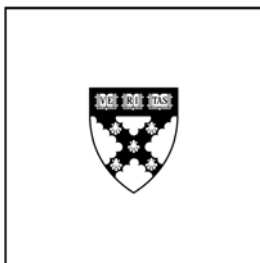


H A R V A R D | B U S I N E S S | S C H O O L



The Bloody Millennium: Internal Conflict in South Asia

Lakshmi Iyer

Working Paper

09-086

Copyright © 2009 by Lakshmi Iyer

Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only. It may not be reproduced without permission of the copyright holder. Copies of working papers are available from the author.

The Bloody Millennium: Internal Conflict in South Asia¹

Lakshmi Iyer

Harvard Business School

Paper prepared for the World Bank Report on the Lagging Regions of South Asia

January 2009

Abstract: This paper documents the short-term and long-term trends in internal conflict in South Asian countries, using multiple data sources. I find that incidents of terrorism have been rising across South Asia over the past decade, and this increase has been concentrated in economically lagging regions in the post-2001 period. This is in contrast to both the historical patterns of conflict, and the evolution of other types of violence. Analyzing the role of economic, geographic and demographic factors, I find that poorer areas have significantly higher levels of conflict intensity. The paper reviews the various approaches taken by governments to deal with conflict, contrasting security-based approaches with political accommodation and economic approaches. Finally, the paper reviews the potential role of regional cooperation in mitigating conflict.

¹ I thank Maya Shivakumar and Veronica Minaya for excellent research assistance, and Ejaz Ghani for helpful suggestions.

1. Introduction

South Asia is a violent place. In 2007, there were 3607 incidents of terrorist violence in South Asia, which claimed the lives of 4737 people. This represents a quarter of all terrorist attacks worldwide, second only to Iraq.² In this chapter, I document the extent of internal conflict within the countries of South Asia and over time. This is the first comprehensive analysis of internal conflict in South Asia, using multiple data sources and also incorporating a long-run time frame.

I find three distinct trends in the data. First, incidents of terrorism and associated fatalities have been steadily rising in South Asia after 2001.³ Second, this increasing trend is observed primarily in the economically lagging regions of South Asia. The data shows a clear divergence in conflict trends across leading and lagging regions, similar to the divergence in growth rates documented in other chapters in this volume. This divergence is present in South Asia as a whole, as well as within individual countries. Third, this divergence is not present in conflict trends before 2001. These results suggest that economic backwardness can have adverse security consequences in the long run, and that global events are likely to drive up conflict within individual countries.

I then consider several potential explanatory variables to explain the regional distribution of conflict, many of which have been found to be significantly associated with the incidence of conflict in previous cross-country and within-country studies. These include geographical factors which favor insurgency, economic factors such as poverty, social diversity, and institutional factors such as poor property rights. District-level regressions for India and Nepal show a strong

² National Counterterrorism Center (2007), p 21.

³ I will be using the words “internal conflict,” “terrorist violence” and “terrorism” interchangeably in this chapter. There is no universally accepted definition of terrorism; Section 2 discusses the exact definitions used in the data. The key distinction here is that I do not analyze instances of inter-state conflict, such as the armed conflict in Kargil between India and Pakistan in 1999.

correlation between the incidence of poverty and the intensity of conflict, over and above the impact of geographical factors like altitude or the presence of forests. This is consistent with the trend of rising conflict in lagging areas, and provides further evidence of the link between economic backwardness and violence. We should note that we cannot directly infer causality from these relationships, but the evidence is suggestive nevertheless.

The last part of the chapter focuses on the measures implemented by regional and national governments to combat internal violence. These measures vary considerably across countries and over time. I review security-based approaches currently being followed by many South Asian countries, as well as economic and political accommodation approaches. Typically, the use of military force or relying on unofficial militias has not proved to be a successful counter-insurgency tactic in South Asia, while strengthening police activity and using a political accommodation approach has yielded some successes in the past. Finally, I review the role of regional cooperation in mitigating conflict, and the potential implications of the November 2008 terrorist attacks on Mumbai.

The rest of the paper is structured as follows: Section 2 describes the data sources for this study and Section 3 describes the main trends in internal conflict in different South Asian countries. Section 4 examines whether lagging regions are more prone to internal conflict, and Section 5 generalizes the analysis by looking at the relationship of conflict intensity with several geographic, economic and demographic variables. Section 6 reviews the varying national and regional approaches to conflict, Section 7 considers the potential impact of the terrorist attacks on Mumbai in November 2008, and Section 8 concludes.

2. Data on Internal Conflict in South Asia

Any empirical analysis of terrorism or conflict is complicated by data constraints and the lack of a universally accepted definition of conflict. I use multiple data sources in my analysis, and focus on the common trends I observe across these data sets. These data have been put together by several different organizations, each of which employs their own definition, counting methodologies, data sources and time periods (see Tables 1 and 2 for details); the trends we detail are therefore not strictly dependent on specific definitions or data collection methodologies.

The primary cross-country data sets I use are the Global Terrorism Database 2 (GTD2), covering the period 1998-2004, and the Rand-MIPT Terrorism database (MIPT). The GTD2 data base employs a fairly specific definition of “terrorism,” covering acts of intentional violence perpetrated by subnational non-state actors. Further, the acts must satisfy two of the following three criteria: they must be aimed at attaining a specific political, economic, religious or social goal, there must be evidence of an intention to coerce, intimidate or convey some message to a larger audience than the immediate victims and/or the actions must be outside the context of legitimate warfare activities. Two caveats are immediately obvious from this description: this methodology requires several judgment calls to be made, notably about the intentions of the perpetrators, and this database explicitly excludes incidents of state-caused violence. This data base consists of high-quality data, only including incidents confirmed by multiple independent open-source reports (or a single “high-quality” source), and is specifically designed to be comparable over time. The biggest downside is the limited time frame, 1998-2004; in fact, as detailed below, several South Asian countries have experienced an increase in internal violence after 2004.

The MIPT database employs a slightly broader definition of terrorism. The motives of all terrorists are assumed to be political, and terrorism includes all violence calculated to create an atmosphere of fear and alarm to coerce others into actions they would not otherwise undertake, or refrain from actions they desired to take. Acts of terrorism are generally directed against civilian targets, and carried out in a way that will achieve maximum publicity. The data is put together from newspaper, TV or radio reports, and there is no requirement for incidents to be confirmed by multiple data sources. I have obtained this data over 1998-2007, a longer time period than the GTD2.

In addition to these, the U.S. National Counterterrorism Center also collects data on terrorism through its Worldwide Incidents Tracking System (WITS) database. This database defines terrorism as “premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents.” This excludes foiled attacks and hoaxes, spontaneous hate crimes, most genocidal events, violent clashes between rival communities, attacks between two armed groups, as well as counterterrorism operations by law enforcement agencies, which can often claim more lives than terrorist incidents themselves.⁴ Unfortunately, the criteria for inclusion of incidents into the WITS database have been changing over time, making the data unsuitable for time series analysis.

In addition to these cross-country datasets, I use two country-specific data sets to confirm the trends we observe. For India, I have state-level data from the Ministry of Home Affairs over the period 2001-2007 (MHA), which does not specify the exact definition used to count incidents of conflict, but has the advantage of including some measures of the intensity of counterterrorism operations. Specifically, there is data on the number of terrorists killed by security

⁴ For instance, the Indian Army stormed the Golden Temple in Amritsar as part of counterterrorism operations in 1984. This incident would not show up in the WITS database, despite resulting in more than 800 deaths and leading to a long-lasting cycle of future violence in Punjab state. In Nepal, the conflict between Maoist insurgents and the government resulted in 13,000 deaths between 1996 and 2006, more than 60% of which were caused by the state.

forces in different years. For Nepal, there is district-level data put together by the Informal Sector Service Center (INSEC), an NGO with staff members reporting on human rights violations from every district in the country. This data set also includes the number of people killed by government forces in each year.

Since none of these data sets contains information prior to 1998, I examine two further data sets for a longer-term analysis. The Global Terrorism Database (GTD1), originally collected by Pinkerton Global Information Services, documents violent incidents in South Asia from 1970-1997. This data was based on a single open-source report and hence is likely to be less comprehensive and of lower quality than the GTD2 database. Another database, put together by the Political Instability Task Force (PITF), focuses on incidents of violence in India over four decades (1960-2000), and also includes incidents of communal violence.⁵

3. Trends in Internal Conflict in South Asian Countries

Both the MIPT and the GTD2 data sets show that incidents of terrorist violence have been increasing in South Asia after 2001, after remaining steady in the years before 2001 (solid lines in Figures 1A and 1B). A similar trend is observed for fatalities in terrorist incidents (dotted lines in Figures 1A and 1B).

Looking across the countries of South Asia, we see somewhat different trends. In India, we see a steady rise in conflict incidents after 2001, with a dramatic increase after 2004. This trend is observed in all the three datasets for which we have data from India (GTD2, MIPT, MHA) (Figure 1C). This is mainly due to an increase in incidents of left-wing extremism, concentrated in central India, and an increase in terrorist incidents in India's cities. Regarding the other South

⁵ This database does not cover the other South Asian countries. I thank the Science Applications International Corporation for making this data available to me.

Asian countries, an increase in conflict incidents is apparent for Afghanistan, Pakistan and Nepal after 2001 (Figure 1D). While the conflicts in the first two countries are linked to each other and to the U.S. military action in Afghanistan, the violence in Nepal developed in an entirely separate fashion. A “People’s War” was initiated by Maoist rebels in 1996, which escalated strongly in 2002 after the deployment of the Royal Nepal Army.

Violence in Sri Lanka remained low till 2004, due to a cease-fire negotiated between the government and the Liberation Tigers of Tamil Eelam (LTTE), the major rebel group in the country. The conflict intensified after the government began a military campaign against the rebels in 2006. Bangladesh witnessed a sharp rise in terrorist incidents in 2005, but a decline in later years following strong government action. The sources of conflict in each country are discussed in detail below.

