assassinations, hostage taking, hit and run attack, bombing at public places and so on. In fact, nearly a third of the thirty seven groups on the US State Department’s “Designated Foreign Terrorist Organizations” list could just be categorized as guerrillas (USSD, 2004, p.113).

Although the tactic of terrorism is difficult to define, it does have several key features that distinguish it from other types of violence. First, it is planned and calculated (Enders and Sandler, 2002, p.145). Terrorism is not spontaneously executed, but rather “premeditated and purposeful” (Crenshaw, 1983, p.2). Terrorists devote much time, consideration, and care to the preparation process in order to increase the impact of their attacks. Second, terrorism is intrinsically violent (Hoffman, 2006, p.40). Richardson (2007, p.4) argues, “If an act does not involve violence or the threat of violence, it is not terrorism.” Often, the use of violence is a trait that distinguishes the terrorist group from the political party that supports it. Thirdly, Krueger (2007) argues that terrorism is perpetrated by sub-state organization and individuals. Although, it does not necessarily mean that state-sponsored terrorism does not exist, it is the involvement of non-state actors that distinguishes terrorism from conventional war. This proposed feature of terrorism appears to be contradicted by the fact states often use terror as a tactic. But a
study of state terrorism would require a different research design than a study of non-state terrorism. Fourthly, a defining characteristic is the deliberate targeting of civilians (Richardson, 2007, p.6) or non-combatants (Victoroff, 2005, p.4). While admittedly the targeting of civilians remains controversial as a defining feature of terrorism and many scholars consciously do not include this facet in their definition of terrorism, the deliberate targeting of civilians (or non-combatants) separates terrorism from other forms of political violence. Williams (2008, p.14) notes, “For terrorist organizations . . . the use of indiscriminate violence against civilian targets is not only central to their strategy but is also their defining characteristic.” Unlike war, the object of terrorism is to bypass the other side’s military (which would otherwise result in certain defeat) and inflict pain on the target population so as to induce political change (Frieden et al., 2009).

Terrorism also is a political act (Hoffman, 2006, p.40; Richardson, 2007, p.5; Krueger, 2007, p.14). Terrorism seeks to manipulate political standpoints rather than conquer an opponent (Crenshaw, 1983, p.2). In the words of Reinares (2005, p.120), “Terrorism becomes political when it intends to affect the distribution of power and social cohesion within a given state jurisdiction or in a wider, international scenario.” Further, terrorists design their attacks to have prolonged psychological effects beyond the immediate victims (Bjorgo 2005, p.2). Terrorism is effective when it generates an atmosphere of fear. For Reinares (2005, p.120), “an act of violence is to be considered as terrorist when its psychological effects within a certain population or social aggregate, in

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³ State is considered to be the only institution that has the legitimacy to use violence. Moreover, a state’s action of terror can well be perceived as repression or human rights violations.

⁴ Often social objectives might also lead to terrorist actions (Enders et al., 2011).
terms of widespread emotional reactions such as fear and anxiety, are likely to condition attitudes and behavior in a determined direction.” Finally, terrorists communicate a message to an audience (Victoroff, 2005, p.4). In many cases, the target of the attack does not have much value to the perpetrators. Instead, terrorists intend their attacks to convey statements to governments, citizens, or rival groups. Terrorists may carry out an attack in order to influence a primary audience, such as a government, so that it adopts (or stops) a certain course of action or effects a policy change, but, at the same time, the attack may send a signal to a secondary audience, such as a funder. The same attack may convey a message of its resolve to a sympathetic populace.

More simply put:

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. (Enders et al., 2011, p.3)

To be sure, it can be difficult to differentiate domestic terrorism from other forms of violence, such as civil war, insurgency, and organized crime, but some defining traits stand out. Domestic terrorism can resemble civil war when it takes the form of a protracted campaign. Even when this is the case, however, domestic terrorism is a tactic employed as part of a larger violent movement. Terrorism can take place within the context of civil war or war more generally, but the two types of violence are not identical, although considerable overlap exists. As pointed out in Chapter One domestic terrorism is terrorism that nationals carry out against their own country, including their government or their fellow countrymen and women. It does not involve foreign victims, targets, or institutions.
Extant Literature

Qualitative case studies have dominated the literature on terrorism for decades. Historical analysis of country specific studies on terrorism may fail to generate cumulative knowledge on the subject of terrorism because they are, in most cases, selected to represent a specific viewpoint, and hence may not lead to broad generalization. But case studies contribute to a great extent in understanding the intricacies of this particular phenomenon of intrastate violence and shed light on some very important aspects.

Assassins, a branch of the Ismaili sub-sect of Shi’a Islam in twelfth century Iran and Syria, were one of the first groups to make planned and systematic use of murder as a political weapon in challenging the traditional Sunni rulers of the Muslim world. Lewis (1968), in his historical accounts of the Assassins, evaluates two contending theories about the logic of Assassins’ violence: a struggle between the Persians who the Assassins represented and the Sunni Arabs (racial theory), and an urban egalitarian-rural feudalistic power struggle (Assassins being basically rural people). Lewis’ study did not explain why the Assassins had chosen violence instead other peaceful methods. Messianic view and post-mortem luxurious life as promised by certain religion for martyrdom may be the cause, but there are plenty of examples of peaceful political protests among the Muslims.

The thugs, who operated in India from as early as the thirteenth century until they were suppressed by the British in the nineteenth century, were another terror group (Woerkens, 2002). The ‘Thugs’ or ‘deceivers’, an Indian network of secret fraternities engaged in murdering and robbing travelers, were devotees of the Hindu Goddess Kali.
As religious cults or sects, these murderous groups of mercenaries were often used by Indian rulers to fight against their rivals, thus making them shareholders in power structures of numerous Indian Kingdoms. Woerkens identifies the political-economy of these criminal groups; the change in the land distribution pattern by the Islamic rulers, followed largely by the British colonial administration, and the destruction of native kingdoms by the British left a large section of people, many of them were the soldiers under the native kings, without employment. These disgruntled people formed mercenary gangs and obstructed the free market exchange that the British introduced in colonial India; selected interpretation of Hindu sacred texts gave an extent of social legitimacy and social protection. Moreover, Thugs’ emergence coincides with the Islamic invasion in 13th century. Therefore, these xenophobic gangs were resisting intrusion to Hindu culture and naturally had a sympathetic populace as their support base.

Crenshaw (1981) attempts to generalize certain conditions by comparing different cases of terrorism and distinguishes a common pattern of causation from the historically unique. Crenshaw posits that a significant difference exists between preconditions as enabling or permissive factors that set the stage for terrorism over the long run, and precipitants, specific events that immediately precede the occurrence of terrorism. Modernization is a significant permissive cause of terrorism because increased complexity on all levels of society and economy creates opportunities and vulnerabilities. Urbanization, another permissive factor, increases the number and accessibility of targets and methods and creates recruiting ground among the politicized inhabitants. Social facilitation, an important permissive factor, refers to social habits and historical traditions
that sanction the use of violence against the government, making it morally and politically justifiable. A government’s inability or unwillingness to prevent terrorism is the most salient political factor in the category. The first precipitant of terrorism is the existence of concrete grievances among an identifiable subgroup of a larger population, such as an ethnic minority discriminated against by the majority. The lack of opportunity for political participation might create motivations for terrorism. Context is especially significant as a direct cause of terrorism when it affects elites, not the mass population. A government’s use of unexpected and unusual repressive force in response to protest might fuel fire to the unrest, thus prompting terrorist retaliation.

Crenshaw’s (1981) broad generalizations of the causal mechanism in the study of terrorism would be relevant if some of the country based case studies are reviewed. Pomper (1995), evaluating Russian terrorism in the 19th century, draws some conclusions from the half-century long experience of terrorism in Russia. Firstly, terrorism was not the first option of the revolutionaries; it all started with a benign students’ movement demanding reform. Frustration with failure in extracting any political concession, state repression, and rejection by a large section of people, especially by the peasants, gradually pushed them down the path of extreme violence. Secondly, the Russian revolutionary movement represents a ‘maturing’ process in tactics as well as ideas, going through several cycles. The revolutionaries adopted such strategies and tactics that could attract more recruits to their ranks. Thirdly, Tsarist repression gradually intensified and provided justification for the revolutionaries to use more violence. Finally, the failure of
the masses to respond to their propaganda and agitation propelled the revolutionaries to choose the extreme methods of terrorism.

A case study on Shining Path (Palmer, 1995), the Maoist revolutionary terrorist organization in Peru, explains the circumstances of its founding and its distinctive thirty-year trajectory of rebellion against the state. For its part, Shining Path’s terrorist acts are both selective and numerous, with a clear pattern of increasing frequency and growing geographical dispersion over time. What started as a Marxist study group in Huamanga University under a firebrand professor in the 1960s in Native American Indian inhabited Ayacucho region gradually grew into a dreaded nationwide terrorist movement in 1980s and 1990s. Shining Path’s transition to a terrorist organization with the aim of violently overthrowing the existing regime with a Marxist system coincided, paradoxically but significantly, with the democratization of Peruvian political system after a twelve-year period of reformist, not repressive, military rule. A charismatic leader in Guzman, who would exploit the legitimate grievances of the minority Ayacucho people, and his organizational structure, made Shining Path a formidable force. Guzman’s capture in 1992 dramatically reduced Shining Path terrorism in Peru, but it did not disappear.

Western Europe witnessed two major terrorist movements pertaining to identity and territorial claims – Irish movement in Northern Ireland and Euzkadi ta Askatasuna (Basque Homeland and Security, or ETA) in Basque country Spain – that have resulted in violence associated with center-periphery conflicts. Shabad and Ramo (1995) traces the causes, consequences and tactics of ETA terrorism trying to answer the question why ETA’s violence continued even after the demise of Franco’s authoritarian regime and in
an environment of democratization post-1975. First, the culture of violence that had been legitimizized in Basque country did not die with Franco. The post-civil war generation of Basque grew up in a climate of physical and symbolic violence and repression that was transmitted to the following generation. Secondly, as democratic process set in, ETA engaged in competitive outbidding with other nationalist groups thus increasing their violent campaign. The result of post-Franco ETA violence had another major effect in that the Basque nationalists were able to extract greater concession from the Spanish state. Significantly, the moderate nationalists and ETA appeared to have a symbiotic relationship, thus blowing hot and cold on the Spanish state to extract a better deal.

Like the Spanish case, a culture of violence has been institutionalized over the last three hundred years in Northern Ireland (Townshend, 1995). The contentious history of the six-county area of Northern Ireland has produced a protracted blurring of the conventional boundary between politics and violence, or peace and war; political violence has been a recurrent element of Irish public life. Provisional Sinn Finn’s open attempt to exploit this categorical ambiguity ‘with a ballot paper in one hand and gun in the other’ is only the most recent version of a strategy that has repeatedly emerged in the past. On the anti-republican side, the continuity of the roots of the Ulster Defense Association and other loyalist organizations is more tenuous. Townshend (1995) argues that political violence persists in Northern Ireland because it is effective; its efficacy is the primary condition for its adoption, legitimation and continuation. The illegitimacy of the contested state plainly contributes to the legitimacy of violent opposition. Although people of Northern Ireland in general may disapprove naked force as a legitimate form of
authority, a significant section recognizes the political validity of organizations like IRA that claims to be at war against the established state.

The culture of violence as experienced in Basque region and Northern Ireland has been argued to have substantial explanatory power in other cases of terrorism. Nowhere is the history and culture of violence more applied than Iran. Green (1995) in his case study of post-1926 terrorism of Iran analyzes the different sorts of terrorist experiences during both the Pahlavi and Khomeini period trying to answer the question why people as well as state chose mainly violent means of political expression, and other peaceful means were followed to a far lesser extent. The roots of terrorism in modern Iran can be traced back to Reja’s Shah’s politics of westernization that was largely followed by his son. As a fierce nationalist, Reja Shah initiated an assault on Islamic clergy. There was severe opposition to the Shah’s reforms, but the brutality employed to enforce Reja Shah’s will engendered equal brutality from the suppressed people and promoted widespread animosity toward the emerging Iranian state. Throughout the 1960s and 1970s Iranian politics became more violent in nature than before. Even peaceful demonstrations and marches evoked violent and brutal responses from the government. Thus violence was routinized as an integral part of Iranian politics. Interestingly, violence was routinely used even after 1979 revolution which was largely peaceful. Iran’s involvement in hostage taking in Beirut, public support for the Palestinian intifada in 1989, death-sentence to Salman Rushdie, and a host of terrorist activities elsewhere are all deep-rooted, according to Green, in a political history which has institutionalized violence. Terror has been an intrinsic component of Iranian political expression.
Although historical studies may not be designed to do, such studies fail to answer general questions: why do some groups and not others resort to criminal violence to challenge the establishment? What are the major drivers of terrorism? In other words, historical case studies do not identify any causal mechanisms that are applicable across cases and, thus, fail to contribute to the scientific study of terrorism.

Since the events of September 11, 2001 many conflict scholars have shifted their attention to understanding the causes and consequences of political terrorism. The amount of research on terrorism being published in political science journals has doubled several times over what it was pre-9/11 (Young and Findley, 2011). The proliferation of quantitative studies post-9/11 has hardly succeeded in achieving cumulative of knowledge because of two problems – universally accepted definition and profusion of typologies of terrorism. Although scholars have agreed on certain features of terrorism like involvement of non-state actors, social or political goal, presence of a larger audience other than the immediate target, spreading terror and so on; some issues are still unresolved about what constitutes a terrorist attack. Some argue that the target of the violence has to be a civilian or a noncombatant, while others relax this restriction (Ross, 2006). There is a similar problem. If scholars agree on a definition of terrorism that specifies that civilians are the only ones that qualify as terrorist victims, military targets during peace time might also reasonably qualify in the category of terrorism. The suicide bombing of the United States Navy destroyer, the USS Cole, in Yemen in 2000 is a good example. The attack was perpetrated against the military, yet the USS Cole was not involved in any specific combat operation, conflict, or war. The ship was refueling in the
port of Aden (Lippold, 2012). Definitional disagreements cause different datasets to vary in coding terrorist incidents, and this anomaly in terrorism datasets impedes accumulation of scientific knowledge on the subject of terrorism based on quantitative research.

Terrorism can be categorized in several varieties. It is useful to think about “terrorisms” rather than “terrorism” (Miller, 2007). Scholars identify many different typologies and bases for classifying terrorism; hence there is no agreement among scholars on typologies which impedes the development of systematic knowledge on the subject. Johnson (1978, p.276) noted that “there are almost as many typologies of terrorism as there as analysts.” Schmid and Jongman (1988) identified at least 50 typologies and proposed at least 10 common bases for classification, contending that most typologies of terrorism are “of little utility since [they] cannot explain or predict terrorist behavior in any way” (p.43). Although in recent years, suicide terrorism has claimed the spotlight in terrorism studies, scholars tend to differentiate between domestic and transnational terrorism because the causal mechanisms underlying two types of terrorism might be quite different. Factors leading to increases in domestic terrorism are endogenous to the state experiencing it. Transnational terrorism, however, involves factors associated with the target country as well as the country of origin of the attackers.

Given the problems of definition and typology, one basic flaw in terrorism research is that scholars do not typically distinguish between domestic and transnational terrorism, or they tend to only examine transnational terrorism (Young & Findley, 2011, p.7). This exclusive focus on transnational terrorism on the part of quantitative scholars is primarily due to the availability of event data.
The first worldwide dataset that includes domestic and transnational terrorist incidents for an extended time period is the Global Terrorism Database (GTD), maintained by the National Consortium for the Study of Terrorism and Responses to Terrorism (START). Currently, START’s GTD data cover 1970–2007; however, domestic terrorist incidents are not distinguished per se from transnational ones. The first attempt to systematically differentiate domestic and international terrorism was made by Enders et al. in 2011. This has facilitated quantitative research since the creation of this publicly available database.

This dissertation explores whether post-Cold War economic integration and political openness are related to domestic terrorism with the theoretical framework that terrorism is driven by group grievances of being deprived from public good provisions due to their ideological and geographical distance from the political power center. Political and economic openness provide them opportunities to mobilize and challenge the state. As I am mainly interested in exploring political and economic drivers of domestic terrorism, I review quantitative researches on terrorism that focus on such factors.

**Political Factors**

*Regime Type:* One political factor that has received particular attention in explaining terrorism is the regime type of states that are targets of terrorism in general. What is the relationship between democracy and terrorism? The Bush Doctrine, former president George W. Bush’s policy of democracy promotion abroad (and preventive war), placed regime’s effect on terrorism at the forefront of American foreign policy. It claimed:
“freedom and democracy are critical to defeating terror… Free nations that respect human rights will help overcome hatred, resentment, and the ideologies of murder” (Windsor, 2003). Though President Bush assumes a negative relationship, in fact no consensus exists on how democracy affects political violence. The literature presents two opposing views. Some researchers argue that democracies are less likely to experience domestic terrorist incidents (Schmid, 1992; Rummel, 1995), while others contend that democracies provide a fertile ground for domestic terrorism and hence are more likely to be targeted (Eubank and Weinberg, 1994; Pape, 2003).

Schmid (1992) argues that domestic terrorism is less likely to take root in a democracy because of the system’s strengths. Firstly, the opportunity to bring a new government through elections reduces the need of using violence to effect social change. Secondly, grievances can be ventilated through demonstration and debate in free media. Lastly, independent and impartial court system settles disputes and protects minorities. These conflict reducing mechanisms are great strengths of democracy if they work properly. Schmid contends cautiously that the struggle between terrorism and democracy is one for legitimacy, and maintaining the latter is strategically more important for democratic governments than winning short-term victories through tactical ‘quick fixes’; hence any manipulation of the democratic process might create grievances. When he argues about democracy as an appropriate regime to prevent domestic terrorism, Schmid emphasizes the perfect democracies numbering 28 during the 1980s.

Windsor (2003) argues that democratic institutions and procedures, by enabling the peaceful reconciliation of grievances and providing channels for participation in
policymaking, can help to address those underlying conditions that have fueled the rise of Islamist extremism. The source of much of the current wave of terrorist activity - the Middle East - is not overwhelmingly undemocratic by coincidence; most regimes in the region in fact lack the legitimacy and capacity to respond to the social and economic challenges that face them. Throughout the Middle East, secular opposition parties lack dynamism and a broad base of political support. Civil society is weak as a result of the severe legal restrictions and coercive methods that the region’s regimes use to stifle political expression. Independent media are largely nonexistent; most newspapers and articles are censored, and those that exist are seen as serving the interests of the regime or particular political parties. In such societies, severe repression drives all politics underground, placing the moderate opposition at a disadvantage and encouraging political extremism. Windsor’s article is a justification of post-9/11 US drive to spread democracy in the Middle East; hence the generalization about the ameliorative effect of democracy is not based on any systematic survey of domestic terrorism worldwide.

Eubank and Weinberg (1994), on the other hand, argue that political and civil liberties are positively correlated with terrorism because of the permissiveness of democratic systems. The freedoms of movement and association enjoyed within democracies provide opportunities for terrorist groups to take root in societies and perform actions against either their own governments or foreign governments (Eubank and Weinberg, 1994). This view is supported by Robert Pape (2003) in his analysis of suicide terrorism which includes both domestic and transnational terrorism. Pape presents the universe of suicide terrorist attacks world-wide from 1980 to 2001 to argue that
suicide terrorism follows a strategic logic, one specifically designed to coerce modern liberal democracies to make significant territorial concessions. From Lebanon to Israel to Sri Lanka to Kashmir to Chechnya, every suicide terrorist campaign from 1980 to 2001 has been targeted against a state that had a democratic form of government. Pape’s list of countries suffering suicide attacks from domestic terrorist groups shows that only Israel can be considered an institutionalized democracy; all other countries might be well considered immature or unconsolidated democracies (Marshall and Jaggers, 2010). Therefore, it depends how one defines democracy, and it is clear that Sri Lanka does not guarantee all its citizens civil rights and liberties as United States or Great Britain do.

Most quantitative studies of the terrorism-democracy relationship have focused on transnational terrorism incidents (Eubank and Weinberg, 2001; Li, 2005; Piazza, 2008), while there is paucity of such studies on the subject focusing on domestic terrorism. One such study is done by Abadie (2006) who explores the intensity of country-level terrorist risk to study linkages between terrorism and economic and political conditions in 186 countries and against these countries’ interests abroad for 2003-2004. The results show that lack of political rights increases the risk of terrorism. But Political Right Index (Freedom House) squared has a statistically significant negative coefficient; terrorism reduces with higher level of democracy. It would be interesting to use data for a longer period of time and a different direct measure of regime type to see if the relationship holds.

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5 The author runs the same model with the counts of domestic terrorism from RAND database as the dependent variable and gets the same results. The study is on a horizontal data for the year 2003-2004.
A regional level study on Latin America shows a similar pattern. Feldmann and Perala (2004) explore why terrorism continued in Latin America even after the end of Cold War rivalry which was widely believed to be the driving force of domestic terrorism in that region. An analysis of Latin American countries for the period 1980-95 shows that terrorism is likely to occur in weakly institutionalized regimes, characterized by some measure of political and civil liberties but concomitantly by a deficient rule of law and wide-spread human rights violations. This finding supports the theoretical expectation that terror is more likely to be adopted as an opposition strategy in political settings where resource mobilization is possible but where peaceful protest generally renders no fruitful results. This type of violence has been less prevalent under right-wing dictatorships, institutional dictatorships, and left-wing popular dictatorships. Conversely, domestic terrorism has been more prevalent in Latin American countries characterized by some degree of political and civil liberties. The results also indicate that terrorism tends to surface cyclically and to be more prevalent in countries that have long-established organizations with a history of engaging in terrorist activities. Just as significant, no conclusive evidence is found to link domestic terrorism to either economic performance or structural economic inequality.

A study on the home country of the transnational terrorists6 between 1968 and 1998 finds that anocracies and democracies are more likely to harbor terrorist organizations targeting other countries; autocracies are less likely to produce terrorist organizations than other forms of government (Lai, 2007). Lai (2007) argues that

6 Findings from home country characteristics of transnational terrorism research may pertain to domestic terrorism albeit in a more limited way.
autocracies 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. On the other hand, Burgoon (2006) finds that democracy reduces transitional terrorist incidents originating from a country.

Given that most transnational terrorist groups attack Western democracies, Savun and Phillips (2009) investigate what it is about democracies that make them particularly vulnerable to terrorism from abroad. The authors argue if democracies are prone to transnational terrorism by design, then democracies should be vulnerable to domestic terrorism as well and devote the first section of their article in exploring the relationship between democracy and domestic terrorism between 1998 and 2004. The dependent variable is the number of domestic terrorism incidents in a country, and the main theoretical variables of interest are democracy, political participation and press freedom. The results show that democracy has no statistical relationship with terrorism. Similarly, neither participation nor press freedom is a statistically significant predictor of domestic terrorism. In sum, the findings suggest that having a democratic regime does not necessarily increase or decrease domestic terrorism.

Defining democratic rule of law as the coexistence of effective and impartial judicial systems and citizens’ recognition of the law as legitimate, Choi (2010) presents a causal explanation in which a high-quality rule of law is considered to dampen ordinary citizens’ opportunity and willingness to engage in political violence, protecting democracies from becoming victims of terrorism. Ordinary citizens have incentives to use political violence against other citizens, political figures, institutions, or the
government under three conditions: (1) when they hold grievances, (2) when they find no peaceful means of resolving these grievances, exacerbating feelings of hopelessness, and desperation, and (3) when they view terrorist action as a legitimate and viable last resort to vent their anger and frustration. The lynchpin of this line of reasoning is that as long as ordinary citizens have access to a peaceful mechanism for conflict resolution, they are less likely to contemplate terrorist violence as a practical option to settle disputes. Therefore, since liberal democracies promote a high-quality rule of law system, which serves as an effective conflict resolution mechanism, they are likely to experience fewer activities of domestic terrorism. Likewise, individuals resort to transnational terrorism because their undemocratic systems give foreign occupants impunity; when local people have grievances against Western foreigners, they have little chance of resolving them through the legal authority due to an omnipotent presence of foreign power or an unequal international treaty in which foreigners’ crimes are immune from the domestic jurisdiction.

The findings (Choi, 2010) show that, controlling for a number of economic variables, as the quality of the rule of law improves, the likelihood of domestic and international terrorist events decreases. In other words, with the presence of democratic rule of law systems, ordinary citizens are more likely to settle grievances peacefully. The main problem with this study is that the author uses a combined domestic and international terrorist events data to test the hypothesis basically due to lack of differentiated data. In case of transnational terrorism, the number of incidents in the target country is the dependent variable; hence the author is correlating, in many cases,
the rule of law practices in the target country with terrorism which originated in another country, but the theory posits that the rule of law as practiced in the home country of the terrorist would cause his action.

Most studies on the political drivers of terrorism explore the relationship between terrorist incidents and regime types. But, Asal and Rethemeyer (2008) explore why some terrorist organizations are more lethal than others. They use the RAND data on terrorism (domestic and transnational combined) in exploring the characteristics of the host country where the terrorist organizations are based. The lethality of a terrorist organization is measured by number of deaths the organization is responsible for per year. The authors find that regime type of the host country has no relation with the lethality of violence perpetrated by an organization. Democracy plays no role, positive or negative, in determining how lethal a terrorist organization is.

*State Fragility:* Another political factor that is often associated with intrastate violence is state weakness. Fearon and Laitin (2003), for example, argue that states that are financially, bureaucratically or politically weak make an attractive target for rebellion. The key reasons lie with the inability of the state to control remote areas and have effective counterinsurgency strategies. It has become a standard argument that a source of state weakness originates in the incoherent political organization of states (Bodea, 2012). Instability creates volatility, disorganization and short horizons which can be perceived as opportunities for rebel leaders (Fearon and Laitin, 2003; Englebert and Ron, 2004).

A study by Lai (2007) examines the factors that lead a country to become a “swamp”—a state that produces international terrorism. The theoretical argument is
based on the belief that political violence is likely when state conditions either allow terrorists to easily evade government forces or recruit from the population. The author applies this approach to identify state attributes that explain the number of terrorist incidents originating from groups within that state and tests a hypothesis about the cost of operating within a state by examining the number of international terrorist events originating from a state. State weakness can be causally related to the emergence of domestic terrorism and insurgency in a country; hence this study can also contribute in understanding the dynamic of domestic terrorist organizations and insurgency. Lai finds that a state engaged in civil war and international war is more likely to host transnational terrorists. Governments involved in a civil war are not likely to have the resources available to effectively control their territory, allowing groups to organize without fear of government reprisals. War requires diversion of resources from internal security to external one, thus lowering the cost of terrorist organizations to mobilize inside the state. Economic discrimination of the minority and presence of terrorism in the neighboring states increase the chance of terrorist groups mobilizing in a country. Lastly, the number of telephones per 1000 people in a state is negatively related to the presence of transnational terrorist groups in that state. Lai argues that existence of a large telecommunication network indicates government’s capacity or the ability to effectively develop a state’s infrastructure. States’ greater capacity to monitor and patrol their own borders increases the costs for terrorists to operate. Thus, the author finds strong support for the state strength approach, suggesting that one way to address the threat of international terrorism is to strengthen a government’s ability to control its own territory.
Economic Factors

The limited studies on the political drivers of domestic terrorism are highly inconclusive of the relationship between terrorism and regime type. Similarly, studies on the economic determinants of terrorism inconclusively pull in different directions. The widespread view that poverty creates terrorism has dominated much of this debate that was generated after 9/11 attacks (Kahn and Weiner, 2002). This is not surprising because the notion that poverty generates terrorism is consistent with the results of most of the literature on the economics of conflicts. Alesina et al. (1996) suggest that poor economic conditions increase the probability of political coups; Collier and Hoeffer (2004) show that economic variables are more powerful predictors of civil wars than political variables. Because terrorism is a manifestation of political conflict, these results seem to indicate that poverty and adverse economic conditions may play an important role in explaining terrorism (Abadie, 2006, p.50).

Common sense might suggest that individuals who have “nothing to lose” (or comparatively less to lose) would be more likely to engage in self-destructive activities. In other words, people with fewer opportunities in the legal or secular world are expected to be more likely to commit crimes, commit suicide, or join religious sects. Since terrorism is often explained through a similar rationale, the intuitive expectation is for terrorist organizations to be populated with those individuals who have the lowest market opportunities (Berrebi, 2007).

This conventional wisdom has been adopted by public officials from President George W. Bush to many other government representatives and political figures, and it
appears to form the basis for some of their policies. President George W. Bush, in a speech on the closing day of a five-day U.N. conference on poverty in Monterey, Mexico on March 22, 2002 declared:

“We fight against poverty because hope is an answer to terror. . . . We will challenge the poverty and hopelessness and lack of education and failed governments that too often allow conditions that terrorists can seize and try to turn to their advantage.” (Cited in Berrebi, 2007)

Former United States Vice President Al Gore told the Council on Foreign Relations in New York on February 12, 2002

“For there is another Axis of Evil in the world: poverty and ignorance; disease and environmental disorder; corruption and political oppression. We may well put down terror in its present manifestations. But if we do not attend to the larger fundamentals as well, then the ground is fertile and has been seeded for the next generation of those born to hate us. . . .” (Gore, 2002)

Recent empirical studies, however, have challenged the view that poverty creates terrorism. Russell and Miller (1983) assembled demographic information on more than 350 individuals engaged in terrorist activities in Latin America, Europe, Asia and the Middle East based on newspaper reports. Their sample consisted of individuals from 18 revolutionary groups known to engage in urban terrorism, including the Red Army in Japan, Irish Republican Army in Northern Ireland, Red Brigades in Italy and People's Liberation Army in Turkey. They found that more than two-thirds of arrested terrorists came from the middle or upper class families in their respective nations or areas. They also report that the vast majority of those individuals involved in terrorist activities as cadres or leaders are well educated. Approximately two-thirds of those identified terrorists are persons with some university training, university graduates or postgraduate students.
A study by Krueger and Maleckova (2003) explores whether higher income and greater education would reduce participation in terrorism by evaluating public opinion data from the West Bank and Gaza Strip on Palestinians’ attitudes toward violence and terrorism; a statistical analysis of the determinants of participation in Hezbollah in Lebanon; biographical evidence on Palestinian suicide bombers and the backgrounds of 27 Israeli Jews who were involved in terrorist activities in the early 1980s; and finally, a cross-country data set. The evidence suggests little direct connection between poverty or education and participation in terrorism. Indeed, the available evidence indicates that, compared with the relevant population, members of Hezbollah's militant wing or Palestinian suicide bombers are at least as likely to come from economically advantaged families and have a relatively high level of education as to come from the ranks of the economically disadvantaged and uneducated. On the other hand, members of the Israeli Jewish Underground who terrorized Palestinian civilians in the late 1970s and early 1980s were overwhelmingly well-educated and were engaged in highly regarded occupations. In the cross-country study, the authors use a country-level data set on the origins of perpetrators of terrorist events drawn from the U.S. State Department's annual list of significant international terrorist incidents. Using GDP per capita of the country of origin of the terrorists as the main explanatory variable, the authors find no statistical relationship between poverty and terrorism when they control for civil liberty, illiteracy and the religion of the terrorists. Interestingly, civil liberty as a control variable has a statistically significant relationship with terrorism; low level of civil liberty (Freedom House Index) correlates with increases in terrorist activities in a country. But neither
education nor poverty could predict the likelihood of a person’s involvement in terrorism. Similarly, Abadie (2006) assessed the risk of terrorism in 186 countries for 2003-2004 where the main economic explanatory variable, poverty, is measured by the country’s GDP per capita. The results show that GDP per capita has no statistical relation with terrorist risk; poverty is not related to terrorism.

