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Note to readers: This is my draft dissertation proposal. I have jotted some notes in the text, relating to some of my hypotheses and case selection. I would welcome any recommendations/suggestion on these, and, of course, on the overall theory/methodology. Thank you.

**Managing Discontent:
Institutions, Intervention and Ethnic Conflict (1988-2000)**

Introduction

Introduction

Why do some conflicts escalate while others are resolved? How can states reduce the occurrence of ethno political rebellion? Increasing political mobilization, combined with weak institutions, make it difficult for developing countries to effectively manage conflicts (Huntington 1968). Situating the state as the key actor, I will examine the factors that can facilitate the management of ethnic protest and rebellion. Among the biggest barriers to the peaceful settlements of conflicts are the ethnic security dilemma and a lack of policy credibility (Saideman, Lanoue, Campenni, and Stanton 2002; Snyder and Jervis 1999; Walter 2002). Good governance, involving both economic and political institutions, are critical for enhancing state credibility. Strong institutions can provide transparent, effective mechanisms for the redressal of grievances. States that allow some form of power sharing with minority groups tend to be more successful than coercive polities in managing conflicts (Ganguly 1996; Gurr 2000; Horowitz 1985; Kohli 1997; Saideman et. al. 2002). In other words, institutions that are reliable; prevent arbitrary action; and facilitate a sound macroeconomic and political environment should provide minority groups with fewer incentives for conflict. Unfortunately, our understanding of the kinds of institutions that are most conducive to this is still limited. In particular,

there is a lack of theoretical and empirical integration of the complementary roles of economic and political institutions. My investigation will attempt to address this lacuna.

My dissertation will also question the premise that international intervention is necessary for the successful resolution of conflicts (Walter 2002).¹ While peacekeeping forces and security guarantees can be valuable in civil wars, they rarely occur at lower levels of rebellion or protest. It is important that significant intervention occurs during low-intensity rebellions in order to prevent conflict escalation. For example, an early, generous and credible offer of autonomy can avert the rise of secessionist movements. If the costs of rebellion are higher than anticipated benefits, there is little incentive to engage in violence. (Horowitz 1985; Kohli 1997; Gurr 1993, 2000; Ganguly 1996).² Such intervention is possible only with strong domestic institutions. A confirmation of my theory will imply that sustained peace is *possible* without international intervention but *impossible* without a strong state, which is both willing and able to commit to peace. International intervention will be successful in the long run so far as it is able to contribute to this willingness and/or ability.³ Thus, both international and domestic peace-making efforts should focus on building the internal governance apparatus. In sum, I will look at the impact of political institutions, economic institutions and international intervention on minority group protest and rebellion.

Contribution

My thesis will make the following contributions to the literature on ethnic conflict. First, I will differentiate between protest and rebellion, arguing that there is an important distinction to be made between the violent and nonviolent expression of grievances. Second, I will highlight the importance of both economic and political

¹ Note that Walter's (2002) study focuses on civil wars. It is possible that, as violence levels increase, so does the utility of international intervention. My model will differentiate between low and high levels of rebellion in order to assess this factor.

² It has also been pointed out that repression can also prevent conflict escalation, but evidence shows that accommodative policies are more effective in the long run. This thesis is based on the premise that accommodation, not repression, is practically and normatively more desirable.

³ Muller (2003) points out that, in Europe, it was the development of capable governments that brought civil warfare under control. He argues that there is a strong link between the amount of warfare in the world and the degree to which governments function adequately.

institutions in conflict management, thus addressing an area often neglected in political science literature. Third, I will show that the extensive literature on international intervention fails to address conflict *prevention*, which can be done only through strengthening domestic institutions. In sum, my thesis will provide a detailed understanding of the relationship between state capacity and ethnic conflict. I will situate the state as the key actor in conflicts and examine the specific state attributes and actions that shape conflict. Rather than viewing political institutionalization as a weak/strong variable, I will attempt to capture the subjective and objective complexities of the contemporary developing state. I hope that my research helps us understand the dynamic relation between the state and the ethnic groups that are affected by its policies.

Understanding ethnic conflict

In order to understand conflict management, it is essential to understand the problem of violence. What causes ethnic groups to collide with the state?⁴ There are four principal theoretical traditions in the field. The primordialist school believes that ethnic conflicts are traced back to older animosities between groups (Kaplan, Geertz, Connor). Few scholars today subscribe to this view. It fails to explain the rarity of ethnic violence; nor why most groups have cooperative, rather than overtly conflictual relations (Varshney 2002; Fearon and Laitin).