3.1 India

There are three main sources of internal conflict in India. First, there are long-running separatist movements in several north-eastern states (Assam, Manipur, Nagaland, Tripura); all of these states have been classified as “lagging” for the purposes of this report. The insurgency in Assam began in 1979, with the formation of the United Liberation Front of Assam (ULFA) aimed at establishing a “sovereign, socialist Assam.” ULFA’s targets include businessmen, government security forces, and infrastructure facilities such as oil pipelines, freight trains and government buildings. Since 2005, ULFA has been in a process of indirect negotiations with the government via a People’s Consultative Group; however, they continue their campaign of violence, and did not respond to a unilateral ceasefire announced by the government in 2006. The government was more successful in dealing with another insurgency in Assam, which began in the late 1980s with the goal of autonomy and greater recognition for the Bodo tribe. A series

of peace accords with various Bodo groups culminated in the formation of a Bodoland Territorial Council for the Bodo-dominated areas in 2003, and the inclusion of the Bodo language in the Constitution of India.⁶

The insurgency in Manipur is also a long standing one, beginning with the formation of the United National Liberation Front (UNLF) in 1964 which has independence for Manipur as its goal. Since then, numerous other violent groups have espoused the same cause.⁷ There are also several militant groups claiming to represent the interests of specific ethnic groups. For instance, the Kuki National Front (KNF) wants a separate homeland for the Kukis, the Zomi Revolutionary Army (ZRA) aims to gather all the Zomi people into a single state, and the Hmar People's Convention-Democracy (HPC-D) has the goal of an independent state for the Hmar people. None of these groups have shown much interest in negotiations with the government.

In Nagaland and Tripura, the level of violence has come down quite substantially in the most recent years, thanks to negotiations between the government and the militant groups. A ceasefire has been in place between the government and the National Socialist Council of Nagaland—Isak-Muivah (NSCN-IM) since 1997, and with the NSCN-Khaplang since 2004; both these groups aim at establishing a “greater Nagaland.” However, these groups continue to have clashes with each other and with other militant groups in Nagaland and in Manipur. In Tripura, strong police action resulted in a large number of surrenders from the cadres of the National Liberation Front of Tripura (NLFT) during 2003 and 2004, and the government signed an accord with the NLFT-Nayanbashi faction in December 2004.

⁶ The central government and the government of Assam signed accords with the All Bodo Students' Union in 1993 and the Bodo Liberation Tigers (BLT) in 2003, and a ceasefire with the National Democratic Front of Bodoland (NDFB) has been in operation since 2004.

⁷ Such groups include the People's Liberation Army (PLA), the People's Revolution party of Kangleipak (PREPAK) and the Kangleipak Communist Party (KCP).

The second source of internal violence in India comes from incidents perpetrated by left-wing extremist groups (“Naxalite” movements) in many states of India. This has been identified by Prime Minister Manmohan Singh as “the single biggest security challenge to the Indian state.”⁸ The origin of these violent movements is often credited to a 1967 peasant uprising in West Bengal, when peasants attacked the local landlords in the village of Naxalbari (left-wing extremist movements are often called “Naxalite” movements and the people involved in them “Naxalites”). The government responded with a heavy use of force, and the movement splintered into many different extremist groups in the 1970s. In 1980, the formation of the People’s War Group (PWG) in Andhra Pradesh marked the revival of left-wing violent movements.

The geographical spread of such groups has been rising in recent years: in 2007, 194 districts in 18 states were affected by left-wing extremism, up from 165 districts in 14 states in 2005.⁹ Left-wing groups were especially active in the lagging states of Bihar, Chhattisgarh, Jharkhand, Orissa and West Bengal, and the leading states of Andhra Pradesh and Maharashtra. The leading extremist group is the Communist Party of India-Maoist (CPI-Maoist), formed by the merger of the People’s War Group with the Maoist Communist Center (MCC) in 2004.¹⁰ This group has an explicitly Maoist ideology, committed to a “democratic revolution” to be achieved by a “protracted people’s war with the armed seizure of power remaining as its central and principal task.”¹¹ In practice, land redistribution appears to be one of the main goals; this was one of the issues which could not be resolved in the failed peace talks between the Andhra Pradesh government and the PWG in 2004. The increased capability of the merged organization

⁸ Speech to the Conference of Chief Ministers on Internal Security, December 20, 2007. <http://www.satp.org/satprogt/countries/india/document/papers/20071220pmspeech.htm>, accessed March 14, 2008.

⁹ http://satp.org/satporgt/sair/Archives/6_10.htm, accessed August 7, 2008.

¹⁰ The other main extremist group, the Communist Party of India (Marxist-Leninist) Janashakti has undergone numerous splits in the last five years (<http://satp.org/satporgt/countries/india/terroristoutfits/Janashakti.htm>, accessed August 30, 2008).

¹¹ Press statement, CPI-Maoist, October 14, 2004. http://satp.org/satporgt/countries/india/terroristoutfits/CPI_M.htm, accessed August 7, 2008.

is one potential explanation for the sharp rise in internal violence in 2005. We should note, however, that the trends differ significantly across states: Andhra Pradesh and Bihar show a decline in Naxalite violence in 2006 and 2007, while such violence is on the rise in Chhattisgarh, Jharkhand and Orissa.

The third source of increasing violence in India stems from incidents of terrorism in India's cities. Such incidents, typically the use of bombs in crowded locations, have been on the rise. In recent years, there have been several instances of multiple coordinated bomb blasts in India's cities. These include the seven explosions in Mumbai's trains in July 2006, the twin bomb blasts in Hyderabad in August 2007, and most recently, the series of bomb blasts in Jaipur, Bangalore and Ahmedabad in 2008. Many of these attacks are suspected to be orchestrated by fundamentalist Islamic groups, such as the Lashkar-e-Taiba (LeT), Jaish-e-Mohammad (JeM) and the Students Islamic Movement of India (SIMI).¹² The urban focus of these groups stands in contrast to the separatist movements and left-wing extremism described earlier, which are concentrated in rural areas.

In addition to these sources of internal conflict, the Ministry of Home Affairs (MHA) also reported 761 incidents and 99 deaths resulting from communal violence in 2007. These clashes are mostly on a religious basis e.g. riots between Hindus and Muslims, Hindus and Sikhs, or attacks against Christians.¹³ Data from the National Bureau of Crime Records shows that the incidence of riots (communal or otherwise) shows a declining trend in the past decade, in stark contrast to the trends in terrorist violence (black line in Figure 1C). This is an important finding,

¹² The Ministry of Home Affairs says, "The hand of Pakistan based terrorist organizations, viz. LeT and JeM and, increasingly, of the Bangladesh based HuJAI, who, in turn, are known to have close links with Pakistan ISI has been observed in most of these cases." (Ministry of Home Affairs, 2008a, p. 23).

¹³ There is a considerable prior literature on the causes of religious violence in India. Empirical analyses of religious conflict have highlighted the roles of business relations between Hindus and Muslims in reducing the probability of riots (Varshney, 2002) and the degree of political competition and the incentives for governments to prevent riots (Wilkinson, 2004), as well as the role of historical factors (Jha, 2008).

because it means that the recent increase in conflict cannot be attributed to a general decline in law and order or an overall deterioration of state capacity. In particular, it suggests that events outside the country or region might have played a role in increasing the incidence of conflict in South Asia. One such potential factor is the growing global reach of terrorist organizations, demonstrated most tragically in the events of September 11, 2001.

3.2 Afghanistan

Conflict has been a feature of life in Afghanistan since King Zahir Shah was deposed in 1973. The Soviet Union invaded the country in 1979 in an attempt to help the Communist movement in Afghanistan. After ten years of fighting against the religious *mujahideen*, the Soviet army withdrew in 1989, leaving behind a big cache of arms and ammunition. Civil war ensued among a number of ethnic militias for several years until the emergence of the Taliban, a group of young fighters belonging to the Pashtun ethnic group and espousing an extreme interpretation of Islam. The Taliban managed to win several military victories, and by 1997, were in control of most of the country. They were initially welcomed for their role in establishing law and order, but grew unpopular over time for their brutal code of justice, and for enforcing extremely strict rules on the population, such as closing down all girls' schools, and banning all forms of entertainment including music and kite-flying (Rashid, 2000). They also carried out atrocities against minority ethnic groups in Afghanistan (such as the massacre of Hazaras in Mazar-i-Sharif in 1998), and provided sanctuary and resources to al-Qaeda and its leader Osama Bin Laden.

After the attacks of September 11, 2001, the United States and its NATO allies invaded Afghanistan and toppled the Taliban regime within a few weeks. However, the major Taliban leaders managed to escape. The Taliban then regrouped in the eastern provinces of Afghanistan,

with the help of the Pashtun population in the border areas of Pakistan. Incidents of conflict in Afghanistan have risen sharply after 2004, due to increased clashes with the Taliban (Figure 1D). In the most recent years (2007 and 2008), there has also been a shift in the tactics used: from large-scale armed attacks towards attacks explicitly targeting non-combatants, and an increasing number of suicide attacks. This has resulted in an expansion of the areas designated as “no-go” or “high abduction risk” by the United Nations. Opium cultivation has increased steadily, and has also moved more into the eastern and southern Taliban-dominated regions, providing them a useful source of revenue (Cordesman, 2008).

The conflict in Afghanistan has had spillover effects on Pakistan. In 2007, a Pakistani branch of the Taliban (Tehrik-e-Taliban Pakistan) was officially formed under the leadership of Baitullah Mehsud; the Pakistani government accused this group of being involved in the December 2007 assassination of former Prime Minister Benazir Bhutto. U.S. forces in Pakistan also conducted some raids across the border with Pakistan in pursuit of Taliban militants.

3.2 Pakistan

Pakistan experienced a significant increase in terrorist attacks in the years after 2004 (Figure 1D). These come from two main sources. The first consists of violent incidents perpetrated by groups based in the lagging regions of the Federally Administered Tribal Areas (FATA) and the North West Frontier Province (NWFP), which share a border with Afghanistan and are considerably influenced by the trends in that country. Such incidents increased with the resurgence of the Taliban in 2005. In an attempt to maintain order, Pakistan’s government signed a peace deal with the local leaders in 2005 to control the movement of foreign militants (including members of the Taliban and al-Qaeda) in the region (Chandran, 2007).

In July 2007, government forces stormed the Lal Masjid mosque in Islamabad, killing at least 75 Islamic extremists (NCTC, 2008, p. 17-19). Incidents of violence increased sharply after this event, with many rocket and IED attacks perpetrated by FATA-based militants. The peace agreement with tribal leaders in the FATA region also broke down, and military operations resumed in this region. Throughout this period, Pakistan was under the military dictatorship of General Pervez Musharraf. Increased civil society protests during 2007 led to negotiations to restore democracy, and the return of exiled former Prime Ministers Nawaz Sharif and Benazir Bhutto. The latter was assassinated in a suicide bombing attack in December 2007; groups linked to al-Qa'ida were widely suspected to have planned the attack. The democratic process was restored by the elections in February 2008, following which Bhutto's widower, Asif Ali Zardari, became the Prime Minister of Pakistan.

The second source of violence in Pakistan stemmed from the separatist movement in Balochistan province. This escalated sharply during 2004 and 2005, but then declined after a leading separatist leader (Nawab Akbar Bugti) was assassinated by the military in 2006.¹⁴ The assassination of Nawabzada Balach Marri, the purported chief of the Balochistan Liberation Army, in November 2007 has also contributed to the weakening of the separatist movement.