Other quantitative studies support the above finding that poverty neither increases nor decreases terrorism (Krueger and Laitin, 2008; Boylan, 2010). Krueger and Laitin (2008) exploring the country characteristics in post-Cold War transnational terrorist attacks suggest that, at the country level, the sources of international terrorism have more to do with repression than with poverty. The findings show that neither country GDP nor illiteracy is a predictor of terrorist origins. Similarly, Boylan (2010), exploring if economic development and religion can help explain levels of domestic terrorism while controlling for other factors, including political rights, population, education, and past domestic terrorist incidents, finds that economic development as a country’s GDP per capita has no statistical relationship with domestic terrorism; poor countries are no more likely to suffer domestic terrorist attacks as wealthy ones.

On the hand, some studies relate terrorism with economic prosperity (Berrebi, 2007; Lai, 2007). A micro level analysis by Berrebi (2007), assessing whether individual terrorists could be linked to destitution and lack of education by examining correlates of Palestinian terrorists, 335 members of Hamas and Palestinian Islamic Jihad (PIJ) and comparable Palestinian micro population data in the late 1980s, shows that both higher education and standard of living are positively associated with participation in Hamas or
PIJ and with becoming a suicide bomber. While Berrebi’s counter-intuitive findings are important, further research is needed to explore whether wealthier and more educated persons than the average population participate in terrorist activities at a global level or only in Palestinian territories. Likewise, Lai’s (2007) study of the economic conditions of the home country of the transnational terrorists shows that per capita GDP of a country has statistically significant positive relationship with the number of transnational terrorist attacks originating from it. But terrorism is likely to decline in high income countries. Therefore, wealth and terrorism have a curvilinear relationship.

The scholarly disagreement over the role of economic drivers of terrorism is compounded by studies (Burgoon, 2006; Krieger and Meierrieks, 2010) arguing that social welfare policies—including social security, unemployment, and health and education spending—discourage terrorism by reducing poverty, inequality, and socioeconomic insecurity. In an economic sense, higher social spending translates into higher opportunity costs of terrorism as poverty and inequality diminish, and additional economic alternatives open up. Secondly, welfare regimes that promote low levels of market dependence and high levels of social equality are generally more able to sway certain socioeconomic conditions like inequality and deprivation in ways that reduce terrorism. Burgoon (2006) argues that such welfare policies of the state might diminish incentives to commit or tolerate terrorism, and weaken extremist political and religious organizations by providing economic and cognitive security to people where public safety nets are lacking. The author’s findings show that welfare spending relative to GDP reduces the number of terrorist incidents occurring in a country and total number of
transitional terrorist incidents originating from a country. A similar study by Krieger and Meierrieks (2010) scrutinizes the effect of welfare policies (indicated by social spending and welfare regime variables) on homegrown terrorism in Western Europe. The results show that domestic terrorism deceases as the total welfare spending increases. Welfare spending on health, labor and unemployment separately has ameliorating effect on domestic terrorism. But, welfare spending on old age, family and housing has no relationship with terrorism. The authors also finds that trade openness \((\text{export and import)/GDP}\) has a statistically significant negative relationship with domestic terrorism, and concludes that economic integration may reduce grievances associated with poor economic conditions, consequently reducing terrorism building on such grievances. One problem with these studies (e.g. Burgoon, 2006; Krieger and Meierrieks, 2010) is that the authors seem to have pre-concluded that poverty, unemployment and inequality are all determinants of domestic terrorism without any empirical support to that effect. In fact, empirical studies show no relation between poverty and terrorism.

Recognizing that the empirical literature of the past several years has produced an inconclusive picture, Piazza (2011) revisits the relationship between poverty and terrorism and suggests a new factor to explain patterns of domestic terrorism: minority economic discrimination. Central to this study is the argument that because terrorism is not a mass phenomenon but rather is undertaken by politically marginal actors with often narrow constituencies, the economic status of sub-national groups is a crucial potential predictor of attacks. Collective or social status disadvantages – when accompanied by repression on the part of the state – help to produce cohesive minority group identities.
within countries that differentiate group members from larger society. Political violence results when these grievances are wedded to opportunities. The author puts the assumption that minority economic discrimination is an important explanatory factor for domestic terrorism alongside aggregate measures of economic development to empirical evaluation on a country-year database of 172 countries from 1970 to 2006 using the Enders et al., 2011 data on domestic terrorist incidents. The results show that presence of minority economic discrimination in countries is a significant, positive predictor of the likelihood that a country will experience domestic terrorist incidents. General level of economic development, measured by gross national income per capita and the Human Development Index, bears a significant positive relationship with domestic terrorism. This suggests that countries marked by high levels of economic development have a higher probability of experiencing domestic terrorist attacks than do poorer, less developed countries. Inequality in a country also bears a significant positive relationship with domestic terrorism.

**Conclusion**

A review of terrorism literature shows that there is little scholarly consensus on the roles that socio-economic or political factors play in determining patterns of terrorism. Piazza (2011) asserts this is a glaring deficit on more than one front. First, it has contributed to a discovery lag vis-a-vis other social science literatures on violence, such as the work on civil war and the fields of criminology and sociology. Second, inconclusiveness regarding political or economic predictors of terrorism (see Table 2.1) has left terrorism studies unable to articulate a clear counter-terrorism policy
recommendation. This deficit is more glaring in the scholarly research on domestic terrorism. Large-N studies on the effects of economic globalization on domestic terrorism are non-existent to the best of my knowledge. As far as transnational terrorism is concerned there are limited studies on the subject (Li and Schaub, 2004; Blomberg and Hess, 2008). Therefore, my research would contribute to the study of domestic terrorism and help in explaining some political-economic determinants and post-Cold War dynamics of terrorism in general. Moreover, I explain domestic terrorism as a result of varying ‘heterogeneity cost’ – deprivation of public goods due to individuals/groups’ heterogeneity of preferences – among others. I operationalize ‘heterogeneity cost’ by creating a unique index that captures both diversity and political-economic discrimination against these diverse individuals/groups. Piazza (2011) has used discrimination against minorities as a variable to explain terrorist incidents, but his variable did not take into account the extent of diversity/heterogeneity in a country. My index on ‘heterogeneity cost’ would contribute substantially in future scholarly studies of terrorism in particular or other types of intrastate violence in general. Lastly, my research would have policy implications and relevant to the practical world of counter-terrorism. I devote a section of my concluding chapter on how my finding could be relevant for counter-terrorism policy formulation.

In Chapter Three, I develop a theoretic model of violent intra-state conflict that is based on three crucial factors: (1) heterogeneity cost, (2) emergence of democracies, and (3) global economic integration. I argue that resorting to terrorism is a rational choice when individuals’ cost of heterogeneity - deprivation from public goods due to
geographical and ideological distance from the government-increases; opportunity is provided by political openness and integration to the global economy. From this model, I derive testable hypotheses regarding the influence of heterogeneity cost, immature democracies and global economic integration on the incidence of domestic terrorism.
Chapter 3

Theory and Hypotheses

How are two post-Cold War phenomena – economic integration and emergence of democracies – related to domestic terrorism? In this chapter I intend to explain the theoretical framework that addresses the above research question and form hypotheses to be empirically tested in later chapters. Firstly, I examine the assumptions of rationality for the acts of terrorism emphasizing the need of a theory that takes into account willingness and opportunity that are consistent with those assumptions. Secondly, I explore two theories – liberal and dependency – that are traditionally used to explain the relationship between conflict and global economic integration, and the inadequacies of these two traditional theories in addressing all the issues that have emerged as results of post-Cold War trends of global economic integration and democratization. Thirdly, I discuss the theoretical framework presented by Alesina and Spolaore (2003) that relates to these issues more precisely than liberal and dependency theories. Lastly, I form a set of hypotheses based on Alesina and Spolaore’s (2003) theoretical expectations in explaining domestic terrorism.

It is important to note that this study is about domestic terrorism in general; it comprises all types of non-state terrorism – revolutionary, jihadist, rightist extremism, separatism and so on. Throughout history, desperate individuals have resorted to terrorism as a strategy for achieving their political objectives (Levin, 2006). Although scholars have tried to differentiate terrorism from guerrilla warfare and insurgency with valid arguments (Hoffman, 2006), such groups have often used terrorism as a strategy. In
fact, nearly a third of the thirty seven groups on the US State Department’s “Designated Foreign Terrorist Organizations” list could be categorized as guerrillas (USSD, 2004, p.113). Therefore, we need a broad theoretical framework that accounts for a wide variety of typologies of domestic terrorism.

**Rational Choice Theoretical Model**

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 (Crenshaw, 1981). The second is opportunity for social or political movement to develop in order to redress these grievances (Tilly, 1978, pp.133-138). I argue that terrorism is a rational choice when individuals’ grievances, mainly deprivation from public goods due to their geographical and ideological distance from political leaders, increase; political openness and integration into the global economy provide them opportunity for mobilization.

Causal analysis of how economic integration and emerging democracies affect domestic terrorism presupposes that terrorists behave rationally. The notion that terrorists are rational actors merely implies that terrorists are goal oriented, can rank order their preferences, and act to maximize their preferences within budgetary constraints (Crenshaw1981; Sandler et. al., 1991; Li and Schaub, 2004). Rationality refers to purposive behavior or strategies by which individuals or groups pursue their interests; the term rational is not a statement about the substance of an individual or group’s preference. The groups resorting to terrorist violence often possess interests that may not widely be shared, especially by the target audience. In fact, there is evidence that given
their interests, terrorist networks choose targets, respond to risk, and adjust to counterterrorist efforts in quite purposeful ways (Sandler, 2003). Enders and Sandler (1993) show how the worldwide implementation of metal detectors in airports led to a decrease in the number of worldwide skyjackings but resulted in an increase in the use of other similar modes of attack, most notably kidnappings and hostage-taking missions. One common explanation of increasing number of suicide attacks in recent years is that as sites are well-protected, terrorists have upgraded from their conventional methods of using “dumb bombs” controlled by a timer to “smart bombs” in the form of well-trained suicide bombers who can adapt to countermeasures and react to events on the scene (Berman and Laitin, 2005).

A person’s choice to become a terrorist – especially to become a suicide bomber – may entail costs larger than the gains to that individual and, thus, appears not to be an effective strategy for obtaining one’s goal. Frieden et al. (2010) argue that we do not have a good explanation why a suicide bomber would sacrifice his life, but at the same time, we also lack a complete explanation for why an individual may voluntarily choose to join a country’s military and go into battle to risk death for her country. Berman and Laitin (2005) argue that much of the terror generated by suicide attacks comes from the idea of an army of theologically-motivated suicidal drones. Yet they could be rational, given either: a) a belief in the hereafter combined with a belief that the suicidal act will be rewarded in the hereafter, or b) altruism toward family or compatriots combined with a belief that the suicidal act will benefit family, community or some larger cause (Wintrobe, 2003 cited in Berman and Laitin, 2005, p.10). Whatever rationality or
motivation a terrorist might have at the personal level, a terrorist organization purposefully and carefully strategizes how it deploys its forces, including suicide bombers.

Often the selection of targets and times is a part of a terrorist’s strategy. If terrorist attacks are systematic and predictable, the population will adjust accordingly. Thus, the selection of places and times seems erratic; in this way terrorists can magnify their threats and instill great fear and uncertainty among the population. (Frieden et al., 2010, p.384).

The rational actor assumption has empirical support. Pape (2003) presents the universe of suicide terrorist attacks worldwide from 1980 to 2001 to argue that suicide terrorism follows a strategic logic, one specifically designed to coerce modern liberal democracies to make significant territorial concessions. Three principal findings relating to rational actor assumption follow. Firstly, suicide terrorism is strategic. An individual suicide terrorist might be irrational, but the leaders who use it as a strategy follow certain logic. The vast majority of suicide terrorist attacks are not isolated or random acts by individual fanatics but, rather, occur in clusters as part of a larger campaign by an organized group to achieve a specific political goal. Groups using suicide terrorism consistently announce specific political goals and stop suicide attacks when those goals have been fully or partially achieved. Secondly, the strategic logic of suicide terrorism is specifically designed to coerce modern democracies to make significant concessions to national self-determination. All suicide terrorist campaigns inflict punishment on the opposing society, either directly by killing civilians or indirectly by killing military personnel in circumstances that cannot lead to meaningful battlefield victory. It generates
coercive leverage both from the immediate panic associated with each attack and from the risk of civilian punishment in the future. In general, suicide terrorist campaigns seek to achieve specific territorial goals, most often the withdrawal of the target state's military forces from what the terrorists see as national homeland. From Lebanon to Israel to Sri Lanka to Kashmir to Chechnya, every suicide terrorist campaign from 1980 to 2001 has been waged by terrorist groups whose main goal has been to establish or maintain self-determination for their community's homeland by compelling an enemy to withdraw. Further, every suicide terrorist campaign since 1980 has been targeted against a state that had a democratic form of government (Pape, 2003). Thirdly, during the past 20 years, suicide terrorism has been steadily rising because terrorists have learned that it pays. Suicide terrorists sought to compel American and French military forces to abandon Lebanon in 1983, Israeli forces to leave Lebanon in 1985, Israeli forces to quit the Gaza Strip and the West Bank in 1994 and 1995, the Sri Lankan government to create an independent Tamil state from 1990 on, and the Turkish government to grant autonomy to the Kurds in the late 1990s. Terrorist groups did not achieve their full objectives in all these cases. However, in all but the case of Turkey, the terrorist political cause made more gains after the resort to suicide operations than it had before. Leaders of terrorist groups have consistently credited suicide operations with contributing to these gains. These assessments are hardly unreasonable given the timing and circumstances of many of the concessions and given that other observers within the terrorists' national

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7 It is debatable whether Sri Lanka, Lebanon, India and Russia can be categorized as democracies. They definitely do not guarantee civil liberties as western democracies like UK and USA do.
community, neutral analysts, and target government leaders themselves often agreed that suicide operations accelerated or caused the concession.

In explaining variation in domestic terrorism with global economic integration and the emergence of democracy, the two contending schools of thought that traditionally connect conflict in general to economic and political openness need a brief review. Although liberal and dependency theories have been widely used to explain interstate conflict, a limited number of scholars have also extended these theoretical explanations to intrastate conflicts. These two theories would generate two diametrically opposite sets of hypotheses. Liberal theory would causally connect global economic integration and concurrent emergence of democracies to reduction in terrorist violence. On the other hand, dependency theory would predict an increase in terrorism due to socio-economic inequality resulting from global economic integration. In reality, we are witnessing increase in terrorism, emergence of immature democracies, economic development and rising socio-economic inequality all at the same time. I discuss liberal and dependency theories as well as their inadequacies to address these issues in detail below.

Two Contending Theoretical Expectations

The scholarly community is divided on the issue of whether globalization leads to an increase in internal violence in a state or greater societal harmony. Liberal scholars argue that globalization leads to greater economic development. Intuitively, if economic growth benefits people, they would have fewer incentives to engage in political violence. Prosperity generated by globalization would bring greater harmony to society as a whole. Eusufzai (1996) finds, for example, that open countries have a higher level of human
development as measured by the Human Development Index (HDI), a lower under-five mortality rate, and a higher proportion of the population with access to safe water. Firebaugh and Beck (1994) draw a similar conclusion: in poor countries, openness and economic growth have a significant, positive effect on expected lifespan, child mortality, and calorie consumption per capita.

In wealthy countries, where an open economy provides higher level of welfare, similar improvement in people’s lives can be observed with liberalized trade and investment (Rodrik, 1997). However, Rodrik also notes the dilemma created by the lower ability of developed states to tax capital and highly-educated people, and the increased need for social insurance in the globalized economy. As capital and highly-educated people are attracted by countries with lower levels of taxation, countries need to lower their taxes in order to stop capital flight (Rodrik, 1997, pp. 55–64; Martin and Schuman, 1998); hence in the long term, the state will lack money for redistribution which reduces the level of welfare. However, states devise institutional barriers that protect people against the unsettling forces released by the transition to free trade and redistribute the assets from trade by income transfers, protecting workers against risks (especially illness and unemployment) or supporting them in their old age (Vayrynen, 1997, p.76).

Economic development generated by trade and investment might pave the way for democracy.

Decades ago, Lipset (1959) proclaimed that a high level of prosperity increased the chances for societal harmony and a democratic system of government. Higher income and better education for the lower strata would, he argued, lead to a more compromise-
oriented view of politics. Actors can channel their expressions within the democratic system, thereby reducing the likelihood of outright rebellion (Eckstein and Gurr, 1975; Rummel, 1995).

In summary, a high degree of openness in the economy will strengthen the level of economic development. A prosperous country has a greater likelihood of having a democratic form of government. The final link in the chain is that both democracy and a high level of economic development have a positive effect on domestic peace (Gissinger and Gleditsch, 1999). On this basis, then, economic globalization would have a generally peace-building effect. Hegre et al. (2003) summarize the liberal model in Figure 2. In developing this model, the authors were inspired by the overall perspective of liberal conflict theorists such as Weede (1995), and Russett and Oneal (2001), drawing on Manchester liberalism and on what have been identified as a Kantian mode of thinking in international affairs. While these scholars have developed their argument mostly in relation to building a secure foundation for international peace, there is also a solid basis for a liberal argument about domestic peace (Hegre et al., 2003).

On the other hand, according to dependency theory as illustrated in Figure 3 by Hegre et al. (2003), the penetration of foreign capital into peripheral economies leads to the exploitation of local human and natural resources and to a transfer of profit back to the imperial centers. This process results in impoverishment, inequality, and injustice (Galtung, 1971). The production of raw materials in poor countries serves to prevent competence-building, and the economy remains export-oriented. Ties are created

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8 Gissinger and Gleditsch (1999) extend the basic tenets of the Manchester School to such areas as intrastate conflicts.
Figure 2. The Liberal Model

Figure 3. The Dependency Model
between the local power elite and foreign interests, in turn increasing income inequality in the poor countries (Boswell and Dixon, 1990; Muller and Seligson, 1987). Today reference is frequently made to the increased income inequality in wealthy countries. Globalization might be the best explanation for the increased inequalities, especially in North America and in Great Britain (Wood, 1994). Imports of cheap textiles and electronic goods often out-compete domestic products, producing an increasing number of unemployed. A new group of ‘working poor’ is emerging because Multinational Corporations are moving their manufacturing units to LDCs for cheap labor and because the capital-intensive developed countries have a reduced demand of unskilled labor. Many scholars argue that inequality is the root cause of internal conflict.\(^9\)

As with the liberal model, this discussion can be summed up in a simple hypothesis. Global economic integration would lead to prosperity and the emergence of democracy. Prosperity and democracy together would lead to domestic peace. The main hypothesis of the dependency school is that a high degree of openness in the economy leads to a high degree of income inequality, which in turn increases the likelihood of armed conflict (Gissinger and Gleditsch, 1999).

The dependency model as summarized above by Hegre et al. (2003) does not account for government type whereas the liberal model envisages democracy as a concurrent development of open economy. Liberal theory ignores the process by which

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\(^9\) As Lichbach (1989) points out, many revolutions have been based on egalitarian ideas. The rhetoric in the American Revolution was that ‘all men are created equal’; in the French Revolution, the partisans shouted ‘liberty, equality, fraternity’; the motto of the Russian Revolution was ‘peace, land, bread’; and a wartime slogan of the Chinese Communist Revolution was ‘those who have much give much, those who have little give little’ (Lichbach, 1989, p.433).
democracies emerge and consolidate: a transitional phrase. In reality we observe a process of democratization that has accompanied global economic integration since the 1990s. But, only a handful of countries like Poland, the Czech Republic, Israel, Mongolia, Cape Verde, Trinidad and Tobago, and Chile have transformed into institutionalized democracies between 1990 and 2007; others in North America and Western Europe had already transformed into institutionalized democracies much earlier whereas most of the countries that began integrating into the global economy in early 1990s are not fully consolidated democracies (Marshall and Jaggers, 2010).

An effort to extend the liberal model of Manchester School to intrastate violence has to take into account the effect of these immature or unconsolidated democracies on internal peace. At the same time, most countries of the world show an increase in per capita Gross National Product as well as in inequality as the global economy opened up (World Bank, 2011). If per capita GNP measures prosperity, most countries are becoming both prosperous and unequal simultaneously. On the other hand, domestic terrorism is on the rise since 2005 both in incidents and casualties (Enders et al., 2011). Therefore, neither the liberal model nor dependency theory can fully capture the post-Cold War trends in development, inequality, immature democracies and intrastate violence; hence there is a need for a new theoretical framework that combines both liberal and dependency theories and provides a better explanation for these post-Cold War trends. Alesina and Spolaore (2003) provide a theoretical framework that offers a better explanation for these post-Cold War trends by combining some of the basic assumptions of both the liberal and dependency theories.
In ‘The Size of Nations’, Alberto Alesina and Enrico Spolaore (2003) investigate how big heterogeneous nations survive or disintegrate due to contradictory internal forces. Their central assumptions are that the advantage of large nations is economies of scale in the production of public goods and the disadvantage is the increasing heterogeneity of a population as its size increases. A big nation can spread the cost of producing public goods over more people, thus reducing the cost per capita, but in doing so it runs into the “one size fits all” problem. The amount and nature of the public good produced may be close to optimal for all of the members of a small, homogenous population, but the larger the nation is the larger and less homogeneous its population becomes. For individuals whose preferences are far from those the public good is designed to satisfy, it may not be worth its cost and they would tend to break away. The break-up of nations would be facilitated by global economic integration and spread of democracy. In the following pages I extend the basic tenets of their theoretical framework to explain domestic terrorism. I extend Alesina and Spolaore’s (2003) theoretic framework to argue that resorting to terrorism is a rational choice when individuals’ grievances referred as ‘heterogeneity cost’ - deprivation from public goods due to geographical and ideological distance –increase, and opportunity for mobilization is provided by political openness and integration into the global economy.

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10 Alesina and Spolaore’s (2003) theoretical framework is more appropriate in explaining separatism/secessionism. But I am extending the same theory to explain broad category of intrastate violence (revolutionary, jihadist, rightist extremism, separatism and so on). Therefore, I deviate from their theory at places and modify it to accommodate other types of violence. In doing so I borrow from other sources (with citation), but largely stick to the core of their theoretical expectation.
Grievances

In Alesina and Spolaore’s (2003) theoretical framework there is trade-off between the benefits from the size of heterogeneous state and the cost of this heterogeneity. There are benefits of a large state with a large population. First, the per capita costs of public goods are lower in large countries where more tax payers are available to pay for them. Public goods like defense, a judicial system, infrastructure for communication, public health, embassies, and national parks, to name a few, would be more cost effective with the increase of tax payers.

Secondly, it is often argued that a large country (in terms of population, area and national income), all other things equal, can better protect itself from foreign aggression. Defense is a public good and per capita cost of defense decreases with country size. Bigger area gives the advantage of strategic depth and space of initial retreat in case of aggression. Although smaller states can enter into alliances, size might determine the extent of military power (Sandler and Hartley, 1995).

Thirdly, the size of a country affects the size of its economy. To the extent that larger economies and larger markets increase productivity, larger countries should be richer. In other words, the economy of scale is more viable in larger countries. Although size does not matter if a country is fully integrated into the world economy, but national borders matter in trade in almost every country; hence larger size would benefit a country’s prosperity through intra-state trade.

Fourthly, large countries can build redistributive schemes from richer to poorer individuals and regions better than small countries; thereby achieving redistributions of
after-tax income that would not be achievable were its regions acting independently.

Fifth, a large state can provide regional ‘insurance’. If one region is in financial crisis or is hit by natural calamities, it could receive fiscal transfers from other parts of the country. Lastly, large states might have greater leverage in International Organizations in extracting favorable outcomes (Chowdhury, 2012).

On the other hand, if a great many diverse individuals share the same public goods and policies, they face an increasing heterogeneity cost of preferences, since they have to agree with each other on common government policies. The trade-off between benefit of size and cost of heterogeneity is not uniform across all public goods and policies. For some public goods and policies, defense for example, the benefits of size are large and costs of heterogeneity are low; for others like a public school system, the opposite is true. One way to resolve the contradiction is to devise a federal structure.

While a national government assumes the responsibility of several policy prerogatives without the monopoly of all public goods; sub-national levels of government are important providers of several public goods. In a unitary state, the delegation of authority to regions and local self-governments are devised to minimize the cost of heterogeneity (Scheberle, 2004, p.46). In effect, a national state could be said to emerge as an organization that optimizes the trade-off between size and heterogeneity in the provision of public goods and policies.

The state’s capacity to provide most of the public goods is more efficient in a big country (in terms of size and population) because per capita costs for the tax payer decline as the number of tax payers increases. But bigger size means greater
heterogeneity of opinion. Different individuals might have different views about how the polity should spend tax revenues. Individuals may even disagree on the amount of the tax. Policy preferences or ideology may differentiate people.

Public goods have not only an ideological dimension but also a geographical one; being close to a public good minimizes travel costs. Also several public goods (communication system, bureaucracy, etc.) are often concentrated in one location, the capital (national and sometimes states), so being close to the capital has its advantages. This may vary according to the extent of decentralization.

The two dimensions of heterogeneity - geography (the distance of an individual from public goods) and ideology (how close public goods and policies are to the individual’s preferences) – might be highly correlated: individuals who are close together in space are also more alike in preferences. First, individuals with similar attitudes, ideology, preferences, income, religion and race tend to live close to each other. The second is that hundreds of years of proximity generate more uniformity of beliefs and preferences. A common language is also something that evolves from geographical proximity.

Given the trade-off between economies of scale and in the production of goods, services and policies provided by it, and the heterogeneity of the population, Alesina and Spolaore (2003, p.29) posit that optimally the world would be organized in a number of countries, each providing its citizens all the necessary public goods and services. If a single central government provides all the public goods in a large country, the configuration of a border might optimize maximum total welfare, but the distribution of
welfare is uneven. Some individuals are very well off and others are not so well off. The disadvantaged individuals may either want to change the configuration of borders or bring by regime change a new government that would make transfer or side payments to the disadvantaged region.

But why should welfare be uneven? One answer would depend on the geographical location of the disadvantaged individual vis-à-vis the center of the government. A middle location of the public good minimizes the average (and total) distance of citizens from public good and maximizes total welfare for the costs of the public good. Deviations from a middle position are likely to reflect significant differences in the political weight of different regions within a country. The capital will most likely be, not necessarily though, located at the center of the country because the government can control its jurisdiction efficiently. The location of the capital city may be determined by a number of other factors too: an area of fertile land capable of supporting a growing population; a good water supply such as a large river, though built above flood level; well away from the earthquake belts and volcanoes; defensible against enemies; chosen at or near river-mouths for these reasons, with facilities for trade, both inland and overseas; tradition and folklore and so on.

In the absence of side payments or transfers to regions, the benefits of belonging to a large country are unequally distributed, with the larger share going to the individuals who live close to the government in ideology or in geographical location. These individuals pay as much as everyone else but do not bear the higher heterogeneity costs; in fact they are close in preference to the policies chosen, and close in distance to the
public good. By contrast, individuals far from the government bear a disproportionate share of the heterogeneity costs, and hence do not fully internalize the benefits of belonging to a larger country.

For example, in Figure 4 the public good is located at $c^{11}$, but everyone situated between $a$ and $b$ pays the same tax. The individuals with average utility in terms of public goods are located between $a'$ and $b'$. Everyone else located between points $a$ and $a'$ and between $b'$ and $b$ gets a less than average utility in terms of public goods. In a heterogeneous country, if these individuals have different ideology in terms of ethnicity, language, religion etc. than the individuals located between $a$ and $b$, they might either secede from the country or attempt to bring a new government which is closer to their ideology – a government that would transfer resources to these disadvantaged regions or would provide public goods to them. The Basque region of Spain (See Map in Figure 5)

![Figure 4. Location of Public Good](image)

is a good example where ethnically distinct peoples are located far away from the capital; geographical distance combines with ideological distance. The Tamil region in Sri Lanka,

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11 The public goods like airports, universities, hospitals, police headquarters etc. are generally located in the capital in most countries. As argued earlier, the capital will most likely be, not necessarily though, located at the center of the country because the government can control its jurisdiction efficiently.
Figure 5. Basque Area in Spain
and Ayacucho region of Peru are two other examples in this category.

In a federal structure, the public goods are provided by two set of governments: national and regional creating a complex net of overlapping jurisdiction. The problem of uneven distribution of public goods can be resolved in such a system if individuals living far away in location and preferences are compensated with transfers of resources. Optimally such a system should work in a perfectly decentralized arrangement. But there is a problem of feasibility in the redistributive transfer schemes. The implementation of these transfer schemes may be economically costly because they require high taxes on the part of the population, creating tax distortions i.e. disincentives to work, save and invest.

In Figure 6, a country is divided into seven regions, a being the location of the national government. Given all the citizens pay equal tax, individuals located between A and B would enjoy welfare or public goods above average as they are close to the government geographically. Individuals located farther left to A and farther right to B would receive less than average utility in terms of public goods because of their geographical distance from the capital. Now, if the government wants to transfer resources to region 1, for example, it should extract resources from individuals located between A and B to compensate the disadvantaged in region 1. The redistributive scheme implying fiscal transfer would impose extra costs on the individuals located between A and B (region 4). In the presence of heterogeneity, the better off region may not agree to compensate individuals of a different ethnicity, religion or ideology. If the individuals located between A and B (region 4) are ethnically, religiously or ideologically different from the individuals in region 1, the former would not be willing to bear the extra cost in
compensating the latter. The issue of inter-regional transfers may be complicated by political and electoral incentives or disincentives of the federal government too.

There is the possibility that, even in a federal structure, pockets of discontent may emerge. This is germane in a state (federal unit) where one or more heterogeneous groups may be disadvantaged due to its/their distance from the median voter in ideology and geography. Such heterogeneous group/groups might fall victims of deprivation; hence they might either opt to secede or attempt to bring a new government identical to their ideology. A good example would be the violent movement of the Gorkha people of Darjeeling Hills in the Indian state of West Bengal where an ethnically heterogeneous people live in a federal unit far away from the state capital (see Map in Figure 7); geographical distance combines with ideological distance in a federal unit.

Although states in post-independent India were reorganized on the basis of ethno-linguistic criteria, the policy failed to eradicate the problem of “entrapped minorities” as many states within the Indian federation continued to include peripheral minority ethnic groups that were linguistically and culturally different from and politically and economically subordinate to the majority ethno-linguistic communities that wielded
Figure 7. Gorkhaland Problem in India
power in the states (Hardgrave and Kochanek, 1990). The reorganization of Indian states in 1954 failed to give state status to the Gorkhas, a hill tribe, living in the north of the state of West Bengal. In the years following the states reorganization, these isolated and peripheral minority ethnic groups came to resent their endemic poverty and underdeveloped status and became convinced that they were being deprived (deliberately or otherwise) by the majority Bengali community that controlled the state government. The only way out of this poverty and underdevelopment, these groups felt, was by creating their own state and entering into a direct relationship with the Indian federal government for assistance and guidance; for instance, Gorkha leaders in Darjeeling cited the example of Sikkim (a state in the Indian federation), which had one-third of Darjeeling’s population but received almost ten times more federal resources than Darjeeling (Ganguly, 2005). A violent separatist movement that started in 1986 has resulted in thousands of casualties as well as the destruction of property. The issue of deprivation has been repeatedly raised by the leaders of the insurgent organization of the Gorkhas, the Gorkhaland National Liberation Front, spearheading the violent secessionist movement.