The instrumental school focuses on the use of ethnic identity by conflict entrepreneurs, for political and/or economic gain. In other words, the focus of instrumental views of ethnic conflict is on how leaders manipulate ethnicity for the sake of power. While this argument has both an intuitive and empirical appeal, it leaves important questions unanswered. Why do some elites focus on building bridges and others on creating cleavages? Why should we expect that masses respond to elites exactly according to the wishes of the elite? (Varshney 2002: 29). There is little doubt that leaders seek power and they may seek to do so on the basis of ethnicity. This does not explain why masses subscribe to this perspective (Nodia 2002). For an identity to be

⁴ This thesis will focus on conflict between minority groups and the state. It will not address intergroup conflict.

manipulated by a leader when death, injury, or incarceration is a clear possibility, it must be valued as a good by a critical mass of people. A recourse to violence indicates a certain level of emotion, commitment and desperation, which is ignored by the instrumental school (Horowitz 1985; Peterson 2002; Varshney 2002:30). A simplistic view of the masses as inert followers of conniving leaders also has deep policy pitfalls. Let us, for example, take the case of the UNITA rebellion in Angola. An important force behind UNITA was the ambitions of its leader, Jonas Savimbi. Soon after his death in 2002, peace talks were held; UNITA soldiers disarmed; and a ceasefire has been in place since then. Yet, it would be dangerous for the Angolan government, and the international community to ignore the fact that the civil war was not a simple creation of Savimbi, which would evaporate with his death. Significant portions of the country have been destroyed by the conflict and large numbers of people are displaced and impoverished. Until concrete steps are taken to tackle poverty; reintegrate UNITA soldiers, many of whom are children; and effectively manage Angola's vast natural resources, the country remains in danger of sliding back into conflict.

The constructivist school of thought argues that ethnic identities are a creation of the modernization process. Some constructivists argue that group categories are created by the knowledge elite while others see nationalism as a challenge to the old order (Brass 1996; Anderson, Varshney 2002). Constructivism is a very useful tool for understanding ethnic conflict. Unlike instrumentalism, it helps us to understand how deeply constructed ethnic identities can be, and how such identities can endure even when interests change. What constructivism fails to explain, however, is the dynamics between the constructed "master narrative" (Varshney 2002) and the actual output: peace or violence. It is not a valid theoretical standpoint for the purposes of this study.

The institutionalist school argues that there are clearly identifiable links between political institutions and ethnic conflict. Such strands of enquiry have engendered considerable debate on the relative merits of autocracies versus democracies, consociational versus majoritarian democracies and federal versus unitary structures. "Institutions do not simply specify procedures, rules, and sites for political contestation;

they also begin to generate predispositions to outcomes, given the number and size of ethnic groups “ (Varshney 2002: 36). Many studies of the relationship between political institutions and ethnic conflict are based on case studies (see, for example, Lijphart 1977; Horowitz 1985). These provide us with detailed and nuanced analyses but do not contribute to broader, cross-national comparisons. Large-n studies (Saideman et al. 2002; Cohen 1997) tend to show insufficient specificity regarding institutional type and quality.⁵ Much of the literature ignores the interaction of domestic and international political dynamics in ethnic conflict management (Saideman 2002). These studies also neglect the role of economic institutions in ethnic conflict. Moreover, caution should be exercised when focusing on the formal rules of institutions. In developing polities, which are grappling with problems of state identity, civil conflict, corruption and nepotism, informal rules may be deeply rooted. We can expect that, in such situations, there will be a lack of fit between formal rules and observed behavior (O’Donnell 1996). An understanding of institutions should incorporate measures of their *actual* functioning (Stoker 1998). My thesis will attempt to cross this lacuna by using new datasets to more fully understand the linkages between both political and economic institutionalization and ethnic conflict.