3.3 Nepal

In Nepal, the Communist Party of Nepal-Maoist (CPN-M) launched a violent "People's War" in 1996 in the western districts of Rolpa and Rukum. The Maoists' primary goals were to end the monarchy and set up a "People's Republic" with a new constitution. Their 75-point manifesto, released in November 2001, listed several other goals including the distribution of land to poor and landless people, ending of discrimination against lower castes and linguistic

¹⁴ South Asia Terrorism Portal, 2008a.

minorities, ensuring equal rights for women, and promised to support all groups fighting against “Indian expansionism.” After the Maoists unilaterally broke a ceasefire in 2001, Prime Minister Deuba imposed a state of emergency, declared the Maoists to be a terrorist group, and mobilized the Royal Nepal Army to counter the insurgency. We see this reflected in a significant increase in violence after 2002 (Figure 1D).

In 2005, in the face of growing attacks by the Maoists, King Gyanendra dismissed the Prime Minister, placed major political figures under arrest and seized power in a move which was extremely unpopular in Nepal and widely criticized abroad. By late 2005, the Maoists controlled major parts of the country and went on to sign a peace agreement with the major political parties in late 2006. Consistent with these events, we see a sharp decline in conflict levels in 2007 for Nepal. Elections were held to form a new Constituent Assembly in 2008, fulfilling one of the Maoists’ main goals. The CPN-M emerged as the single largest party in the Constituent Assembly, and the monarchy was abolished in May 2008.

3.4 Sri Lanka

In Sri Lanka, the Liberation Tigers of Tamil Eelam (LTTE) has been conducting an armed campaign for a separate Tamil homeland since the early 1980s. The LTTE is a highly trained and motivated terrorist group, one of the most formidable in the world. These Tamil Tigers pioneered the large scale use of suicide bombers to eliminate key political figures, including President Ranasinghe Premadasa of Sri Lanka in 1993, and former Prime Minister Rajiv Gandhi of India in 1991.

After nearly two decades of continuing violence, the government signed a cease fire agreement with the LTTE in 2002, resulting in a declining trend in violence through 2004 (Figure 1D). However, violence in Sri Lanka escalated sharply after 2005. After a factional split

within the LTTE in 2004, and the election of the Mahinda Rajapakse as President in 2005, the Sri Lankan Army began a major armed campaign against the LTTE in July 2006. This campaign has been very successful in the Eastern Province, resulting in the capture of Batticaloa town in January 2007. We see this reflected in a lower incidence of violent events in 2007 compared with 2006 (Figure 1D). The army continued to make advances through the Northern Province in 2008, and the LTTE retaliated by conducting aerial bomb attacks on Colombo and six suicide attacks in various parts of the country.¹⁵

In the first week of 2009, the Sri Lankan army attained two major military successes: the capture of Kilinochchi, the LTTE's administrative capital, and regaining control over the strategic Elephant Pass, which linked the Sri Lankan mainland with the Jaffna peninsula. A decisive victory for the government looked likely for the first time in nearly three decades of conflict, though the government had been criticized both at home and abroad for extensive human rights abuses in its military campaign.

3.5 Bangladesh

Over the period 1998-2004, Bangladesh has experienced the lowest levels of internal violence among the South Asian countries. However, incidents of terrorism had been on the rise after 2002, mostly due to bomb blasts orchestrated by Islamic fundamentalist groups, as well as an ongoing separatist movement in the Chittagong Hill Tracts. The most prominent of these groups has been the Jama'atul Mujahideen Bangladesh (JMB), which has been responsible for numerous bomb blasts, including a series of blasts in 63 out of 64 districts in 2005. This led to a major crackdown by the military government, culminating in the execution of six senior JMB

¹⁵ South Asia Terrorism Portal, 2008b.

leaders in early 2007. As a result of these operations, incidents of violence declined substantially in 2006 and 2007 (Figure 1D). The country returned to democratic rule in December 2008, with the Awami League party winning a decisive majority in free and fair elections.

4. Are Lagging Regions in South Asia More Likely to Experience Conflict?

4.1 Trends in Conflict 1998-2007

The trends in conflict show a clear divergence between lagging and leading regions in the post-2001 period.¹⁶ Both the GTD2 and the MIPT data sets show that incidents of terrorist violence increase sharply in lagging regions, while remaining steady in the leading regions (Figures 2A and 2B). The fatalities in such incidents also display a very similar trend (dotted lines in Figures 2A and 2B). We see this difference even within individual countries: lagging regions within Bangladesh, India, Pakistan and Sri Lanka show considerably higher levels of terrorist incidents per capita compared to leading regions within those same countries (Figure 2C). Again, a similar trend is observed for fatalities in terrorist incidents (Figure 2D).

Data from multiple sources in India clearly show that this is a post-2001 phenomenon.¹⁷ Incidents of conflict increased in lagging regions after 2001, while the trend in leading regions has been steady (Figures 3A and 3B). This trend has further intensified after 2004, with lagging regions showing continued increases in conflict, and leading regions showing slight declines. A similar trend can be seen for the intensity of counter-terrorism activities in India, proxied by the number of terrorists killed by security forces in each year (Figure 3C). This has been declining in

¹⁶ Regions have been defined as “lagging” or “leading” based on per capita income levels in 2004. According to this criterion, the lagging regions are as follows: the states of Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Manipur, Mizoram, Meghalaya, Nagaland, Orissa, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal in India; the North West Frontier Provinces, Balochistan and FATA in Pakistan; all regions except Dhaka in Bangladesh; all provinces except the Western Province in Sri Lanka, and the entire countries of Afghanistan and Nepal.

¹⁷ All data from India exclude the state of Jammu and Kashmir, since the conflict in that region cannot be classified as a purely internal conflict due to the involvement of Pakistan. The state is also governed under special constitutional provision and has a large army presence, making it not comparable to the situation in the other states.

leading regions after 2005, presumably reflecting the lower levels of terrorist activity in those areas, while it displays a sustained rise in lagging regions.

The divergence in conflict between lagging regions and leading ones is reflected more formally in statistical t-tests (Table 3). Overall, these suggest that the differences we observed in Figures 2 and 3 are statistically significant i.e. are greater than what we would observe by random chance. In South Asia as a whole, lagging regions experienced more than three times the number of terrorist incidents per capita, as compared to leading regions, and almost twice as many deaths per capita in such incidents (Table 3, Panel A, first two lines). This is a very large difference and remains statistically significant even after controlling for changes which impacted the whole region in any given year.¹⁸

Some of this difference is attributable to cross-country differences: Afghanistan and Nepal, both lagging regions, suffered very high levels of conflict during this period. But, consistent with the results in Figure 2C, we see that the difference between lagging and leading regions is present *within* individual countries as well: lagging regions within Bangladesh, India, Pakistan and Sri Lanka all have more than twice the levels of per capita conflict than leading regions within the same countries.

Using a different data set provides evidence for the robustness of these results. The GTD2 data set also shows lagging regions with significantly higher conflict levels than leading ones (Table 3, Panel B). Interestingly, the within country results are much weaker in this data set, which extends only till 2004. This is consistent with the widening differences observed between lagging and leading regions after 2004.

¹⁸ Formally, I regress the number of conflict incidents per million population on a dummy variable for lagging regions, as well as dummy variables for each year. The coefficient in the last column reflects the coefficient obtained from this regression, along with its level of statistical significance.

4.2 Trends in Conflict before 1998

Before going on to analyze the spatial incidence of internal conflict at a more micro level, I examine the evolution of terrorism in South Asia for a longer time period. I use the long-term data sets GTD1 and PITF for this purpose (see Tables 1 and 2 for details of these data sets).

I find that the incidence of conflict varies considerably across regions and over time. Incidents of terrorist violence increased in South Asia as a whole during the late 1980s (Figure 4A), mainly driven by the Tamil separatist movement in Sri Lanka and the separatist movement in the western Indian state of Punjab. By the early 1990s, both these movements had suffered major setbacks from government forces, and consequently, terrorism in South Asia was lower. In the mid-1990s, incidents of terrorism began to increase again, but this time driven by increases in Pakistan and the separatist movements in the northeastern states of India. The trends in terrorism-related deaths mirror those in the number of incidents (Figure 4B).

These findings suggest two things: first, an increasing trend in terrorism (like in the early 1980s) need not last: the late 1980s and early 1990s were relatively peaceful compared to the early 1980s. Second, not all the past conflicts have been in the lagging regions. For instance, the leading state of Punjab in India experienced intense violence during the separatist movement of the 1980s. Over the period 1971-1997, 47% of the violent incidents in Bangladesh were in the leading regions of Dhaka and Chittagong, and nearly 70% of violent incidents in Pakistan were in the leading regions of Punjab and Sindh.

I explicitly compare leading and lagging regions within India over a long period of time (1960-2000) using the PITF database. We see three periods of high internal violence in India (Figure 4C). The first, in the late 1960s, is driven by a high degree of communal riots, language agitations (such as the anti-Hindi riots in the leading state of Tamil Nadu) and the Naxalite movement in West Bengal. The second period is between 1980 and 1988, when the separatist

movement in the Punjab and the clashes between residents and Bangladeshi immigrants in Assam served to greatly increase the number of conflict deaths. In both of these upsurges in violence, leading states were also affected in addition to lagging states. Incidents of violence began to increase again after 1992, driven by the communal clashes following the destruction of the Babri Masjid in 1992, and separatist movements in Assam and Nagaland. In this period, we do see somewhat greater violence in regions now classified as “lagging.” The trends in conflict-related fatalities are similar to those in the number of incidents (Figure 4D).

Overall, our analysis indicates that internal conflict is rising in South Asia in the new millennium. In the period after 2001, it is the economically lagging regions which bear the brunt of such violence. However, this was not always the case in previous decades.

5 What Factors Explain the Variation in Conflict Intensity Across Regions?

In this section, I draw upon the existing empirical literature on conflict to identify potential variables to explain the variation in conflict intensity across regions. Do lagging regions suffer more conflict because of unfavorable geography, because they are economically backward, or because they have more divided societies and poorer institutional quality? These factors are, of course, not mutually exclusive, so the exercise here is mainly to see which of these factors matters more in an empirical way.