Leaders of the Gorkhaland agitation argued that the Communist Party of India (Marxist)-led Bengali administration of West Bengal has deliberately kept Darjeeling isolated and neglected (Sen, 1986). In a letter to the editor of The Statesman newspaper, Kharga Bahadur Lama, President of the “Intellectual Cell” of the GNLF, observed that crores (1 crore is equivalent to 10 million) of rupees (Indian currency) meant for hill development went towards the development of Siliguri, only small sums were spent on
Darjeeling, Kalimpong and Kurseong (The Statesman\textsuperscript{12}, 13 June, 1986). It is important to note that the Darjeeling district consists of four subdivisions; three subdivisions - Darjeeling, Kalimpong and Kurseong – are inhabited by Gorkha tribes, and one subdivision – Siliguri – is mainly inhabited by Bengali people.

But, in many cases the heterogeneous groups (in cluster) may live close to the source of public goods, but yet be deprived of those goods because of their ideological distance from the group in power in terms of religion, language, ethnicity etc. The 2002 massacre of the Muslims in major cities of Gujarat in India is a good example in that the Muslim neighborhoods were located in the city of Ahmadabad – a few hundred meters away from the city police headquarters – but hundreds of Muslim civilians were killed by Hindu extremists without any police intervention. The BJP-the Hindu nationalist party-government deprived the minority people of the basic public good of physical security. Such killings of minority people in Indian cities are major precursors to homegrown Jihadist terrorism in India (Clarke, 2011, p.93).

In summary, the deprivation from public goods may create grievances; hence the victims of deprivation might opt to secede, want policy change or attempt to bring in a new government identical to their ideology. They are likely to resort to terrorist violence to fulfill their demands. Alesina and Spolaore’s (2003) theoretical model would strictly apply to those examples where heterogeneous groups in the border region would opt for secession (e.g. Sri Lanka, Peru, Basque, Gorkhaland in India). To include ‘Jihadist’ terrorism in India as mentioned above or such other violent movements that demand

\textsuperscript{12} The Statesman is a leading English language newspaper published from major Indian cities including Kolkata.
policy concessions and challenge the state is an extension of the core logic of their theoretical model. The deviation, as mentioned earlier, is designed to accommodate variety of other violent political movements that might result from grievances due to the deprivation from public goods.

**Political Opportunity**

Alesina and Spolaore (2003, p.69) argue that people challenge the state more when the political system opens up. A non-representative government tends to rule big and heterogeneous territory because such rent-maximizing government cares about its own welfare, and that of its close associates. It can ignore individual/group’s grievances because such government’s survival does not depend on public support. Dictators would prefer large empires to small countries because they can extract larger total rents from larger a population. But, even a dictator who does not need the support of the majority of the population to stay in power will nonetheless need to provide some minimum level of well-being to at least a fraction of his people in order to ensure his political survival. This is referred to as constraints here.

In the absence of constrains, the Leviathan’s (Hobbes, 1651) rents will be maximized if he controls the entire world, and expropriates all the income of every individual through taxation. But this is not feasible. No dictator has ever managed to conquer and run the entire world precisely because empires that are too big become unmanageable, and various internal and external challenges lead to their collapse (Kennedy, 1988). But dictators tend to rule large empires.
As empires enlarge and encompass more distant populations (both geographically and ideologically), avoiding insurrections becomes a tricky problem of the Leviathan. The dictator who wants to maintain large revenue will need to make costly concessions to those regions, such as reduce taxes or expand more of his intake in revenue on military police.

In an absolute dictatorship the number of people a ruler has to please to remain in power would be very small. In reality, dictators rule with very narrow elite of privileged groups – for example, the aristocracy in ancient regimes, the core group of Communist Party in China, or the friends and family (the Tikriti clan) of Saddam Hussein.

According to Alesina and Spolaore (2003), the borders of a state depend on the size of the population that a ruler satisfies to remain in power. The larger the fraction of population that has to be pleased, the larger is the number of countries in a world of dictators. Intuitively, the dictator has few constraints and does not care much about individual (heterogeneous) preferences. By ignoring heterogeneity costs, rulers can take full advantage of economies of scale. An increase in the share of the population that the dictator has to satisfy to prevent insurrections makes the heterogeneity costs more important compared to economies of scale: larger constraints imply that the preferences of a large number of individuals have to be taken into account by a rent-maximizing state. Hence the dictator will obtain less gain in ruling large populations, and may allow far away regions to break up. The democratization result is important since, historically, the formation of existing countries has been determined largely in a non-democratic world. As the world becomes more democratic, we should observe attempted secessions, or, at
least, increasing pressure for decentralization and local autonomy. If the newly transitioned democratic state which is large and heterogeneous tries to maintain its large size, it will face insurrections and rebellions. Therefore, higher levels of terrorist activities would be experienced in a state that has newly emerged as a democracy.

This hypothesis has empirical support. Lai (2007) studied the political and economic conditions of the home country of the transnational terrorists between 1968 and 1998 using the ITERATE dataset of 193 countries and found that autocracies are less likely to produce terrorists than other regime types. Lai argues that autocracies 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.

But, an institutionalized democracy has several conflict-reducing mechanisms like an independent and impartial judiciary to settle disputes and protect minorities, entrenched system of rule of law, free and fair elections to effect policy changes and free media to vent grievances through debates that make resorting to violence a less attractive option (Schmid, 1992). Choi (2010) also argues that a high-quality rule of law is considered to dampen ordinary citizens’ opportunity and willingness to engage in political violence. Institutionalized liberal democracies promoting a high-quality rule of law system as an effective conflict resolution mechanism are likely to experience less domestic and transnational terrorism. Choi’s cross-sectional, time-series data analysis with a sample of 131 countries between 1984 and 2004 period shows the likelihood of domestic and international terrorist events declining in a country with high quality of the rule of law. Therefore, as a country is transformed in a fully institutionalized democracy, it may not experience high levels of terrorist activities.
Economic Opportunity

The findings on economic determinants of terrorism are highly inconclusive about the relationship between poverty and terrorism. There is no empirical evidence that poverty causes terrorism. According to some scholars like Hamilton, Moss, Clutterbuck and Laqueur, terrorism is typically the work of the idle elites and arises during periods of affluence rather than desperate poverty (cited in Schmid and Jongman, 1988, p.66). Crenshaw (1981, p.384) argues that terrorism is essentially the result of elite disaffection; it represents the strategy of a minority, who may act on behalf of a wider popular constituency who have not been consulted about, and do not necessarily approve of, the terrorists’ aims or methods. Therefore, poverty among the common people might not necessarily relate to terrorism. Had terrorism been a function of desperate poverty, we would expect terrorism largely in countries like Eritrea, Central African Republic, Burundi, Malawi and such countries in poverty-ridden Sub-Saharan Africa. But we observe more terrorism in the United States, France, Spain and Japan than in the poor African countries mentioned above. Abadie (2006) uses a country-level terrorist risk ratio that encompasses both transnational and domestic terrorism as his dependent variable and concludes that terrorist risks are not higher for poorer countries once other country-level characteristics are considered. Asal and Rethemeyer (2008) consider factors that explain the lethality of terrorist organizations, regardless whether they are transnational or domestic in nature, and find that the economic performance of the country that hosts the organization does not relate to the lethality of groups. Feldmann and Perala (2004) do not
find an association between economic performance or structural economic conditions and the prevalence of terrorism in Latin America.

On the other hand, a large-n empirical study by Piazza (2011) shows that economic prosperity in a country is likely to increase domestic terrorism. Intuitively, these findings make sense when considering terrorist activity around the world. The persistence of groups in West Europe, such as the Provisional Irish Republican Army, Basque Fatherland and Freedom (ETA), and the FLNC, seem to suggest that poor countries are not more prone to terrorism than rich countries. In fact, the Basque region in Spain, ETA’s regional base, is one of the most economically prosperous areas in the country (Boylan, 2010, p.31).

Berrebi (2007) who presented a statistical analysis of the determinants of participation in terrorist activities by members of the Hamas and Palestinian Islamic Jihad between the late 1980s and May 2002 found that both higher education and standard of living are positively associated with participation in Hamas or PIJ and with becoming a suicide bomber. Economic prosperity would probably enable the terrorist organizations to pay for weapons and recruits, and trade and investment might provide them the economic resources to engage in violence.

In Alesina and Spolaore’s (2003) theoretical framework, the trade-off between a state’s size and heterogeneity is influenced by the trade regime. A large market size matters for economic success. Because of specialization and other mechanisms, interaction among a large number of individuals may increase productivity. The extent of the market also plays a key role of models of industrialization; a certain size of market
(defined by the size of demand) is necessary for entrepreneurs and investors to step in and overcome fixed costs, and spur development. A bigger country can mobilize investment capital better. 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. It follows that only in an autarkic world a country that is small has a small market and thus a low demand for output, low production and low probability of capital mobilization.

In an economically integrated world, on the other hand, the market size of a country is larger, and possibly even much larger, than its political size. In the extreme case where borders are totally irrelevant for economic interactions, the market size of each country is the world. In a world of free trade, political borders are economically irrelevant. In summary, at one extreme (autarky), market size and political size coincides, while at the other extreme (perfect free trade) political size does not affect market size, which is given by the whole world. In general, a country’s market will be given by its domestic market and part of world market, depending on the degree of economic openness. The political size of a country should become less relevant as economic integration increases; hence, the viable size of a country decreases with international openness. 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 as international openness and economic integration increases. In a globalized economy, people do not necessarily depend on the state for managing trade and investment; flow of foreign capital and movement of goods make the state less
important for economic prosperity. This argument of Alesina and Spolaore (2003) can well explain why secessionist and nationalist aspirations might increase with economic openness, but I intend to causally connect economic openness with all types of domestic terrorism.

Economic globalization creates winners and losers. The uneven and disruptive effects of globalization, particularly for developing countries, have been singled out by such critics as Stiglitz (2002). Bussmann and Schneider (2007) also argue that steps toward globalization (measured by changes in the level of economic openness) may increase the risk of armed conflict in the short run. Thus, by lowering the opportunity cost of violence for the losers of globalization, a move toward economic openness can increase domestic conflict (Magee and Massoud, 2011). In a heterogeneous country with group discrimination, if the losers of economic globalization happen to belong to the already aggrieved section, terrorist organizations representing such aggrieved sections might grow stronger with more people joining their ranks. Therefore, a heterogeneous country where groups are discriminated might experience an increase in terrorist activities with economic openness.

The earlier argument that we should observe attempted secessions, or, at least, increasing pressure for decentralization and local autonomy and more terrorist violence as the world becomes more democratic can be combined with the effect of economic openness and global integration. It follows that both democratization and opening of international markets should accompany political separatism, attempted break up of larger countries, and attempt to challenge the state, especially if the level of heterogeneity
and deprivation from the public goods are high. The resentment might translate into terrorist violence.

In summary, three things are addressed in the theoretical framework - grievances, political and economic opportunities - that can together lead to terrorism. I have extended Charles Tilly’s ‘Polity Model’ (Tilly, 1978, p.53) to include political and economic opportunity in translating the above theoretical framework into a ‘public goods’ model (see Figure 8). No socio-political movement is feasible without grievances. Individuals or groups excluded from the public goods are likely to challenge the state. Terrorism takes place in non-democratic countries too (e.g. Rwanda, Uganda, Gabon, Congo Kinsasha). Similarly, terrorism is also experienced in relatively closed economies (e.g. Sikh terrorism of 1980s in India). I expect open polities and economies to increase terrorism, not to condition it. In the model, I expect the likelihood of ‘challenger 2’ and ‘challenger 3’ to engage in terrorist activities to be greater than ‘challenger 1’ (see Figure 8) because they have more favorable political and economic conditions for challenging the state than the latter. Three hypotheses follow from the theoretical framework discussed above.

H1: The more individuals or groups face heterogeneity costs in a state, the more the state is likely to suffer from domestic terrorism.

H2: An immature democracy with low level of institutionalization is more likely to experience domestic terrorism than other regime-types.

H3: Global economic integration is likely to increase domestic terrorist activities in a state.

In addition to the above hypotheses, I also test two conditional hypotheses.

Although terrorism might not be conditioned by opportunities, political and economic
Figure 8. The Polity Model
opportunities might lead to increases in terrorism even more when interacted by grievances.

H4: 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 an immature democracy with low level of institutionalization.

H5: 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 as the country is integrated with global economy.

In this Chapter I have examined two theories – liberal and dependency – that are traditionally used to explain the relationship between conflict and global economic integration. But these two traditional theories are inadequate in addressing many trends observed in post-Cold War world. Alesina and Spolaore (2003) offer a theoretical framework that can better explain the post-Cold War trends of global economic integration and its resultant developments. Based on Alesina and Spolaore’s (2003) theoretical framework, a rational choice theoretic model of violent intra-state conflict that is based on three crucial factors- (1) heterogeneity cost, (2) political openness, and (3) global economic integration - is used to explain the causal relationship between domestic terrorism and the post-Cold War trends of global economic integration and emergence of democracies. I have argued that the resort to terrorism is a rational choice when individuals’ 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.

In the next chapter, I discuss operational measures of the important variables, present preliminary descriptive statistics, and evaluate the influence of these variables
using zero inflated negative binomial regression models on a dataset of 172 countries for
the period between 1990 and 2007.
Chapter 4

Empirical Beginnings: Cross Country Analysis

In order to explore whether the post-Cold War trends of global economic integration and spread of democracy are responsible for fluctuations in domestic terrorism I introduce a rational choice theoretic model of violent intrastate conflict that is based on three crucial factors- (1) heterogeneity cost, (2) political openness, and (3) global economic integration. Terrorism is a rational choice when individuals’ deprivation from public goods due to preferential distance from the ruling elite increases; democratization and integration to the global economy provide opportunities to mobilize. Five hypotheses were developed based on the theoretical framework discussed in Chapter Three. I propose to test these hypotheses on a cross-country analysis in this chapter. Large-N cross-country analyses are limited on the issue of domestic terrorism. My study contributes to the terrorism literature with an emphasis on broad-based generalization on the issue.

In this chapter, I discuss the data used to empirically test the theoretical propositions presented in Chapter Three on a cross-country dataset on domestic terrorism in 172 countries for the period between 1990 and 2007. I also operationalize concepts discussed in the third chapter. Then, I present basic descriptive statistics that highlight important characteristics of the variables and their sources, and review the data on domestic terrorism. Next, I introduce the statistical models to be used in the empirical analysis. Finally, I discuss the empirical evidence uncovered and suggest future research possibilities.
Research Design

In this section, I discuss the variables used in the statistical analyses. This includes providing measurable proxies for the three concepts discussed in Chapter Three: (1) heterogeneity cost, (2) regime type, and (3) global economic integration. I then present basic descriptive statistics for each of the operationalized variables. A description of all the variables used in the estimation that follows is presented below.

Unit of Analysis

To test my hypotheses described in Chapter Three, I use a set of zero-inflated negative binomial regression models on the incidence of domestic terrorism using a country-year database of 172 countries from 1990 to 2007. The unit of analysis is country-year. Enders, Sandler and Gaibulloev (2011) 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). 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 of Terrorism and Responses to Terrorism, housed at the University of Maryland. While the database developers, to the best of their abilities, corroborate each piece of information with multiple independent open sources, they make no further claims as to the veracity of this information (START, 2010 b).

Enders, Sandler and Gaibulloev (2011, p.3), 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 (Enders et al., 2011, p.4). 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 the USA 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. (2011) 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. (2009). 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. (2011). 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.

A review of the dataset shows that incidents of domestic terrorist attacks have fluctuated between 1970 and 2007 at the global level. The same can be said about the casualties from such incidents (see Figure 9). Incidents of domestic terrorism remained quite low between 1970 and 1974 with an average of 95.8 incidents per year that resulted in approximately 64 deaths per year. These numbers more than double in the years 1975-76 with a yearly average of 308 incidents causing an annual death of 174.5 persons on average, and more than quadruple in the years 1977-78 with a yearly average of 812.5 incidents causing an annual death of 506 persons on average. The number of incidents peaked at 1380 in 1979 with 950 deaths. Overall, the ratio of incidents to deaths remained low at 1.56:1 in the 1970s.

Domestic terrorism intensified in the 1980s. For the years 1980-89, the yearly average of incidents was 1805.7 resulting in 2672.5 deaths. The incidents became more fatal than those in the 1970s; 1.48 deaths were reported per incident. In the four years between 1980 and 1983, an average of 1434 incidents of domestic terrorism was reported per year. The number of incidents spiked in 1984 with 2006 incidents and again in 1989 with 2864 incidents; deaths were 3870 and 4125 respectively.

Since the collapse of Soviet Union in 1991, incidents and the resultant fatalities from domestic terrorism fluctuated more widely than the previous decades (see Figure 10). Terrorist incidents suddenly spiked in 1992 with the number reaching 3220 with the reported death of 5128 persons, the highest since 1970. But the incidents dramatically
Figure 9. Domestic Terrorism 1970-2007

Figure 10. Domestic Terrorism 1990-2007
declined to a very low number of 307 in 1993, only to rise to 1798 in 1994. The number of incidents remained at an average of 1684.25 for the four years between 1994 and 1997. In 1998, terrorist incidents declined considerably and stayed at a low annual level of 655.57 for the next seven years.

Incidents of terrorism started rising again in 2005 and continued their upward move, reaching the pre Cold-War level of occurrence in 2007 with 1843 attacks. The trends roughly resemble a U-shape after 1997, declining considerably and then rising again after 2005. It is important to note the role of the US-led wars in Afghanistan and Iraq in 2001 and 2003 for a notable rise in the count of domestic terrorist incidents. But, even if we exclude the incidents in Afghanistan and Iraq, the trend will still have a U shape. Domestic terrorist incidents started rising in 2005 and came close to the 1997 level in 2007 even after the combined incidents in Afghanistan and Iraq are taken into account. Wars in Afghanistan and Iraq are responsible for approximately 30 percent of the total incidents of domestic terrorism in the world between the years 2001 and 2007. Figure 11 shows the trend from 1997 to 2007 taking into account the incidents in Afghanistan and Iraq.

Similar trends are observed in fatalities from such incidents are concerned (see Figure 10). But, terrorism has been much more devastating in the post Cold-War period, causing far greater deaths than the previous periods. In 1997, 1776 incidents caused 7024 deaths, and similarly 1843 incidents killed 7711 persons in 2007. It is important to note here too the role of the US-led war in Afghanistan and Iraq starting in the years 2001 and 2003. Terrorist activities in Afghanistan from 2001 and in Iraq from
2003 are largely responsible for the dramatic increase in the number of casualties from 2005 onwards. Wars in Afghanistan and Iraq are responsible for approximately 41 percent of the total casualties of domestic terrorism in the world between the years 2001 and 2007. Figure 12 shows the trend from 2001 to 2007 taking into account the casualties in Afghanistan and Iraq.

According to GTD (Enders et al., 2011) reports, pre Cold-War period (1970-1989) deaths per incident were 1.32; 1.32 persons were killed in each incident on average. For the post Cold-War period (1990-2007), the deaths are 2.71 per incident; 2.71 persons were reportedly killed in each incident on average. This average annual death per incident account includes all the incidents and resultant casualties in post 2001 Afghanistan and post 2003 Iraq. If those in Afghanistan and Iraq are excluded, the deaths are 2.44 per incident in the post-Cold War period (1990-2007), implying that domestic terrorism has become more menacing after 1990. Although terrorist incidents have
fluctuated at the global level, the GTD data show that domestic terrorism has become more severe in terms of fatalities over the years.

**Dependent Variable**

The dependent variable for the empirical models is a country-year count of domestic terrorist incidents derived from the above mentioned dataset developed by Enders et al. (2011). The number of incidents per year measures the existence of terrorism and well as how widespread terrorism is in a particular country. The country-year count has been used widely by scholars in quantitative studies of terrorism (Li and Schaub, 2004; Krieger and Meierrieks, 2010; Piazza, 2011). Figure 13 and Table 1 illustrate the distribution of domestic terrorism by country from 1990 to 2007.

**Independent Variables**

I have three independent variables that are designed to test the hypotheses stated in Chapter Three. 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.

The first independent variable, 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 peace. 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 heterogeneous groups can be treated differently at different points of time by the ruling political elite; hence discrimination varies. Ethnic, religious or racial identity can serve as a ‘focal point’ (Schelling, 1963) facilitating convergence of individual expectations and be useful as a

*Figure 13. Histogram of Terrorist Incidents 1990-2007*
Table 1. Distribution of Terrorist Incidents 1990-2007

<table>
<thead>
<tr>
<th>No. of Incidents per country-year</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1,853</td>
<td>60.65</td>
<td>60.56</td>
</tr>
<tr>
<td>1</td>
<td>335</td>
<td>10.95</td>
<td>71.5</td>
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<td>2</td>
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<td>76.24</td>
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<td>3</td>
<td>84</td>
<td>2.75</td>
<td>78.99</td>
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<tr>
<td>4</td>
<td>64</td>
<td>2.09</td>
<td>81.08</td>
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<td>5</td>
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<tr>
<td>6-10</td>
<td>148</td>
<td>4.84</td>
<td>87.88</td>
</tr>
<tr>
<td>11-14</td>
<td>68</td>
<td>2.23</td>
<td>90.11</td>
</tr>
<tr>
<td>15-40</td>
<td>163</td>
<td>5.32</td>
<td>95.43</td>
</tr>
<tr>
<td>41-200</td>
<td>140</td>
<td>3.99</td>
<td>99.42</td>
</tr>
<tr>
<td>201-673</td>
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<td>100.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3060</strong></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

Mean: 7.831699

Standard Deviation: 32.65379
mobilization strategy; hence, political leaders can strategically manipulate such identity for the sake of power (Hardin, 1995; Rogowski, 1985; Brass, 1973). In a hostile political environment, minority group/groups may be discriminated 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 (Vanhanen, 2010). 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 (Vanhanen, 2010).

To operationalize minority economic discrimination and policies to remediate discrimination in countries, I use the ‘ECDIS Index’ published by the Minorities at Risk Project (2009). 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’ (Minorities at Risk Project, 2009, p.1), 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 (Minorities at Risk Project, 2009, p.11). 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 which 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 (Piazza, 2011).

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.

\[
\text{Heterogeneity cost} = \frac{\text{heterogeneity index} \times \text{economic discrimination index}}{\text{maximum value of the heterogeneity index}}
\]

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.\(^{13}\)

\(^{13}\) 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
The second independent variable is immature or unconsolidated democracy. I use the Polity IV dataset (Marshall and Jaggers, 2010) 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 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’ 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. This characterization of immature or unconsolidated democracies is consistent with dichotomous measures employed by other scholars in international relations (Mitchell and Prins, 1999). I create three other categories of regime
discrimination index’ is positively related with domestic terrorism at a level of statistical significance that supports Piazza’s (2011) findings. The models are provided in the Appendix. 

14 Immature democracy and unconsolidated democracy are interchangeably used in my dissertation. 

15 For robustness check I ran several models with different regime types all operationalized using the Polity IV dataset (Marshall and Jaggers, 2010). ‘Full Democracy’ operationized as a dummy variable (1) for all countries with a Polity score of +10 has no relationship with domestic terrorism. ‘Anocracy’ (-5 through +5 in Polity scale) is negatively related with domestic terrorism at a statistically significant level. But ‘autocracy’ (less than -5 in Polity scale) has no relationship with domestic terrorism. All those models and a table showing relationship between regime types and domestic terrorism are provided in the Appendix.
types – all dummy variables. Full democracy consists of all the countries with a combined score of +10 in Polity IV 21-points autocracy-democracy scale. All countries scoring -5 through +5 in the Polity IV scale are coded as anocracy. Autocracy stands for all the countries that score -10 through -6 in the combined autocracy-democracy scale.

Finally, the third independent variable is global economic integration or economic globalization. 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 (Gissinger and Gleditsch, 1999; Li and Schaub, 2004). 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 (World Bank 2011). Both Trade and FDI are lagged by one to control for endogeneity.

Control Variables

I include in all models a host of controls that frequently appear in empirical studies of terrorism (Li, 2005; Wade and Reiter, 2007; Piazza, 2011). The size of a
country is often used in empirical studies of terrorism with the expectation that bigger countries might experience greater numbers of attacks than smaller ones. Moreover, the theoretical expectation is that greater country size is a major indicator of greater heterogeneity cost. I therefore measure size by *geographic area* of all countries in the sample to use them in my models. The size of a country is mostly constant over the years, but it varies across the 172 countries in the models. In the sample, there are countries such as Maldives (298 sq. km.), Malta (316 sq. km.), and Grenada (344 sq. km.) which are small in size. On the other hand, huge countries like Russia (17,098,242 sq. km.), Canada (9,984,670 sq. km.) and United States (9,826,675 sq. km.) also figure in the dataset (CIA Factbook, 2013). A country’s population can also be used to measure size, but geographical area and population of countries are highly correlated. Therefore, I use only geographical area in my empirical models. Geographical area has been used as a control variable in terrorism research (Li, 2005; Abedie, 2006; Pizza, 2011). The data on this control variable come from the United Nations Statistics Division (2011).

The relationship between economic development and terrorism remains a contentious issue in terrorism research. As I have elaborated in the literature review section, findings on terrorism are inconclusive of the relation between terrorism and poverty. While most studies conclude that people from economically developed countries are as likely to engage in terrorism as the people from less developed countries, some empirical studies find that terrorism originating in a country is positively associated with the country’s wealth or economic development (Burgoon, 2006; Berrebi, 2007; Lai, 2007; Piazza, 2011). If economic and political opportunities facilitate terrorism, I would
expect domestic terrorism to increase with the level of economic development. Otherwise, poverty might itself create grievances among people; hence terrorism might decrease with economic development. Therefore, I include *Gross National Income per capita* held at constant 2000 US dollars as a control variable in my empirical models. GNI per capita is lagged one period in the models. Data for this control variable are taken from the World Development Indicators (World Bank 2011).

Crenshaw (1981) argues that a state’s inability to effectively tackle violence might exacerbate the problem of domestic terrorism. Lai (2007) argues that states are likely to be greater producers of terrorism when they impose low costs on groups for mobilizing and operating out of that state. When groups are deciding the resources to allocate to terrorist activities, the cost of operating is probably an important consideration. States with low-cost environments reduce the operating expenses of a terrorist organization, allowing them to funnel more resources into the actual production of terrorism. Thus, groups that are already in low-cost environments can devote more resources towards terrorist activities than groups in high cost environments. Research on factors leading terrorists to target states (Enders and Sandler, 2002; Berrebi and Lakdawalla, 2007) and those contributing to the onset of civil wars (Fearon and Laitin, 2003) have shown that governments with greater ability to impose costs on groups face fewer incidents of political violence. Although dissatisfied groups may exist within every state, the ability for these groups to recruit, organize, and train is likely to be contingent on their ability to avoid detection by the government (Lai, 2007).
A fragile state may be an ideal breeding ground for domestic terrorist organization because of the ease with which the groups can operate. I use the state fragility index - a 0 to 25 composite score of political effectiveness and legitimacy (Marshall and Cole, 2010) - as a control variable in the models. The index is available from 1995 to 2010; hence I follow imputation method used in other terrorism studies (Piazza, 2011) to address missing observations. I expect state fragility to be positively associated with domestic terrorism.

Eyerman (1998) and Li (2005) find the age of the current political regime to be a negative predictor of terrorism. I therefore control for regime duration, which is calculated as the number of years the current regime has ruled, using data from the Polity IV project (Marshall and Jaggers, 2010). The intuitive logic is that frequent regime change might prevent the government from pursuing a long term counterterrorism policy and provide the terrorist groups opportunities to organize. Crenshaw (1981) 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. Shabad and Ramo (1995), in their case study on Basque terrorism in Spain, have argued that the reason of the continuation of violence in that region is that the culture of violence had been legitimized in Basque country. A post-civil war generation of Basque grew up in a climate of physical and symbolic violence and repression that was transmitted to the following generation. Similarly, Green (1995) in his case study of post-1926 terrorism in Iran emphasized that people as well as the state in Iran chose mainly a violent means of political expression, although other peaceful means were followed to a far lesser extent,
because of the culture of violence that was routinized in Iranian society. 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 terrorist organizations can be a good predictor of this year’s attacks.

Terrorism is frequently urban warfare. Urbanization is part of the modern trend toward aggregation and complexity, which increases the number and accessibility of targets (Crenshaw, 1981, p.382). Hobsbawn (1973, pp.226-227) has pointed out that cities became the arena for terrorism after the urban renewal projects of the late nineteenth century France. Pomper (1995) in his case study on Russian revolutionary terrorism pointed out the role of urban intelligentsia and how their failure to engage the rural masses propelled the revolutionary to choose the extreme methods of terrorism. The revolutionaries came from urban educated elites and almost always enjoyed support of a section of urban intelligentsia with limited appeal to the masses (p.76). Therefore, I expect urbanization will increase terrorism and include *urban population* as a percentage of a country’s total population as a control variable.

Unemployment might increase domestic terrorism because it would be easier for the terrorist organization to recruit cadres if people are jobless. Moreover, unemployment might create grievances among the section of jobless people. If the distribution of public goods is uneven, we would expect more unemployed people among the deprived sections than others. In that case, terrorist organizations might exploit the grievances of the unemployed. Therefore, I include total unemployment as a percentage of a country’s total
labor force as another control variable.\textsuperscript{16} The data on urban population and unemployment come from World Bank (2011). A summary of the data on independent variables and control variables are presented in Table 2.

It is important to note here that Afghanistan and Iraq are dropped from the models because of missing data on many independent and control variables for those two countries. Therefore, I do not include ‘at war’ as a control variable.

\textbf{Analysis and Results}

As mentioned earlier, I use a set of zero-inflated negative binomial regression models on the incidence of domestic terrorism on a database of 172 countries from 1990 to 2007. Owing to missing data for some cases, the sample size varies between 2,763 and 2,787 observations, depending on the model. Because the dependent variable is an event count, ordinary least squares (OLS) estimates can be inefficient, inconsistent, and biased (Long, 1997). My decision to use zero-inflated negative binomial estimators – rather than ordinary least squares, Poisson or standard negative binomial models – is recommended by several unique features of the dependent variable. First, it is an interval measurement that cannot include negative values. Second, it is highly unevenly distributed across cases and years, resulting in wide difference between mean and standard deviation (see Table 1). 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. But the Poisson regression model assumes that the conditional mean of the dependent variable equals the conditional variance. This assumption, which

\textsuperscript{16} I ran models with regional dummies, but the results remained the same. A model with regional dummies is provided in the Appendix.
Table 2. Summary Statistics of variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of Obs.</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>2969</td>
<td>0.59</td>
<td>0.64</td>
<td>0</td>
<td>3.05</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>3077</td>
<td>0.28</td>
<td>0.44</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Trade</td>
<td>2966</td>
<td>82.44</td>
<td>47.48</td>
<td>0</td>
<td>438.09</td>
</tr>
<tr>
<td>Foreign Direct Inv.</td>
<td>2944</td>
<td>6.91</td>
<td>45.26</td>
<td>-88.89</td>
<td>1129.83</td>
</tr>
<tr>
<td>History</td>
<td>2808</td>
<td>7.45</td>
<td>29.48</td>
<td>0</td>
<td>523</td>
</tr>
<tr>
<td>Log Area</td>
<td>3072</td>
<td>11.85</td>
<td>2.14</td>
<td>5.7</td>
<td>16.64</td>
</tr>
<tr>
<td>Log GNI</td>
<td>3037</td>
<td>7.53</td>
<td>1.68</td>
<td>0.98</td>
<td>14.54</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>3041</td>
<td>22.79</td>
<td>29.07</td>
<td>0</td>
<td>198</td>
</tr>
<tr>
<td>Unemployment</td>
<td>2963</td>
<td>11.31</td>
<td>11.27</td>
<td>0</td>
<td>70</td>
</tr>
<tr>
<td>Fragility</td>
<td>3006</td>
<td>9.79</td>
<td>6.85</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Urban Population</td>
<td>2970</td>
<td>52.61</td>
<td>23.3</td>
<td>5.4</td>
<td>100</td>
</tr>
</tbody>
</table>
may be violated in my models, would cause underestimated standard errors and spurious statistical significance (Li and Schaub, 2004). Finally, it contains a large number of zero values in country-cases. More than sixty percent of the observations in the sample are zero. These elements – over-dispersion and the preponderance of zero values for the dependent variable (see Table 1) – suggest the use of zero-inflated negative binomial techniques. This decision is supported by Vuong tests, included in the results, and goodness of fit tests that recommend zero-inflated negative binomial estimations rather than negative binomial or Poisson estimations. 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 (Rogers 1993; Williams 2000). The inclusion of the lagged incidents as ‘History’ variable also helps to absorb temporal dependence in the data.

