

---

## Macroeconomía del desarrollo

# **P**revention and insurance of conflict and terrorism: issues and evidence for Latin America

Andrés Solimano



Economic Development Division

Santiago, Chile. October, 2003

This document was prepared by Andrés Solimano, Regional Adviser of the Economic Commission for Latin America and the Caribbean. Comments by Edgardo Barandiaran and Nat Colleta are appreciated. An earlier version of this paper was presented at the Conference “Human-Driven Disasters: Conflict, Terrorism and Technology” organized by IDB, Washington June 19, 2003. Assistance by Claudio Aravena to the preparation of this paper is appreciated.

The views expressed in this document, which has been reproduced without formal editing, are those of the authors and do not necessarily reflect the views of the Organization.

---

United Nations publication

ISSN printed version: 1680-8843

ISSN online version: 1680-8851

ISBN: 92-1-121423-8

LC/L. 2005-P

Sales N° : E.03.II.G.166

Copyright © United Nations, October 2003. All rights reserved

Printed in United Nations, Santiago, Chile

---

Applications for the right to reproduce this work are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, U.S.A. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and inform the United Nations of such reproduction..

## Contents

---

<b>Abstract</b> .....	5
<b>I. Introduction</b> .....	7
<b>II. Conflict and terrorism: definition and special features</b> .....	9
<b>III. Empirical evidence on conflict and terrorism in Latin America</b> .....	11
<b>IV. Prevention and insurance</b> .....	13
<b>V. Public intervention and efficient insurance</b> .....	15
<b>VI. Final remarks</b> .....	19
<b>Bibliography</b> .....	21
<b>Annex</b> .....	23
<b>Serie Macroeconomía del desarrollo: issues published</b> .....	31

## Tables

Table 1	Armed conflicts in Latin America, 1946-2001 .....	25
Table 2	Number of international terrorist attacks by region, 1991-2002 .....	27
Table 3	Number of international terrorist attacks by countries in Latin America .....	27
Table 4	Colombia, domestic and international terrorist attacks, 1996-2002.....	28
Table 5	Number of human casualties caused by international terrorists attacks, 1991-2002 .....	28
Table 6	Number of facilities struck by international terrorist attacks in the world .....	28

## Figures

Figure 1	Total terrorist attacks by region, 1991-2002.....	29
Figure 2	Total facilities struck by international terrorist attacks in the world, 1991-2002 .....	29

---

## Abstract

---

Latin America has a long history of political violence that include civil wars; guerrilla movements, military intervention, coup d'état, terrorism and others form of violent confrontation. As conflict and terrorism (C-T) produces losses of human lives and destroy assets and property there is an obvious need for prevention and insurance against this kind of risk. Insurance can be provided by both the state and by the market. In countries subject to long and violent conflict there is need for direct provision of insurance and compensation to the victims of conflict and their families. However, also private insurance for C-T risks can be developed. The development of market insurance for these contingencies require adequate pricing, a solid financial base of insurance companies and mechanisms for shifting risk particularly when we are in presence of “extreme events” that increase, substantially, the solvency risk of insurers. The losses of terrorist attacks are sometimes very large (over \$ 50 billions associated with the attacks on the twin towers on September 11, 2001, in New York City). The “extreme event syndrome” calls for some degree of state intervention to secure the solvency of insurance market institutions in the wake of large contingencies. Efficient public intervention requires an adequate understanding of issues of incentive-compatibility, moral hazard and risk diversification that are central in the theory and practice of insurance mechanisms.

## I. Introduction

---

Political violence, conflict, terrorism cause severe dislocation to societies, often lead to losses of human lives and destroy economic assets. The causes of terrorism and conflict are very complex, often related to grievances associated with perceived social and economic injustices, the quest for political power and ideological, ethnic or religious motivations. The prevention of conflict and terrorism (C–T hereafter) is a very complex task that involves a combination of resources, intelligence capacities, institutional reforms that foster a culture of dialogue and peaceful resolution of conflict. Ultimately, economic progress and development are essential for peace and social stability.