Most of the cross-country literature on the incidence of civil war shows that poor countries are at greater risk of internal conflict (Collier and Hoeffler, 2004; Fearon and Laitin, 2003). The latter study also finds that geographical conditions which favor insurgency, such as the presence of forest cover, is significantly associated with the incidence of conflict. Do and Iyer (2007) find similar results in an analysis of conflict intensity across the districts of Nepal. Many policy makers cite the lack of economic opportunities, and specifically the extent of landlessness, as a

primary determinant of the Naxalite conflict in India.¹⁹ Time series studies of conflict also find that economic circumstances matter. Miguel, Satyanath and Sargenti (2004) find that civil war is more likely to begin in African countries in years following poor rainfall. In a similar vein, Hidalgo et al (2008) find that poor rainfall is associated with an increased incidence of land invasions in Brazil, and Dube and Vargas (2007) document a robust association between reduced coffee prices and the incidence of terrorism in Columbia.

In addition to economic and geographic circumstances, social divisions are often cited as a driver of conflict. For instance, the separatist movement in Sri Lanka began with the demands of ethnic Tamils for greater autonomy. Similarly, the Maoist rebels in Nepal often claim to be fighting on behalf of marginalized sections of society, such as members of the lower castes. India's northeastern states, which are the scene of long-running separatist movements, are also socially and ethnically different from the majority of the states in India.

In this section, we examine some correlations between the incidence of conflict and the geographic, economic and societal characteristics of South Asian regions. Table 4 summarizes the correlations of the number of incidents and number of fatalities in terrorist incidents with demographic variables (population density, urbanization, literacy rates) and economic variables (% of population in poverty). Consistent with the idea that economic backwardness matters, we find a negative correlation between conflict intensity and measures of literacy and urbanization; however, we do not see the expected positive correlation with poverty (Table 4, Panel A). Breaking out the results for India alone, we do see a positive correlation with poverty (and conversely, a negative one with per capita income) as well as a significant positive correlation

¹⁹ "A large proportion of the recruits to extremist groups come from deprived or marginalized backgrounds or from regions which somehow seem disaffected by the vibrant growth in many other parts of the country." (Prime Minister Manmohan Singh's speech at the Chief Minister's Conference on Internal Security, December 20, 2007).

with the extent of forest cover (Table 4, Panel B). While these are suggestive, I perform multiple regression analysis to estimate the effect of all these factors jointly.

The specification I use is as follows:

$$Conflict_j = a + X_j' \mathbf{b} + e_j$$

where $Conflict_j$ is either the number of conflict incidents or conflict-related deaths (normalized by population) in region j , X_j is a vector of economic, demographic and geographic characteristics, and e_j is an error term. These regressions are run using district-level data on conflict intensity for India and Nepal.²⁰

The regression results show that poorer districts have a significantly greater incidence of conflict in both India and Nepal (Table 5). The magnitude of the coefficient on poverty is quite large: an increase in poverty by 10 percentage points is associated with a 0.14 standard deviation increase in conflict intensity, or 0.26 incidents of conflict per district (Table 5, column 1). This is quite high compared to the mean level of 0.77 incidents per district. In terms of conflict fatalities, a 10 percentage point increase in poverty is associated with a 0.11 standard deviation increase in conflict-related deaths or 0.39 more deaths for an average district (compared to the mean level of 0.60 deaths per district). For Nepal, the impact of poverty is much higher: a 10 percentage point increase in district poverty is associated with 23-25 additional conflict-related deaths. The presence of mountains and forest cover are also significant predictors of conflict intensity in Nepal (Table 5, Column 5).

I also included proxy measures of social diversity and institutional quality in the regression analysis. Social diversity is proxied by the relative presence of members from disadvantaged groups in the population (fraction of Scheduled Castes, Scheduled Tribes and Muslims in India,

²⁰ Multiple regression analysis at the level of the region is hampered by the small number of observations. District level regressions for Sri Lanka is unlikely to yield useful conclusions both because of small sample size (25 districts total) and the non-availability of data on several key variables for the most conflict-affected areas. I do not have district level data on most variables for Pakistan.

fraction of lower castes in Nepal). Institutional quality is proxied by a measure of historical property rights based on whether the land tenure was historically controlled by landlords (see Banerjee and Iyer (2005) that this variable is significantly related to technology adoption and productivity in India). This is most relevant for the Naxalite conflict which is primarily driven by demands for land redistribution. Areas with lower historical land inequality have a lower incidence of conflict in India (Table 5, Columns 1-4), but the relationship is not statistically significant. The presence of disadvantaged minorities is not significantly associated with conflict intensity in either of these countries.

In sum, we find some evidence to support the hypothesis that factors which reduce the cost of insurgency (lower incomes, presence of forests) are significantly associated with the incidence of conflict, while factors such as social or religious divides are less important.

6 How can Countries Deal with Internal Conflict?

6.1 The Security Approach

The most common approach to deal with insurgencies, terrorism or internal violence is to use the usual police forces to establish law and order in the affected areas. However, the police forces in South Asian countries tend to be under-staffed and under-equipped. For instance, India has less than 150 police personnel per 100,000 people, while the United States has about 300. Further, nearly 17% of the sanctioned Indian Police Service posts had not been filled in 2008 (Ministry of Home Affairs, 2008a). South Asian countries have therefore adopted many strategies to augment the effectiveness of the police forces to deal with internal conflict: devoting more resources to existing police forces, raising local militias, and calling in the armed forces.

In India, the security manpower has been increased by deploying 33 battalions of Central Paramilitary Forces to conflict-affected states, and by sanctioning the recruitment of a further 32

battalions of India Reserve forces. The central government also disbursed Rs 5 billion to states affected by Naxalite violence in 2005-06 to reimburse states for their expenditures on training, ammunition, communications, transport, rehabilitation of surrendered Naxalites, ex-gratia payments to families of Naxalite victims and insurance for police personnel (Joseph, 2007, p 94). Institutes, such as the Counter Terrorism and Jungle Warfare College in Chhattisgarh, have been set up to provide specialized training in counter-terrorism and jungle warfare. Some states have put in place dedicated counter-terrorism forces, such as the Greyhounds in Andhra Pradesh, who have been credited with significantly bringing down the levels of violence in that state after 2005 (Sahni, 2007).

More controversially, the state of Chhattisgarh has helped local militias like the Salwa Judum in Dantewada district, which were organized as self-defense groups against Naxalite violence. However, this group and its supporters have become targets of sharply increased Naxalite violence, and have themselves been accused of numerous human rights violations including murder, rape and torture. Nearly 44,000 people in Dantewada district were estimated to have left their villages by the end of 2006, due to the escalation in violence after the establishment of Salwa Judum (Asian Center for Human Rights, 2007). In April 2008, the Supreme Court expressed its disapproval of the government's actions in setting up such groups, with the Chief Justice K.G. Balakrishnan asking, "How can the State give arms to some persons? The State will be abetting in a crime if these private persons kill others."

The record of such informal militias has been mixed in the other South Asian countries as well. In Sri Lanka, some Tamil groups (such as the Razeek group of the formerly militant EPRLF) have been used as paramilitary forces by the Sri Lanka Army.²¹ In Pakistan, the usual criminal codes and police jurisdiction do not apply in the FATA region, on the border between

²¹ Razeek was assassinated by a suicide bomber in 1999. <http://www.hinduonnet.com/fline/fl1613/16130550.htm>

Pakistan and Afghanistan. The Pakistani government therefore signed a peace deal with the local tribal leaders (“maliks”), who are in charge of local administration.²² However, these local leaders called off the agreement in July 2007. The government then deployed approximately 100,000 armed forces in the FATA region, and violence has escalated since that time.

6.2 The Military Approach

In extreme cases, when police forces turn out to be insufficient, the armed forces are called in to deal with the insurgency. In most cases, this has not proved to be a successful strategy in South Asia. The Royal Nepal Army was deployed against the Maoist insurgency in 2002, after the Maoists unilaterally broke a ceasefire. After four more years of violence, the political parties of Nepal signed a peace agreement with the Maoists in 2006, conceding most of their demands. The Maoists went on to win the largest number of seats in the Constituent Assembly elections in April 2008. The Sri Lankan Army has battled the LTTE for more than two decades without any lasting solution; only in early 2009 was the army in a position to conclusively defeat the rebels. In 1984, the Indian army stormed the Golden Temple in Amritsar in a major operation against Sikh separatists. This perceived desecration of the Sikh religion’s holiest shrine led to heightened insurgency in Punjab state for the next eight years, before tough police action finally brought the situation under control.

In Pakistan, the use of armed forces has had some successes to its credit. For instance, the local insurgency in Balochistan has been considerably scaled down after the assassination of Nawab Akbar Bugti by the military in 2006.²³ However, the military operations in the FATA region have not succeeded in restoring peace; FATA reported 163 incidents of terrorism in 2007

²² FATA is governed by the Frontier Crimes Regulations, originally framed by the British in 1901. Universal adult suffrage was introduced to FATA only in 1996.

²³ South Asia Terrorism Portal, 2008a.

and the militants have expanded their operations to several areas of the North-West Frontier Province (NWFP) and Balochistan as well.

A recent study of terrorist groups around the world finds that the relative non-success of military action is not confined to South Asia. Of the 268 terrorist groups which ended between 1968 and 2006, 40% were penetrated and eliminated by police and intelligent agencies and 43% reached a peaceful political accommodation with their government; 10% of insurgent groups achieved victory and only 7% of terrorist groups were eliminated by military action (Jones and Libicki, 2008).

6.3 The Political Approach

A different approach to dealing with insurgencies is to conduct negotiations and sign peace agreements with the insurgents. This needs two (seemingly obvious) conditions to be effective: first, the government must do this in a coordinated way and have the intention of fulfilling at least some of the insurgents' demands. The peace talks between the government of Andhra Pradesh and the People's War Group (PWG) in 2004 were undermined by the fact that other states were conducting counter-terrorism raids against the PWG at the same time. Similarly, the proposed talks with the ULFA in Assam have floundered because the ULFA wanted the sovereignty of Assam to be on the agenda, which the Indian government did not agree to. In contrast, the limited autonomy desired by the Bodo militant groups was discussed and ultimately granted.

The second precondition for effective talks is for the insurgent group to be seriously interested in joining the political mainstream. This is not the case in many South Asian conflicts. For instance, the insurgent groups in India's Manipur state have not expressed any interest in holding talks. In Sri Lanka, the LTTE claims that it was "compelled by unprecedented historical

circumstances to participate in peace talks with the Sinhala state.”²⁴ Other Tamil militant organizations, like the Eelam People's Revolutionary Liberation Front (EPRLF), have been successfully brought into the political mainstream, but the LTTE has refused all offers of devolution of power. In fact, the LTTE enforced a boycott of the 2005 elections in the areas it controlled, which contributed to a narrow victory for the hawkish Mahinda Rajapakse, who had already indicated his intention of ending the ceasefire with the LTTE. This suggests that the LTTE were not averse to having a hardliner in power, and to a further escalation of conflict.