In all models, I have included the vuong option which provides a test of the zero-inflated model versus the standard negative binomial model along with the zip option which provides a likelihood ratio test of alpha=0 (basically zinb versus zip). In all my models the likelihood ratio tests that alpha = 0 is significantly different from zero. This suggests that data are overdispersed and that a zero-inflated negative binomial model is more appropriate than a zero-inflated Poisson model. The Vuong test suggests that the zero-inflated negative binomial model is a significant improvement over a standard
negative binomial model. The Wald test of the model fit is statistically significant at 99% level as well.

The zero-inflated negative binomial model results presented in Table 3 include four of the same covariates in the inflated, certain-zero equations as are in the count equations. Drakos and Gofas (2006), in their piece on underreporting bias in quantitative studies of terrorism, argue against full specification of the inflated equation in zero-inflated negative modeling and recommend instead including only covariates associated with ‘certain-zero’ countries: regime type. They assume that certain-zero countries appear to be so in the data because they lack free media that would report on terrorist events. I include four covariates of the count equations in the inflated, certain zero equations – state fragility, unemployment, regime duration and full democracy. These variables can be related to the underdeveloped as well as authoritarian countries. Full democracy, a dummy variable where all countries with perfect 10 on the combined autocracy-democracy score in Polity IV scale are counted as 1 and the ‘others’ as 0, should theoretically have a negative co-efficient in the inflated, certain zero equations. As expected ‘full democracy’ has a statistically significant negative co-efficient in the inflated, certain zero equations.

**Zero Inflated Negative Binomial Results**

Table 3 presents results for the benchmark model IV and its variants (models I, II and II) for the robustness check. Below, I first focus on the results of the benchmark model as far hypotheses 1 to 3 are concerned and then discuss the interpretations of my analysis. Both the heterogeneity cost and immature democracy are statistically significant
Table 3. Zero Inflated Negative Binomial Regression Models

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Count Model)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heterogeneity Cost</td>
<td>0.352*</td>
<td>0.354*</td>
<td>0.325*</td>
<td>0.303*</td>
</tr>
<tr>
<td></td>
<td>(0.155)</td>
<td>(0.157)</td>
<td>(0.149)</td>
<td>(0.149)</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0.714**</td>
<td></td>
<td>0.689**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.253)</td>
<td></td>
<td>(0.243)</td>
<td></td>
</tr>
<tr>
<td>Autocracy</td>
<td>0.144</td>
<td>0.117</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.254)</td>
<td>(0.257)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Democracy</td>
<td>0.781</td>
<td>0.411</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.503)</td>
<td>(0.495)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tradet-1</td>
<td>0.01**</td>
<td>-0.010**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.002)</td>
<td></td>
<td>(0.002)</td>
</tr>
<tr>
<td>Foreign Direct Inv.†-1</td>
<td>0.012</td>
<td>-0.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.010)</td>
<td></td>
<td>(0.007)</td>
</tr>
<tr>
<td>History</td>
<td>0.043**</td>
<td>0.040**</td>
<td>0.042**</td>
<td>0.040**</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.008)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Log Area</td>
<td>0.243**</td>
<td>0.231**</td>
<td>0.144**</td>
<td>0.125*</td>
</tr>
<tr>
<td></td>
<td>(0.051)</td>
<td>(0.051)</td>
<td>(0.056)</td>
<td>(0.055)</td>
</tr>
<tr>
<td>Log GNI†-1</td>
<td>0.475**</td>
<td>0.445**</td>
<td>0.461**</td>
<td>0.485**</td>
</tr>
<tr>
<td></td>
<td>(0.133)</td>
<td>(0.151)</td>
<td>(0.138)</td>
<td>(0.158)</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>-0.002</td>
<td>-0.002</td>
<td>-0.003</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.001</td>
<td>0.004</td>
<td>0.009</td>
<td>0.013</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.008)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>Fragility</td>
<td>0.093**</td>
<td>0.120**</td>
<td>0.081**</td>
<td>0.102**</td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td>(0.030)</td>
<td>(0.026)</td>
<td>(0.028)</td>
</tr>
<tr>
<td>Urban Population</td>
<td>-0.007</td>
<td>-0.007</td>
<td>-0.005</td>
<td>-0.007</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.007)</td>
</tr>
</tbody>
</table>
Table 3. Continued

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-6.537**</td>
<td>-6.904**</td>
<td>-4.466**</td>
<td>-4.889**</td>
</tr>
<tr>
<td></td>
<td>(1.25)</td>
<td>(1.223)</td>
<td>(1.311)</td>
<td>(1.264)</td>
</tr>
<tr>
<td>Inflated Logit (Certain Zero)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fragility</td>
<td>-0.298*</td>
<td>-0.284*</td>
<td>-0.309*</td>
<td>-0.302*</td>
</tr>
<tr>
<td></td>
<td>(0.134)</td>
<td>(0.130)</td>
<td>(0.134)</td>
<td>(0.131)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.084**</td>
<td>0.096*</td>
<td>0.090**</td>
<td>0.093**</td>
</tr>
<tr>
<td></td>
<td>(0.026)</td>
<td>(0.041)</td>
<td>(0.028)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>0.067**</td>
<td>0.072*</td>
<td>0.069**</td>
<td>0.068**</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.029)</td>
<td>(0.017)</td>
<td>(0.021)</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-37.339**</td>
<td>-36.33**</td>
<td>-34.857**</td>
<td>-34.748**</td>
</tr>
<tr>
<td></td>
<td>(3.064)</td>
<td>(3.483)</td>
<td>(3.020)</td>
<td>(2.987)</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.097</td>
<td>-2.856</td>
<td>-2.29</td>
<td>-2.427</td>
</tr>
<tr>
<td></td>
<td>(1.660)</td>
<td>(3.226)</td>
<td>(1.899)</td>
<td>(2.993)</td>
</tr>
<tr>
<td>Num. of Obs.</td>
<td>2787</td>
<td>2787</td>
<td>2763</td>
<td>2763</td>
</tr>
<tr>
<td>Non-zero Obs.</td>
<td>1096</td>
<td>1096</td>
<td>1094</td>
<td>1094</td>
</tr>
<tr>
<td>Zero Obs.</td>
<td>1691</td>
<td>1691</td>
<td>1669</td>
<td>1669</td>
</tr>
<tr>
<td>Wald $\chi^2$</td>
<td>143.78**</td>
<td>147.1**</td>
<td>191.25**</td>
<td>226.17**</td>
</tr>
<tr>
<td>LR Test (a=0)</td>
<td>2.5e+04**</td>
<td>2.3e+04**</td>
<td>2.4e+04**</td>
<td>2.2e+04**</td>
</tr>
<tr>
<td>Vuong z Test</td>
<td>3.55**</td>
<td>2.61**</td>
<td>3.43**</td>
<td>2.66**</td>
</tr>
</tbody>
</table>

Note: Dependent Variable is the country year counts of domestic terrorist incident. Robust standard errors are clustered by country in parentheses. Anocracy is used as the baseline regime category in all the models. ($\dagger$ p<0.10, *p<0.05, **p<0.01)
in the hypothesized directions. With a 1 unit increase in ‘heterogeneity cost’ score for a country, the rate of incidents of domestic terrorism in a year would increase by a factor of 1.3548 on average in that country while controlling all other variables in the model. More substantially, a 1 unit increase in ‘heterogeneity cost’ increases the expected number of domestic terrorist incidents in a country by 35.4% on average, controlling for other variables in the model. Thus, the higher a country’s ‘heterogeneity cost’ score is, the more predicted incidents of domestic terrorism. It is significant at 95% level of confidence. The expected rate of domestic terrorist incidents in an Immature Democracy is 1.9928 times of that in an Anocracy when all other variables in the model are controlled for. Therefore, an Immature Democracy is about 1.9 times more vulnerable to domestic terrorist incidents than Anocracy when all other variables are controlled for. In other words, immature or unconsolidated democracy experiences 99.2% more domestic terrorist incidents on average than anocracy, when all other variables in the model are controlled for. This is significant at 99% level of confidence. Hypotheses 1 and 2 that expected higher heterogeneity cost and immature democracies are likely to increase domestic terrorism are supported at a statistically significant level.

One of the measures of economic globalization, Foreign Direct Investment, is not related to the rate of terrorist incidents; the coefficient for Foreign Direct Investment does

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17 I tested several models using different regime types as baseline categories. When autocracy is used as a baseline category, the result is the same as in model IV (table 3). Immature democracy has a statistically significant positive coefficient. Neither full democracy nor anocracy reaches level of statistical significance. In a model with full democracy as a baseline category, no regime type has any statistical relationship with terrorism. When immature democracy is used as a baseline category, anocracy and autocracy have statistically significant negative coefficients, but full democracy is neither more nor less vulnerable to domestic terrorism than immature democracy.
not reach statistical significance. On the other hand, the other measure of economic globalization, Trade, is negatively associated with domestic terrorism at a statistically significant level. A one percent increase in international trade of a country in relation to its GDP results in change in the rate of domestic terrorist incidents in that country by a factor of 0.9893 on average, controlling for all other variables in the model. More specifically, a 1% increase in the average international trade of a country decreases the expected rate of domestic terrorist incidents in that country by 1.07% on average, controlling for all other variables. This is significant at a 99% level of confidence. I hypothesized (H 3) that international trade as a percentage of GDP was likely to result in greater number of domestic terrorist incidents. This hypothesis was not supported.\(^\text{18}\)

A number of control variables including regional dummies are statistically significant in the expected directions. A history of terrorist violence in a country, operationalized as a lag of the dependent variable, is a positive predictor of terrorism. The rate of domestic terrorist incidents for a country is 1.04 if the country suffered terrorist incidents the previous year by one, controlling for all the other variables in the model. Had a country experienced 1 more incident the previous year, the country is likely to suffer from 4% more incidents of domestic terrorism in time t, controlling for all other variables in the model. This is significant at 99% level of confidence. This is consistent with the expectation by scholars that both the presence and the absence of terrorist activities tend to be persistent. Terrorist groups, once operational, tend to engage in activities continuously. Similarly, terrorist groups may experience greater difficulties in

\(^{18}\) I discuss this finding in the ‘conclusion’ section of this chapter.
setting up operations in countries that rarely experience terrorist incidents (Li and Schaub, 2004).

The size of a country is positively related to the rate of terrorist incident at a 99% level of statistical significance. The expectation that bigger countries might experience greater numbers of attacks than smaller ones is supported in the models. The theoretical expectation that greater country size as a major indicator of greater heterogeneity cost (Alesina and Spolaore, 2003) will increase domestic terrorism receives empirical support. Per capita Gross National Income is positively related to the rate of terrorist incidents at a statistically significant level. This finding supports earlier empirical studies that terrorism originating in a country is positively associated with the country’s wealth or economic development (Burgoon, 2006; Berrebi, 2007; Lai, 2007; Piazza, 2011). My theoretical expectation was that economic and political opportunities would facilitate terrorism; hence the finding that a country’s wealth or development in terms of per capita GNI is a positive predictor of domestic terrorism gives indirect support to Hypothesis 3.

A one unit increase in the ‘State Fragility Index’ for a country increases the expected rate of incidents of domestic terrorism in a year by a factor of 1.1079 in that country while all other variables in the model are controlled for. It is significant at a 99% level of confidence. In other words, a 1 unit increase in the ‘State Fragility Index’ increases expected domestic terrorist incidents by 10.79%, controlling for all other variables in the model. This finding is compatible with earlier findings that weak states are ideal breeding grounds for internal conflicts like civil wars and insurgencies (Fearon and Laitin, 2003). The terrorist groups’ activity in freely recruiting, organizing, and
training is likely to be contingent on their ability to avoid detection by the government (Lai, 2007).

An interpretation of the benchmark model in terms of change in rate of domestic terrorist incidents with discrete changes in independent variables that are statistically significant is presented in Table 4. 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 zero using ‘prchange’ command of Long and Freese (2005) in Stata. If ‘heterogeneity cost’ is increased from its minimum value to the maximum value, there is a likelihood of 2.07 or 2 (rounded) more cases of domestic terrorist incident a year. Similarly, change from other regime types to immature or unconsolidated democracy will result in 1.61 more incidents annually. If trade as percentage of GDP goes from its minimum to maximum value, there is a likelihood of 3.85 or 4 (rounded) fewer cases of terrorist incident per year. If the number of terrorist incident in the previous year changes from 0 to 1, there will be 0.05 more incidents this year. Similarly, if log GNI, state fragility score and log area are changed from their minimum to maximum values, there will be 47.7, 7.15 and 2.02 more cases of terrorist incidents annually.

Table 5 shows the results of interaction models that are designed to test hypotheses 4 and 5 in Chapter Three. In model V both heterogeneity cost and immature democracy remain positive predictors of terrorism, but the interaction term between heterogeneity cost and immature democracy does not reach statistical significance. The rate of terrorist incidents neither increases nor decreases in an immature or
Table 4.: Predicted Change in Terrorism (Benchmark Model)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Unit Change</th>
<th>Effect on the yearly rate of terrorist incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>Min - Max</td>
<td>+ 2.07</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0 - 1</td>
<td>+ 1.61</td>
</tr>
<tr>
<td>Trade (_t)-1</td>
<td>Min - Max</td>
<td>- 3.85</td>
</tr>
<tr>
<td>History</td>
<td>0 - 1</td>
<td>+ 0.049</td>
</tr>
<tr>
<td>Log GNI(_t)-1</td>
<td>Min - Max</td>
<td>+ 47.7</td>
</tr>
<tr>
<td>State Fragility</td>
<td>Min - Max</td>
<td>+ 7.15</td>
</tr>
<tr>
<td>Log Area</td>
<td>Min - Max</td>
<td>+ 2.2</td>
</tr>
</tbody>
</table>

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 variables at 0 (modal value).
Table 5. Interaction Models

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model V (Pol. Model)</th>
<th>Model VI (Trade Model)</th>
<th>Model VII (FDI Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count Model (Non Certain Zero)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heterogeneity Cost</td>
<td>0.399*(0.193)</td>
<td>0.033(0.235)</td>
<td>0.359*(0.152)</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0.594*(0.263)</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Trade t-1</td>
<td>-----</td>
<td>-0.013**(0.003)</td>
<td>-----</td>
</tr>
<tr>
<td>Foreign Direct Inv. t-1</td>
<td>-----</td>
<td>-----</td>
<td>-0.022(0.16)</td>
</tr>
<tr>
<td>Heterogeneity Cost* Immature Democracy</td>
<td>-0.171(0.22)</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Heterogeneity Cost* Trade t-1</td>
<td>-----</td>
<td>0.004(0.003)</td>
<td>-----</td>
</tr>
<tr>
<td>Heterogeneity Cost* Foreign Direct Inv. t-1</td>
<td>-----</td>
<td>-----</td>
<td>-0.004(0.017)</td>
</tr>
<tr>
<td>History</td>
<td>0.04** (0.007)</td>
<td>0.043** (0.008)</td>
<td>0.042** (0.007)</td>
</tr>
<tr>
<td>Log Area</td>
<td>0.227** (0.05)</td>
<td>0.157** (0.057)</td>
<td>0.209** (0.055)</td>
</tr>
<tr>
<td>Log GNI t-1</td>
<td>0.539** (0.133)</td>
<td>0.425** (0.138)</td>
<td>0.513** (0.131)</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>-0.001(0.003)</td>
<td>-0.003(0.003)</td>
<td>-0.002(0.003)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.004(0.007)</td>
<td>0.009(0.009)</td>
<td>0.002(0.007)</td>
</tr>
<tr>
<td>Fragility</td>
<td>0.1** (0.028)</td>
<td>0.075** (0.026)</td>
<td>0.097** (0.027)</td>
</tr>
<tr>
<td>Urban Population</td>
<td>-0.01(0.006)</td>
<td>-0.005(0.007)</td>
<td>-0.006(0.006)</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.925** (1.2)</td>
<td>-4.057**(1.375)</td>
<td>-6.390** (1.234)</td>
</tr>
</tbody>
</table>
Table 5. Continued.

<table>
<thead>
<tr>
<th></th>
<th>Model V</th>
<th>Model VI</th>
<th>Model VII</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Pol. Model)</td>
<td>(Trade Model)</td>
<td>(FDI Model)</td>
</tr>
<tr>
<td>Inflated Logit (Certain Zero)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fragility</td>
<td>-0.294*(0.127)</td>
<td>-0.298*(0.132)</td>
<td>-0.308*(0.135)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.079**(0.022)</td>
<td>0.092**(0.027)</td>
<td>0.079**(0.028)</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>0.061**(0.015)</td>
<td>0.069**(0.017)</td>
<td>0.067**(0.015)</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-36.03**(3.165)</td>
<td>-36.591**(2.989)</td>
<td>-34.362**(3.187)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.726(1.34)</td>
<td>-2.461(1.984)</td>
<td>-1.865(1.548)</td>
</tr>
<tr>
<td>Num. of Obs.</td>
<td>2787</td>
<td>2785</td>
<td>2763</td>
</tr>
<tr>
<td>Non Zero Obs.</td>
<td>1096</td>
<td>1095</td>
<td>1094</td>
</tr>
<tr>
<td>Zero Obs.</td>
<td>1691</td>
<td>1690</td>
<td>1669</td>
</tr>
<tr>
<td>Wald $\chi^2$</td>
<td>176.52**</td>
<td>211.64**</td>
<td>166.83**</td>
</tr>
<tr>
<td>LR Test (a=0)</td>
<td>2 .3e+04**</td>
<td>2.4e+04**</td>
<td>2.4e+04**</td>
</tr>
<tr>
<td>Vuong z</td>
<td>3.68**</td>
<td>3.33**</td>
<td>3.69**</td>
</tr>
</tbody>
</table>

Note: Dep. Variable is the country year counts of domestic terrorist incident. Robust standard errors are clustered by country in parentheses. Significance Level: († p<0.10, *p<0.05, **p<0.01)
unconsolidated democracy with higher levels of heterogeneity cost. Hypothesis 4 is not supported. Similarly, trade remains a negative predictor of domestic terrorist incidents at a statistically significant level in model VI. But the interaction-term between heterogeneity cost and trade, in spite of the positive sign of the coefficient, does not reach statistical significance. Therefore, I do not find support for hypothesis 5; trade neither decreases nor increases rates of domestic terrorist incidents in the presence of heterogeneity cost. Lastly, model VII (see Table 4) 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 Table 3) in my empirical finding. I also do not find support for the interactive hypothesis (H5) 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**

Some of the findings of my cross country study here need further explanation. I find little support for hypotheses 4 and 5. Although heterogeneity cost and immature democracy as a regime type lead to increases in domestic terrorism, the presence of heterogeneity and discrimination in a immature democracy neither increases nor decreases incidents of domestic terrorism. I argue that political and economic discrimination of minority group/groups in a heterogeneous country is one of the reasons for domestic terrorism. Domestic terrorism is a problem even in more or less homogeneous countries with no group discrimination. Haiti has no minority
discrimination as per MAR data, but the country has experienced 109 incidents of domestic terrorism between 1990 and 2007 (Enders et. al., 2011). Similarly, terrorist activities by dominant groups in many Western European countries and the United States cannot be explained by minority discrimination. In my models, I do not include other types of possible grievances such as racial enmity, perceived threat from new immigrants or fear of losing privileged positions in society or state, although I control for a number of variables like inequality, unemployment, and urbanization which could well constitute other types of grievances. There is likely to be higher levels of domestic terrorism in an immature democracy, but possible presence of other types of grievances along with minority discrimination might dilute the marginal effect of heterogeneity cost in an immature democracy in predicting higher levels of domestic terrorism.

Another important finding that trade alleviates the problem of domestic terrorism needs explanation. For Neo-liberals, an open economy leads to a higher level of economic development. In turn, this leads to peace, both directly and through the promotion of democracy (Hegre et. al., 2003). This argument naturally follows from the supposition that a primary cause of terrorism is underdevelopment and poverty, an argument that recently became popular among policy makers and scholars (Biden 2001; Bush 2002; Rice 2001; Tyson 2001). Poor economic conditions create “terrorist breeding grounds,” where disaffected populations turn to terrorist activities as a solution to their problems (Li and Schaub, 2004). Free trade boosts economic growth and generates greater income for the people whose increased opportunity costs might dissuade them from resorting to terrorism. The World Bank (1996, Ch. 2) argues along the same lines,
pointing out that China and Vietnam have experienced considerable economic growth after replacing parts of their centrally planned economies with free trade and market liberalism. Rodrik (1997) argues that an open economy provides a higher level of welfare in rich countries. States redistribute the assets from trade to income transfers, protecting workers against risks (especially illness and unemployment) or supporting them in old age (Vayrynen, 1997, p.76). Therefore, redistribution by a state might alleviate people’s grievances arising out of the unsettling forces of free trade and make resorting to terrorism a less attractive option.

But the assumption that terrorism is a function of poverty is not empirically supported in many studies. Scholars like Hamilton, Moss, Clutterbuck and Laqueur argue that terrorism is typically the work of the idle elites and arises during periods of affluence rather than desperate poverty (cited in Schmid and Jongman, 1988, p.66). We observe more terrorism in the United States, France, Spain and Japan than in poor African countries like Eritrea, Central African Republic, Burundi, Malawi and such countries in poverty-ridden Sub-Saharan Africa. Large-N and regional level empirical studies have not found any relationship between poverty and terrorism (Feldmann and Peralta, 2004; Abadie, 2006; Berrebi, 2007; Asal and Rethemeyer, 2008). In model IV (see Table 3) per capita Gross National Income is positively related with the rate of terrorist incidents at a statistically significant level. Therefore, the assumption that economic prosperity that results from international trade alleviates the problem of domestic terrorism is not supported by the empirical findings of this study.
One explanation for these results is that domestic terrorism may reduce international trade, thus lowering a country’s level of economic integration to the world. In such a case, we would observe a negative correlation between terrorism and openness because of the impact of terrorism on openness rather than because openness causes a decline in terrorism. In other words, countries can trade more extensively because they, for some reasons, are not victims of domestic terrorism. Several studies on civil war have received empirical support that civil wars reduce international trade flows (Bayer and Rupert, 2004; Martin et al., 2008; Magee and Massoud, 2011). The same phenomenon may also be occurring with domestic terrorism.

Moreover, countries highly integrated into the global economy have two common features: high political effectiveness and state legitimacy. The five most open countries in terms of trade as percentage of GDP, Singapore, Luxemburg, Netherland, Belgium and Ireland (World Bank, 2011), are low in state fragility index - a 0 to 25 scale composite score of political effectiveness and legitimacy (Marshall and Cole, 2010). Only Singapore is an autocracy while the others are all fully institutionalized democracies. These countries are more or less free from the menace of domestic terrorism. Their strong political institutions and immunity from the problem of terrorism might contribute to greater openness. I think this observation provides an avenue for future research to explore the causal direction of trade and domestic terrorism.

In Chapter Five, I test my five hypotheses on a regional dataset on South Asia for the same temporal domain between 1990 and 2007. In my empirical analysis, I narrow down my focus on South Asia because of the convergence of almost all the explanatory
factors as per Alesina and Spolaore’s (2003) theoretical expectations. India, Pakistan and Sri Lanka are highly heterogeneous in demographic composition; Nepal and Bangladesh follow the same pattern. All these countries have minorities who are discriminated and are characterized by center-periphery conflict. Therefore, my hypotheses are likely to be supported on a regional study of South Asia and Chapter Five would supplement my empirical findings on cross-country analysis in this chapter.
Chapter 5

Deprivation and Homegrown Terrorism in South Asia

How are post-Cold War economic integration and democratization related to domestic terrorism? In answering this question, I have argued that resorting to terrorism is a rational choice when individuals’ deprivation from public goods due to geographical and ideological distance from the ruling political elites increases; opportunity is provided by democratization and integration to the global economy. In the previous chapter, I have tested hypotheses drawn from this theoretical framework on a global dataset of domestic terrorism from 1990 to 2007. I found that discrimination indeed leads to homegrown terrorism and unconsolidated democracies experience more such terrorist incidents than other regime types. But global economic integration in the form of international trade reduces domestic terrorism in a country. In this chapter, I test the same hypotheses on a South Asian regional dataset for the same temporal domain.

In this chapter, firstly, I discuss the reasons for choosing South Asia, emphasizing the issue of minority discrimination in each of the five countries of the region and situating the country’s problem of domestic terrorism in historical perspective. Secondly, I describe the research design for the empirical analysis on South Asia from 1990 to 2007 in order to test the hypotheses formed in Chapter Three and present basic descriptive statistics. I also review trends of domestic terrorism in South Asia in this section. Then, I present the results of negative binomial statistical models and provide interpretations of the results. Finally, I conclude with a brief discussion of the implications of my findings.
I will confine my empirical analysis to five countries – India, Pakistan, Bangladesh, Nepal and Sri Lanka, not because the prevalence of terrorism and terrorist groups in the countries, but due to the convergence of nearly all the explanatory factors in Alesina and Spolaore’s (2003) theoretical model. India, Pakistan and Sri Lanka are highly heterogeneous in demographic composition and in the politicization of heterogeneity; Nepal and Bangladesh also follow the same pattern, but to a lesser extent (Tambiah, 1997). As a vast mosaic of ethnicities, languages, cultures, and religions, India’s internal instability resulting from diversity is further complicated by colonial legacies such as international borders that separate members of the same ethnic groups (Kronstadt and Voughn, 2005, p.37). Asymmetrical economic growth and a failure to ensure distributive justice led to regional disparities and social unrest that continue to fuel armed protest movements in India. Pakistan, another South Asian country to bear the brunt of homegrown terrorism, is also a divided society – the divisions running at two levels: sectarian and ethnic. From its very inception in 1947, a multi-ethnic and multi-sectarian state, Pakistan has been unable to consolidate a sense of united national identity (Mir, 1999, p.69). The ethnic heterogeneity has a geographical dimension, which has resulted in violent separatist movements. Ethnically, every group has been discriminated at times by the most populous group, Punjabi, from share in employment to the distribution in resources (Talbot, 2002, p.51). Similarly, given Sunni numerical predominance, sectarian violence has spread across the country and is increasingly directed at disenfranchised targets such as Baluchistan’s Hazaras (a Shiite ethnic minority) and worshippers at Sufi shrines (Yusuf, 2012, p.1). In Sri Lanka too, ethnic heterogeneity has a geographical
dimension. The Sinhalese, the main ethnic group, are mostly concentrated in the south, west and central part of the country. The capital city Colombo is located in the Sinhalese majority central part of Sri Lanka. The Tamils form a majority in the north-east of the country and the Moors (Muslims) live in the east (Nubin, 2003, p.149). Thus, the Sri Lankan case can be construed as a center-periphery conflict where a heterogeneous people (the Tamils) are located far away from the capital. Being deprived from many public good provisions concentrated in the capital city of Colombo, the Tamils sought to redress their problem through a violent movement for a separate homeland.

Scholars have interpreted the Maoist insurgency and terrorist violence in Nepal between 1996 and 2005 from ethnic as well as 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 in a dominant position in the power structure of the country. Others, i.e. hill ethnic groups, Tarai caste and tribal groups, and Dalit are generally considered to be the excluded and marginalized groups. On the other hand, Bangladesh, a largely homogeneous country\textsuperscript{19}, 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 Track region in southeastern part (1977-1997), and Islamic terrorism (1999 onwards). The ethno-nationalist violence has largely subsided with the signing of a peace accord in 1997, but continues to persist (Mohsin,

\textsuperscript{19} Bangladesh is a predominantly Muslim country of 142 million people and the population data show that 89.52\% of the country’s population is Muslim, and the remaining 10.48 \% consist of religious and ethnic minorities (Iva, 2011).
But, the country has been witnessing rising Islamic radicalization, extremism and militancy in various manifestations since 1999.

None of the five countries has transformed into a fully institutionalized democracy (Marshall and Jaggers, 2010). Pakistan and Bangladesh have fluctuated between military dictatorship and elected government. Even Pakistan’s democratic rulers perpetuated the socioeconomic deprivation and cultural isolation of the minorities like Sindhi, Pushtun, Balochi and Mahajiri ethnic groups and denied them equal shares of power. Democratic institutions have failed to take root in Pakistan due to frequent interference from a powerful military which has undermined the rule of law in the country (Oldenburg, 2010). The most striking development in Bangladesh following the return of democracy in 1991 was the growth of religious parties which now attempt to replace the country’s incipient democracy with an Islamic theocracy through violent means (Ali, 2012). Religious parties like Jamaat-i-Islami have received government patronage as a part of coalition governments between 2001 and 2007 (Datta, 2007). Thus political expediency has prevented political elites from promoting the rule of law and impartial institution-building in Bangladesh. Nepal started its democratic transition in 1990 that finally led to the abolition of monarchy in 2008 (Gellner and Hachhethu, 2008). The post-1990 politics in Nepal has been characterized by ambiguity of the Constitution, the King’s assertion of power against the spirit of constitutional monarchy, lack of effective leadership, political instability, and lack of institutionalization of party and parliament; and, finally, the exclusion of sizable section of people from the political process has impeded the task of democratic consolidation in Nepal (Baral, 2000; Hutt et
al., 1999; Brown, 1996). Nepal’s Maoist violence can best be explained in the context of exclusion of the minority ethnic groups in the process of democratization since 1990 (Lawoti, 2007). Sri Lanka has only been a partially democratic country where the Tamil minority was deliberately kept out of a legitimate share of power through a calculated tactic of gerrymandering (Schmid, 1992). Lastly, 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 in the region (World Bank, 2011).

Presence of marginalized minority groups, unconsolidated democratic institutions and integration to global economy make South Asia an ideal area for empirical research in Alesina and Spolaore’s (2003) theoretical framework. I expect both immature democracy and economic globalization to increase terrorism in the presence of heterogeneity cost in the region. In the following sections, I empirically test the theory’s implications in South Asia.