A prominent new approach is the greed versus grievance literature. Many recent studies have argued that access to lootable resources like diamonds, rather than grievances such as lack of democracy, is the key determinant of civil war (Berdal and Malone 2000; Collier 2001; Collier and Hoeffler 2000). This view is similar to that of the instrumentalist school. While strong in explaining the sustaining capacity of wars, it has the same pitfalls as elite-driven theories. Pure economic motives for war are not consistent with the behavior of many rebel leaders (Herbst 2000) or groups. Moreover, the measurement of ‘greed’ and ‘grievance’ is often problematic. For example, an often-used proxy for grievance is the lack of democracy. In fact, grievance could refer to other failures of the government, such as chronic group or horizontal inequality (Humphreys 2003), the absence of basic human security, poor infrastructure and extreme poverty.

⁵ Reynal-Querol (2002) provides some valuable first steps in this regard.

Greed, on the other hand, is often measured in terms of natural resource abundance (Collier and Hoeffler 1998). Such a view ignores the subjectivity of terms such as scarcity and abundance. For example, Angola's "abundance" of diamonds or oil has not precluded its people from being deprived of other 'resources', such as food. Moreover, it is difficult to distinguish between war loot that is a means to sustain the war and loot that is the ultimate aim of war (Sambanis 2001). The 'greed theory' does not explain why resource "abundant" countries like Malaysia and Botswana have avoided conflict. Given the complex causality of civil conflicts, a narrow focus on need or greed is not useful. In reality, most incidences of ethnic conflict are a combination of both motivation and opportunity (Sambanis 2003).

A valuable macro level explanation is provided by Gurr (2000), who argues that both motivation and opportunity are necessary to explain civil conflict. He skillfully combines instrumental and constructivist approaches with grievance-based theories. A group can feel a particular set of political, social and/or economic grievances, but will weigh the costs and benefits of mobilization before engaging in action. Through a combination of will and opportunity, it will choose its model of action – or inaction. The underlying premise of my study is that weak political institutions create the conditions both for the emergence of grievances and the opportunities for the rise of rebellion.

Ethnic security dilemma

Thus far, I have examined various interpretations of ethnic conflict, and discussed their relative strengths and weakness. I will now discuss the starting point of my analysis, the ethnic security dilemma. This concept was first development in international relations (Jervis 1978) and then applied to ethnic conflicts. In international relations, the state of anarchy, or the absence of government, leaves states with no one to rely on except themselves. Any attempt by a state to increase its security threatens the security of others. Such a self-help system creates a constant cycle of mistrust and uncertainty. Posen (1993) then applied this notion to ethnic conflict by looking at rising intergroup mistrust and competition as empires collapse and the state ceases to exist. Subsequent authors have developed the concept further, arguing that because of its

strength, the government becomes the greatest potential threat to any ethnic group. The search for security motivates groups in divided societies to seek to control the state or to secede. This creates a constant cycle of fear and mistrust. Consequently, ethnic groups will seek to reduce uncertainty. They will be more inclined toward violence if they are uncertain about their prospects for the future. Such groups will be more secure and hence less prone towards rebellion if conditions to mitigate uncertainty exist (Saideman et al. 2002; Walter 2002). These include access to decision-makers and the power to block harmful government policies. Thus, institutions that promote power-sharing or self-government are likely to reduce conflict. In addition, conflict is more likely at times of institutional upheaval, when there is a high degree of uncertainty (Saideman et al. 2002).

Ethnic conflict and ethnic violence

At this stage, it is important to note the distinction between conflict and violence. My underlying premise is that conflict is inevitable in most pluralistic societies and often finds more open expression in democracies. Such conflict can even be productive in helping debate and consensus within a polity. "The real issue is whether ethnic conflict is violent or is waged in the institutionalized channels of the polity as nonviolent mobilization" (Varshney 2002: 24-25). In other words, if the conflict is expressed through institutionalized mechanism of dialogue and bargaining, such as verbal or written statements or campaigns for legislative reform, then one can surmise that the state does not have an ethnic conflict *problem*. On the other hand, if conflict is expressed violently, through, for example, guerrilla activity or civil war, this is far more damaging to the political, social, and economic fabric of the state. In sum, there is a meaningful distinction to be made between nonviolent dissent (protest) and violent dissent (rebellion) (Saideman et al. 2002).