6.4 The Economic Approach

Complementary to the security-based solution is an economic solution, whereby the government tries to spur economic development in the conflict-affected areas with a view to undercut the support for the insurgency. This is consistent with the view of economic backwardness as one of the root causes of conflict. The government of India has designated all the northeastern states as “Special Category” states for purposes of funding: all of these states received more than Rs. 1000 per capita from the Planning Commission in 2003-04, compared to the nationwide average of Rs. 438.²⁵ Approximately Rs. 24.75 billion has also been allocated to the districts affected by Naxalite violence under the Backward Districts Initiative (Joseph, 2007). Of course, the challenge is to make sure that these funds are used in a constructive manner.

An alternative strategy is to deliver the services the insurgents blame the government for not providing. For instance, the government of Andhra Pradesh distributed more than 300,000 acres of land to poor people in 2005, and has since followed it up with two further phases of land distribution. A related step is the enactment of new legislation which seeks to recognize the

²⁴ Velupillai Prabhakaran, Heroes' Day speech, November 27, 2005. http://satp.org/satporgtp/countries/shrilanka/document/papers/LTTE_chief_Heroes_Day_peech.htm, accessed August 12, 2008.

²⁵ Fiscal Profiles of States compiled by Finance Commission, Ministry of Statistics and Programme Implementation.

forest rights and vest the occupation of forest land in members of the Scheduled Tribes and other traditional forest dwellers whose rights had not been recorded previously.²⁶ Given the previously observed correlation between the extent of forest cover and the intensity of conflict (Table 4), this promises to be a positive step towards reducing support for Naxalite movements.

A similar strategy is to offer generous terms for the surrender and rehabilitation of insurgents. The government of India offers a monthly stipend of Rs. 2000, free vocational training and a lump sum of Rs 150,000 to insurgents in the northeastern states. This has had only limited success: 524 insurgents surrendered in 2007, compared to 579 who were killed by security forces.

Are such economically oriented incentives effective in reducing conflict? In general, it is hard to quantify the impact of such measures on the intensity of conflict, partly because of the paucity of data on exact amounts allocated at the very local level. A preliminary analysis of district-level data from Iraq finds that greater service provision by the government does result in a decline in insurgency (Berman, Shapiro and Felter, 2008). There is also evidence that insurgents take both economic factors and political signals into account when planning attacks: Iyengar and Monten (2008) find that insurgent attacks in Iraq show an increase whenever leading US policymakers make statements critical of the war. The latter analysis suggests that the public statements of policy makers are of particular importance in dealing with insurgencies. The Indian government's focus on a "holistic approach" incorporating "security, development, administration and public perception management" thus appears to be the right strategy to counter internal conflict.²⁷

²⁶ The Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006. This legislation came into effect in February 2007, but the required Rules were notified only in January 2008.

²⁷ Ministry of Home Affairs, 2008b.

6.5 Regional Cooperation in Conflict Management

Many of the internal conflicts in South Asia have cross-border dimensions. The Maoists in Nepal had formed close links with the Maoist movements in India. Many separatist groups in India's northeastern states have camps in neighboring countries like Bangladesh and Bhutan. The Taliban in Afghanistan obtain significant support from Pakistan's border areas. The LTTE and other Tamil separatist groups in Sri Lanka have traditionally enjoyed support from Tamil populations in India and abroad. In such a context, regional cooperation is an essential part of any counter-insurgency strategy.

The overall record of cross-border cooperation to combat conflict in South Asia is not successful. The most famous example of a direct cooperation—the Indian Peace Keeping Force (IPKF) in Sri Lanka during 1987 to 1990—was a failure. The IPKF was deployed as a result of the Indo-Sri Lankan Accord of 1987, initially for peacekeeping purposes. However, the force was soon involved in direct conflict with the LTTE, suffered more than a thousand casualties, faced widespread allegations of human rights abuses, and was finally withdrawn in 1990. In 1991, a LTTE suicide bomber assassinated Rajiv Gandhi, the Indian Prime Minister who authorized the IPKF. Since then, there has been very little direct involvement by India in Sri Lanka's conflict.

India had a hands-off policy towards the conflict in Nepal as well. India did provide material assistance, such as helicopters, to the Royal Nepal Army. But there was no direct intervention by the Indian government such as facilitating negotiations with the rebels, or sending in peace keeping forces. The military aid was also withdrawn after King Gyanendra seized control in 2005. Cooperation with Bhutan has been more successful: in 2003, the Royal Bhutan Army destroyed the camps established by the United Liberation Front of Assam (ULFA)

in Bhutanese territory. Given tensions over Kashmir, there has been little cooperation between India and Pakistan in combating terrorism.

Pakistan's relationship with Afghanistan has changed considerably over time. During the late 1990s, Pakistan was one of only three countries to recognize the Taliban government in Afghanistan. Their stance changed after the terrorist attacks of September 11, 2001, when President Pervez Musharraf made the decision to help the United States in its battle against the Taliban, and the growing Taliban presence in the border areas. In August 2008, the Pakistani government banned the group Tehrik-i-Taliban Pakistan, froze its bank accounts and forbade it from appearing in the media.²⁸

In sum, while there is considerable potential for regional cooperation in reducing conflict, this has been an underutilized strategy in combating terrorism in South Asia.

7 Mumbai 26/11: A New Approach to Terrorism?

On November 26, 2008, ten terrorists armed with assault rifles and grenades carried out a series of coordinated attacks on several places in Mumbai. The targets included the main railway station, a popular tourist café, a Jewish outreach center and two hotels. Several people were taken hostage in the prestigious Taj and Oberoi Trident hotels. Three top officials of the Mumbai police force were assassinated. After a standoff lasting more than two days, nine terrorists were killed by Indian commandos and one was captured. A total of 165 people were killed in the attacks.

These attacks shocked both India and the world, and represented a significant departure from the previous pattern of urban terrorism. The armed assaults and hostage-taking contrasted

²⁸ http://atimes.com/atimes/South_Asia/JH27Df01.html, accessed September 6, 2008.

sharply with the earlier modus operandi of planting anonymous bombs in crowded places. The terrorists exploited a weak point in India's security—the poorly patrolled coast—to bring in their weapons by boat into Mumbai. The sophisticated weapons, advanced training and detailed planning involved in the attacks posed a significant new threat to Indian security forces. Finally, the targeting of foreigners for hostage-taking was unprecedented in the history of terrorism in India.

The response to these attacks also represented a departure from the usual pattern. On the part of the public, the events in Mumbai generated a hitherto unprecedented level of outrage, together with a deep appreciation of the sacrifices made by security forces during the anti-terrorist operation. Public criticism forced the Chief Minister and Deputy Chief Minister of Maharashtra state, as well as the Home Minister in the central government, to tender their resignations. This is probably the first time such representatives have resigned after a terrorist attack; in contrast, Chief Minister Sharad Pawar was widely praised for his role in the aftermath of the 1993 bomb blasts in Mumbai.

The official responses by the Indian government have taken great care to not blame the Pakistani government for the attacks. In January 2009, India provided a complete dossier of evidence to Pakistan, which “establishes that the ten terrorists were chosen, trained, dispatched, controlled and guided by the LeT [Lashkar-e-Toiba, a Pakistan-based terrorist organization], which is the organization responsible for the terrorist attacks on Mumbai.” (Government of India, 2009). After several weeks of denial, the Pakistani government officially accepted that the terrorists were Pakistani citizens. Both countries pledged to continue the ongoing peace process despite the terrorist attacks, demonstrating a new commitment to regional cooperation in the face of conflict. Even though it is still too early to understand the full ramifications of 26/11, there are

indications that it signals a change both in the nature of urban terrorism in South Asia, and in the government response to it.

8 Conclusions

This chapter has highlighted the increasing trend in internal conflict in South Asia in the new millennium. Incidents of internal conflict have become increasingly concentrated in economically lagging regions after 2001. My analysis has highlighted that poverty is statistically and economically significant in explaining the spatial variation in conflict intensity in the post-2001 period. However, economically lagging regions did not always have higher conflict in previous decades, and there is no corresponding increase in other crimes or violent incidents not aimed at spreading terror. These facts suggest that a change in the global environment after 2001 may also have played a role in the observed trends.

A variety of different approaches have been tried by South Asian governments to counter terrorism. Reviewing these approaches in the South Asian and global context, it appears that using the armed forces or local militias have not been especially effective in combating terrorism. Strengthening police forces or conducting negotiations to induce insurgents to join the political mainstream appear to be more effective approaches. Economic incentives or development programs can be useful complements to this political accommodation approach. Regional cooperation initiatives, which have been underutilized so far, are likely to be very important in countering terrorism going forward.

References

- Asian Center for Human Rights (2007) *Naxal conflict in 2006* (New Delhi: Asian Center for Human Rights)
- Banerjee, Abhijit, and Lakshmi Iyer (2005) ‘History, institutions and economic performance: The legacy of colonial land tenure systems in India.’ *American Economic Review* 95(4), 1190–1213
- Berman, Eli, Jacob H. Shapiro, and Joseph H. Felter (2008) ‘Can hearts and minds be bought? The economics of counterinsurgency in Iraq.’ *Preliminary draft*
- Chandran, D. Suba (2007) ‘Pakistan: Tribal troubles in Balochistan and Waziristan.’ In *Armed Conflicts and Peace Processes in India 2006*, ed. D. Suba Chandran (New Delhi: Samskriti) pp. 159–179
- Collier, Paul, and Anke Hoeffler (2004) ‘Greed and grievance in civil war.’ *Oxford Economic Papers (forthcoming)* 56, 563–595
- Cordesman, Anthony H. (2008) ‘The Afghan-Pakistan War: A Status Report.’ *Center for Strategic and International Studies Report*
- Do, Quy-Toan, and Lakshmi Iyer (2007) ‘Poverty, social divisions and conflict in Nepal.’ *Harvard Business School Working Paper 07-065*
- Dube, Oeindrila, and Juan F. Vargas (2007) ‘Commodity price shocks and civil conflict: evidence from Colombia.’ *Working Paper*
- Fearon, James, and David Laitin (2003) ‘Ethnicity, insurgency, and civil war.’ *American Political Science Review* 97, 75–90
- Government of India (2009) ‘Mumbai Terrorist Attack (November 26-29, 2008).’ Dossier provided to Government of Pakistan, January 5, 2009; <http://www.hindu.com/nic/dossier.htm>, accessed January 23, 2009
- Hidalgo, F. Daniel, Suresh Naidu, Simeon Nichter, and Neal Richardson (2008) ‘Occupational choices: economic determinants of land invasions.’ *Review of Economics and Statistics (forthcoming)*
- Iyengar, Radha, and Jonathan Monten (2008) ‘Is there an “emboldenment” effect? Evidence from the insurgency in Iraq.’ *Working Paper*
- Jha, Saumitra (2008) ‘Trade, institutions and religious tolerance: evidence from India.’ *Working paper*
- Jones, Seth G., and Martin C. Libicki (2008) *How Terrorist Groups End: Lessons for Countering al Qaeda* (Santa Monica, CA: RAND Corporation)