**Research Design**

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. The count data on domestic terrorist incidents come from Enders, Sandler and Gaibulloev (2011) as discussed in Chapter Four.
Unit of Analysis

Incidents of domestic terrorist attacks have fluctuated widely between 1970 and 2007 in South Asia. The same can be said about the casualties from such incidents (see Figure 14). Domestic terrorism was not a problem in South Asia between 1970 and 1978 with almost no incidents. The region first faced the problem in 1979, but incidents of domestic terrorism remained quite low between 1979 and 1983 compared to later years that show an annual average of about 22 incidents causing an average yearly death of approximately 42 persons. The number of incidents started rising steeply in 1984 and peaked at 601 in 1989 with 1404 deaths. For the next three years, terrorism sharply declined to 366 annual incidents on average, but domestic terrorism became more fatal than previous years. The year 1993 became the most peaceful year since the end of Cold War; only 27 incidents were reported with 224 deaths.

Domestic terrorism again reached the pre-Cold War level of 563 incidents in 1995 with 767 deaths, and then started declining with an average of 193 incidents causing 664 deaths per year between 1996 and 2004. Incidents of terrorism started rising again in 2005 and continue their upward move. The trends of domestic terrorist incidents roughly resemble a U-shape after 1995, declining considerably and then rising again starting in 2005. The same trend can be seen in deaths from such incidents (see Figure 15). But, terrorism has been more fatal in the post Cold-War period, causing far greater deaths than the previous years. In the pre Cold-War period (1970-1989), 1.79 persons were killed in each incident on average (Enders et al., 2011). In the post Cold-War period (1990-2007),
Figure 14. Domestic Terrorism in South Asia 1970-2007

Figure 15. Domestic Terrorism in South Asia 1990-2007
3.77 persons were reportedly killed in each incident on average. Thus, the severity of domestic terrorism in terms of death per incident has increased.

**Dependent Variable**

The dependent variable for my empirical models is a country-year count of domestic terrorist incidents derived from the above mentioned dataset developed by Enders et al. (2011). Figure 16 illustrates the distribution of domestic terrorism by country from 1990 and 2007.

**Independent Variables**

I have three independent variables that are designed to test the hypotheses: Heterogeneity Cost, Immature Democracy and Global Economic Integration. The operationalization of these three explanatory variables has been discussed in Chapter Four.

**Control Variables**

In addition, I include in all models a host of controls that frequently appear in empirical studies of terrorism (Li, 2005; Wade and Reiter, 2007; Piazza, 2011). Crenshaw (1981) 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 (Shabad and Ramo, 1995; Green, 1995). 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. Income inequality is used as a control variable. To operationalize income inequality, I use the same measure used by Abadie (2006), Li (2005), Li and Schaub
Mean: 50.04

Standard Deviation: 62.17

Figure 16. Histogram of Terrorism in South Asia 1990-2007
(2004), and Piazza (2011): 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. The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality (World Bank, 2011).

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 (Piazza, 2011). This variable is lagged by one year.

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 (Burgoon, 2006; Berrebi, 2007; Lai, 2007; Piazza, 2011). 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 (World Bank 2011).
Studies find the age of the current political regime to be a negative predictor of terrorism (Eyerman, 1998; Li, 2005). 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 (Marshall and Jaggers, 2010). The intuitive logic is that frequent regime change might prevent the government in pursuing long term counterterrorism policy and provide the terrorist groups opportunity to organize. Unemployment might increase domestic terrorism because it would be easier for the terrorist organization to recruit cadres if people are jobless. Moreover, unemployment might create grievances among the section of jobless people. If the distribution of public goods is 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 (2011).

Crenshaw (1981) 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 (Lai, 2007). I use the state fragility index - a 0 to 25 scale composite score of political effectiveness and legitimacy (Marshall and Cole, 2010) - 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 6.
Table 6. Summary Statistics of Independent Variables

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

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 (Long, 1997). 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. But 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 (see Figure 6) would cause underestimated standard errors and spurious statistical significance (Li and Schaub, 2004). 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.

Negative Binomial Results

Table 7 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 controlling for all other variables in the model. In other words, a 1 point increase in the heterogeneity cost increases the annual rate of
<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>0.379**</td>
<td>0.226</td>
<td>-0.551†</td>
<td>0.382**</td>
</tr>
<tr>
<td></td>
<td>(0.114)</td>
<td>(0.156)</td>
<td>(0.294)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0.585**</td>
<td>0.014</td>
<td>0.014</td>
<td>0.014</td>
</tr>
<tr>
<td></td>
<td>(0.148)</td>
<td>(0.073)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>-0.018†</td>
<td>-0.062**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>0.401</td>
<td></td>
<td>-0.393</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.318)</td>
<td></td>
<td>(0.502)</td>
<td></td>
</tr>
<tr>
<td>Heterogeneity Cost *</td>
<td></td>
<td>0.478*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immature Democracy</td>
<td></td>
<td>(0.204)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heterogeneity Cost *</td>
<td></td>
<td></td>
<td>0.031**</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td></td>
<td></td>
<td>(0.01)</td>
<td></td>
</tr>
<tr>
<td>Heterogeneity Cost *</td>
<td></td>
<td></td>
<td></td>
<td>0.301†</td>
</tr>
<tr>
<td>FDI</td>
<td></td>
<td></td>
<td></td>
<td>(0.171)</td>
</tr>
<tr>
<td>History</td>
<td>0.003</td>
<td>0.004**</td>
<td>0.004**</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Inequality</td>
<td>-0.008</td>
<td>-0.056**</td>
<td>0.009</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.023)</td>
<td>(0.013)</td>
<td>(0.016)</td>
<td>(0.035)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>0.0001</td>
<td>0.0004**</td>
<td>0.0001</td>
<td>-0.00002</td>
</tr>
<tr>
<td></td>
<td>(0.0002)</td>
<td>(0.0001)</td>
<td>(0.0001)</td>
<td>(0.0003)</td>
</tr>
<tr>
<td>Regime Durability</td>
<td>0.018*</td>
<td>0.002</td>
<td>0.017**</td>
<td>0.018*</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.005)</td>
<td>(0.003)</td>
<td>(0.008)</td>
</tr>
</tbody>
</table>
**Table 7. Continued**

<table>
<thead>
<tr>
<th></th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>0.156**</td>
<td>0.129*</td>
<td>0.091†</td>
<td>0.038</td>
</tr>
<tr>
<td></td>
<td>(0.041)</td>
<td>(0.062)</td>
<td>(0.047)</td>
<td>(0.056)</td>
</tr>
<tr>
<td>State Fragility</td>
<td>0.269**</td>
<td>0.25**</td>
<td>0.177**</td>
<td>0.239**</td>
</tr>
<tr>
<td></td>
<td>(0.054)</td>
<td>(0.05)</td>
<td>(0.044)</td>
<td>(0.065)</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.458†</td>
<td>-0.884</td>
<td>0.64</td>
<td>-1.73</td>
</tr>
<tr>
<td></td>
<td>(1.469)</td>
<td>(0.752)</td>
<td>(0.873)</td>
<td>(1.475)</td>
</tr>
</tbody>
</table>

| Number of Obs.         | 85              | 85              | 85               | 85               |
| Wald $\chi^2$          | 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)
terrorist incidents by 46.1% controlling for all other variables in the model. It is significant at a 99% level of confidence. 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 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 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 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 (Fearon and Laitin, 2003). The terrorist groups’ activity in freely recruiting, organizing, and training is likely to be contingent on their ability to avoid detection by the government (Lai, 2007). 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 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 8. The change in predicted rate of terrorist incidents due to one independent variable is calculated while keeping all the other count
Table 8. Change in the Predicted Rate of Domestic Terrorism

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Unit Change</th>
<th>Effect on the yearly rate of terrorist incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>Min - Max</td>
<td>+ 30.89</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0 - 1</td>
<td>+ 17.33</td>
</tr>
<tr>
<td>State Fragility</td>
<td>Min - Max</td>
<td>+ 118.4</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Min - Max</td>
<td>+ 133</td>
</tr>
<tr>
<td>Regime Durability</td>
<td>Min - Max</td>
<td>+ 49.7</td>
</tr>
</tbody>
</table>

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).
variables at their mean and all the categorical variables at their modal value of 1 using ‘prchange’ command of Long and Freese (2005) 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.

Model II (see Table 7) 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 get 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.

\[
\text{Rate of Incidents} = b_1 + b_2 \text{ immature democracy} + b_3 \text{ het. cost} + b_4 \text{ immature democracy} \times \text{ het. cost} + \text{ Controls} + e \\
= b_1 + b_3 \text{ het. cost} + \text{ immature democracy} (b_2 + b_4 \times \text{ het. cost}) + \text{ Controls} + e
\]

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 17.

Similarly, model III (see Table 7) 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 get 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.

\[ \text{Rate of Incidents} = b_1 + b_2 \text{ trade} + b_3 \text{ het. cost} + b_4 \text{ trade}\times \text{het. cost} + \text{Controls} + e \]

\[ = b_1 + b_3 \text{ het. cost} + \text{trade} (b_2 + b_4 \times \text{het. cost}) + \text{Controls} + e \]

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 18.

Lastly, model VI (see Table 7) 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 7) in my empirical
Figure 17. Marginal Effect of Immature Dem. across Het. Cost (95% C.I.)

Figure 18. Marginal Effect of Trade across Het. Cost with 95% C.I.
finding. I also do not get 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 get 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. In Chapter Four, I found that global economic integration in the form of international trade reduced domestic terrorism on a global dataset. Moreover, presence of heterogeneity cost in an immature democracy neither reduced nor increased terrorism. Similarly, global economic integration neither reduced nor increased terrorism in the presence of heterogeneity cost. These findings were contrary to theoretical expectation. I argued in Chapter Four that political and economic discrimination of minority group/groups in a heterogeneous country was one of the reasons for domestic terrorism. Domestic terrorism is a problem even in more or less homogeneous countries with no group discrimination. There might be other types of possible grievances such as racial enmity, perceived threat from new immigrants or fear of losing privileged position in society or state which I did not include in my models. There would probably be higher levels of domestic terrorism in an immature democracy and with increased global economic integration, but the presence of other types of grievances along with minority discrimination might dilute the effect of heterogeneity
cost in an immature democracy and on trade in predicting higher level of domestic terrorism. But my findings in this chapter are more supportive of the theoretical expectations because discrimination against minority groups is practiced in all five countries of South Asia. The homegrown terrorist movements in South Asia mostly resulted from exclusion for certain groups from public good provisions.

In India, separatist movements in the northwestern Jammu and Kashmir state, western state of Punjab and in the remote and underdeveloped northeast regions have resulted in innumerable deaths and immense destruction to property. Moreover, indigenous Maoist rebels operating in eastern states and Islamic terrorism throughout the country are major internal security threats. The early 1980’s saw a vocal Sikh minority, backed up by the Akali Dal, making demands for a separate homeland for the Sikhs, Khalistan, to the Government of India in the name of preserving Sikh identity. Sikh terrorists’ appeal drew on the theme of discrimination of the Sikh community by the predominantly Hindu Indian state (Wallace, 1995). This can be illustrated from a recorded speech of Bhindranwale, the leader of Sikh terrorists: ‘Sikhs are living like slaves in independent India. Today every Sikh considers himself a second rate citizen…How can Sikhs tolerate this?’ Secessionist violence in the northeastern states of India, home to several indigenous tribes, largely resulted from inadequate federal support for economic development and the resultant lack of job opportunities. For instance, the plan for industrial investment in the region of five states between August 20

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20 Sikhs represent 1.9% of India’s approximately 1.2 billion populations. They are a majority in the northwestern state of Punjab.
21 Akali Dal is the political organization of the Sikhs.
1991 and December 1994 involved a mere one thirtieth of the amount invested in a single state like Maharashtra (Hussain, 2007).

In Pakistan, the problem of marginalization of the ethnic and religious groups\(^{23}\) is often causally linked to violence targeting civilians. The marginalization of Sindhis by the majority Punjabi community in post-1971 Pakistan manifested in violent separatist movement (Wright, 1991). The Mohajirs'\(^{24}\) sense of alienation and ethnic polarization led to the emergence of “Mohajir nationalism” and resulted in violent confrontation between the state and the Mohajir Quami Movement (MQM) – a violent ethno-nationalistic organization – in the 1990s destabilizing the city of Karachi (Ahmar, 1996). A highly centralized state of Pakistan and its unwillingness to allow regional and ethnic autonomy forced the nationalist forces in Baluchistan to launch a guerrilla war against the state (Khan, 2003). Similarly, an element of socioeconomic deprivation and cultural isolation of the minority Pushtun community of the NWFP (North Western Frontier Province) and FATA (Federally Administered Tribal Area) regions of Pakistan has manifested into a center-periphery conflict in these areas. Taliban insurgency in NWFP and FATA ‘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’ (Ghufran, 2009, p.1101).

\(^{23}\) The provincial/ethnic divides of Pakistan are as follows: Punjab (Punjabi, 56% of the population); Sindh (Sindhi, Gujarati, Memoni Kutchhi, 17% of the population); Northwest Frontier Province (Pushto, 16% of the population); Baluchistan (Baluchi, 3% of the population). Pakistan is divided along Sunni and Shia sectarian lines, with roughly 75%-85% of the population belonging to the Sunni sect and 15%-25% of the population belonging to the Shia sect.

\(^{24}\) Mohajirs are refugees from India who settled in Karachi and other main cities of Sindh province.
For the past three decades, Sri Lanka\textsuperscript{25} 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 fighting for their separate homeland since late 2000s. 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. 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 (Perera, 2006). In Nepal, the link between ethnic discrimination and the 1990s Maoist insurgency has occupied a large part of conflict literature. Economic deprivation of the excluded groups had led to underdevelopment, poverty and unemployment in the peripheral regions (Bhattachan, 2000, p.159). The Maoist movement “is basically a social and economic issue and is produced and sustained by failed development” (Pandey, 1999, p.12).

Similarly, terrorist violence in Bangladesh emanates from exclusion for certain sections of people from the developmental process. A hindrance to the emergence of Bangladesh as a nation state in 1971 was the Chittagong Hill Tracts (CHT) - an area of about 5,138 square miles bounded on the north and east by India and on the south by Myanmar. With less than 1% of the population of Bangladesh, this district contains an ethnic minority of traditional people with divergent religions, languages, and primordial

\textsuperscript{25} Sri Lanka has a population of about 20 million (2008 estimate), of which 74% are Sinhalese, 18.1% Tamils, 7.1% Moors, and 0.8% are Malays, Burghers (descendants of Dutch colonists) and others. The Sinhala speaking Sinhalese are mostly Buddhists whereas the Tamil speaking minority community mainly practices Hinduism.
sentiment that stand in the way of national integration (Islam, 1978, p.28). Since January 1976, government officials and civilians in different parts of the Chittagong Hill Tracts (CHT) have come under repeated attacks by Peace Corps – an insurgent organization of the tribal people. Conflicts in the Chittagong Hill Tracts resulted from internal colonization, or the settlement of previously unoccupied territories within the boundaries of the state (Ahsan and Chakma, 1989). The deprivation of the tribal people by colonizing Bengalis led the tribal people to perceive the Bengali-run government as having planned their total destruction and caused them to take up arms against it. Moreover, religious extremism is on the rise in Bangladesh and the groups identified with or espousing the cause of radical Islam have perpetrating violence since the mid 1990s. Religious militancy in Bangladesh can be construed as a result of skewed economic development where the rural poor are excluded from the process. The diminishing role of the state in overall welfare and developmental programs has accorded a space to religious groups and religious political parties, with steady supply of money from Middle Eastern Islamic NGOs, to endear themselves especially to the rural populace hitherto largely untouched by progress (Datta, 2007). Thus, most terrorist organizations in South Asia draw their support from ethnic, linguistic or religious minorities. Discriminatory state policies in each of the South Asian states are the main drivers of domestic terrorism. Therefore, the theoretical expectations from Alesina and Spolaore’s (2003) model are best fulfilled in this region and my findings largely support these expectations.

The findings have several policy implications. The people of these countries of South Asia cannot enjoy the benefits of trade because their governments discriminate
against minorities. It is interesting to note here that regime duration increases terrorist
events; 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 eliminate these 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. But, the democratic systems are not
institutionalized; they do not guarantee the rule of law for all citizens. The governments
need to take steps to strengthen their democratic institutions; democratic consolidation
would probably bring greater internal peace to these countries.

In this chapter, I find support for the hypotheses derived from the theoretical
framework of willingness and opportunity in regional context. Crenshaw (1995, p.3)
opines that terrorism depends on historical context – political, social and economic – and
how groups and individuals participating in terrorism relate to the world in which they
act. I intend to get further support of my findings in this chapter with a country specific
study in order to situate theory of willingness in the form of minority discrimination and
opportunities in the form of economic and political openness in historical context. In
Chapter Six, I present a study on India. I analyze the causes and nature of two sources of
terrorism in India prevalent since 1990s - a network of rage-driven Indian Muslim youth
and Indian Jihadist outfits and the radical Leftists known as Maoist insurgents considered
as India’s biggest internal security threat in the last decade. An analysis of terrorism in
India will set Alesina and Spolaore’s (2003) theoretical framework in historical – social, political and economic – context.
Chapter 6

Case Study on India

Does global economic integration and democratization explain variations in post-1990s incidents of domestic terrorism? I have argued that individuals or groups resort to terrorism when their deprivation from public goods increases. Deprivation results from ideological difference of heterogeneous groups from the ruling elite. Sometimes geographical distance of these groups from the capital where the public goods may be located adds to their deprivation. Democratization and integration to the global economy may provide the aggrieved groups opportunities of mobilization. In the previous chapter, I have tested hypotheses drawn from this theoretical framework on a South Asian regional dataset of domestic terrorism from 1990 to 2007. I found that discrimination indeed leads to homegrown terrorism and unconsolidated democracies experience more such terrorist incidents than other regime types. Global economic integration neither increases nor reduces domestic terrorism in South Asia. But international trade in the presence of minority discrimination increases the likelihood of domestic terrorism. Similarly, group discrimination in an immature democracy increases the risk of homegrown terrorism than in other regime types. The findings on South Asian dataset mostly support my theoretical expectation.

In this Chapter, I will analyze the causes and nature of two sources of terrorism in India prevalent since 1990s with the above mentioned theoretical framework that terrorism is driven by group grievances of being deprived from public good provisions due to their ideological and geographical distance from the political power center.
Political and economic openness provide them opportunities to mobilize and challenge the state (Alesina and Spolaore, 2003). Among the two sources of terrorism analyzed in this Chapter, the first set comprises a network of rage-driven Indian Muslim youth and Indian Jihadist outfits. The violent groups, with the support of the Pakistani terrorist groups like Lashkar-e-Taiba (LeT) and Jaish-e-Mohammad (JeM), seek vengeance for the ‘sufferings’ inflicted upon their community, active throughout India since late 1990s. The second set is formed by radical Leftists known as Maoist insurgents who have grown to be India’s biggest internal security threat in last one decade. I will conclude with a discussion on the similarities and differences of the two disparate sets of terrorist groups. The case study is designed to analyze terrorism in historical context and supplement the generalized findings of the large-N study and regional level analysis in Chapters Four and Five.

**Violent Jihad: Homegrown Islamic Terrorism in Modern India**

In the summer of 1985, inflamed by the wave of Hindu-Muslim ethnic clashes that had ripped apart the industrial town of Bhiwandi near the Indian city of Bombay, activists of the Jamaat Ahl-e-Hadis had gathered in Bombay’s Mominpura slum to discuss the need for Muslim reprisal. An obscure West Bengal-based cleric named Abu Masood announced the birth of what would become the Indian wing of the Lashkar-e-Taiba: the Tanzim Islahul Muslimeen (TIM), or the Organization for the Improvement of Muslims. Only a few residents of the slum were present to witness the birth of the

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26 AEH is an organization of Salafi Muslims assiduously following the lead of Saudi clerics’ most orthodox and stringent school of interpretation of Islamic law.
Islamist jihad in India (Swami, 2008). In December 5-6, 1993\(^\text{27}\), the TIM’s activities organized a series of 43 bombings in Mumbai and Hyderabad, and seven separate explosions on inter-city trains (Noonan and Stewart, 2011). The fatal explosions in Bombay\(^\text{28}\) (renamed Mumbai in 1995) in March 1993 had already demonstrated the existence of Islamist terror groups made up, in the main, of Indian nationals that have emerged outside Jammu and Kashmir. The Mumbai police cracked the case within two days of the March 1993 serial bombings and established the involvement of an infamous criminal syndicate of Muslim gangsters in the serial blasts. The criminal syndicate was reported to have resorted to terrorist violence as a ‘revenge’ for the atrocities committed on Muslims between December 1992 to January 1993 riots\(^\text{29}\) in Bombay, after the demolition of Babri mosque\(^\text{30}\) in Ayodhya by frenzied Hindu mobs (Gandhirajan, 2004).

The terrorist attacks in March and December of 1993 signaled the beginning of an ominous saga of Islamic terrorism which was different in its spatial dispersion and nature of participation from the menace of jihadist terrorism that India had been suffering in the disputed territory of Kashmir. So far Jihadist terrorism in India was mostly confined to

\(^{27}\) December 6, 1993 was the first anniversary Babri mosque demolition by some Hindu fanatics.
\(^{28}\) On March 12, a series of bombs blasts rocked the Indian city of Bombay (renamed as Mumbai) resulting in death of 317 persons and closure of 29-story Bombay Stock Exchange (Mickolus and Simmons, 1997, p.338).
\(^{29}\) The city of Mumbai witnessed a series of Hindu-Muslim riots between December 1992 and January 1993 in response to Babri mosque demolition by Hindu fanatics. Around a thousand people, mostly Muslims, were killed in the ethnic clashes (Kumar, 2012).
\(^{30}\) The city of Ayodhya in northern India, regarded by the Hindus to be the birthplace of the God-king Rama, is one of India's most sacred religious sites. In 1528, after the Mughal invasion, a mosque was built by a Mughal general in the name of Emperor Babur after reportedly destroying a pre-existing temple of Rama at the site. The Hindu nationalists demolished the Babri mosque in 1992 in reclaiming their holy site (Jindal, 1995).
the Indian state of Jammu and Kashmir and perpetrated either by Kashmiri separatists or Pakistani infiltrators in support of the ‘Kashmir cause’ (Bahl, 2007).

The Islamic jihadist movement in India can be traced back to the late eighteenth century, but a discussion of jihad in modern India inevitably brings in Pakistan and the role of the country’s intelligence agency Inter Services Intelligence to the fore and finally leads to its connection to global jihad. Internationalization of the Kashmir problem and perceived injustice to India’s 150 million Muslim minorities has brought a predominantly Hindu India into the radar of pan-Islamist groups who see the establishment of a global caliphate through violence as the only solution to the Muslim community’s problems. India has been a target for al Qaeda and the global jihadist movement for over a decade and has often been listed by bin Laden and his accomplice Ayman-al-Zawahiri as a part of the ‘Crusader-Zionist-Hindu’ conspiracy against the Islamic world (Riedel, 2008).

Even though ideological sources and material resources of the Indian jihad are global, the specific conditions in which it grew are local. India has failed to engage with, and address, those conditions, namely discrimination against the Muslim minority, their deprivation from public good provisions and socio-economic alienation of the community of 150 million Indian populations.

31 The roots of Islamic jihad can be traced to the decline of the Mughal Empire and to the emergence of British colonialism in the 18th century. Central to these are the ideas of Shah Wali Allah (1703-63) and his son Shah Abdul Aziz (1746-1824). Their influence was felt through a variety of movements ranging from the Tariqa-i-Muhammadiyya of Syed Ahmed Barelwi to the ulema who founded the great seminary of darul-Uloom at Deoband. Though the school was initially politically inactive, many of its teachers and students became influenced by the call of pan-Islamism from Istanbul. Foremost among these was Maulana Mehmood-ul-Hassan (1852-1921). The main thrust of his movement was the declaration that India was dar ul harb; territory of war requiring a jihad (DeLong-Bass, 2010).
Between the year 2000 and 2013 a total of 43 incidents carried out by Jihadist groups have killed 994 persons in India outside the Indian state of Jammu and Kashmir (SATP, 2013). The Indian security establishment cannot go on blaming a “Pakistan hand” for these attacks. Such large number of attacks sometimes within a very short time frame cannot have been possible without local recruits. India confronts a brood of homegrown Islamist terrorists feeding off popular and growing Muslim resentment toward the purported injustices and atrocities of the Hindu majority. A bevy of Jihadist organizations emerged in India in the 1990s that challenge the secular and democratic fabric of the Indian polity with an alternative view of society based on the Quran. Two of them, the Students Islamic Movement of India and Indian Mujahidin, have been responsible for several terrorist attacks in Indian cities outside Kashmir (SATP, 2013). A second group of Islamic terrorists comprise a network of organized crime in Mumbai and Gujarat. The network, headed by a dreaded Mumbai gangster, Dawood Ibrahim, now exiled in Pakistan, is less ideological and motivated by revenge for the atrocities committed on Muslim in India (Vicziany, 2007).

Maoist Terror: India’s Biggest Internal Security Threat

Low intensity armed conflict between left-wing Maoist cadres and the Indian state has been going on for over four decades in various parts of eastern and central India.

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32 Founded in April 1977, SIMI was set up as the student wing of the Indian chapter, the Jamaat-e-Islami. From the outset, SIMI’s leadership rejected democratic politics in India and its secularism. The practice of faith would remain incomplete without an Islamic state, it argued; Muslims who embraced secularism were headed to hell (Swami, 2011).

33 In the 2007 manifesto of Indian Mujahidin, it said this: “We are not any foreign mujahidin nor even we have any attachment with neighboring countries”. “We are purely Indian”. In a later manifesto, the group called themselves “the homegrown jihadi militia of Islam” (Swami, 2013).

34 The D-gang was responsible for March 12, 1993 Mumbai bombings that killed more than 300 civilians.
(Themner and Wallensteen, 2012). The movement that was first concentrated in West Bengal and Andhra Pradesh in 1967 declined in late 1970s, but part of the Maoist cadre remained intact. Different Maoist groups started mobilizing in the late 1980s and early 1990s in low caste, tribal and Dalits majority parts of India. Presently, about 12 extremist left-wing groups are active across nine states of India like Andhra Pradesh, Bihar, Jharkhand, Karnataka, Maharashtra, Uttar Pradesh, Chattisgarh, Orissa and West Bengal known as ‘Red Corridor of India’. Among these, the Peoples’ War Group (PWG) and Maoist Coordination Committee (MCC) are the best organized and most active. It is estimated that the PWG has around 1,000 full-time underground cadres and about 5,000 over-ground militants, while the MCC has over 300 professional revolutionaries and 50 armed squads each consisting of some 20 cadres. The groups are also known to be in possession of thousands of AK-47 rifles, revolvers and guns (many of these forcibly seized from the police) and conduct periodic military training that includes jungle warfare and ambush skills (Ahuja and Ganguly, 2007).

Major Maoist groups like the People’s War Group, Maoist Coordination Committee (MCC), the Red Flag and others came together to form the Communist Party of India (Maoist) in September 2004 (Ramana, 2008, p.163). This main unified group

35 India’s caste system can be traced back to the Indo-Aryan civilization (500 BC) when a complex stratification system outlining the division of labor, wealth and power resulted in a rigid social hierarchy. These divisions based on varna (caste) provided an overarching religious and ritual ranking system that defined one’s rights, duties and obligations in society. The four varnas in order of ‘purity’ were the brahmins, kshatriyas, vaishyas and shudras. While the first three varnas were assigned a privileged position in society by the caste system, the religious duty of shudras who included the bulk of the peasantry was to serve the upper castes with deference and loyalty. At the bottom of the caste hierarchy, nearly a quarter of the people had no varna standing at all – these were the ‘untouchables’ or harijans or Dalits. They were considered so unclean or ‘impure’ as to defile upper caste persons by touch, or even by sight (Sharma, 1999).
operates in the Fifth Schedule areas that have special status in the Indian Constitution, meant to preserve the tribals’ existence. The areas in central and eastern India ‘extremely affected’ by Naxalite violence constitute 19% of India’s forests (Das, 2001).

The Maoists demand a proletarian revolution along orthodox Marxist lines, whereby the suppressed population will throw off the shackles of capitalism and exploitation and establish a people’s system of leadership with benefits for all workers. The Maoist program pledges that once a new people’s democratic state is established by accomplishing the Indian revolution, “it would redistribute land among landless poor peasants and agricultural laborers on the basis of the slogan ‘land to the tillers’ and ensure the equal right of women over the ownership of land” (Gupta, 2006).

Maoist violence typically takes the form of attacks on the rural landed elite, police personnel, government officials, politicians and those seen by the movement’s representatives as a ‘class enemy’. Over the years, public buildings and railway property have also come under increasing attack by the Maoists. The Maoists justify violence as necessary to counter state terror, as retaliation against police or ‘informers’, to seize arms, ‘to protect the tribals’, as a statement of their power and control, and for their own survival. They argue that ‘annihilation is the last choice’ but in the same breath argue that there is a class war and they have to counter state terror. On civilian killings they state,

36 The Bastar region in the state of Chhatisgarh is regarded the bastion of the terrorists. The rebels have intensified their activities in the region comprising the districts of Dantewada, Bijapur, Narayanpur, Baster and Kanker.

37 The Maoists first led a series of peasant uprisings in an area of West Bengal called Naxalbari in 1967, and the Maoist cadre came to be known as Naxals or Naxalites. Hence the words, Naxalites and Maoist, are used interchangeably.
“Our boys also make mistakes” (cited in Chenoy and Chenoy, 2010). But a careful review of civilian fatalities in comparison with killings of security forces in Maoist violence would prove that their excuse of unintentional killings of civilians is blatantly false. Between 2005 and March 24, 2013, Maoist attacks killed 2483 civilian and 1554 security personnel (SATP, 2013); therefore civilians comprise 64.5% of their total victims. It is the civilian target that makes the Maoists as terrorists. Aiyer (2010) argues that Maoism is terrorism because of their use of force or violence to intimidate civilians for a political cause, but draped in a fig leaf of virtuous intent, in Marxist-Leninist ideology.

**Heterogeneity Cost: Deprivation of the Minority**

No country is as heterogeneous as India, and discrimination against minority groups in India is well-documented (Thakur, 1999; Benedikter, 2009; Deshpande, 2011). The Muslims and Dalit-tribal groups separately constitute ethno-religious minorities in India. These minorities bear ‘heterogeneity cost’ due to their ideological and in some cases geographical distance from the upper-caste Hindus who largely form the political class in India. The Jihadist terrorism and Maoist insurgency in India are consequences of their deprivation from public good provisions. In this section, I will first discuss discrimination against Muslims and then analyze the dynamics of group discrimination against the Dalits and tribal people. A discussion of economic discrimination, then of political discrimination and, finally, a review of their geographical isolation will situate these groups’ deprivation in the context of Alesina and Spolaore’s (2003) theory of grievances and opportunity.
Discrimination against the Muslim Minority

The roots of the grievances of the Muslims run deep in India, nourished by a long-held sense of injustice over what many Indian Muslims perceive is institutionalized discrimination against the country’s largest religious minority group. The disparities between Muslims, who make up 13.4% of the population, and India's Hindus, who hover at around 80%, (Census India, 2001) are striking. In India, Islam is the ‘other’ — purged by the British, denigrated by the Hindu right, mistrusted by the majority, and marginalized by society. There are nearly as many Muslims in India as in all of Pakistan, but in a nation of about 1.2 billion, they are still a minority, with all the burdens that minorities anywhere carry (Baker, 2008). In addition, the Muslims bear a burden to constantly prove their nationalistic credentials. In the ‘Hindutva’ discourse on patriotism in India, the Muslims are always cast as unpatriotic, anti-national and pro-Pakistani and projected as the menacing ‘other’ (Sikand, 2006). As relations with Pakistan worsen, the Muslims in India are automatically suspected of being a fifth column for Pakistan. Decades of social and economic exclusion of the Muslim minority has severe impact of their community’s well-being. Generally speaking, Muslim Indians have lower levels of living condition, worse health, lower literacy levels and lower-paying jobs than others.