As conflict and terrorism produces losses of human lives and destroy assets and property there is a need for insurance against this kind of risk. Insurance can be provided by the state and the market. In countries subject to long and violent conflict there is need for direct provision of insurance and compensation to the victims of conflict and their families. However, also private insurance for C–T risks can be developed. The development of market insurance for these contingencies require adequate pricing, a solid financial base of insurance companies and mechanisms for shifting risk particularly when we are in presence of “extreme events” that increase, substantially, the solvency risk of insurers as they severely strain the financial capacity of private insurance companies. The losses of terrorist attacks are sometimes very large—think, for example, of the cost of over US\$ 50 billions associated with the attacks on the twin

towers on September 11, 2001, in New York City. The “extreme event syndrome” calls for some degree of state intervention to secure the solvency of insurance market institutions in the wake of large contingencies. Efficient public intervention requires an adequate understanding of issues of incentive-compatibility, moral hazard and risk diversification that are central in the theory and practice of insurance mechanisms.

Latin America has a long history of political violence with internal conflicts of different intensity, ideological origins, players and dynamics. These conflicts include civil wars, guerrilla movements, military intervention, coup d'état, terrorism and others form of violent confrontation. According to the United State Department of State, the Latin American region has the highest number of international terrorist attacks in the world, although most of them are concentrated in a single country: Colombia.<sup>1</sup>

This paper discusses analytical and policy issues on the causes of conflict and terrorism and the role for prevention and insurance. It also provides some empirical evidence on the incidence of these phenomena in the Latin American and Caribbean region in the second half of the 20<sup>th</sup> century with more concentration on the 1990s and early 21st century. The paper examines the scope and limits of public and market insurance for terrorism and conflict and highlights the role of public intervention in either providing basic insurance against these contingencies and/or in fostering the development of insurance markets for terrorism and conflict in the Latin American region.

---

<sup>1</sup> See “Patterns of Global Terrorism”, 2002, United States Department of State.

## **II. Conflict and terrorism: definition and special features**

---

Political violence, present in the history of human kind for ages, takes several forms: wars among countries, internal conflict, guerrilla warfare, military overthrow of civilian governments, terrorism, etc. These forms of violence often lead to the loss of human lives, destroy economic assets and cause severe dislocations to normal economic activity and the daily lives of people. Thus, political violence generates welfare costs as well as material losses. The motivations, patterns and dynamics of conflict are multiple. The motivation of internal conflict is related to grievances associated with unequal patterns of distribution of wealth, assets, the lack of political rights, ideology and social exclusion. The propagation of conflict and its duration depends on access to finance by combating groups, on support among the population and on other causes. A recent World Bank study on civil conflict (WB, 2003) shows complex interactions between social groups, ethnicity, access to natural resources and social exclusion in triggering civil conflicts. In addition, this study shows that conflicts persist over time when the rebel groups have a steady financial base that support their fights. This can be due to the exploitation of rich natural resources with a high liquidity value such as diamonds, oil, coca, and others. Also rebel groups often receive financial contributions from Diasporas of nationals living abroad that sustain the armed conflict.

There are some important differences between conflict and terrorism. Conflict involves regular armies and rebel groups and the scale of operations are much larger than in the case of terrorism. Terrorist groups are often smaller than rebel armies and their targets are frequently civilians (and symbolic assets) rather than combatants of an opposite faction, although in conflict like guerrilla warfare, terrorism can be used by some of the factions as part of their tactics.

### III. Empirical evidence on conflict and terrorism in Latin America

---

Table 1 in the annex shows the incidence of armed conflict in Latin America in the period 1946–2001, classified according to different degrees of intensity, internal versus external conflict and type of rebel and insurgent groups.<sup>2</sup> The evidence portrayed in table 1 shows that most of the internal conflicts were motivated by the interest of some of the groups in conflict to seize power, including the regular army through coup de état against elected governments. Large scale, sustained guerrilla warfare was observed in Cuba in the 1950s, in El Salvador in the 1980s, in Guatemala from the 1950s until the mid 1990s and in Colombia since the early 1960s until now.<sup>3</sup> Wars among countries have been often short lived in Latin America; examples of this, include the conflict between Honduras and Nicaragua in 1957, between El Salvador and Honduras in 1969 and a short-lived war between Peru and Ecuador in 1995.