- Joseph, Mallika (2007) 'Left extremism in India: from red corridor to red land.' In *Armed Conflicts and Peace Processes in India 2006*, ed. D. Suba Chandran (New Delhi: Sam-skriti) pp. 66–101
- Miguel, Edward, Shanker Satyanath, and Ernest Sergenti (2004) 'Economic shocks and civil conflict: an instrumental variables approach.' *Journal of Political Economy* 112(4), 725–753
- Ministry of Home Affairs (2008a) *Annual Report 2007-08* (Government of India)
- (2008b) 'Status paper on internal security situation as on March 31, 2008'
- National Counterterrorism Center (2008) *2007 Report on Terrorism*
- Rashid, Ahmed *Taliban: Militant Islam, Oil and Fundamentalism in Central Asia*
- Sahni, Ajai (2007) 'Andhra Pradesh: The state advances, the Maoists retreat.' *South Asia Intelligence Review*
- South Asia Terrorism Portal (2008a) 'Pakistan Assessment 2008.' <http://satp.org/satporgtp/countries/pakistan/index.htm>, accessed August 2008
- (2008b) 'Sri Lanka Assessment 2008.' <http://satp.org/satporgtp/countries/shrilanka/index.html>, accessed August 11, 2008
- Varshney, Ashutosh (2002) *Ethnic Conflict and Civic Life: Hindus and Muslims in India* (New Haven: Yale University Press)
- Wilkinson, Steven (2004) *Votes and Violence: Electoral Competition and Ethnic Riots in India* (Cambridge University Press)

Table 1: Coverage of data sets

Data set	Full name	Years covered	Countries
<u>Cross-country data</u>			
MIPT	RAND-MIPT Terrorism Incident Database (1998-present)	1998-2007	Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka
GTD2	Global Terrorism Database II 1998-2004	1998-2004	Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka
WITS	Worldwide Incidents Tracking System, National Counter Terrorism Center	2004-April 2008	Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka
<u>Country-specific data</u>			
MHA	Ministry of Home Affairs Annual Reports	2001-2007	India
INSEC	Informal Sector Service Center, Kathmandu	1996-2006	Nepal
<u>Long-term data</u>			
GTD1	Global Terrorism Database 1	1970-1997 (except 1993)	Afghanistan, Bangladesh, India, Pakistan, Sri Lanka
PITF	Political Instability Task Force Database of Violent Political Events in India	1960-2000	India

MIPT data was collected by the National Memorial Institute for the Prevention of Terrorism (MIPT), in collaboration with the National Counter Terrorism Center (NCTC). Data for India is from 1998-April 2007; data for other South Asian countries is from 1998-2007, but excludes July-September 2007.

GTD1: LaFree, Gary, and Laura Dugan. GLOBAL TERRORISM DATABASE 1.1, 1970-1997 [Computer file]. ICPSR22541-v1. College Park, MD: University of Maryland [producer], 2006. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2008-05-30. Based on data originally compiled by the Pinkerton Global Information Service.

GTD 2: LaFree, Gary, and Laura Dugan. GLOBAL TERRORISM DATABASE II, 1998-2004 [Computer file]. ICPSR22600-v1. College Park, MD: University of Maryland [producer], 2007. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2008-06-18. <http://www.start.umd.edu/data/gtd/>, accessed May 2008

PITF data collected by the Political Instability Task Force, Center for Global Policy, George Mason University School of Public Policy, Washington DC. Data obtained from the Science Applications International Corporation.

MHA data from "Status paper on Internal Security Situation as on March 31, 2008," Ministry of Home Affairs, Government of India, and Annual Reports 2003-04, 2004-05, 2007-08.

Table 2: Variable definitions and data sources

Data set	Criteria for inclusion	Sources of information	State-induced violence included?
MIPT	Violence calculated to create an atmosphere of fear and alarm to coerce others into actions they would not otherwise undertake, or refrain from actions they desired to take. Acts of terrorism are generally directed against civilian targets. The motives of all terrorists are political, and terrorist actions are generally carried out in a way that will achieve maximum publicity.	Newspaper, radio and TV reports.	No
GTD2	Incidents of intentional violence perpetrated by subnational non-state actors, which must satisfy two of the following three criteria: it must be aimed at attaining a specific political, economic, religious or social goal, there must be evidence of an intention to coerce, intimidate or convey some message to a larger audience than the immediate victims and/or the action must be outside the context of legitimate warfare activities.	Multiple independent open-source reports or a single "highly credible" source	No
WITS	Premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents.	Available open source material	No
MHA	None specified	Internal statistics	Yes
INSEC	None specified	Reports by staff members	Yes
GTD1	The threatened or actual use of illegal force and violence by a non-state actor to attain a political, economic, religious or social goal through fear, coercion or intimidation.	Single open-source report.	No
PITF	Not clearly specified	Reports in Keesing's Record of World Events	Yes

Table 3: Do lagging regions in South Asia experience more conflict?

Variable	Place, dataset, time	Leading regions	Lagging regions	Difference	Regression difference
Panel A					
# terrorist incidents per million population	South Asia, MIPT, 1998-2007	0.349	1.327	0.978	0.978***
# fatalities per million population	South Asia, MIPT, 1998-2007	1.011	2.004	0.993	0.993*
# terrorist incidents per million population	Bangladesh, MIPT, 1998-2007	0.027	0.118	0.091	
# terrorist incidents per million population	India, MIPT, 1998-2007	0.165	0.363	0.198	
# terrorist incidents per million population	Pakistan, MIPT, 1998-2007	1.191	3.57	2.379	
# terrorist incidents per million population	Sri Lanka, MIPT, 1998-2007	0.858	2.495	1.637	
Panel B					
# terrorist incidents per million population	South Asia, GTD2, 1998-2004	0.34	0.57	0.22	0.223*
# fatalities per million population	South Asia, GTD2, 1998-2004	5.63	12.02	6.39	6.39*
# terrorist incidents per million population	Bangladesh, GTD2, 1998-2004	0.1	0.05	-0.05	
# terrorist incidents per million population	India, GTD2, 1998-2004	0.16	0.13	-0.03	
# terrorist incidents per million population	Pakistan, GTD2, 1998-2004	1.08	0.38	-0.7	
# terrorist incidents per million population	Sri Lanka, GTD2, 1998-2004	1.04	1.64	0.6	

* indicates statistical significance at the 10% level, ** at 5% level, ***at 1% level.

Regression differences are calculated by regressing the conflict intensity on a dummy for lagging region and year fixed effects.

Figures for Pakistan exclude Islamabad.

Table 4: Correlations of conflict intensity and region characteristics

Panel A: South Asia

Data source Period	<u># incidents per million population</u>		<u># fatalities per million population</u>	
	GTD2	MIPT	GTD2	MIPT
	1998-2004	1998-2007	1998-2004	1998-2007
Population 2001	-0.25	-0.25	-0.22	-0.31
Population density 2001	-0.05	-0.27	-0.08	-0.23
Proportion urban 2001	0.07	-0.03	0.00	-0.16
Adult literacy rate 2001	0.15	-0.35*	0.17	-0.03
Poverty 2002	-0.07	-0.022	-0.06	-0.09

Panel B: India

Data source Period	<u># incidents per million population</u>		<u># fatalities per million population</u>	
	GTD2	MIPT	GTD2	MIPT
	1998-2004	1998-2007	1998-2004	1998-2007
Population 2001	-0.29	-0.28	-0.25	-0.25
Population density 2001	0.06	-0.10	-0.10	-0.08
Proportion urban 2001	0.01	-0.16	-0.12	-0.21
Adult literacy rate 2001	0.07	0.01	0.05	0.00
Poverty 1999	-0.10	0.18	-0.06	0.32
Per capita GSDP 1999	-0.26	-0.21	-0.20	-0.25
% forest area 2000	0.39*	0.48*	0.44*	0.38*
% Scheduled Tribes 2001	0.11	0.23	0.18	0.19
Historical property rights	0.39	0.15	0.19	0.06