38 Hindutva, a manifestation of Hindu nationalism, is the ideology of a part of the upper-caste, lower-middle class Indians, though it has now spread to large parts of the urban middle classes. The chauvinistic ideology has been propagated by the Hindu rightist party, Indian People’s Party (BJP) as an integral strategy for political mobilization in the 1990s (Nandi, 1991).
Most of the grievances of the Muslims are common knowledge in India and those who are familiar with publications in Urdu language in different parts of the country are aware of the endless stories of ‘woes’ and ‘miseries’ of the group (Chishti, 2006). But a systematic study of these grievances was made by the federal government of India in 2005. A high-level committee was appointed by the Prime Minister under the chairmanship of Justice Rajindar Sachar, a retired Chief Justice of the Delhi High Court, to study the ‘Social, Economic and Educational Status of the Muslim Community of India’ (Bhartiya, 2008). The Sachar Committee submitted its report in 2006. A review of the findings of the Sachar Committee (2006) in different areas of its concern would show the levels of institutionalized discrimination against the Muslims in India.

**Economic Exclusion**

Exclusionary practices over decades have left the Muslims poorer and educationally backward than others in India. The average monthly income of urban Muslims was 800 rupees a month in 2004-2005, as much as the Dalits and tribals and much less than for an upper caste Hindu’s average monthly income of 1469 rupees. Similarly, the share of Muslims living below the poverty line was 31 percent in 2004-2005 whereas the share for others was 21 percent (Sachar, 2006). More importantly, the Muslims are experiencing a worsening impoverishment. In 1987, Muslims’ average earning was 77.5 percent of the Hindus’ average earning; in 1999 it was only 75 percent (Bhaumik and Chakraborty, 2010, p.239). The literacy rate for Muslims is far below the national average. The difference between the two rates is greater in urban areas than in rural areas. For women, too, the gap is greater in the urban areas. While the overall
literacy rate in India is above 65%, the literacy rate of Muslims is around 59%. However, Muslims fall far behind others even in other measures of education. In general, 26% of young adults (17 years and above) have completed their 10th grade in schools, but this percentage is only 17% amongst Muslims. The mean years of schooling among children of age group of 7-16 years is lowest among Muslims at around 3.4 years whereas for others it is above 5 years. Besides, while only about 7 per cent of the overall population aged 20 years and above are graduates or hold diplomas, this proportion is less than 4 per cent amongst Muslims (Sachar, 2006).

Another important element of exclusion of the Muslims in India is discrimination in job market. A field experiment by Thorat and Attewell (2007) studying job applications observed a pattern by which, on average, college-educated Muslim job applicants fare less well than equivalently-qualified applicants with high caste Hindu names, when applying by mail for employment in the modern private-enterprise sector. The only aspect of family background that was communicated in these applications was the applicant's name, yet this was enough to generate a different pattern of responses to applications from Muslims, compared to high caste Hindu names. Similar discriminatory practices are practiced in public sector jobs too. Although there is dearth of scientific research to support such a conjecture in Indian public sector jobs, a review of Muslim representation in government jobs from Sachar Report (2006) might be an indicator of discrimination against Muslims. Muslims have a considerably lower representation in jobs in the government including those in the Public Sector Undertakings compared to others. In no state of the country the level of Muslim employment is proportionate to their
percentage in the population. The highest percentage figure of government employment for Muslims is in Assam (11.2 per cent) even though it is far less than the state’s Muslim population (30.9 per cent). The most glaring case of Muslim deprivation in government jobs is found in the state of West Bengal where almost 25 per cent population practices the Muslim faith, but their share in government jobs is only 4.2 per cent. At the federal government level, the Muslims representation is shockingly low compared to their population percentage. In the civil services, Muslims are only 3 per cent in administrative service, 1.8 per cent in diplomatic service and 4 per cent in police service. In the railways, 4.5 per cent are Muslims and, significantly, ‘almost all’ (98.7 per cent) are in low level positions. Interestingly, there is a high share of Muslim workers in self-employment activity, especially in urban areas. Whether this trend is due to exclusion or due to their inclination for certain types of work that are done best under self-employment needs further study. In spite of the dependence on self employment, the Muslims are deprived from bank loans. According to the Sachar report, many areas of Muslim concentration have been marked by many public and private banks as ‘negative’ or ‘red’ zones where giving loans is not advisable.

**Political Exclusion**

Job market discrimination and economic marginalization follow a matching trend in political marginalization. In terms of representation in elective bodies, Muslims are pushed to the periphery of the political system in many different ways. In 1980, their percentage among the Lok Sabha\(^{39}\) Members of Parliament was 9 percent which was

\(^{39}\) Lok Sabha is the lower house of India’s federal parliament.
almost proportional to the Muslims’ share of 11.4 percent of India’s total population according to the 1981 census. Muslims’ political participation decreased with the decline of Congress Party and emergence of pro-Hindu Bharatiya Janata Party (BJP) in the 1990s. The trend of declining political representation after an interruption in 2004 was again seen in 2009. In 2012, Muslim Members of Parliament (MP) represent 5.5 percent of the Lok Sabha MPs whereas Muslims constitute 13.4 percent of Indian population according to 2001 census. Muslims are also underrepresented in state assemblies (Gayer and Jaffrelot, 2012, p.5).

The emergence of Bharatiya Janata Party (BJP), a Hindu nationalist party, is the culmination of a sustained effort on the part of the Hindu Right to bring Hinduism into mainstream politics (Malik and Singh, 1994). BJP’s politics of religious polarization threatened the secular fabric of Indian democracy when the party’s volunteers pulled down the Babri mosque in Ayodhya in December 1992 (Jindal, 1995). Violence triggered by the demolition killed 1700 people and injured 5500 across the Indian subcontinent over the next four months (Ludden, 2005). In Bombay (now Mumbai), intense rioting broke out between Hindus and Muslims and continued in two phases - Dec 7-27, 1992, followed by a brief lull, and then again Jan 7-25, 1993 - making them the worst sectarian riots in the post-Independence era. According to official estimates, the two-phased riots claimed nearly 900 lives. Public and private property worth billions of rupees was destroyed. Muslims were the main victims (Menon, 2011). The state, intentionally or otherwise, failed to provide the basic public good of physical security to the victims. The
role of the state, openly exposed in a series of riots in Gujarat in 2002, further pushed the Muslim community to the brink of complete alienation. In February-March, 2002, Gujarat saw one of the worst forms of violence in the history of ethnic violence in India. About 600 Muslims were killed (the unofficial estimate being 2000), and more than 200,000 were displaced in the ethnic clashes (Purwani, 2002). The organized nature and well-planned leadership of the mobs in unison with local BJP politicians and the total inaction of the BJP government transformed the riots in Gujarat into a state-sponsored massacre of Muslims (Ghassam-Fachandi, 2012). Such brutalization of Muslims has often been a reference point in the Indian jihadist propaganda (Rana, 2012).

**Spatial Exclusion**

Since 1992, Indian cities have witnessed communal riots every year causing hundreds of mostly Muslim deaths (Wilkinson, 2004). These incidents of violence have resulted in self-segregation among Muslims, who have been searching for safety in numbers. This process has been reinforced by the socio-economic marginalization affecting Muslims. The Muslim dominated neighborhoods which have been emerging or expanding in the process of regrouping are increasingly being referred as ‘Muslim ghettos’ by India’s media, academics and political class (Gayer and Jaffrelot, 2012, p.21). This process of self-segregation, poor public services in ‘Muslim ghettos’ and its

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40 The 2002 Gujarat riots started in the town of Godhra with the burning of the Sabarmati express train which was carrying a large number of Vishwa Hindu Parishad (VHP, a right wing Hindu organization) activists and supporters. Fifty-eight Hindu passengers were burnt alive. The following massacre of Muslims was allegedly a retaliation of 58 deaths (Kumar, 2010).
impact of the Muslims’ mobility and employability have been mentioned in Sachar Committee report.

Increasing ghettoisation of the Community implies a shrinking space for it in the public sphere; an unhealthy trend that is gaining ground. Social boycott of Muslims in certain parts of the country has forced Muslims to migrate from places where they lived for centuries; this has affected their employability and means of earning a livelihood. (Sachar, 2006, p.14)

In India, the issue of Muslim segregation may be very complicated. Often ethnic enclaves emerge as a product of an elected choice amongst members of a community. Ghettoes are marked by the forced exclusion of a particular group. Muslim ghettoization is an urban Indian phenomenon that grew up in post-1992 period. Many localities in Ahmedabad (Gujarat) and Mumbai can quite easily be categorized as ‘ghettoes’ in that they are the direct result of communal violence (Jaffrelot and Thomas, 2012), most Muslim localities are more difficult to identify. In other cases, builders refuse to sell houses to Muslim buyers in Hindu localities. The Muslims have no choice but to settle in certain minority enclaves. Sometimes, these Muslim enclaves are put to special surveillance by security agencies and considered criminal dens (Contractor, 2012).

Islamic terrorism in India can be interpreted in the context of minority discrimination as discussed above. On 26 July 2008, 16 simultaneous bomb blasts took place in Ahmedabad, the capital of Gujarat State, in India, which killed 49 people and injured more than 150. Several TV news stations received an e-mail 41 five minutes before the first blasts in Ahmedabad. The message reportedly had the Indian Mujahideen proclaiming that they were based within the country, claiming sole responsibility for the blasts.

41 The authenticity of the email could not be verified by Indian security agencies.
attacks. The e-mail purportedly cited a list of grievances against India’s Hindu majority and hinted at more attacks to come (Singh, 2008). That first manifesto of India’s jihadist movement described the “wounds given by the idol worshippers to the Indian Muslims,” and blamed the Hindus who had “demolished our Babri Masjid and killed our brothers, children and raped our sisters.” It added that the Gujarat pogrom of 2002 had “forced us to take a strong stand against this injustice and all other wounds given by the idol worshippers of India.” “Only Islam,” it concluded, “has the power to establish a civilized society, and this could only be possible in Islamic rule which could be achieved by only one path: jihad” (Swami, 2011).

**Discrimination against the Dalits and Tribal People**

On the other hand, in the rise of the Maoist-led peasant uprising, India is witnessing two phenomena and three sets of actors in action (Mehra, 2000). According to Mehra (2000), the first phenomenon is peasant discontent with their socioeconomic plight expressing itself in a militant (not necessarily violent) movement against the anomalous social structure and the state apparatus protecting and perpetuating it. The second phenomenon is the ideological rationale, organized mobilization and organizational base provided by the Maoist outfits to the peasant uprising. The three sets of actors are the peasants (Maoists’ support base), the leftist revolutionaries (the Maoists) and the state. The landlords could be construed as the fourth actor in this drama; but since they were reduced to being victims, once the state swung into action and fought the war on their behalf they could be identified with the state.
The discontent among a section of people needs elaboration first because that is the key in understanding the spread of Maoist extremism in central and eastern India. Maoist extremism thrives in the areas inhabited by low caste people, Dalits and tribals, who are marginalized in traditional Hindu society; this discriminated section of Indian populace forms the support base of different Maoist groups (Bhonsle, 2006). The tribals and Dalits constitute the majority population in the Bastar region in the state of Chhattisgarh, regarded as the bastion of the Maoist activities, although these people form minority groups at the national level in India and are scattered throughout the country. Different Maoist groups operate in such pockets of minority dominated areas in central, eastern and parts of southern India (Chakravarti, 2009). Thus, heterogeneity has a spatial or geographic dimension in this case.

**Economic Exclusion**

The Dalits and tribal population of India, mostly living in rural India, have been subject to deprivation in terms of land ownership; landlessness being the biggest cause of poverty in agrarian India. Modern India’s agrarian situation has been a classic case of ‘too much land concentrated in too few hands’ with wide disparities in the ownership and control of land in rural society (Ahuja and Ganguly, 2007). The land owning class invariably comes from the upper castes and landless mass belong to the lower castes; class and caste perfectly merge into one identity based on deprivation and exploitation for the Dalits in most of rural India (Shah, 2006, p.165). Despite attempts at land reforms by

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42 In the complicated Hindu caste system, the low castes, the Untouchables (or Dalits) and the tribal people are officially known as ‘Scheduled Castes’ and ‘Scheduled Tribes’ representing 16.2% and 8.2% of the total population according to latest official data (India Census, 2001).
several state governments since India’s independence, most of rural India has retained a feudal structure. The socio-economic conditions in rural areas have changed little and the policies followed by the post-independent Indian State have generally failed to mitigate rural problems. Thus, the Maoist insurgency in India is the latest manifestation of peasant struggles caused by grinding poverty, exploitation and inequality that have prevailed in rural areas for centuries (Brass, 2013).

Rural poverty across India has historically been a direct consequence of the highly skewed pattern of agricultural landownership. The failure of land tenure reform and surplus rural labor force keep agricultural wages low. Often small farmers with little pieces of land borrow money from moneylenders and rich farmers to procure seeds and fertilizers. In the absence of institutional credit availability, the landlords charge exorbitant interest rates on loans given to small farmers, thus pushing them into a vicious cycle of debt. Consequently, farmers are left with little choice but to mortgage their tiny plots and eventually sell them off to the big farmers, thereby reducing their status to that of a tenant or sharecropper. Once ownership of land passed into the hands of the big farmer, the tenant became a bonded laborer and agricultural land increasingly gets accumulated in fewer hands (Sethi, 2011). This pattern may not be universal in the whole of rural India, but at least applies to most parts affected by the Maoist insurgency. Moreover, since the 1990s the Indian state has tended to favor industrial development over agriculture.\footnote{Agriculture constitutes 10.6\% of total plan outlay under 10\textsuperscript{th} 5 years plan (2002-2007); it was 37.3\% under 1\textsuperscript{st} 5 years plan (Salunkhe and Deshmukh, 2012)} While industry continues to enjoy tax-holidays, cheaper credit, highly subsidized land, and excise duty relief, no such incentives exist for agriculture. Low  

\footnote{Agriculture constitutes 10.6\% of total plan outlay under 10\textsuperscript{th} 5 years plan (2002-2007); it was 37.3\% under 1\textsuperscript{st} 5 years plan (Salunkhe and Deshmukh, 2012)}
priority given to agricultural credit and limited credit coverage to small farmers or share-croppers has resulted in small farmers and landless laborers depending upon local landlords and usurious moneylenders, making the poor peasantry vulnerable to exploitation and humiliation.

The Dalits and tribals are regularly discriminated against in their access to education. High drop-out and lower literacy rates among lower-caste populations have often been characterized as the natural consequences of poverty and underdevelopment. Though these rates are partly attributable to the need for low-caste children to supplement their family wages through labor, discriminatory and abusive treatment faced by low-caste school children by teachers and fellow students is rampant (Reddy et. al., 2004). The 2001 India census shows that the rate of literacy among the Dalits is 50.89 percent, whereas national literacy rate, including the Dalits, is 64.8 percent. Most of the government schools in which Dalit and tribal students are enrolled are deficient in basic infrastructure, classrooms, teachers, and teaching aids. Despite state assistance in primary education, Dalits and tribals suffer from an alarming drop-out rate. According to the National Commission for Scheduled Castes and Scheduled Tribes' 1996-1997 and 1997-1998 Report, the national drop-out rate for Dalit children-who often sit in the back of classrooms-was a staggering 49.35 percent at the primary level, 67.77 percent for middle school, and 77.65 percent for secondary school (NCSCST, 1990).

\[^{44}\text{The share of agriculture in total bank credit was at 18 per cent towards the end of the 1980s, but thereafter it has dipped to less than 10 per cent in the late 1990s. Even the number of farm loan accounts with scheduled commercial banks has declined in absolute terms from 27.74 million in March 1992 to 20.84 million in March 2003 (Shetty, 2004).}\]
Besides, reports from several International Organizations, Non-Govt. Organizations and even Govt. of India Planning Commission show the tribal people’s economic deprivation. United Nations Development Program India Report 2012 has reported steady improvement in human development and reduction in the percentage of population in poverty from 45% to 37% between 1993-94 and 2004-05 at the national level. But, forty-seven percent of India's rural tribal population lives below the poverty line (UNDP, 2012).

**Socio-political Exclusion and Segregation**

Besides chronic poverty, starvation and economic deprivation, this considerable section of India’s rural poor, being from the lower castes (Dalits) and aboriginal communities (tribals), often experiences humiliating discrimination and socio-political exclusion. The caste system denies the equal worth of all human beings (Donnelley, 2003, p.83). The gravity of the situation was highlighted in a statement of present Indian Prime Minister, Dr. Monmohan Singh:

> Dalits have faced a unique discrimination in our society that is fundamentally different from the problems of minority groups in general. The only parallel to the practice of untouchability was apartheid. (Singh, December 28, 2006, p.1)

The first aspect of discrimination in all areas, urban and rural, is geographical segregation. Everywhere in both village and the city, the low castes are segregated and huddled together (Harrison, 2005, p.50). Although there is no de jure policy of segregation in India, Dalits and tribals are subject to de facto segregation in all spheres, including housing, the enjoyment of public services, and education. Residential

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45 The measurement of poverty differs among organizations that have different criteria. Moreover, we have conflicting data on poverty in India.
segregation is prevalent across the country, and is the rule rather than the exception. Most Dalits and tribals in rural areas live in segregated colonies, away from the upper-caste residents. Basic residential services such as the use of water are segregated by caste, meaning that the Dalits and tribals are forbidden from using the water sources and tanks used by the non-Dalits. The state provides poorer quality facilities for the Dalit colonies and sometimes does not provide any of the facilities that are provided to the non-Dalit colonies; for example, medical facilities and the better, thatched-roof houses exist exclusively in upper-caste colonies in rural areas (Weisskopf, 2004; Sadangi, 2008). The unequal allocation of public goods and resources reflects wider social injustices on which Maoist extremists thrive in areas largely inhabited by the marginalized low caste people (Morrison, 2012).

The second aspect of discrimination against the Dalits and the tribals is the atrocities committed on them and the administrative inaction in addressing these. Atrocities against these people are established techniques adopted by the dominant castes to reinforce their power and assert their superiority. The upper caste landlords even have their own private army to perpetuate their position and the feudal structure. Such a private army, called Ranbir Sena, has been outlawed by the government. The landlords can perpetrate unlawful activity with impunity because they have tremendous political clout (Narula, 1999, p.53). The official statistics for the decade 1990-2000 indicate that a total of 285,871 cases of various crimes against Dalits and tribals were registered countrywide. This means that an average of 28,587 cases of caste discrimination and atrocities were registered every year in the 1990s. In other words, every hour more than
three cases of atrocities against these caste groups are registered, and every day three 
cases of rape and at least one murder is reported (Shah, 2006, p.134). This might be only 
the tip of the iceberg, because in many cases, as reported by different human rights 
groups, the police refuse to report the cases of Untouchables against the upper caste 
people. The state’s refusal to recognize the continued oppression of the Dalits is a pointer 
toward its lack of real commitment to the cause of the Dalits (Harrison, 2005, p.62). The 
right of Dalits to equal treatment before organs administering justice is denied through 
the poor quality of prosecutions under the Protection of Civil Rights Act and Prevention 
of Atrocities Act, 1989. The Government of India has itself noted this failure in its 2001-
only 2.31 percent of cases brought under the Prevention of Atrocities Act, 1989 had 
resulted in convictions (Annual Report on the Prevention of Atrocities Act for the years 
2001-2002, p. 12). The police force, generally dominated by the upper caste people, 
refuse even to get a report filed by the Untouchables against the upper caste. Even the 
lower level of judiciary is not free from caste prejudices as the judges generally come 
from the upper castes (Gangoli, 2007, p.96).

Finally, Dalit and tribal women, occupying the bottom of both the caste and 
gender hierarchies, are both uniquely susceptible to violence and particularly vulnerable 
to the infringements of their right to equal treatment before organs administering justice. 
Cases documented by the National Commission for Women, Human Rights Watch, local 
and national women’s rights organizations, and the press, overwhelmingly demonstrate a 
systemic pattern of impunity in attacks on Dalit and tribal women. A humiliating aspect
of discrimination is the existence of bonded labor. There are an estimated 40 million bonded laborers in India, of whom 15 million are children (Narula, 1999, p.139-166). The vast majority of these laborers are Dalits and tribals. Bonded labor is sustained by the caste system, in particular through the traditional expectation of free labor and/or inadequate remuneration for work, the lack of Dalit ownership of land, social and economic boycotts levied by upper-caste community members. As mentioned earlier, bonded labor also results from indebtedness to landlords or moneylenders.

The Maoist groups’ views of the caste system are rooted in the political philosophy the nationalist Indian Left developed during the British colonial period. The British viewed India as a degenerate, caste-ridden society that was inherently incapable of acquiring the virtues of modernity and nationhood (Kaviraj, 1997, p.94). In responding to this charge, the Indian nationalist Left and the Marxists adopted a strategy of denying the suggestion that caste was essential to the characterization of Indian society. Caste, according to this argument, is a feature of the superstructure of Indian society; its existence and efficacy are to be understood as the ideological products of the specific pre-capitalist social formations. With the suppression of these pre-capitalist formations, caste too would disappear. The perfect alignment of caste and class in most of India (Omvedt, 1978) gives credence to the Leftist belief that the only solution to the caste system is a replacement of the Indian parliamentary system of democracy with a people’s democracy as introduced by post-Mao revolution in China. The Maoists are vehemently opposed to the exploitative nature of Indian caste system and aim at its demise through a violent
revolution; thus they try to draw support of these low caste groups by championing their causes (Biswas, 2008). Article 2 of Communist Party of India (Maoist) Program reads:

For thousands of years the feudalism that has dominated Indian society is a rigid caste-based feudalism which was built on a brahminical ideology. This pernicious caste system was of enormous value to extract large surplus from the oppressed particularly the so-called outcastes, who were pushed to a slave-like condition. (SATP, 2013)

It is doubtful how much support the Maoists enjoy among the Dalits (Scheduled Castes) because the mainstream Dalit political parties like Samajwadi Party (SP), Bahujan Samaj Party (BSP) and Rastriya Janata Dal (RJD) are officially opposed to the Maoist campaign, but a considerable section of the Dalit population forms the Maoist support base in central and eastern India. The tribal people known as Scheduled Tribes under Indian Constitution and lying at the bottom of Indian caste structure along with the Dalits have been extensively mobilized by the Maoists as their support base in post-liberalization period (Kashyap, 2008).

The present mobilization of the Maoists after the merger of major groups into the Communist Party of India (Maoist) in 2004 has a distinct feature. Maoists are now prioritizing mobilization, especially of the tribals against mining and other projects involving displacements of people. Their prime objective has become that of mobilization against ‘imperialism’ as reflected in India’s economic liberalization and the effects of globalization rather than ‘anti-feudal’ struggles (Harriss, 2010). The Maoists are hyper active in tribal Bastar region, where they have established their liberated zone of

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46 Banerjee (2009) identifies three phases of Maoist movement in India. In the first two phases (1967-75 and the 1980s), the Maoists mobilized the poor peasants in semi-feudal Indian villages and targeted the high caste landlords giving an impression of peasant uprising. The third phase started in 1990s and intensified in 2004 has been anti-imperialist in nature although they still espouse the peasants’ cause.
‘Dandakaranya’, spread over the forest regions of Bastar and parts of Andhra Pradesh. The state and security forces describe this region as “areas dominated by the Maoists”. Located on the tri-junction of Chhattisgarh, Orissa and Andhra Pradesh, many areas of improvised Sukma district form part of the so-called liberated zone of ‘Dandakaranya’ (see Map in Figure 19) of the Maoists where they are reported to be running a parallel government and there is virtually no presence of civil administration (Prakash, 2009). The Maoist leadership like Ganapathy, Koteswar Rao, Kisenji, Kobad Ghandy hail from different parts of the state of Andhra Pradesh and elsewhere and moved to the forests of Dandakaranya to work among the tribals. They have been able to recruit women and children from the tribal people and have appropriated the right to speak on behalf of the tribals as a whole (SATP, 2013). The tribals’ support to the Maoist insurgents is part of a larger center-periphery conflict in which these marginalized people are fighting for their rights to access resources. India’s integration to the global economy has provided the Maoists as well as Jihadists opportunities to mobilize the aggrieved minority groups.

**Global Economic Integration: Opportunities and Grievances**

In 1991, India experienced a classic external payments crisis: high fiscal and current account deficits, external borrowing to finance the deficits, rising debt service obligations, rising inflation, and inadequate exchange rate adjustment (Ghosh, 2006). The collapse of India’s most important international benefactor, the Soviet Union, coupled with a dramatic rise in world energy prices during the first Gulf War, presented enormous challenges to the country’s quasi-socialist and isolated economy. In response, then Finance Minister Manmohan Singh (the current Prime Minister), initiated a series of
Figure 19. Maoist Affected Areas in India (Source: IISS, 2013)
macro-economic reforms liberalizing trade, investment, and markets in an effort to
revitalize the nation’s competitiveness (Harnetiaux, 2008). India’s gradual integration to
the international economy had contradictory effects on the polity. Firstly, India has
emerged as a regional and global economic powerhouse. Secondly, the pattern of rapid
economic growth has left out a large section of people, leading to discontent among this
disenfranchised population and violence against the state. Most of the minorities -
Muslims and Dalit-tribals – are losers in the globalized economy in India because of their
educational backwardness. Economic globalization has contributed both to grievances
among the losers and provided them with the opportunity to mobilize.

India’s GDP growth surged from 3-4% a year in the 1980s to 5-7% throughout the
1990s and early 2000s. In 2006, real economic growth was 9.2%, second only to China
among Asian economies (Martin and Kronstadt, 2007). While living conditions for most
Indians have improved, a super rich elite and an emerging urban middle class is the
largest beneficiary of this growth. Development on these top-down terms all but
abandons about 300 million Indians who subsist in abject poverty. The paradox of India’s
growth story is that India is a country with more indigenous billionaires than any except
the US, yet one in three of the 1.1 billion population subsists on less than $1 per day
(Thornton and Thornton, 2009). According to Oxford University’s Multidimensional
Poverty Index (2010), a staggering 55% of the Indian population lives below the poverty
line of US $1.25 despite a bevy of rural development programs intended to rectify the
situation. These poor constitute almost 421 million people in just eight Indian states:
Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and
West Bengal. In 2010 the UN recorded one maternal death at childbirth every ten minutes in India, with a maternal mortality rate higher than that of Sudan, Ethiopia and Bangladesh. Infant mortality in the state of Madhya Pradesh, one of the poorest states, is higher than in Senegal or Eritrea (Bandyopadhyay. 2013). Although poverty was a major problem in India even before 1990, the post-1990s globalization has resulted in widening the gap between the rich and the poor. Several studies have indicated growing inequality in post-reform India. A disproportionately large income/consumption gains by the upper tail of the population is reported. In the 1990s, the real incomes of the top one per cent of income earners in India increased by about 50 per cent. Furthermore, among this top one per cent, the richest one per cent increased their real incomes by more than three times (Banerjee and Piketty, 2001). Three distinct trends of changing patterns of inequality during the 1990s have been observed. Firstly, there is strong evidence of divergence in per capita consumption across states. Secondly, state-wise per capita expenditures revealed that rural-urban inequality in per capita expenditure significantly increased across India. Thirdly, strong evidence emerged of increased rural-urban inequalities within states between 1993-1994 and 1999-2000 (Deaton and Dreze, 2002). A glimpse of increasing individual income inequality (net) between 1989 and 2005 measured by the Gini index (Solt, 2009) would support the trend in post reform period India (see Figure 20).

The story of India’s economic growth is largely driven by a surging service sector. The relative declines in manufacturing and agriculture have meant very little net

47 Seven of these eight states are home to the Maoist insurgents.
job creation. Therefore, joblessness is rampant among the less skilled and illiterate people. The minorities being traditionally backward are left out in the process of India’s economic development. This deprivation creates grievances among sections of the population and provides manpower to terrorist organizations. The Planning Commission of India argues that the Maoists gain support primarily from impoverished rural populations that suffer from underdevelopment, social injustice, and discrimination (Planning Commission of India 2008). The report argues that the Maoists exploit the gap between social-economic promises made by the Indian government to its poorest and the government’s actual service provision in order to gain allegiance. Jihadist terrorism in India can also be attributed to the gradual impoverishment and marginalization of urban Muslims.

In an effort to lure more manufacturing jobs to the country, India recently took steps to further liberalize the investment environment and draw more FDI from abroad. Most notably, in February 2006, India implemented the Special Economic Zone (SEZ)
Act 2005, allowing the establishment of SEZs (similar to those in China) with tax, regulatory, and tariff incentives for foreign invested enterprises (Palit and Bhattacharjee, 2008). By May 8, 2013, 588 such enclaves (SEZ) have been approved by the government of India under SEZ Act 2005 earmarking thousands of acres of land (Ministry of Commerce and Industry, India, 2013). The effort enjoyed considerable success, increasing inbound foreign investment from $4.7 billion in 2005 to about $32 billion in 2011 (World Bank, 2012). The policy, however, has attracted significant controversy, most pointedly over the issue of land acquisition. The federal and state governments have extensive rights of eminent domain, and their often forceful methods of evicting the (usually poor) owners of land needed for SEZ development have created discontent and resulted in violence. The state has often used repressive measures on the protesters, thus giving leverage to Islamic fundamentalist groups and the Maoists in their mobilization. In 2007 the police shot dead 14 people who were protesting the notification of acquisition of 25000 acres of land under Land Acquisition Act of 1894 for SEZ project of Indonesian Salem chemicals in Nandigram, a Muslim majority farming village in the state of West Bengal. In other places like Bhatta-Parsaul in UP, Jagatsinghpur in Orissa, Jaitpur in Maharashtra and so on, the government has used police force to control and intimidate any genuine protest against its land grab polices (Patnaik, 2007; Sampat, 2008). Indian economy is predominantly agrarian. This is evidenced from the fact that in 2011, about 74% of its population lived in some half million villages. Agricultural sector contributed about 26 % of the GDP in 2009 and 66% of Indian workforce are engaged in this sector (Siddiqui, 2012). When land is the basic means of livelihood for millions of small,
medium farmers, sharecroppers and agricultural laborers, the government’s forceful acquisition of farmland is perceived as an existential threat to these people. Moreover, inadequate resettlement policy, rampant corruption among public officials and administrative delay in disbursing compensation complicate things and push the poor into the extremists’ camps.

India has witnessed unprecedented land grab and human displacement due to mining (and mine industries), power projects and dams as part of post-reform push for development. Mineral production is reported from almost all the states of Indian union, but among onshore areas and states Andhra Pradesh (12.3% share in total production by value), Chattisgarh (9.2%), Jarkhand (9%) and Orissa (11.9%) dominate in minerals like coal, tin, bauxite and iron ore (Siddiqui, 2012). These regions mostly covered by dense forests are also home to large tribal populations and these are also the regions where Maoists insurgency\(^ {48} \) is on the rise from the year 2004. Orissa\(^ {49} \) now stands as one of India’s most striking examples of the neoliberal economic boom and its paradox; it is also one of the most ‘left behind’ states in the Indian federation. In 2005 the state government signed a Memorandum of Understanding (MoU) with the South Korean Pohang Steel Company (POSCO) for a US$12 billion steel plant, the largest foreign investment ever in India. In that same year Orissa held the record for the highest rate of poverty in India. Between 2002 and 2005 alone, the government of Orissa signed 42 MoUs with

\(^{48}\) The commercial and industrial exploitation of forest produce and mining of the minerals is one the core issues of the Maoist insurgency.  
\(^{49}\) Dalits comprise 53 percent and the tribals, 22.23 percent of Orissa’s population (India Census, 2001).
corporations for proposed steel, aluminum, and other industries in Kalinganagar and various locations across the state, including Jagatsinghpur, the site of the proposed POSCO plant mentioned above. Significantly, the majority of those whose lands had been seized had not received adequate or any compensation or rehabilitation. In the case of the Kalinganagar Industrial Area, for example, the government reported that it started offering compensation to the ‘eligible’ dispossessed in the 1990s, when it moved to attain land rights to about 13,000 acres. But in 2006 the Government of Orissa candidly admitted that roughly 1,500 of the 1,800 ‘eligible’ families who had been displaced in Kalinganagar had still not received full compensation (Sengupta, 2006).