What about terrorism? Table 2 shows that in the 1991–2002 period, Latin America has the *highest* number of international terrorist attacks followed by Western Europe and Asia.<sup>4</sup> However, those attacks are highly concentrated in one country:

---

<sup>2</sup> see Gleditsch, et.al., 2002

<sup>3</sup> See Solimano, 2000 and Sanchez, Solimano and Formisano, 2003.

<sup>4</sup> International terrorism in that publication is defined as terrorist acts that involve nationals of more than one country and assets of international corporations besides national infrastructure. The data on international terrorism for Latin America and other regions of the world comes from the U.S. State Department's publication: "Patterns of Global Terrorism", various issues.

Colombia, that accounts for around 88 percent of the international terrorist attacks committed in Latin America (see table 3), followed, well-behind, by Peru. In the 1990s, there were other high profile terrorist attacks in the region: the bombing in 1992 of the Israeli Embassy in Buenos Aires and the 1994 bombing of the Argentina–Israeli Community Center (AMIA).<sup>5</sup>

---

<sup>5</sup> Argentina also suffered from left-wing terrorism in the late 1960s and early 1970s. Important left-wing groups that adopted violent methods were the *Montoneros* and the ERP (People's Revolutionary Army of Argentina). Uruguay, over a similar period, also suffered from terrorism led by the *Tupamaros*. In the 1980s Peru was besieged by terrorist activity led by *Sendero Luminoso* (Shining Path). However, not all terrorist activity has been led by left-wing groups. During the right-wing military regimes of the 1970s in the Southern Cone of Latin America, state-sponsored terror through kidnappings and shootings was responsible for thousand of deaths through the disappearance of people.

## IV. Prevention and insurance

---

Important policy issues are the *prevention* of conflict and terrorism and the *insurance* against losses of life, property and destruction or damage of assets.

### Prevention

Preventing civil conflicts and terrorism is not a simple task. Path dependence is an important feature of these phenomena. Countries or regions with a long history of conflict and terrorism (e.g. Colombia, Northern Ireland, Israel, the Basque country in Spain) have a higher probability of the continuation of conflict than a country with a history of peace and tranquility. At a broader level preventing conflict and terrorism is a complex task that involves economic, political and legal measures. A culture of negotiation and consensus can foster the peaceful resolution of potential conflicts in societies. In contrast, an easy access to arms and funding availability for rebel groups and individuals creates a better environment for conflict and terrorism to flourish. Economic development can also help preventing conflict. In fact, the World Bank (2003) study shows a lower incidence of armed conflict in countries with sustained economic growth and higher levels of per capita income than in poor and unstable countries. In contrast, the relationship between income per capita levels and terrorism is weak: we also see that terrorism occurs in medium income and high-income countries such as Northern Ireland, the United Kingdom, Spain and Israel and, recently, in the United States.

## Insurance

As conflict and terrorism cause economic damages and destroy human lives, people and societies are willing to invest resources to minimize those costs. Insurance against C–T risks can be provided by the public sector as in Spain, Israel, Ireland and other countries. The market also can provide private insurance for conflict and terrorism. Adequate pricing of C–T risks is one of the problems for the development of these markets. As insurance premiums are set in line with actuarial probabilities of events and the determinants of those probabilities, in the case of conflict and terrorism are not well known, pricing becomes a complex issue. Another potential impediment of the development of private insurance against these contingencies is the so –called problem of “extreme events” (large losses).<sup>6</sup> Extreme events such as the terrorist attacks of September 11, in New York City can generate losses that often exceed the financial capacity of insurance companies. In the twin towers attack, those losses were estimated in over 50 billion dollars (see Jaffee and Russell, 2002).<sup>7</sup> These events have usually a low probability of occurrence, near 1 percent, but very high possible losses. The key for insurance markets to operate efficiently and companies to provide insurance against large expected losses is the existence of mechanisms to shift risks from agents that are exposed to risk to agents that have a low position in risky assets. Individuals or communities exposed to the occurrence of terrorist attacks or conflict are “long” in risky assets—say their properties or themselves are exposed to large potential losses. They need, thus, to diversify those risks. In turn, in the capital markets there are agents “short” in risky assets that in exchange for an attractive return would be willing to acquire those assets provided their risk structure is not correlated with other existing assets in their portfolios.