Empirical support for this difference is provided by Gurr (1993, 2000). He shows that many rebellions and protracted violent conflicts were preceded by sustained

protest campaigns.⁶ He concludes that violent conflict is often an outgrowth of inconsistent and expedient state policies, wherein the state oscillates between limited reforms and repression. Moreover, a large number of groups engaged in simultaneous protest and rebellion. Groups seeking self-determination can be situated in a “talk-fight” position, where there is both negotiation and a continuation of the violent struggle (Quinn and Gurr 2003). This could indicate that groups are willing to reach a negotiated end to the conflict, but that they are unsure of the government’s ability to make credible commitments. For example, LTTE is known to have continued arms purchase and soldier recruitment during its peace talks with the Sri Lankan government in 2001-2003, largely because it was unwilling to fully trust the government’s commitment to the peace process. The subsequent derailment of the talks seems to have vindicated this mistrust. Strong domestic institutions are vital to tackle the credibility shortfall.

A model for studying political institutions and conflict

I will base my investigation on the model developed by Saideman et. al. (2002), who use the MAR dataset to investigate the relationship between ethnic conflict and political institutions. The hallmark of strong research paper is the number of questions it raises for further investigation. In this regard, the Saideman et al. (2002) paper does well. Their finding that older democracies experience both more protest and violence is one such interesting finding. Democracies should experience more protest because there are more avenues for expression for the grievances that would naturally arise. It is possible that citizens in older democracies have a larger set of skills and network tools to engage in dissent. This does not, however, explain why democracies would engage in rebellion—an activity that should be intuitively more costly, particularly where opportunities for peaceful protest exist. An understanding of this finding will necessitate a more detailed look at institutions. While their study provides some interesting findings, they fail to look at institutional details, largely ignore economic institutions and also overlooks

⁶ Of the cases Gurr surveys, only Northern Ireland and Puerto Rico experienced violence from the onset. Others, such as the Tamil movement in Sri Lanka, took several years to become violent.

international factors.⁷ I will incorporate these variables into their model to better explain the institutions-conflict relationship.

In sum, weak political institutions can both exacerbate grievances and provide the opportunity to mobilize violent action against the state. On the other hand, strong political institutions can mitigate the security dilemma by providing credible, accommodative measures for addressing group grievances. What is crucial is that group grievances be expressed through institutional mechanisms rather than violence. For this to occur, existing institutions must have the capacity and the will to address and ameliorate their problems. To this end, the ability of the state to prevent the occurrence of rebellion is directly related to the quality of its institutions.

What is governance?

Institutional quality is understood to be political institutionalization or governance.⁸ Governance represents the traditions and institutions by which authority in a country is exercised. It can be viewed as social infrastructure; that is, the institutions and government policies that govern the economic and political environment of individuals and collectivities. This variable is a reflection of the capacity of the government to effectively formulate and implement sound policies and the level of citizen and state respect for the institutions that govern economic and social interactions among them. Good governance results when states are able to effectively provide political goods and it is this that distinguishes weak states from strong ones (Besançon 2003; Hall and Jones 1999; Kaufmann, Kraay and Mastruzzi 2003; Kaufmann, Kraay and Zoido-Lobaton 1999; Keefer and Stasavage 2003; Rotberg 2004; Stoker 1998). In the context of minority group conflicts, governments that are able and willing to delegate power will have greater credibility.

These factors are important because they enable the state to provide credible commitments to mobilized ethnic groups and thereby mitigate the ethnic security dilemma. A strong performance on them means that the state is able to formulate and

⁷ One example of an "institutional detail" is cross-country variations in the degree and nature of federalism.

⁸ I will use the terms institutionalization, governance and capacity interchangeably.

implement policies that help address group grievances. They also reduce the incentive for rebellion, thereby targeting the 'greed' or opportunity dimension of conflict.

Unfortunately, the notion of governance has been poorly developed in the literature. In particular, the economic dimension of governance has largely been ignored by many political scientists. The few studies that have (see, for example, De Soysa 2002) have a poorly theorized notion of governance.

International intervention

Thus far, our discussion has discussed domestic political and economic institutions. There is, however, an additional dimension: international intervention. It has been argued that international intervention, in the form of peacekeeping, security guarantees or mediation, can play an important role in conflict management (Doyle and Sambanis 2000; Marshall and Gurr 2003; Walter 2002). Such active international involvement tends to occur *after* conflicts escalate into protracted civil wars. It is, however, at lower levels of conflict when the most can be done to prevent the tragedy of sustained, high-intensity violence. I will show that direct, high-level international diplomatic and military intervention has little or no impact at lower levels of rebellion. In most cases of ethnic conflict, regimes can do much more to affect internal conflict than outside powers, who have limited capacity to calm tensions. Prior to the onset of a civil war, the international community can influence the course of events through more subtle mechanisms. This could include economic incentives, or sanctions, grants and loans and help in the designing of the constitutions. While military intervention can help stop a civil war, such short-term activity does little to create the stable, effective government that is necessary to address the ethnic security dilemma (Byman 2002: 178-179).