Chhattisgarh, another poor but mineral rich state of Indian federation, has experienced an enormous land grab by the state and displacement of tribal people. Close to 45 percent of the mineral-rich land in Chhattisgarh is classified as forestland and is inhabited mostly by the tribal people (Walker, 2008). In 2001-2010, the Chhattisgarh Government has signed 121 Memorandums of Understanding (MoUs) with national and international mining, power, and other industrial firms promising about 34.9 billion US$ worth of investment (CIPB Report, 2013). Since June 2005, a state militia called Salwa Judum has destroyed hundreds of villages and uprooted tens of thousands of tribal people from their homes (Roy, 2012). Private mining companies in a nexus with corrupt state reaped huge profits at the cost of the local people and the environment. A huge controversy

50 An Industrial enclave was created in Kalinganagar, a tribal area in Orissa, in 1992-94 to tap and utilize huge iron ore reserve of this area. This place has witnessed protests by the tribal people and resultant state brutalities.
51 Only title owners of land are eligible for compensation. The displaced landless laborers and wage earners are simply not counted.
in Chhattisgarh over bauxite mining by Vedanta Resources, a UK-based mining conglomerate, over alleged large-scale infringement of tribal areas in violation of laws shows the extent of the government-industry nexus (The Indian Express, October 11, 2010). In Jharkhand, another tribal region of central India, around thirty coal and iron blocs fall in the forest areas where most of the illegal mining takes place. The Jharkhand government signed contracts with private sector companies like Tatas, Birlas and Essar groups for aluminum and iron ore plants displacing thousands of tribal people and depriving livelihood for others without any proper resettlement (Areeparampil, 2010).

The same story goes for Andhra Pradesh. The local people, mostly poor, resent the plundering of their property by outsiders. The contractor – politician – mining – transportation nexus and the huge profits being made is part of local knowledge and frustration. The Maoists are able to take advantage of this exploitation and the failure of government institutions (Chenoy and Chenoy, 2010).

The human cost of mines, dams, and other development projects is a thorny issue in the literary discourse of political violence in India. Studies highlighting the displacement and rehabilitation problems have begun to question specific projects and developmental polices that induce displacement (Iyer, 2007; Sharma and Singh, 2009; Siddiqui, 2012). The exact number of people displaced in post-reform period is unknown. According to one estimate, about 60 million people have been displaced due to mines, dams and other developmental projects between 1947 and 2004. Fewer than 20% have been resettled even partially and the rest are left to fend for themselves. Not surprisingly, 40% of the 60 million displaced people are tribals, who constitute just 8.08% of India's
population, 20% are Dalits and another 20% are from other rural poor communities like fishermen and quarry workers (Fernandes, 2008, pp. 181-207). Another report estimates that the magnitude of forced population displacement caused by development programs was around 10 million each year between 1980 and 2000. At the national level, the tribal peoples and Dalits constitute around 60% of the persons displaced by various development projects. Only 25% of the affected have been resettled (Sahoo, 2005).

In India’s neo-liberal restructuring in 1990s, the emphasis has increasingly been focused on agricultural exports. This has encouraged the cultivation of cash crops over food grains, thereby seriously threatening food security in many rural areas. For instance, tomatoes are being grown in place of wheat, flowers in place of rice, and so on. In coastal areas, private enterprise is taking away the fish catch depriving local communities of a livelihood and a critical nutrition source. In Kerala, vast tracts of forests and paddy fields have been converted into rubber, coffee and coconut plantations. It is not mere coincidence that deaths due to starvation were reported in 13 Indian states in 2001 (Ahuja and Ganguly, 2007). The incidents of farmers’ suicides in India in last two decades are often argued to be linked to globalization. It is estimated that more than a quarter of a million Indian farmers have committed suicide between 1995 and 2011- the largest wave of recorded suicides in human history. A great number of those affected are cash crop farmers and cotton farmers in particular. In 2009 alone, the most recent year for which official figures are available, 17,638 farmers committed suicide-that’s one farmer every 30 minutes (CHRCJ Report, 2011). Between 1996 and 2001 the Indian federal government rapidly removed trade protection for agriculture and reduced agricultural
subsidies as part of liberalizing trade policies mandated by World Trade Organization.\(^5^2\) During that five-year period, the prices of all primary products, including cotton, jute, food grains, and sugar, fell by an astonishing 40 to 60 percent. Under such severe price compression many peasant-farmers could not sell their crops and the already indebted became insolvent (Patnaik, 2008). Besides dwindling agriculture subsidies in post reform India, the role of Multi National Corporations in Indian agriculture is a hotly debated topic in the country as far as farmers’ suicides are concerned. In exchange for IMF loans in the 1980s and 1990s, which helped restructure India’s economy, agricultural conglomerates like Monsanto, Cargill and Syngenta were given preferential access to Indian markets. Since then, India’s agricultural market has been flooded with BT cotton, but farmers are not properly informed that BT cottonseeds require a far greater amount of water than natural varieties, and demand irrigation techniques few farmers can afford. In addition to crop failure, farmers invest huge amounts of money to buy GM (Genetically Modified) seeds that cost 10 times the amount of natural seeds. Farmers must buy new seeds each year, since GM varieties are non-renewable. As the story goes, forced to buy inordinately priced and unsuccessful seeds each year, farmers sink more into debt and many take their own lives (Pugen, 2013). Although the truth of the story is disputed, a study by the Indira Gandhi Institute of Development Research in 2006 found that 86.5% of the farmers who took their own lives were indebted – their average debt was about US$835 – and 40% had suffered a crop failure (Sahoo, 2010).

\(^{52}\) India had entered the World Trade Organization in 1995 as one of the original signatories
While India’s integration into the global economy might have put India in the leadership position of the global South along with China and Brazil, the problem of marginalization of the losers of globalization has not been addressed by the political elites. Instead of compensating them, the Indian state has progressively withdrawn from providing the major social services and welfare functions, leading some to suggest that redistributive politics have become irrelevant in India (Mehta, 2003). The crisis is not limited to farming as mentioned above; state governments have almost uniformly reduced their budgetary allocation for elementary education. The share of education in total government expenditure has declined compared to the early mid–1970s. Total expenditure on education declined in real terms and was even more marked in the case of expenditure per pupil (Tilak, 1992, p.389). Health expenditure is now dominated by private spending and public health investment in India is among the lowest in the world. In concrete terms, the budgetary allocation for the public health system decreased from 1.3% in 1990 to as low as 0.9% in 2004 (Ghosh, 2006).\footnote{In 2005 the education budget was raised by one billion, and the dearth of rural medicine is being addressed by a health spending hike from 1% to 3% of national income (Thornton and Thornton, 2009). This is a half-hearted policy response to growing dissatisfaction with the state in post-reform India.}

**Globalization and Resources for Terrorist Organizations**

In addition to supplying the terrorist organizations with new recruits from the aggrieved sections of the Indian population, the process of globalization has also provided those groups with financial opportunities to acquire new weaponry and resources to strengthen their organizational capabilities by spending on welfare\footnote{In Dandakaranya region (see Map 6.1), the Maoists are providing basic services in health, education, roads etc (Roy, 2012).} of their
sympathizers, maintaining training camps and paying for propaganda. Several non-governmental sources give estimates of Maoists’ financial resources in recent years. A noteworthy media report in 2010 quoted an intelligence evaluation that the Maoists have collected a fund of more than Rs 2,500 crore (US$ 454 million). This whopping amount was collected by the CPI (Maoist), the prominent Maoist organization, in 12 months (Roy Chaudhury, 2010). On March 5, 2010, Indian Home Secretary Mr. G. K. Pillai told that the Maoists collect around Rs. 1,400 crores (US$ 254 million) a year (New Delhi Television, 2010). Although the authenticity of such reports is not verifiable, they indicate the availability of huge amounts of money flowing to the Maoists. The Maoists run extensive extortion rackets throughout the areas where those organizations operate. The Maoists extort money from industries and forest contractors giving rise to the dynamics of corruption, patronage, and protection. Industrialists often work out private bargains with the Maoists for protection (Anoop, 2011). It is noteworthy that Maoists have mostly targeted the security forces and government sympathizers, but mining and other industrial enterprises can operate without much hindrance from them. The contractor – politician – mining – transportation nexus and the huge ‘levy’ being extorted by the Maoist extremists have been an integral part of the political economy of Maoists insurgency in India (Chenoy and Chenoy, 2010). The huge amount of money extorted from private industries by the Maoists organizations is one of the major reasons for their success in post-reform India.
Immature Democracy and opportunity to Mobilize

With more than six decades of periodic elections in which all political offices are contested and, in which all adult citizens are qualified to vote, India, barring a short period between 1975 and 1977, has worked successfully as a democracy. Even India’s founding national party, Congress, which increasingly resembles a dynasty, has been voted out of power first in 1977 and then a number of times and replaced by other challengers. It is in these procedural and political senses of the term that Indian democracy has succeeded (Kohli, 2001). But, a more demanding assessment of the accomplishments of Indian democracy would clearly be more qualified and be faulted on many counts. In the initial years, scholars focused on India’s sluggish growth, 3-4 percent between 1950 and 1980, and criticized the state for its excessive intervention in the economy (Bhagawati, 1993), its feeble capacity to alleviate mass poverty, inability to provide universal primary education, and more broadly for governing poorly (Weiner, 1991; Kohli, 1990). Besides India’s inability to address the problem of poverty, India is not categorized as a ‘fully institutionalized democracy’ for exhibiting certain flaws in its governing institutions (Marshall and Jaggers, 2010). The Economist (2011) consistently places India in the category of ‘Flawed Democracy’. The index is based on sixty indicators grouped in five different categories: electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture.

The Indian democratic system resembles what Zakaria (2007) has aptly termed an “illiberal democracy” where the rights of religious and ethnic minorities are at risk even

55 ‘Flawed Democracy’ is the second category. The top category called ‘Full Democracy’ comprises the most institutionalized democratic countries.
though electoral alterations take place routinely and in a moderately free and fair fashion. The inefficient functioning of the conflict resolution mechanisms of Indian democratic institutions helps terrorist organizations to mobilize by exploiting the grievances of certain populations. On the other hand, unlike an authoritarian state, the Indian state is not absolutely repressive; hence some permissive features of the system encourage mobilization of dissent, and electoral accountability of the governments at different levels makes civilians vulnerable to terrorist attacks. It is interesting to note here that the Maoist insurgency that started in 1967 almost died down in 1972. That was the first phase of the Maoist insurgency; the second phase, marked by the movement’s dormancy began in early 1980s (Banerjee, 2009). The time gap between the first and the second phase coincides with a systemic change in Indian democracy. The 22 months old Emergency Rule (from June 25, 1975 to March 21, 1977) imposed by Prime Minister Mrs. Indira Gandhi in 1975 radically altered the governing structure of the Indian polity converting it into an authoritarian state (Reddy and Suhaib, 2006). The Maintenance of Internal Security Act of 1971 (Preventive Detention) was revamped during 1975-1977 Emergency to allow the government to arrest individuals without declaring charges. The government repressed all sorts of dissent and opposition to the regime by using MISA 1971 and Defense Indian Rules 1962 (Omar, 2002). Thus the temporary cancellation of democratic rule in India was one of the major causes of the suppression of Left Wing Extremism in India in the end of 1970s. The quality of Indian democracy can be assessed by focusing

56 Mrs. Indira Gandhi was the third Prime Minister of India. She became Prime Minister in 1966.
on severe distortions of rule of law in India and several aberrations in the actual working of the polity.

Indian constitution is based on the principle of rule of law. However, the dysfunctional criminal justice system is a major hindrance to the actual working of the democratic polity. The state of policing in India remains deplorable. Most cases of human rights abuses taken up by various Human Rights Organizations are directly attributable to the local police (Das and Mohanty, 2007). The police force, generally dominated by the upper caste Hindus, refuse even to get a report filed by the minority against privileged people. In several cases, the police are the abusers, and in a few others the police failed to take action against a perpetrator. To summarize the problems affecting the policing system in India can be listed as follows: 1. Impunity; 2. The prevalent practice of violence and custodial torture; 3. The lack of a legal framework to ensure accountability and to prevent crimes from being committed by police; 4. Alarmingly low public confidence in the system, which shows that the police are not protectors, but perpetrators; 5. The lack of awareness about how to engage in better policing; 6. Political influence; 7. Corruption (Verma, 2005).

According to the report of the Asian Centre for Human Rights (ACHR), “Torture in India 2011”, the National Human Rights Commission (NHRC) recorded a total of 14,231 deaths in custody in India between 2001 and 2010, which includes about 1,504 deaths in police custody and about 12,727 deaths in judicial custody. The ACHR report observes that these are only the cases reported to the NHRC, and do not include all cases of custodial deaths. The report attributes the deaths in custody to torture, denial of
medical facilities and inhuman prison conditions (ACHR, 2011). Torture of the victims during interrogation is common across various police cells in India. Physical torture remains an integral part of criminal investigations in order to obtain confessions from suspects in India. Terror suspects are at an increased risk of torture given the immense pressure on the police to solve the crimes. People from minority groups are often victims of torture and custodial deaths as suspects of terrorism (Human Rights Watch, 2011).

India has an unusual practice of ‘encounter killing’. The police kill a suspect at sight or after capture and then report it as an ‘encounter’ between the militants and the police. The official justification is that the suspect was attempting to escape and got killed in the gunfire with police. Sometimes, the police manufacture evidence to show that the suspect was trying to shoot at the cops. Like custodial deaths, ‘encounter killings’ are common in India’s conflict zones (Chenoy and Chenoy, 2010). On July 3, 2013, India’s premier federal investigation agency, the Central Bureau of Investigation, charged seven police officers in the western state of Gujarat for the killing of four individuals, including a 19-year-old woman named Ishrat Jahan. Such cases of ‘fake encounters’ have earlier been addressed by the judiciary in India (Ganguly, 2013). In addition to combating terrorism, ‘encounter killings’ have also been used to rid society of criminals. These encounters are often sanctioned by the state governments that find that encounter killings do what the criminal justice system cannot; drive down crime figures. Encounter

57 Ishrat Jahan, 19, was gunned down on June 15, 2004 along with three men she was with, by a group of policemen near Ahmedabad city in Gujarat. Local police at the time alleged the group were part of Lashkar-e-Taiba, a banned Pakistan-based terrorist organization, and involved in a plan to assassinate Gujarat’s Chief Minister Narendra Modi.
killings serve as a useful tool for politician and the government more generally to appear tough on crime. As a result, the police and ‘encounter specialists’ who carry out the killings are rarely prosecuted (Pelly, 2009). When the police are allowed to act as judge and executioner, a basic principle of the rule of law requiring an impartial trial by an independent judiciary is violated.

In a flagrant violation of rule of law, the Indian political establishment in collusion with upper-caste landed class has often used private militias to fight against the Maoist challenge to the state, thus making a mockery of Indian democracy. In Bihar, the landowners of the higher castes and some of those of the intermediate classes have formed private militias or senas in response to the mobilization of the landless lower castes under political parties and peasant organizations. Political patronage of the upper-caste militias and police collusion has reinforced the strong nexus among landlords, contractors, criminals, politicians, and administrators and has allowed the senas to operate with impunity (Chandran and Gupta, 2002). One of the most prominent of the senas, the Ranvir Sena, founded in 1994 by upper-caste landlords of central Bihar, has been responsible for dozens of massacres in which, according to different reports, perhaps as many as a thousand villagers have been killed. In some cases, police have accompanied sena members on raids and have stood by as they killed villagers and burned their homes in the pretext of fighting the Maoist menace (Naval, 2001).

In late 2005 in its response to the growing communist insurgency, the government of Chhattisgarh authorized and supported the formation of so-called citizens’ militias among rural tribal residents, in what they called a Salwa Judum (‘purification hunt’) or
‘spontaneous tribal uprising against the Maoists’ (Sundar, 2006). Through its sponsorship of this vigilante style action the government has attempted to both split the tribal population and carry out a classic counterinsurgency ‘sanitization’ campaign. Villages that refuse to attend Judum meetings or to hand over villagers who are part of Maoist led village-level organizations, are repeatedly attacked until they ‘surrender’ (Walker, 2008). Youth, mostly non-tribal, trained, armed, and given the status of ‘special police officers’ (SPOs), herded the ‘surrendered’ villagers to refugee camps set up in larger villages. Once the villages had been cleared by the Salwa Judum militia, security forces entered into such areas to kill anyone left out in the forest as Maoist suspects. Through the Salwa Judum the government has not only escalated the level of violence by promoting fratricidal conflict, but also has developed a rationale for moving tribals off their land and exposing its rich subterranean resources to industry (Sengupta, 2006; Chenoy and Chenoy, 2010). In 2011 the Supreme Court of India declared as illegal and unconstitutional the deployment of tribal youths as Special Police Officers - either as Salwa Judum or any other force — in the fight against the Maoist insurgency and ordered their immediate disarming (The Hindu, 2011). Similarly, the state government of West Bengal has used private militias, mostly goons from the ruling Communist Party, to break the people’s resistance against forceful acquisition of land for SEZ in Nandigram village in 2007, killing about a dozen of villagers and terrorizing others (Dhobal and Jacob, 2012). The government’s resorting to such extra-constitutional methods of counterinsurgency tactics exposes the illiberal nature of India’s democratic framework
and compels the aggrieved sections of the population to adopt violent means to redress their grievances.

The functioning of India’s judicial institutions creates opportunities for dissent among the underprivileged sections of population and adds to grievances. One of the grey areas, where the Indian justice delivery system has failed to come up to the people’s expectations is that the judiciary has failed to deliver justice expeditiously. The delay in the delivery of justice is in fact one of the greatest challenges before the judiciary and has resulted in the erosion of faith in the system. Faith in the legal system is determined by its ability to provide accessible, speedy and cost effective justice to all equally. The people are a mute witness to the court process, often spending their savings to their unending case. Pendency is a result of the court procedures, lawyer’s tendency to drag cases, lack of sufficient judges, poor infrastructure in courts and so on. At the end it is the clients who are left to suffer this ignominy. With 30 million cases pending in various courts and an average time span of 15 years to get a dispute resolved through court system, the judicial system can hardly be described as satisfactory (Kumar, 2012). Delay in judicial procedure has resulted in thousands of people being incarcereted without trial for years. In many cases when the suspect is finally acquitted by the judiciary, the person has already spent years in prison. In the absence of compensation, such ignominious treatment creates grievances. According to 2010 Indian government data, about 300,000 of the total 430,000 prisoners in India were under-trials who are unconvicted defendants in criminal cases. In 2007, that number was only 250,727, which would suggest that the number has grown by 50,000 people in just over two years (Bhaskar, 2012).
India’s democratic institutions have been further sullied by a criminal-political-bureaucratic nexus that has obstructed the observance of rule of law in post-Nehru era (Vadackumchery, 2002). In the 1970s Prime Minister Indira Gandhi and her younger son, Sanjay Gandhi, facing challenges to the hegemony of Congress rule from regional parties and internal party dissent, brought large numbers of unruly youth into the Congress Party to be used as enforcers (Bhan, 1995). These young men with little regard for democratic procedures or professional probity had the only purpose to serve as a private army in closely contested elections to intimidate voters, intimidate political opponents, and, on occasion, try and subvert other electoral processes. The political protection and patronage that these men enjoyed frequently demoralized local police and other administrative authorities, creating a climate in which the rule of law could be flouted with impunity. Bureaucrats who refused to buckle under the demands of politicians were frequently transferred to less desirable postings; in a short time the political independence of the bureaucracy was thoroughly compromised as political interference became rampant (Kumar, 2009). As democratic norms frayed, politicians increasingly came to rely on local kingpins to threaten and harass political opponents with little fear of police and other authorities. The criminalization of politics that started in 1970s became institutionalized as other parties adopted the same methods (Saksena, 1992). In the 1990s the blatant involvement of politicians with known criminals became so widespread that even the government felt the need to appoint a one-man commission to investigate and report on the politician-criminal nexus. The Vohra Commission, created in 1993, submitted its report within a year providing a damning indictment of the politician-
criminal nexus. The problem that Vohra identified in his report continues to plague Indian politics (Sharma, 2010). As in 2013, 1,448 of India's 4,835 Members of Parliaments and state legislators have declared criminal cases, and 641 of these 1,448 are facing serious charges like murder, rape and kidnapping. The figures are based on information politicians themselves provide in their mandatory pre-election declarations (North, 2013). Once these ‘strong-arm’ politicians, present in all political parties, are in the electoral fray, they manipulate elections through intimidation and violence. When they are elected to political offices, they scuttle criminal cases against them, making a mockery of Indian judicial institutions. Money and muscle power are two integral parts of Indian democracy (Jaffrelot, 2002).

Thus weak institutions in India and the aberrations in the democratic system not only fail to solve conflicts and alleviate the grievances of minorities but also create incentives for the aggrieved people to further challenge the state. The Indian Constitution allows political associations and, therefore, the government cannot stop the initial formation of groups as long as they remain under constitutional limits. Often such groups emerge as sources of political mobilization of aggrieved people. The case of Indian Mujahedeen and SIMI, reported to be responsible for many terrorist attacks, can be a good example in this regard. Evidence points to the fact that the Student’s Islamic Movement of India (SIMI), serving as a “feeder organization”, brought together the key players involved in forming the Indian Mujahedeen (Gupta, 2011, p.3). SIMI was founded in Aligarh on April 25, 1977 with the purpose of working with Muslim students to create among them an Islamic consciousness. In the 1990s, militant chauvinism of the
Hindu Right, the demolition of the Babri Mosque and consequent violence on Muslim community led to SIMI’s radicalization. An apparently benign organization like SIMI declared in 1996 that since democracy and secularism had failed to protect Muslims in India, the only option now was to work for a Caliphate through violent jihad (Rana, 2012). The Government of India declared SIMI an outlawed organization on September 27, 2001, after it was charged with carrying out terror strikes along with Indian Mujahideen (Singh, 2007). Similarly, the government of India imposed a ban on Maoist Parties in 2009 as terrorist organizations although their genesis can be traced to the formation of Communist Party of India in 1920s. The main party and its other factions like Communist Party of India (Marxist) have been participating in the democratic process as legal entities (Coates, 2011).

**Jihadist Terrorism and Maoist Violence: A Comparison**

One sixth of India’s citizens live in areas of armed conflict. There are insurgencies in the Northeast, the secessionism and conflict in Kashmir, and struggles to capture power in several regions of India (Chenoy and Chenoy, 2010). But the Islamic Jihadist terrorism and the Maoist insurgencies are presently considered to be the biggest threats to internal security in India. Although the same types of grievances and opportunities account for both violent political movements, there are more differences in their manifestations than similarities. Islamic Jihadist violence can be perfectly interpreted as terrorism. Jihadist organizations lack funds as there is almost no information about their financial resources. They mostly use improvised explosive devices (IEDs) to harm civilians. They have not targeted security forces outside the state...
of Jammu and Kashmir.\textsuperscript{58} Organizations like Indian Mujahideen are known for their clandestine operations and often evade detection. The Islamists work in small cells which are independent of one another and the groups lack hierarchical structures. The independent cells draw their inspirations from a central leadership but are not physically controlled by it (Gupta, 2011; Rana, 2012). On the other hand, Maoists are fighting guerrilla warfare against the state in the Bastar region of central India. Their activities involve the kidnapping of government officials, extortion from mining companies, attacking police stations, destroying public buildings and railway stations, and ambush of security forces in their strongholds. They are highly visible in uniforms dispensing justice, even the death penalty, in kangaroo courts in the Maoist bastion of central India (Roy, 2012). They use terrorism as a strategy in areas where they are relatively weak. Between 2005 and March 24, 2013, Maoist attacks killed 2483 civilians and 1554 security personnel (SATP, 2013); it is the civilian targets that make the Maoists terrorists (Aiyer, 2010). Maoist operations are clandestine in most parts of India other than in the Bastar forests where they have declared a ‘liberated zone’ (Chakravarti, 2009). The Maoists are flush with financial resources that enable them to buy all sorts of modern weaponry. In 2010 the Maoists had a fund of more than US$ 454 million (Roy Chaudhury, 2010).

Factors like exclusion, bad governance, underdevelopment and inequality contributed to the adoption of political violence by both the Jihadists and the Maoists in India. But a reference to ideologies is necessary to explain why the Islamists and Maoists

\textsuperscript{58} Jihadists in Jammu and Kashmir are considered transnational terrorists because of their connection with Pakistan.
have chosen the course of armed struggle, rather than other non-violent options. For both the groups, totalitarian ideologies provided the rationale of political violence. The Indian Jihadist vision of Islam derives from the voluminous writings of the Islamist ideologue, Sayyed Abul Ala Maududi, the founder of the leading South Asian Islamist movement. For Maududi, as for the Islamists, the mission of the Prophet Muhammad is seen principally as having been the struggle to establish an ideal state and society as dictated by the Quran. All man-made systems of law are condemned as ‘false’, even Satanic, and Muslims are reminded that unless they actively struggle to be ruled in accordance with shariah, their commitment to and faith in Islam is not complete and remains suspect. Secularism is seen as inherently anti-Islamic and so is democracy. To be ruled by man-made laws instead of the shariah is tantamount to an unforgivable sin. All ideologies and religions other than Islam are condemned as false and sinful and their adherents as ‘rebels against God’ (Sikand, 2003). For Maududi, the objective of the Islamic jihad is to eliminate the rule of an un-Islamic system, and establish in its place an Islamic system of state rule (Jackson, 2011). So violence is an integral part of the Islamists in India.

Class struggle in the form of armed revolution is the core of communist philosophy. The primacy of political and ideological factors is evident by an avowed goal of the Maoist insurgency: overthrow of the present polity based on multiparty parliamentary democracy through armed revolution and its replacement with a new political system known as people’s democracy. In their party program, Maoists characterize the postcolonial Indian state as reactionary and autocratic, and seek a worker - peasant alliance “to overthrow imperialism, feudalism and comprador bureaucratic capitalism” via an armed
revolutionary struggle. The CPI (Maoist) politburo, which constitutes its ideological leadership, is thus supported by an underground People’s Liberation Army (PLA). The party’s long-term objective is to establish a people’s democratic state under the leadership of the proletariat “that will guarantee real democracy for the vast majority of people while exercising dictatorship over a tiny minority of exploiters” (Chakraborty and Kujur, 2010).

In addition to propagating violence, rejection of liberal democracy and inherent intolerance to plurality, radical Islam and communism have striking similarities. In the words of Nobel Laureate V. S. Naipul (1981, p.78): “Both sides depend on revealed truth and a special reading of historical events; both require absolute faith. And both are fed by the same passion: justice, union, vengeance.” At the same time, there are substantial differences in the two hegemonic ideologies. Islamists’ ideal state is a theocracy and, hence, non-Muslims have no place in their scheme of society. On the other hand, the Maoists are avidly secular and appeal to religion is not acceptable to them; hence their ideal society is more inclusive than the Islamists. Islamists abhor the West for cultural and religious reasons and their anti-Americanism is borne out of the US presence in Arab lands, but the Maoists dislike America because of the US imperialistic policies in the global South.

Finally the urban based Islamic terrorism and predominantly rural Maoist insurgency in India are often tied to the geo-politics of South Asia. The Islamic terrorism that afflicts Indian urban centers 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. These non-state actors definitely have important roles in the India-Pakistan conflict (Barthwal-Datta, 2012). Since 2001, when violence in Jammu and Kashmir began to decline, these new groups engaged in a sustained campaign of terrorism throughout India. Operating with the infrastructural assistance of Pakistan-based and Bangladesh-based organizations like the Lashkar-e-Taiba and the Harkat ul-Jihad-e-Islami, the groups wage sustained terrorist campaign against India - a campaign that keeps the Islamist pressure on the Indian state (Swami, 2008).

On the other hand, the Indian Maoists’ aim to bring about a communist revolution in tune with Mao Zedong’s 1949 revolution ideologically connects them to China. The Indian defense establishment and political elites often view the Maoist threat to Indian internal security in the context of the protracted Sino – Indian rivalry. The Indian Home Secretary, G.K. Pillai said in November 2009 that he was confident about the supply of arms from China to the Maoists in India (Jain, 2009). Although India did not officially allege any connection between the Chinese and the Maoist insurgent in India, the repeated recoveries of Chinese made arms, radio sets and other electronic devices (DNA, November 16, 2009) from the Maoists often indicate Maoist-China linkages. Moreover, the Communist Party of India (Maoist) is considered to be part of the international ultra-left brethren. It is a member of the Coordination Committee of Maoists Parties and Organizations of South Asia (CCOMPOSA), which is believed to have the direct blessings of Communist Party of China (Dash, 2006). Given that the Chinese Communist
Party does not officially clarify its position on Maoist insurgency in India, alleged Chinese support to these Leftist Extremist groups remains unclear.

**Conclusion**

In this Chapter I have examined two sources of terrorism in India. The Jihadist terrorism and Maoist insurgency are responsible for enormous death and destruction in post-Cold War India. Based on Alesina and Spolaore’s (2003) theoretical framework, three crucial factors—(1) heterogeneity cost, (2) global economic integration, and (3) political openness—have been used to explain the menace of Islamist and Maoist political violence in the post-1990s India. I have argued that resorting to terrorism is a rational choice for the minorities in India as their cost of heterogeneity—deprivation from public goods due to their ideological distance from the political elites—increases with post-Cold war economic openness and political changes. Political violence by the Islamists and the Maoists results from minority discrimination that has been practiced in India for decades. India’s participation in the global economy has added to minority grievances and helped the marginalized groups to mobilize. The country’s weak institutions provide further incentives for the aggrieved sections to challenge the state. As the minorities cannot redress their problems through peaceful means, they resort to violence. The two sources of terrorism in India are similar as well as dissimilar in many ways, but their hegemonic ideologies are inherently inimical to the principles of pluralism and tolerance that India stands for.
In the next Chapter, I conclude the dissertation with a summary of my findings. I offer suggestions on how this research can be extended in the future and discuss the policy implications of the findings of this research.
Globalization is considered by many scholars and policy makers to be the ultimate celebration of the political, economic and social homogenization of the international system. Commonalities in terms of economic aspirations and technological progress are emphasized by politicians and opinion makers, over differences such as religion, culture and ethnicity. The post-Cold War world is rapidly moving to realizing the ideal of global economic integration. World foreign direct investment flows (FDI), which amounted to less than $13 billion in 1970, quadrupled every 10 years, reaching $209 billion in 1990. The upward surge continued, reaching $4 trillion in 2007 (World Investment Report, 2010, p.187). Worldwide trade also increased dramatically over the same time period. Trade as a percent of GDP grew from 27 percent in 1970 to 49.6 percent by the year 2000 and culminating at 59.6 percent in 2008 (World Bank, 2012). During the same time period in question, there has been an increase in democratization across the globe. In 1995 the percentage of democracies in the world was 47; in 2000 democracies went up to 49 percent and in 2007 to 56 percent (Marshall and Jaggers, 2010).

