

Indirect counterinsurgency methods are more successful measures that interfere with the population (e.g. occupying forces increases VEO activity).

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General Description of the Literature:

There are many indirect methods that a third party could use to counter a VEO. This hypothesis focuses on one particular method that has received attention among economists and political scientists--foreign aid. Foreign aid has been argued to reduce terrorism by successive US administrations. Formal models from economists suggest that foreign aid should reduce terrorism in certain circumstances (when the aid is targeted to particular sectors). Econometric tests support this assertion. When aid is tied to education, which reduces the pool of potential recruits, or targeted towards counterterrorism, which increases costs to VEOs, then aid is expected to reduce terrorism (Azam and Thelen 2008; Bandyopadhyay, Sandler and Younas 2010). While there are not a lot of studies on the topic, the few that exist are rigorous. Past data, however, has been limited. Sectoral foreign aid data is now available and more refined tests are being pursued.

Detailed Analyses

172: *Indirect counterinsurgency methods are more successful than measures that interfere with the population (e.g. occupying forces increase VEO activity).*

Summary of Relevant Empirical Evidence: Azam and colleagues have examined the relationship between foreign aid and terrorism, and found that aid generally decreases terrorism. However, they use a rough measure of aid that is not broken down by sector, even though their formal models suggest that this is the correct method to test their arguments (Azam and Thelen 2010). Sandler et al.(2010) have a formal model that also suggests that counterterrorism aid should reduce terrorism, but they do not test the model with data. Additionally, Azam and Thelen (2010) find that direct methods, such as US military intervention, increases terrorism compared to foreign aid.

Empirical Support Score: 8

Applicability to Influencing VEOs: This has direct implications for influencing VEOs. The question has been limited to understanding foreign aid and terrorism. Less research has focused on other violent acts or activities by VEOs. All of the research has a limited temporal domain as these data only go back into the 1970s or 1980s. Country coverage is extensive.

Applicability Score: Direct: At least some of the empirical results directly concern the context of influencing VEOs

Bibliography:

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Bandyopadhyay, Subhayu, Todd Sandler, and Javed Younas. 2010. "Foreign Aid as Counter-terrorism Policy." Federal Reserve Bank of St. Louis. Working paper.