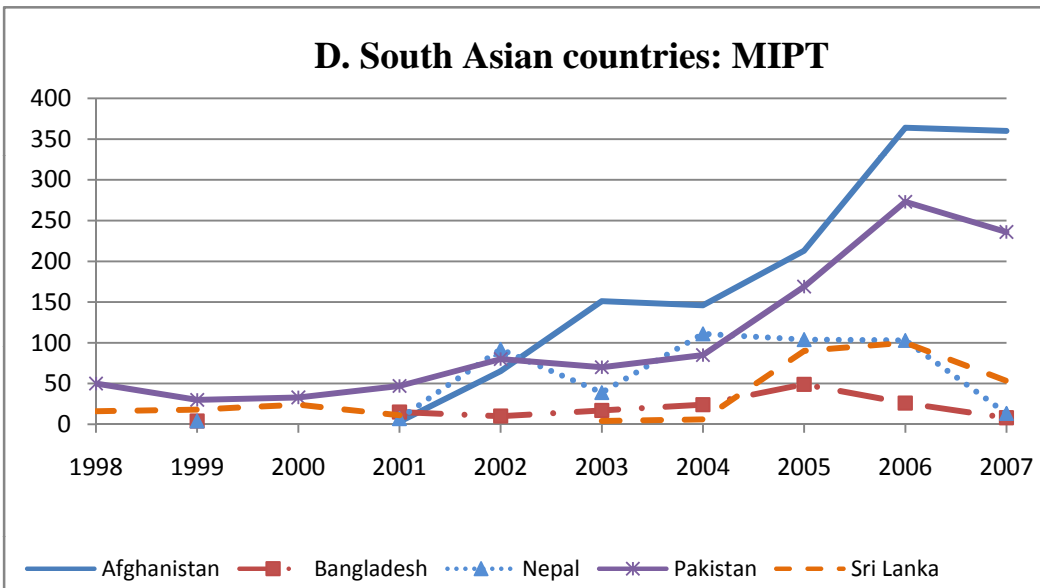
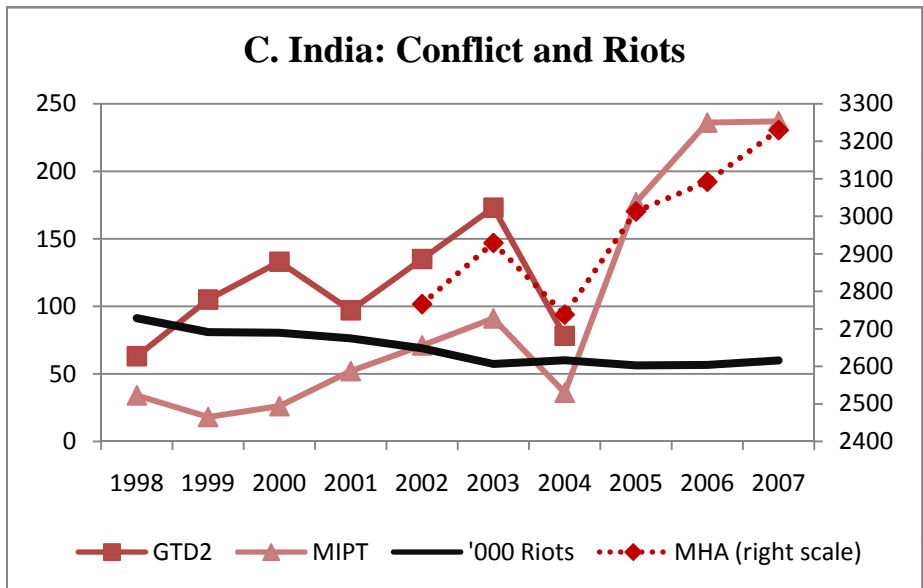
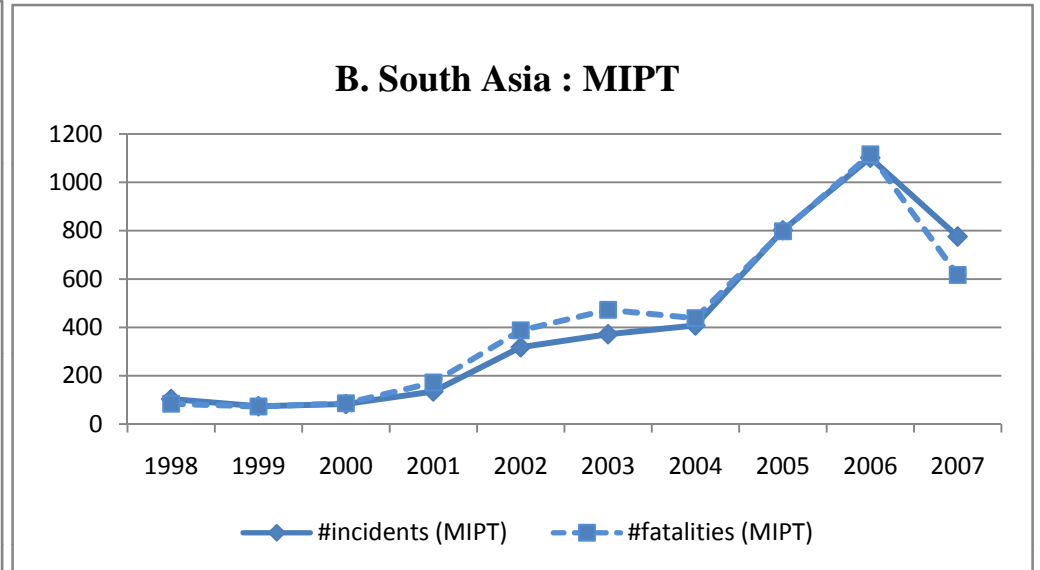
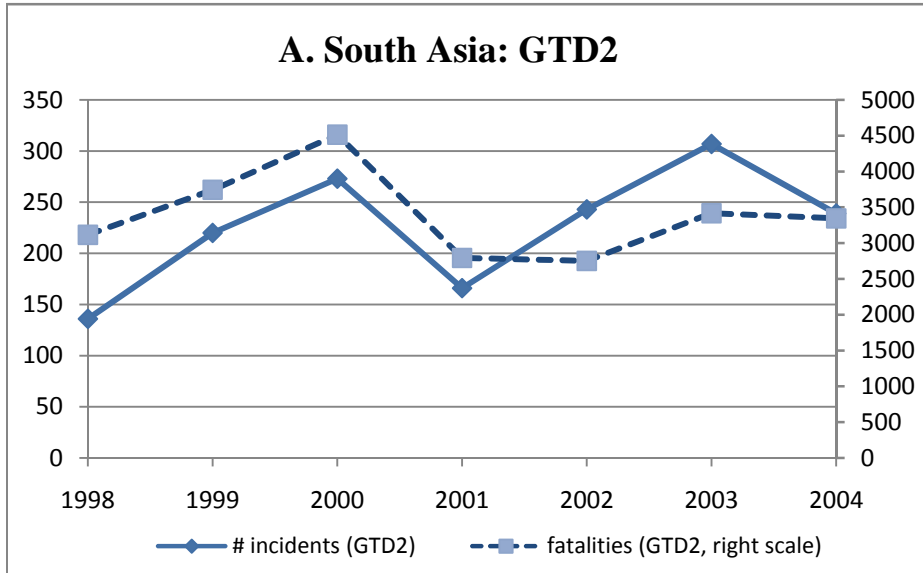
* indicates that the correlation is significant at the 5% level of significance.

Means and standard deviations of all variables can be found in Appendix Table 1.

Table 5: District level regressions for number of conflict incidents

Data set, period	#incidents per million pop		Fatalities per million pop		
	MIPT	MIPT	MIPT	MIPT	INSEC
	1998-2007	1998-2007	1998-2007	1998-2007	1996-2006
Countries	India	India	India	India	Nepal
	(1)	(2)	(3)	(4)	(5)
Poverty rate (%)	1.116*** (0.350)		1.664** (0.689)		1.028*** (0.312)
Literacy rate (%)		-0.687* (0.393)		-0.854 (0.702)	
Altitude	-0.018 (0.026)	-0.046* (0.025)	0.008 (0.047)	-0.034 (0.037)	0.063*** (0.023)
% forested (state level)	-0.001 (0.004)	0.006 (0.004)	-0.000 (0.006)	0.009 (0.006)	1.134*** (0.324)
Fraction disadvantaged minorities	-0.108 (0.288)	-0.176 (0.328)	0.250 (0.593)	0.198 (0.744)	-0.196 (0.372)
Historical property rights	-0.049 (0.093)	-0.024 (0.109)	-0.198 (0.133)	-0.177 (0.192)	
Observations	324	327	324	327	70
R-squared	0.04	0.02	0.03	0.02	0.36

Figure 1: Number of terrorist incidents by year



Notes: 2007 figures from MIPT have been annualized in Figures 1B, 1C and 1D.

Figure 2: Are lagging regions more likely to experience conflict?