Domestic governance: Political institutions

There are two broad types of institutional measures available for large samples of countries: process and performance. Process measures describe the institutional "inputs" that produce governance outcomes and has no normative content (<http://www1.worldbank.org/publicsector/indicators.htm>). Such input measures include

assessments of the electoral system or the number of veto players. Performance measures provide subjective assessments of the quality of governance. These include rule of law, high levels of accountability, high levels of perceived government effectiveness and low levels of regulatory burden. Performance indicators are important because they help us understand the credibility of government policies, which can have a positive impact on the perceptions of ethnic groups.

Subjective measures

Hypothesis 1: Ethnic protest and rebellion will be less likely in countries with a high level of rule of law.

Hypothesis 2: Ethnic protest and rebellion will be less likely in countries with a high measure of accountability

Hypothesis 3: Ethnic protest and rebellion will be less likely in countries with a high level of government effectiveness.

Hypothesis 4: Ethnic protest and rebellion will be more likely in countries with a high degree of regulatory burden.

[Define from KKZ]

Federalism

Federalism, which can be present in both authoritarian regimes such as the Soviet Union, and democracies, such as the United States, has been widely discussed as helping or hindering ethnic strife. Some authors argue that federalism gives greater salience to ethnic identities and solidifies ethnic division (Snyder 1999; Cornell). Others argue that federalism, or other forms of regional autonomy, help elevate minority group concerns by a greater devolution of power (Lijphart 1977; Gurr 1993, 2000; Horowitz 1985). This disagreement stems from empirical differences. Many believe that the federal design of Yugoslavia, Czechoslovakia and the Soviet Union contributed to the countries' subsequent disintegration. On the other hand, federalism has helped countries such as India and Malaysia tackle its ethnic problems. Successful federalism is a function of the degree of control that the state exerts over the federal process (Snyder 2000).

I concur with Cohen (1997) and Saideman et al. (2002) that federalism will increase protest but decrease rebellion. Federalism will help alleviate minority group concerns, mitigate the ethnic security dilemma and therefore prevent rebellion. On the other hand, smaller governing units will facilitate collective action as groups and individuals engage in protest in order to influence the local government.

Hypothesis 6a: Ethnic protest is more likely in federal systems.

Hypothesis 6b: Ethnic rebellion is less likely in federal systems.

Consistent with my argument that we must gauge the actual quality of institutions, we should assess the actual operation of a given federal system, which can vary significantly across countries.⁹ Federal systems that are characterized by more devolution of power will be less likely to have ethnic rebellion but higher levels of ethnic protest. On the other hand, they will witness more protest activity as citizens attempt to stake a claim to the localized decision-making process. The effect of these variables will be particularly strong in less developed countries where resources are scarce and the state plays a crucial role in developmental and distributive roles (Evans, Kohli)

Hypothesis 7a: Ethnic rebellion is less likely in federal systems characterized by low-income levels where state or provincial governments are locally elected.

Hypothesis 7b: Ethnic rebellion is less likely in federal systems where sub national governments have extensive regulatory authority.

Hypothesis 7c: Ethnic protest is more likely in federal systems characterized by low-income levels where state or provincial governments are locally elected.

Hypothesis 7d: Ethnic protest is more likely in federal systems characterized by local income levels where state or provincial governments are locally elected.

Consistent with Saideman et al. (2002), I hypothesize that regime age is an important variable. A younger regime will face greater levels of uncertainty as norms and regulations are being put into operation. This means that the traditions and norms of authority, which define governance, are still weakly established. Thus, there will be

⁹ For example, India has an ethnofederal government that has been characterized by a very high degree of central power. The United States has a very different form of federal government, with considerable state power and an elaborate system of checks and balances.

an inverse relationship between the age of the regime and the likelihood of both protest and rebellion. This is consistent with a wide body of literature that says countries are most vulnerable to conflict in transitional periods [give cites]

Hypothesis 6: Ethnic protest and rebellion will be more likely in younger regimes.