But Fukuyama’s (1992) optimism in free market capitalism and liberal democracy as the “end point of mankind’s ideological evolution” and the “final form of human government” has hardly resulted in the “end of history.” The collapse of the “Soviet Empire” was followed by the emergence, or re-emergence, of many serious conflicts in several areas that had been relatively quiescent during the Cold War. Some of these new conflicts have been taking place within the former Soviet Union, such as the fighting in
Chechnya. But some conflicts also erupted or intensified in several countries outside of Russia, and many Third World conflicts in which the superpowers were not deeply involved during the Cold War have persisted after it, like the secessionist movements in India, Sri Lanka, and Sudan. The rise of religious militancy, insurgency in Iraq and Afghanistan, civil war in Syria, political instability in post-July 2013 coup Egypt still threaten the international order. Domestic terrorism, as a form of intrastate violence, has varied widely along with the post-Cold War period of global economic integration and emergence of democracies. Domestic terrorist incidents have varied after the end of Cold-War, taking almost a U-shape in their fluctuation. Fatalities from these incidents have varied in tune with these incidents, but yearly average of deaths per incident has risen (Enders et al., 2011).

**Homegrown Terrorism: Grievances and Opportunities**

In this dissertation I developed a theory connecting domestic terrorism to economic integration and the emergence of democracies. In developing the theory I largely extended the theoretical model developed by Alesina and Spolaore (2003) to argue that resort to terrorism is a rational choice when individuals’ grievances referred as ‘heterogeneity cost’ - deprivation from public goods due to geographical and ideological distance from the ruling elites –increase, and opportunity for mobilization is provided by political openness and integration to the global economy. There is a 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 markers) from the size of heterogeneous state and the cost of its heterogeneity. Heterogeneous people may
differentiate over policy preferences. Groups or individuals who differ from the ruling class in ideology, religion, ethnicity or nationality might be deprived from public good provisions. The disadvantaged groups or individuals may either want to change the configuration of borders or bring about by regime change a new government that would make resource transfer to them.

People also may challenge the state more when a political system opens up. A dictator does not care much about individuals’ (heterogeneous) preferences and represses dissent. But the permissive nature of a democracy facilitates political mobilization by tolerating dissent. A higher level of terrorist activities would be experienced in a state which has not consolidated as a mature democracy. But, in an institutionalized democracy several conflict-reducing mechanisms make the resort to violence a less attractive option (Schmid, 1992). Like democratization, economic globalization creates opportunities for violent political opposition to a state. The trade regime influences the trade-off between state’s size and heterogeneity (Alesina and Spolaore, 2003). 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 an 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 go up. Other types of domestic terrorism may also increase due to global economic integration. Economic globalization creates winners and losers (Stiglitz, 2002). By lowering the opportunity cost of violence for the losers of globalization, a move toward economic openness can increase domestic conflict (Magee and Massoud, 2011). In a heterogeneous country with group discrimination, if the losers of economic globalization happen to belong to the already aggrieved section, terrorist organizations representing such aggrieved sections might grow stronger with more people joining their ranks.

**Key Empirical Findings**

I put the above theory to test in chapters four through six of my dissertation. In Chapter Four, my study on the incidence of domestic terrorism using a country-year database of 172 countries from 1990 to 2007 shows strong support that group discrimination in a heterogeneous country increases domestic terrorism. Political and economic discrimination of minority group/groups in a heterogeneous country is one of the reasons for domestic terrorism. Similarly, immature democracy as a regime type leads to increases in domestic terrorism. But the presence of heterogeneity and discrimination in an immature democracy neither increases nor decreases incidents of domestic terrorism. There is likely to be higher levels of domestic terrorism in an immature democracy in the presence of grievances. In my model I only include minority discrimination which is one of the many possible grievances. Therefore, the probable presence of other types of grievances such as racial enmity, perceived threat from new
immigrants or fear of losing privileged positions in society or state along with minority
discrimination may dilute the marginal effect of heterogeneity cost in an immature
democracy in predicting higher levels of domestic terrorism.

Another important finding in Chapter Four is that trade is negatively related to
domestic terrorism. This finding on a cross-country dataset of 172 countries is contrary to
my theoretical expectation because I expected a positive relation. For Neo-liberals, an
open economy leads to a higher level of economic development and helps promote
democracy. Development and democracy together alleviate the problem of intrastate
conflict like terrorism (Hegre et. al., 2003). This argument naturally follows from the
supposition that a primary cause of terrorism is underdevelopment and poverty. But the
assumption that terrorism is a function of poverty is not empirically supported in many
studies (Feldmann and Peralta, 2004; Abadie, 2006; Berrebi, 2007; Asal and Rethemeyer,
2008). My explanation for the negative relationship between domestic terrorism and trade
is that domestic terrorism may reduce international trade, thus lowering a country’s level
of economic integration to the world. In such a case, we would observe a negative
correlation between terrorism and openness because of the impact of terrorism on
openness rather than because openness causes a decline in terrorism. That civil wars
reduce international trade flows has been supported in several studies (Bayer and Rupert,
2004; Martin et al., 2008; Magee and Massoud, 2011). The same phenomenon may also
be occurring with domestic terrorism.

Findings in Chapter Four also show that a history of terrorist violence in a country
is a positive predictor of terrorism. This is consistent with the expectation by scholars that
both the presence and the absence of terrorist activities tend to be persistent. Terrorist
groups, once operational, tend to engage in activities continuously (Li and Schaub, 2004).
The size of a country is positively related to the rate of terrorist incidents. The theoretical
expectation that greater country size as a major indicator of greater heterogeneity cost
(Alesina and Spolaore, 2003) will increase domestic terrorism receives support in my
research. Economic development increases the rate of terrorist incidents. This finding
supports earlier empirical studies that terrorism originating in a country is positively
associated with the country’s wealth or economic development (Burgoon, 2006; Berrebi,
2007; Lai, 2007; Piazza, 2011). A theoretical expectation was that economic and political
opportunities would facilitate terrorism. State fragility in a country increases the expected
rate of incidents of domestic terrorism. This finding is compatible with earlier findings
that weak states are ideal breeding grounds for internal conflicts like civil wars and
insurgencies (Fearon and Laitin, 2003).

In Chapter Five, my study on a regional dataset on South Asia for the same
temporal domain between 1990 and 2007 largely supports the theoretical expectations.
As expected, both discrimination against heterogeneous groups and immature democracy
as a regime type increase domestic terrorism in a country. That economic globalization is
likely to increase domestic terrorism did not find empirical support. But economic
globalization in the presence of heterogeneity and minority discrimination increases
domestic terrorism. Similarly, minority discrimination in an immature democracy further
increases terrorism compared to other regime types. In Chapter Four, I found that global
economic integration in the form of international trade reduced domestic terrorism on a
global dataset. Moreover, the presence of heterogeneity cost in an immature democracy neither reduced nor increased terrorism. Similarly, global economic integration neither reduced nor increased terrorism in the presence of heterogeneity cost. These findings were contrary to theoretical expectations. I argued in Chapter Four that the probable presence of other types of grievances along with minority discrimination might dilute the effect of discrimination in an immature democracy and on trade in predicting higher levels of domestic terrorism. But my findings in Chapter Five are more supportive of the theoretical expectations because discrimination against minority groups is practiced in all five countries of South Asia. The homegrown terrorist movements in South Asia mostly resulted from exclusion of certain groups from public good provisions.

Some other findings in Chapter Five are also interesting. Levels of unemployment increase the rate of domestic terrorist incidents. Globalization might result in job loss among the losers of trade. If the jobless are from discriminated groups, terrorist organizations might find new recruits. Regime durability, the duration of a particular regime, increases terrorist incidents. I expected a negative relationship because longer regime durability indicates political stability. Political stability should reduce dissent. But in South Asia political regimes consistently follow discriminatory practices; the longer the regimes survive, the more institutionalized the discriminatory practices are. Therefore, we see high levels of terrorist activities along with regime durability.

Chapter Six is a case study of India. In this chapter, I analyzed the causes and nature of two sources of terrorism in India prevalent since the 1990s with the same theoretical framework that terrorism is driven by group grievances of being deprived
from public good provisions due to their religious, linguistic or ethnic difference from the political elites. Among the two sources of terrorism analyzed, the first set comprises a network of rage-driven Indian Muslim youth and Indian Jihadist outfits who are active throughout India since the late 1990s. The second set is formed by radical Leftists known as Maoist insurgents who have grown as India’s biggest internal security threat in the last decade. Muslims and the lower caste Hindus (support base of the Maoists), religious and ethnic minorities in India, are both victims of social and political exclusion by the high caste Hindi power elites. They are left out in the post-1990s economic development process. Weak conflict-resolution mechanisms of Indian democracy fail to redress their grievances and its permissive nature provides opportunity to mobilize. The case study on India analyzes terrorism in historical context and supplements the generalized findings of the large-N and regional-level studies.

Suggestions for Future Research

Like every research project, this one is constrained by time, space and data deficiency; hence I offer directions for future research on domestic terrorism. In Chapter Four, my findings on the relationship between terrorism and economic globalization on a global dataset did not support my theoretical expectations. Foreign direct investment was not related to terrorism. Trade had a negative relationship with domestic terrorism. I argued that domestic terrorism may reduce international trade, thus lowering a country’s level of economic integration to the world. In such a case, a negative correlation between terrorism and trade is observed because of the impact of terrorism on trade rather than because trade causes a decline in terrorism. Therefore, it would be very useful to
systematically reevaluate this relationship. As homegrown terrorism affects the level of trade, international trade should be treated as an endogenous variable. The effect of trade on terrorism can be estimated controlling for endogeneity to see if trade significantly reduces domestic terrorism. On the other hand, trade treated as dependent variable in a research design may further show whether terrorism as an explanatory variable reduces a country’s international trade. A longer temporal domain and an alternative measure of global economic integration can be used for robustness check.

Another important finding in Chapter Four is that countries that are highly integrated into the global economy have two common features: high political effectiveness and state legitimacy. The five most open countries in terms of trade as percentage of GDP, Singapore, Luxemburg, Netherland, Belgium and Ireland (World Bank, 2011), are low in state fragility index - a composite score of political effectiveness and legitimacy (Marshall and Cole, 2010). These countries are more or less free from the menace of domestic terrorism. Their strong political institutions and immunity from the problem of terrorism might contribute to greater openness. I think this observation provides an avenue for future research to explore the relationship between state strength and terrorism. Weak states are likely to experience greater levels of domestic terrorism. Political violence is likely when state conditions either allow terrorists to easily evade government forces or recruit from the population. States are likely to be greater producers of terrorism when they impose low costs on groups for mobilizing and operating in that state. My second suggestion for research is to explore the relationship between state weakness and domestic terrorism. Lai (2007) has found that the number of transnational
terrorist incidents originating from a state increase if that state is engaged in war or experiencing civil war. Research can extend Lai’s research to the study of domestic terrorism.

In Chapter Four, I found that presence of heterogeneity cost in an immature democracy neither reduced nor increased terrorism. Similarly, global economic integration neither reduced nor increased terrorism in the presence of heterogeneity cost. These findings were contrary to theoretical expectations. But in Chapter Five I found that both immature democracy and trade increase domestic terrorism in the presence of minority discrimination. My findings in Chapter Five are more supportive of the theoretical expectations because discrimination against minority groups is practiced in all five countries of South Asia. I argued in Chapter Four that the probable presence of other types of grievances along with minority discrimination at the global level might dilute the effect of discrimination in an immature democracy and on trade in predicting higher level of domestic terrorism. My third suggestion for future research would involve differentiating the global dataset of domestic terrorism on the basis of typologies. A subset of global data on domestic terrorism driven by minority discrimination can be used for a similar study. Likewise, a subset of data on separatist violence (incidence of domestic terrorism for a separate homeland) might best serve in testing the theoretical implications of Alesina and Spolaore’s (2003) model.

Policy Implications

My findings have several policy implications. Crenshaw (1981) argued that any political or social movement is primarily driven by grievances. In my study I found
strong support that group discrimination in a heterogeneous country leads to homegrown terrorism. Therefore, the policy suggestion naturally following from the finding is that a heterogeneous country requires institutional arrangements to make sure that minority groups are not discriminated against. Current patterns of socio-economic inequality within nations are often intertwined with much older systems of stratification. In Europe, the Roma and other semi-nomadic groups that pre-date modern nation states find themselves distrusted and socially excluded. In India and her neighboring countries, ancient systems of caste inequality endure; their modern manifestations severely constrict the lives and opportunities of lower caste citizens. In many nations, groups at the bottom of the stratification order have either won or have been granted rights of equal citizenship. Nowadays, modern constitutions and legal codes outlaw the more violent or oppressive forms of social exclusion. In some countries, lawmakers have gone further to offer group-specific rights and privileges intended to redress past wrongs (Darity and Deshpande, 2003). Such constitutional safeguards and legal codes can prove effective in preventing marginalization of excluded minorities. Another way of redressing minority grievances is to recognize group heterogeneity and decentralize power to such groups within constitutional framework. States often deny heterogeneity and marginalize minority groups in the name of homogenization of the entire population. Terrorism in Pakistan and Bangladesh mostly resulted from the states’ imposition of Sunni Islam on diverse peoples (Ahsan and Chakma, 1989; Ghufran, 2009).

That the rate of domestic terrorist incidents is higher in immature democracies than in other regime types has received strong support in my study. In such democracies,
conflict resolutions mechanisms are weak and there is scant respect for rule of law. If aggrieved people cannot redress their problems through peaceful legal means, they are left with only option to resort to violence. Therefore, ensuring efficient functioning of the democratic institutions and observance of rule of law should be a government’s priorities. Manipulation of democratic institutions for short-term gains diminishes state legitimacy and strengthens terrorists’ appeal to the people (Schmid, 1992). A state should not abdicate its legitimacy by abrogating democratic principles. Although consolidation of democratic institutions is a time-consuming process, political elites have important role to play in expediting the process. A respect for rule of law by the political class can boost democratic consolidation. Countries like Chile, Poland and Czech Republic are good examples of speedy democratic consolidation (Marshall and Jaggers, 2010).

I found in Chapter Five that trade in the presence minority discrimination leads to an increase in terrorism. In some countries, the minority groups are left out in the development process. The state needs to compensate the losers of international trade. A huge body of scholarly literature addresses the issue of compensation in International Political Economy. I just want to reiterate that the state should be more careful in addressing the grievances of the losers of trade in a heterogeneous society.

A major finding of my research is the positive relationship between state fragility and terrorism. A fragile state is likely to host domestic terrorist organizations. A state faced with homegrown terrorism needs to strengthen internal security. States employ defensive measures to guard against attacks as an effective counter-terrorism policy (Sandler, 2005; Powell, 2007). This has been a significant response in the United States
since the attacks on 9/11. Defensive measures work to reduce terrorism by raising the costs to groups of carrying out attacks. Greater surveillance and detection by security forces also raises the costs to such group in operating. But strengthening internal security does not come cheap. The US Department of Homeland Security’s budget for 2012 was $57 billion and has been increasing at a rate of about 7 percent a year (Frieden et. al., 2012). Such costs can be a huge burden to the public exchequer of a poor country.

Concluding Remark

The findings presented in this dissertation present a bleak picture for human security in the immediate future. Domestic terrorism is here to stay because minority discrimination is institutionalized in most of the countries suffering from internal conflict. Given that political leaders have incentives to politicize heterogeneity for electoral purpose, it is likely that ethnicity, religion and race continue to be focal points in political mobilization. Democratic institutions may take generations to consolidate and it is problematic to compensate losers of trade in a divided society. States faced with the threats of terrorism will most probably take security steps in fighting against terrorism and violate human rights. Still the dissertation is able to point out some root causes of domestic terrorism.
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Appendix
Table 9. Zero Inflated NB Model with Regional Dummies 1990-2007

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p&gt; z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>0.307†</td>
<td>0.159</td>
<td>0.054</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>0.419**</td>
<td>0.144</td>
<td>0.004</td>
</tr>
<tr>
<td>Trade</td>
<td>-0.012**</td>
<td>0.002</td>
<td>0.000</td>
</tr>
<tr>
<td>FDI</td>
<td>-0.006</td>
<td>0.005</td>
<td>0.253</td>
</tr>
<tr>
<td>History</td>
<td>0.031**</td>
<td>0.006</td>
<td>0.000</td>
</tr>
<tr>
<td>Log Area</td>
<td>0.098†</td>
<td>0.051</td>
<td>0.053</td>
</tr>
<tr>
<td>Log GNI t-1</td>
<td>0.605**</td>
<td>0.139</td>
<td>0.000</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>0.0004</td>
<td>0.003</td>
<td>0.889</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.022**</td>
<td>0.007</td>
<td>0.002</td>
</tr>
<tr>
<td>State Fragility</td>
<td>0.17**</td>
<td>0.029</td>
<td>0.000</td>
</tr>
<tr>
<td>Urban Population</td>
<td>-0.012†</td>
<td>0.007</td>
<td>0.090</td>
</tr>
<tr>
<td>The Americas</td>
<td>1.33**</td>
<td>0.338</td>
<td>0.000</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.34**</td>
<td>0.458</td>
<td>0.002</td>
</tr>
<tr>
<td>Europe</td>
<td>1.87**</td>
<td>0.331</td>
<td>0.000</td>
</tr>
<tr>
<td>Africa</td>
<td>-0.189</td>
<td>0.353</td>
<td>0.592</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.31**</td>
<td>0.404</td>
<td>0.001</td>
</tr>
<tr>
<td>East Asia</td>
<td>1.98**</td>
<td>0.454</td>
<td>0.000</td>
</tr>
</tbody>
</table>
Table 9. Continued.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>P&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Asia</td>
<td>0.82†</td>
<td>0.477</td>
<td>0.083</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.81**</td>
<td>1.24</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Inflated Logit (Certain Zero)**

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>P&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regime Duration</td>
<td>0.071**</td>
<td>0.018</td>
<td>0.000</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.085**</td>
<td>0.029</td>
<td>0.004</td>
</tr>
<tr>
<td>State Fragility</td>
<td>-0.279*</td>
<td>0.124</td>
<td>0.024</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-50.15**</td>
<td>2.902</td>
<td>0.000</td>
</tr>
<tr>
<td>Constant</td>
<td>2.333</td>
<td>1.244</td>
<td>0.263</td>
</tr>
</tbody>
</table>

Num. of Obs. 2767
Non Zero Obs. 1095
Zero Obs. 1672
Wald χ² 344.43**
LR Test (alpha=0) 2.0e+04**
Vuong z Test 3.65**

Note: Dep. Variable is the country year counts of domestic terrorist incident. Robust standard errors are clustered on country in parentheses. ‘Oceania’ used as the reference category for the regional dummies in all models. Significance Level: († p<0.10, *p<0.05, **p<0.01)
Table 10. Zero Inflated NB Model with Full Democracy 1990-2007

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p&gt; z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>0.318*</td>
<td>0.148</td>
<td>0.032</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-0.219</td>
<td>0.355</td>
<td>0.538</td>
</tr>
<tr>
<td>Trade</td>
<td>-0.009**</td>
<td>0.002</td>
<td>0.000</td>
</tr>
<tr>
<td>FDI</td>
<td>-0.01</td>
<td>0.006</td>
<td>0.138</td>
</tr>
<tr>
<td>History</td>
<td>0.041**</td>
<td>0.008</td>
<td>0.000</td>
</tr>
<tr>
<td>Log Area</td>
<td>0.147**</td>
<td>0.055</td>
<td>0.008</td>
</tr>
<tr>
<td>Log GNI t-1</td>
<td>0.504**</td>
<td>0.153</td>
<td>0.001</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>-0.003</td>
<td>0.003</td>
<td>0.375</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.01</td>
<td>0.008</td>
<td>0.237</td>
</tr>
<tr>
<td>State Fragility</td>
<td>0.078**</td>
<td>0.026</td>
<td>0.003</td>
</tr>
<tr>
<td>Urban Population</td>
<td>-0.007</td>
<td>0.007</td>
<td>0.363</td>
</tr>
<tr>
<td>Constant</td>
<td>-4.67**</td>
<td>1.258</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Inflated Logit (Certain Zero)

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p&gt; z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regime Duration</td>
<td>0.066**</td>
<td>0.015</td>
<td>0.000</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.084**</td>
<td>0.026</td>
<td>0.001</td>
</tr>
<tr>
<td>State Fragility</td>
<td>-0.308*</td>
<td>0.132</td>
<td>0.020</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-34.81**</td>
<td>2.928</td>
<td>0.000</td>
</tr>
</tbody>
</table>
Table 10 Continued.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Standard Error</th>
<th>( p &gt; z )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-1.96</td>
<td>1.77</td>
</tr>
</tbody>
</table>

|                        |                |            |
| Num. of Obs.           |                | 2767       |
| Non Zero Obs.          |                | 1095       |
| Zero Obs.             |                | 1672       |
| Wald \( \chi^2 \)     |                | 229.67**   |
| LR Test (alpha=0)     |                | 2.4e+04**  |
| Vuong z Test          |                | 3.07**     |

Note: Dep. Variable is the country year counts of domestic terrorist incident. Robust standard errors are clustered on country in parentheses. Significance Level: († p<0.10, *p<0.05, **p<0.01)
Table 11. Zero Inflated NB Model with Anocracy 1990-2007

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneity Cost</td>
<td>0.342*</td>
<td>0.152</td>
<td>0.025</td>
</tr>
<tr>
<td>Anocracy</td>
<td>-0.457*</td>
<td>0.212</td>
<td>0.031</td>
</tr>
<tr>
<td>Trade</td>
<td>-0.009**</td>
<td>0.002</td>
<td>0.000</td>
</tr>
<tr>
<td>FDI</td>
<td>-0.01</td>
<td>0.006</td>
<td>0.144</td>
</tr>
<tr>
<td>History</td>
<td>0.04**</td>
<td>0.007</td>
<td>0.000</td>
</tr>
<tr>
<td>Log Area</td>
<td>0.144**</td>
<td>0.052</td>
<td>0.006</td>
</tr>
<tr>
<td>Log GNI</td>
<td>0.459**</td>
<td>0.135</td>
<td>0.001</td>
</tr>
<tr>
<td>Regime Duration</td>
<td>-0.003</td>
<td>0.003</td>
<td>0.303</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.01</td>
<td>0.008</td>
<td>0.192</td>
</tr>
<tr>
<td>State Fragility</td>
<td>0.092**</td>
<td>0.026</td>
<td>0.000</td>
</tr>
<tr>
<td>Urban Population</td>
<td>-0.006</td>
<td>0.007</td>
<td>0.384</td>
</tr>
<tr>
<td>Constant</td>
<td>-4.434**</td>
<td>1.227</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Inflated logit (Certain Zero)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>p&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regime Duration</td>
<td>0.072**</td>
<td>0.02</td>
<td>0.001</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.092**</td>
<td>0.031</td>
<td>0.004</td>
</tr>
<tr>
<td>State Fragility</td>
<td>-0.291*</td>
<td>0.133</td>
<td>0.028</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-34.615**</td>
<td>3.074</td>
<td>0.000</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.564</td>
<td>2.287</td>
<td>0.26</td>
</tr>
</tbody>
</table>
Table 11. Continued.

| Independent Variable | Coefficient | Standard Error | p>|z|
|-----------------------|-------------|----------------|-------|
| No. of Obs.           | 2767        |                |       |
| Non Zero Obs.         | 1095        |                |       |
| Zero Obs.             | 1672        |                |       |
| Wald Chi sq           | 198.45**    |                |       |
| LR Test (alpha=0)     | 2.30e+04**  |                |       |
| Vuong z Test          | 3.48**      |                |       |

Note: Dep. Variable is the country year counts of domestic terrorist incident. Robust standard errors are clustered on country in parentheses. Significance Level: († p<0.10, *p<0.05, **p<0.01)
| Independent Variable          | Coefficient | Standard Error | p>|z| |
|------------------------------|-------------|----------------|-----|
| Heterogeneity Cost           | 0.312*      | 0.147          | 0.035 |
| Autocracy                    | 0.202       | 0.246          | 0.411 |
| Trade                        | -0.009**    | 0.002          | 0.000 |
| FDI                          | -0.009      | 0.007          | 0.146 |
| History                      | 0.041**     | 0.007          | 0.000 |
| Log Area                     | 0.153**     | 0.055          | 0.006 |
| Log GNI                      | 0.478**     | 0.135          | 0.000 |
| Regime Duration              | -0.003      | 0.003          | 0.332 |
| Unemployment                 | 0.01        | 0.008          | 0.251 |
| State Fragility              | 0.088**     | 0.026          | 0.001 |
| Urban Population              | -0.006      | 0.007          | 0.381 |
| Constant                     | -4.73**     | 1.292          | 0.000 |
| Inflated logit               |             |                |      |
| (Certain Zero)               |             |                |      |
| Regime Duration              | 0.069**     | 0.018          | 0.000 |
| Unemployment                 | 0.092**     | 0.029          | 0.001 |
| State Fragility              | -0.314*     | 0.134          | 0.019 |
| Full Democracy               | -34.99**    | 3.090          | 0.000 |
| Constant                     | -2.362      | 1.988          | 0.235 |
**Table 12. Continued.**

| Independent Variable       | Standard Error | p>|z |
|----------------------------|----------------|-----|
| No. of Obs.                | 2767           |     |
| Non Zero Obs.              | 1095           |     |
| Zero Obs.                  | 1672           |     |
| Wald Chi sq                | 200.03**       |     |
| LR Test                    | 2.40e+04**     |     |
| Vuong z Test               | 3.17**         |     |

Note: Dep. Variable is the country year counts of domestic terrorist incident.
Robust standard errors are clustered on country in parentheses.
Significance Level: († p<0.10, *p<0.05, **p<0.01)
### Table 13. Distribution of Domestic Terrorism-Year (1990-2007)

<table>
<thead>
<tr>
<th>REGIME</th>
<th>No Terrorism</th>
<th>Terrorism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autocracy</td>
<td>14.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Anocracy</td>
<td>19.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Immature Democracy</td>
<td>14.9</td>
<td>13.5</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>11.9</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60.4</td>
<td>39.6</td>
</tr>
</tbody>
</table>

Total Number of Terrorism-Years: 2965  
Total number of Terrorist Incidents: 22641

Regimes types are categorized on the 21 points combined autocracy-democracy score from Polity IV. Those are: Autocracy (-10 through -6), Anocracy (-5 through +5), Immature Democracy (+6 through +9) and Full Democracy (+10).  


Table 14. Heterogeneity Index Model 1990-2007

| Independent Variable    | Coefficient | Standard Error | p>|z |
|-------------------------|-------------|----------------|-----|
| Heterogeneity Index     | -0.003      | 0.004          | 0.491 |
| Immature Democracy      | 0.596**     | 0.167          | 0.000 |
| Trade                   | -0.01**     | 0.002          | 0.000 |
| FDI                     | -0.005      | 0.004          | 0.222 |
| History                 | 0.041**     | 0.007          | 0.000 |
| Log Area                | 0.123*      | 0.054          | 0.022 |
| Log GNI                 | 0.606**     | 0.135          | 0.000 |
| Regime Duration         | -0.002      | 0.003          | 0.495 |
| Unemployment            | 0.013†      | 0.008          | 0.092 |
| State Fragility         | 0.125**     | 0.025          | 0.000 |
| Urban Population        | -0.006      | 0.007          | 0.331 |
| Constant                | -5.567**    | 1.193          | 0.000 |
| Inflated logit (Certain Zero) |            |                |      |
| Regime Duration         | 0.062**     | 0.016          | 0.000 |
| Unemployment            | 0.084**     | 0.023          | 0.000 |
| State Fragility         | -0.298*     | 0.128          | 0.020 |
| Full Democracy          | -34.14**    | 3.083          | 0.000 |
| Constant                | -1.903      | 1.528          | 0.213 |
Table 14. Continued.

| Independent variable | Standard Error | p>|z|
|----------------------|----------------|------|
| No. of Obs.          | 2768           |      |
| Non Zero Obs.        | 1096           |      |
| Zero Obs.            | 1672           |      |
| Wald Chi sq          | 238.82**       |      |
| LR Test (alpha=0)    | 2.3e+04**      |      |
| Vuong z Test         | 3.68**         |      |

Note: Dep. Variable is the country year counts of domestic terrorist incident.
Robust standard errors are clustered on country in parentheses.
Significance Level: († p<0.10, *p<0.05, **p<0.01)
Table 15. MAR Index Model 1990-2007

| Independent Variable       | Coefficient | Standard Error | p>|z |
|---------------------------|-------------|----------------|-----|
| Minority at Risk Index    | 0.403**     | 0.094          | 0.000 |
| Immature Democracy        | 0.470*      | 0.202          | 0.020 |
| Trade                     | -0.008**    | 0.002          | 0.002 |
| FDI                       | -0.008      | 0.005          | 0.174 |
| History                   | 0.036**     | 0.007          | 0.000 |
| Log Area                  | 0.141**     | 0.054          | 0.002 |
| Log GNI                   | 0.419**     | 0.141          | 0.003 |
| Regime Duration           | -3.61e-06   | 0.003          | 0.999 |
| Unemployment              | 0.015†      | 0.007          | 0.060 |
| State Fragility           | 0.085**     | 0.022          | 0.000 |
| Urban Population          | -0.007      | 0.007          | 0.315 |
| Constant                  | -5.062**    | 1.275          | 0.000 |
| Inflated logit            |             |                |     |
| Regime Duration           | 0.062**     | 0.016          | 0.000 |
| Unemployment              | 0.087**     | 0.023          | 0.000 |
| State Fragility           | -0.284*     | 0.122          | 0.020 |
| Full Democracy            | -35.25**    | 3.015          | 0.000 |
| Constant                  | -2.09       | 1.686          | 0.215 |
Table 15. Continued.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Standard Error</th>
<th>p&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Obs.</td>
<td>2768</td>
<td></td>
</tr>
<tr>
<td>Non Zero Obs.</td>
<td>1096</td>
<td></td>
</tr>
<tr>
<td>Zero Obs.</td>
<td>1672</td>
<td></td>
</tr>
<tr>
<td>Wald Chi sq</td>
<td>250.21**</td>
<td></td>
</tr>
<tr>
<td>LR Test (alpha=0)</td>
<td>2.2e+04**</td>
<td></td>
</tr>
<tr>
<td>Vuong z Test</td>
<td>3.54**</td>
<td></td>
</tr>
</tbody>
</table>

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

Sambuddha Ghatak was born at Malda, West Bengal, India on November 1, 1965. He attended school at Malda until 1983 when he graduated from Malda Zilla School. After graduation, Ghatak attended Malda College, Malda. In 1986, he earned his B.A. with Honors in Political Science. He then enrolled in graduate school at the University of North Bengal, West Bengal, India. In 1989, he earned M.A. in Political Science with concentration in South Asian Studies. He worked as teacher in private and government schools at Malda, West Bengal in India between 1994 and 2007. In Fall 2007, Ghatak enrolled in graduate school at Appalachian State University. He received his M.A. in Political Science in December 2008. He enrolled in graduate school at University of Tennessee in Fall 2009 and obtained a Ph.D in Political Science with a concentration in International Relations and Comparative Politics in May 2014. Ghatak’s future plan is to teach in a Research and teaching Institution.