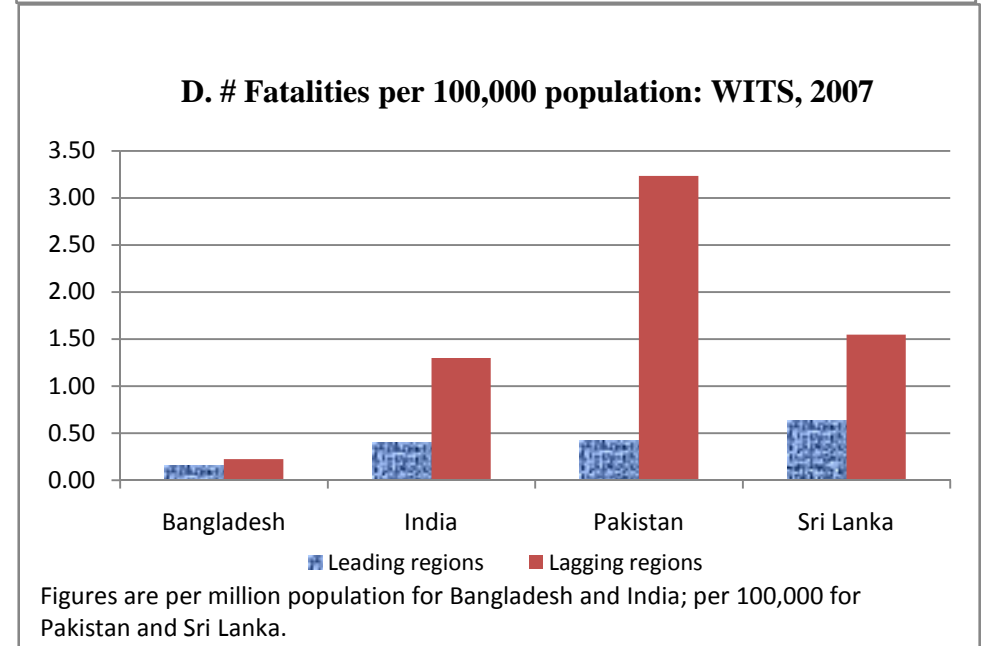
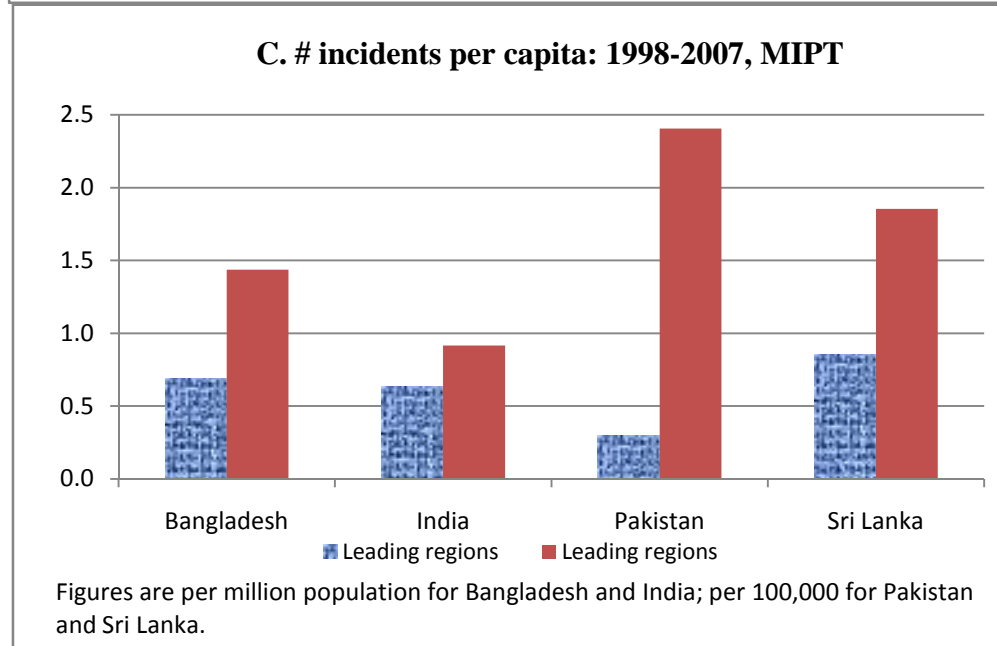
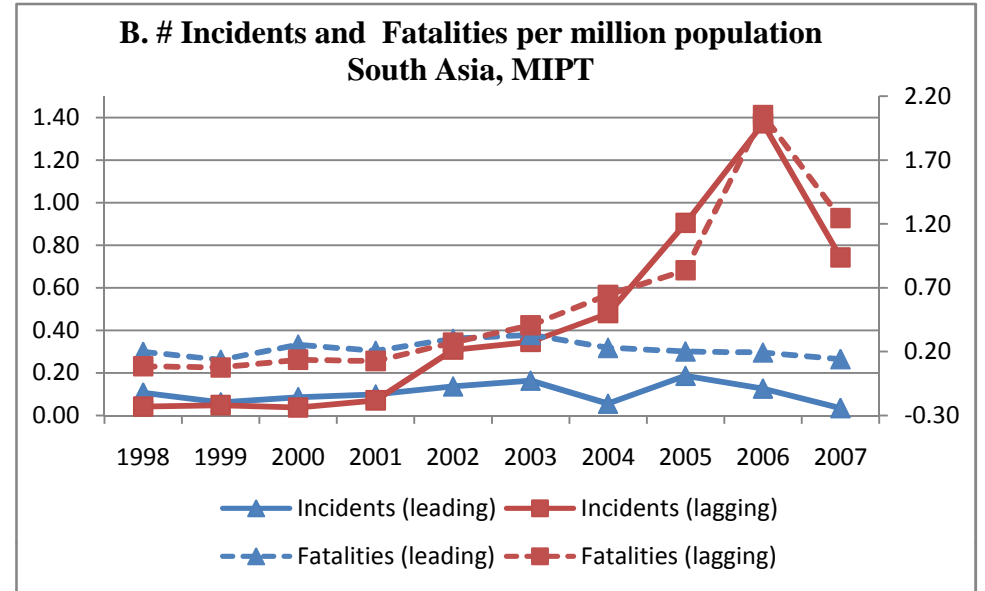
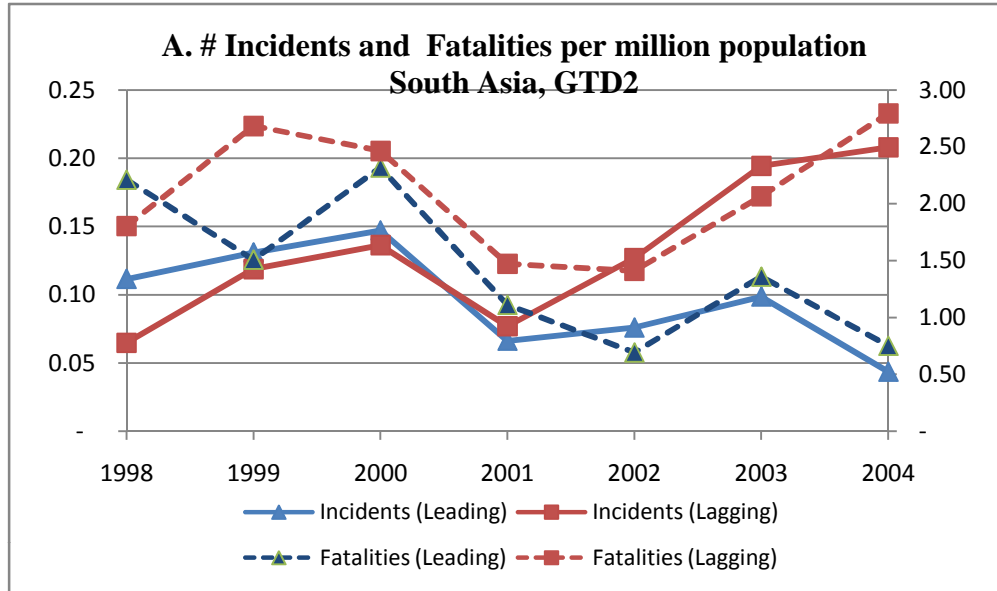
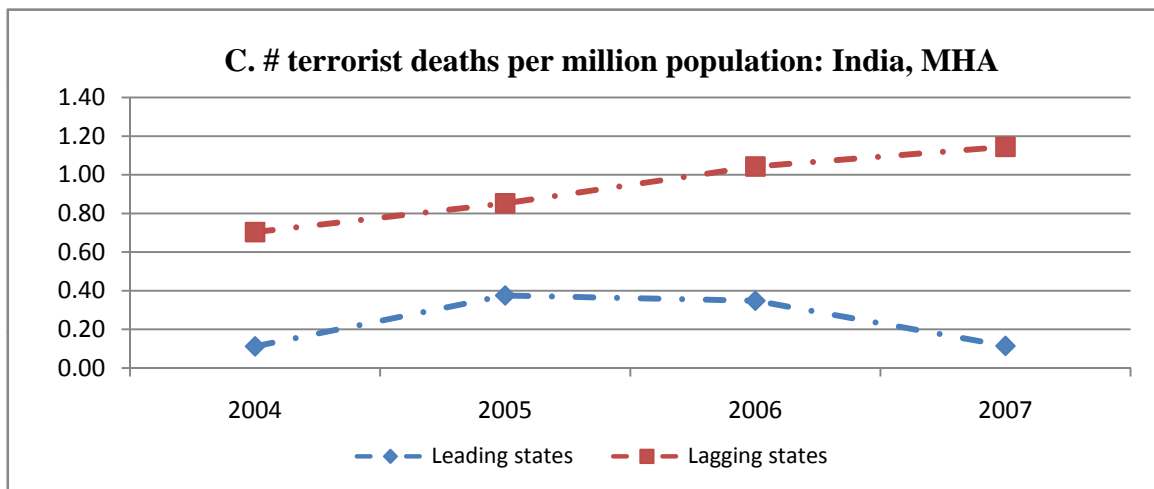
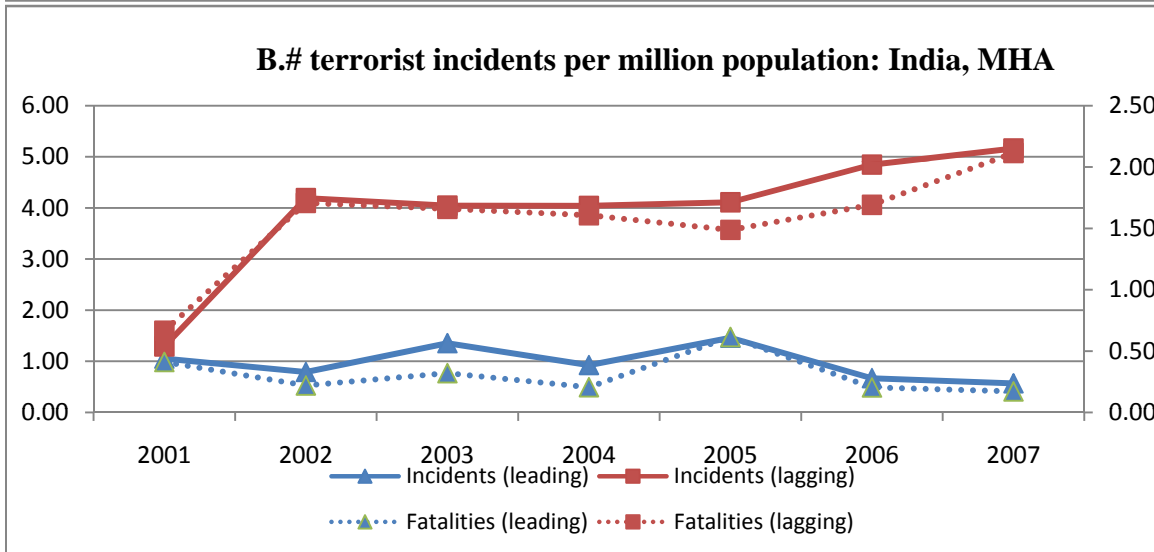
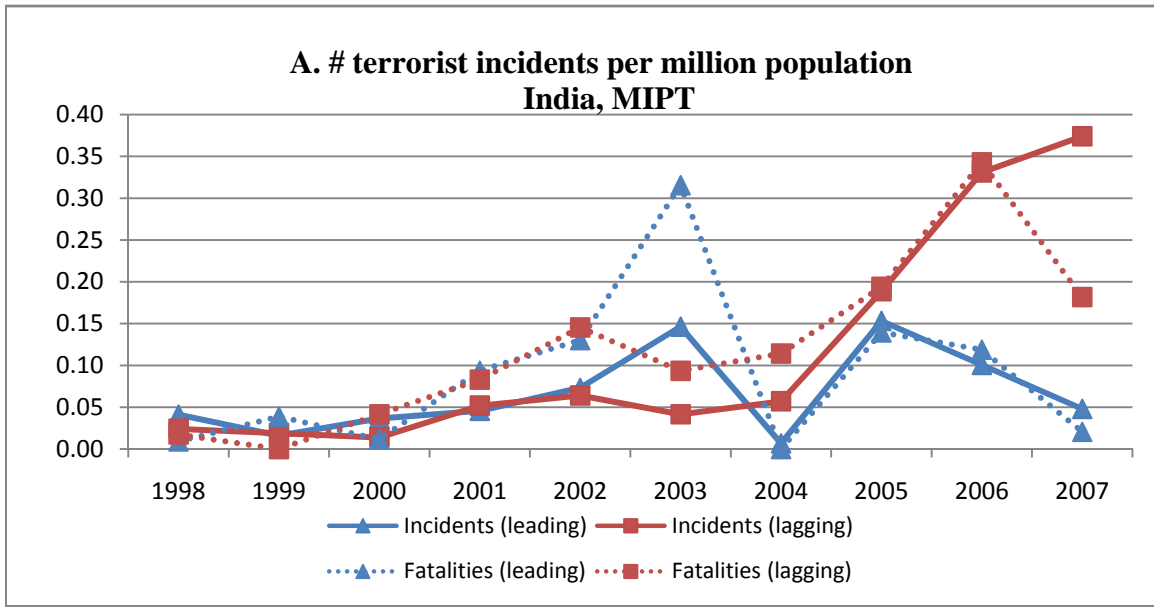


Figure 3: Trends in internal conflict in India



Notes: Figures for 2007 have been annualized in Figures 3A and 3B.

Figure 4: Long-term trends in violent conflict in South Asia