Specific to the literature on democracies, there has been a significant amount of debate on whether presidential or parliamentary systems are better for greater stability (Saideman et al. 2002; Shugart and Carey 1992; Shugart and Mainwaring 1997). I posit that these will not have a significant impact on ethnic conflict, because the basic composition of the governance systems does little mitigate the ethnic security dilemma.

Hypothesis 8a: The presence of a presidential or parliamentary system will have no significant impact on the occurrence of ethnic rebellion or protest.

[Need hypothesis on political constraints; veto players, free and fair elections – see Polity?]

Domestic governance: Economic institutions

As noted above, good governance is a reflection of both economic and political institutions. Economic governance has profound implications for the strength and sustainability of government. There is extensive research to show that if a new government can foster economic investment through respect for contract, property and ownership rights, it can improve its legitimacy and the interest of its citizens in the government's continued operation (Kopell and Sharma 2003; Stewart 2000). It should come as no surprise that, if there are considerable economic incentives and opportunities, the incentive to rebellion would decline. Moreover, weak economic development can erode the legitimacy of democratic or democratizing countries (Gurr 2000; Carothers 2002) .

A useful economic measure of state capacity is the government's ability to tax its citizens and obtain revenues. This is measured in terms of the ratio of actual government revenue to predicted government revenue (Feng, Kugler and Zak 2000). Achievement of expected tax revenue shows both state strength and legitimacy.

Hypothesis 7 : Ethnic protest and rebellion will be inversely related to the extraction capacity of the government. .

One of the clearest measures of actual devolution of power is provided by objective data on budgetary allocations. Governments that are active in granting more autonomy to subunits will also devolve a greater proportion of expenditure to such units. In other words, the proportion of government expenditure at the regional level of government will increase with the level of autonomy. This in turn will reduce both levels of protest and rebellion

Hypothesis 9: Ethnic protest and rebellion are less likely if there is a greater devolution of government expenditure.

The central bank is a key player in the monetary policy of a country. The independence of the central bank, free from political whims and opportunism, is crucial for enhancing the credibility of government policies and commitments (Rogoff 1985; Keefer and Stasavage 2003).

Hypothesis 10: Ethnic protest and rebellion will have an inverse relationship with central bank independence.

International intervention: The role of foreign economic penetration

In 2001, while levels of world trade, tourist travel and foreign direct investment (FDI) fell, total FDI flows in nominal terms were higher than any year before 1999 and were almost double the 1995 level. Many parts of the world are characterized by a greater degree of economic openness than ever before (AT Kearney/Foreign Policy Globalization Index; Heritage Foundation/Wall Street Journal Index of Economic Freedom). The impact of market and trade liberalization on conflict has generated a great deal of debate. Most of these discussions have, however, focused on interstate conflict. I will address this gap in the literature by examining the impact of foreign economic penetration (FEP) on domestic, ethnic conflict. FEP refers to the diffusion of capital from developed to developing nations. I will measure this in terms of the level of foreign economic penetration, including foreign direct investment, portfolio investment, foreign aid and long-term debt (Richards, Gelleny and Sacko 2001: 220).

Some empirical studies have found that openness to trade reduced the risk of domestic conflict and state failure (De Soysa 2002; State Failure Task Force). Others have argued that investment flows to developing countries facilitates economic growth, employment and the valuable transfer of technology (Kenen 1994; Walther 1997; IMF 1997; Spar 1998; Eichengreen 1997, World Bank 1997b). Moreover, in order to attract and maintain FDI, government must have rule of law and invest in social services and infrastructure (Chhiber 1997).

Others argue that FEP is a threat to the economic, social and political well being of developing countries. It has been alleged that FEP contributes to uneven wealth distribution, displaces local capital and contributes to unemployment. The dominance of foreign capital creates a race to the bottom regarding such factors as social welfare programs, taxation and wage standards (Eichengreen 1997; Cortty, Epstein and Keely 1998; Rodrik 1998; Richards et. al. 2001; Becker 1995; de Soysa and Oneal 1998). Some argue that foreign economic penetration encourages repression. Transnational corporation have been known to collude with governments in the brutal repression of groups that somehow threaten resource control. This has been at the root of the criticism of corporate activity in countries such as Sudan, Chad and Guatemala and has led to greater demands for corporate accountability (Roessler 2003; Frundt 1987; Collier et al. 2003).

There is empirical, cross-national support showing a strong link between structural adjustment policies and mass protests (Walton and Ragin 1990; Herring and Esman 2001). In countries where there is a high level of involvement of international financial institutions (IFIs), politicians can come to believe that IFI support is more important than building domestic coalition (Herring & Esman 2001: 11). The inflow of funds from overseas can impact different groups in different ways, potentially fuelling ethnic strife. For example, in the early 1980s, the real estate boom in Colombo, Sri Lanka, was fueled by trade liberalization and IFI activities, and was widely interpreted to disproportionately enrich Tamils in the period leading up to the 1983 pogrom (Herring and Esman 2001). On the other hand, development assistance can be an

important source of international leverage. Where this is applied in the form of macro political conditionalities like democratization or protection of minorities, it can play a significant, positive role in mitigating ethnic conflict.

There is an absence of systematic, cross-national studies of these linkages (Van Arkadie 1990; Gibson 2001). Consistent with the neoliberal school of economics, I argue that foreign direct investment has a positive impact on developing countries (Global Development Finance 2003). Because it measures a company's long-term interest in a country, such investment will be higher in countries that offer a sound governing infrastructure and credible policies. Foreign investment will seek more stable environments in which to operate. Highly repressive governments do not provide such long-term stability. In recent years, there have been increasing demands in Western countries for a greater degree of corporate social responsibility. This will translate into a lesser degree of support for repressive government.¹⁰ Moreover, there is little evidence to suggest that highly closed economies tend to have more accommodative policies toward minority groups than those that are open to foreign investment. Much of the literature that has linked foreign direct investment with repression has focused on countries with natural resources. Many such countries tend to be already over determined for conflict (Dabelko and Conca 2003?). A cross-national systematic investigation of the links between FEP and minority groups conflict will correct for this selection bias. Finally, recall that we had defined state capacity as the ability of the government to make credible commitments that will raise the costs of rebellion. The presence of FEP represents investor confidence that the government is capable of making credible commitments. As FEP increases the economic opportunities available to people in the country, the perceived costs of rebellion, which would disrupt the flow of funds and capital, would increase. I expect that, of the indicators of foreign economic penetration, foreign direct investment will have the greatest negative impact on rebellion, because it requires the formation of institutions such as a stable and reliable

¹⁰ There is a substantive difference between foreign direct investment aimed at resource capture, such as oil in Sudan, and investment aimed at services, for example, information technology in India. A fruitful area of future research is the relationship between FEP, on a sector-specific basis, and conflict.

legal framework (Richards et. al. 2001). On the other hand, I expect that there will be an inverse relationship between foreign aid and ethnic conflict, since aid tends to flow to poorly-performing polities.

Hypothesis 11a: Ethnic protest and rebellion will have an inverse relation with foreign economic penetration, measured in terms of foreign direct investment, portfolio investment and long-term debt [need to theorize more carefully on debt aspect; debt should not be equated with FDI; look at change in FEP? FEP/GDP ratios?].

Hypotheses 11b: Ethnic protest and rebellion will have a direct relation with foreign aid.

As indicated in the discussion above, mediation and peacekeeping will be useful at high levels of rebellion, when the state has shown an obvious failure to govern. It will have little or no impact in situations of protest or low-level rebellions.

Hypothesis 12a: International mediation will have no significant impact on protest or low-level rebellions.

Hypothesis 12b: Mediation will have a significant, negative impact on high-level rebellion and protracted civil wars.

Hypothesis 12c: International peacekeeping will have a significant, negative impact on high-level rebellion and protracted civil wars. .

Accounting for other variables

Conflict is a complex process and it is important to take into account other variables that may be important in impacting the occurrence of ethnic conflict. It is possible that conflict is more severe or more frequent in poorer countries. (Lipset 1991). Poor countries might be less able to accommodate conflictual demands, particularly within a democratic structure where the level of political institutionalization lags behind popular expectations. In addition, conflict and violence might be more likely when the economy is in decline or there is rapid change, exacerbating inequality and socioeconomic tensions (Saideman et. al. 2002: 112). Thus, in accordance with the Saideman et al. (2002) model, I have incorporated GNP per capita and change in per capita GNP into my model.

Inequality is a much debated variable. Many scholars have shown that it is not significant predictors of violence while others have argued that horizontal inequality may in fact be a strong indicators.¹¹ In terms of group conflict, one may expect that more disadvantaged groups would be more likely to conflict than others. As in the Saideman et al. (2002) model, I have included indicators for economic, cultural and political differences.¹² Since many studies have shown that more concentrated groups are more likely to engage in conflict, I have also included a measure of ethnic group concentration.

Research Design: Cross-national analysis

The starting point of my research is the MAR data set which will provide the dependent variable and the group-specific independent variables. The time period for investigation will be 1988-2001. The dependent variables will be protest and rebellion, which will be treated separately.

Data on independent variables will be derived from various sources (see Appendix). I will collect data on mediation and peacekeeping, based in part on the coding scheme of the International Crisis Behavior project.

Research Design: Case studies

*[Need suggestions..]*As a supplement to my cross national analysis, I will investigate specific cases that will help us understand the causal patterns involved in conflict management. The cases will also illustrate the context-specificity of institutional solutions to ethnic conflict. While cross-national findings provide us with broad patterns of behavior and outcome, specific remedial policies will vary with each conflict; there are no a priori prescriptions to ethnic conflict management (Byman 2002; Horowitz 1985).

¹¹ Humphreys (2003) points out that while most statistical studies show little relation between inequality and violence, case studies support the thesis that horizontal or group inequality does foster violence.

¹² See Saideman et. al. for a more detailed discussion of the importance of considering these variables.

Sri Lanka (Suspended conflict): The Tamil conflict escalated in the 1980s and 1990s due to poor political governance and a lack of effective decentralization and evolution of power. Consistent with my theory, the rebellion was suspended as of 2001 a result of international mediation and the promise of foreign economic inflows. The peace talks continue to be stalled because of poor political governance, but there has been no return to armed hostilities- a first in two decades. This case will also help illustrate the challenges of effective conflict management in democracies.

[Other potential conflicts]

Indonesia-Achenese – *[Similar situation to Sri Lanka]*

India (Punjab/Kashmir): The Sikh conflict escalated in the 1980s as a result of institutional weakness and a lack of effective power devolution. A combination of repressive measures and effective devolution of power helped resolve the conflict, as did Punjab's considerable economic potential. Contrast to Kashmir, where constant vacillation and empty promises damaged the credibility of the Indian government

*[Problems: Repressive capacity of Indian state – not comparable to Sri Lanka or any other case??
Too much of an outlier on independent variables???]*

Information on cases will be obtained primarily from secondary sources, which are extensive for the conflicts that are being discussed. I will supplement this information with interviews with policy experts and persons directly involved with the conflict management process, many of whom are accessible from Washington, DC. .

APPENDIX

Data sources

Dependent variables

Variable	Coding	Source
Protest	Dichotomous	Minorities at Risk
Rebellion (Hypotheses 1-12)	Dichotomous	Minorities at Risk
Rebellion (Hypotheses 12)	0: No reports 1: Banditry, terrorism, rebellion, small and intermediate guerrilla activity; 2: Large-scale guerrilla activity; 3. Protracted civil wars	Minorities at Risk

Independent variables

Variable	Coding	Source
Rule of law, government effectiveness, regulatory burden and accountability	Ordinal	World Bank*
Federal structure	Dichotomous	Saideman et. al. (2002)
Federal structure: Local elections	Dichotomous	Beck et al. (World Bank)
Federal structure: Extensive authority	Dichotomous	Beck et. al. (World Bank)
Presidential/Parliamentary system	Dichotomous	Saideman et. al. 2002
Regime Age	Dichotomous	Saideman et. al. 2002

Taxation capacity		http://it.cgu.edu/help/data/datalist.com
Decentralization		International Monetary Fund
Central bank independence		Keefer and Stasavage (2003)
Foreign economic penetration		World Bank
Mediation and peacekeeping	Self	News sources; Walter 2002**
Control variables	Various	Saideman et. al. (2002)

*The results of findings related to subjective measures should be treated with a high degree of caution. First, the indices are only available for the period 1996-2002. Second, per the authors, there is considerable margin of error in the calculation of the indices. Third, the very subjectivity of the measures calls for some degree of circumspection in using the indicators, despite the high regard with which they are held.¹³

** Coding for select groups and/or years only.

¹³ Personal communication, World Bank officials.

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