Insurance companies, by pooling assets with different risk distributions (cars, houses, life insurance, etc), can reduce the costs of managing risks. However, in the case of conflict or big terrorist attacks their capital base, reserves and retained profits can be insufficient to absorb the occurrence of large contingencies. Therefore, companies face non–trivial bankruptcy risks when insuring events with large expected losses even if their probability of occurrence is low. To diversify risks, the insurance company may sell part of their risky portfolio to a reinsurance company. In turn, re–insurance companies also need to shift the risk of their policies to reduce insolvency risks.<sup>8</sup> For this to happen, we need a liquid capital market that trade the suitable instruments able to transferring risk to agents with short exposure to risk but an appetite for good returns.

Such an instrument is a security called cat (catastrophe) bonds.<sup>9</sup> Cat bonds usually pay to investors a substantial premium, often near 10 percentage points over LIBOR in exchange for an asset whose principal can be lost in the event of a disaster to occur (unprotected principal).<sup>10</sup> The key element of the bond is that in the event of extreme risk the investor may not recuperate the principal of the bond, relieving the issuer of the Cat Bond of a large liability. The Cat bond reduces the strain on the capital base and solvency of insurers in the event of very large losses.<sup>11</sup>

---

<sup>6</sup> A growing new literature has started dealing with these issues. See Froot (1999), Jafee and Russel (2002), Niehaus (2002), Lakdawalla and Zanjani (2002), Woo (2002), Kunreuther (2002), Auffret (2003), Anderson, (2002).

<sup>7</sup> Natural disasters, such as the hurricane Andrew that hit the state of Florida in the U.S. in 1992 generated losses of near 20 billion dollars.

<sup>8</sup> In Paul Samuelson (1962)’s terms the issue is to partition risk among various agents and investors.

<sup>9</sup> The classic theory of resource allocation of risk (Arrow, 1964, 1996; Debreu, 1959, Borch, 1974) shown that individuals can manage efficiently their exposure to contingent liabilities by taking (long and short) state–contingent, risk exchange securities. In practice, catastrophe (Cat) bonds are state–contingent, risk exchange securities that can transfer risks across agents.

<sup>10</sup> Alternatively, the principal can be paid over ten years. The funds raised by the Cat bond are put in a trust account. This is another positive feature of these bonds since this reduces the credit risk of other instruments issued by insurance companies.

<sup>11</sup> The attractive combination of return and risk has enabled individual issuances of Cat bonds for over 400 millions in the United States in the 1990s.

## V. Public intervention and efficient insurance

---

There are several instances in which the direct provision of public insurance is needed. For humanitarian considerations after a civil war or a large-scale conflict the families of victims of conflict often need to be compensated. This may take the form, for example, of for-life pensions to disabled former combatants and their families. After the end of the civil wars in Guatemala and El Salvador schemes of compensations were put in place by governments. In turn, countries such as Spain, South Africa, Israel and Northern Ireland that have traditionally suffered from terrorist activity, governments have created public schemes of insurance against terrorism based on mandatory premiums and/or taxes on property (see Jaffee and Russel, 2002).<sup>12</sup>

Publicly provided insurance for C–T risks, in the absence of a market for such risks, certainly fills a gap but also carry some potential costs. First, there is no assurance that the public insurance company will properly price C–T related risk, particularly if general taxes on property are used to generate funds for the agency. The result may be an inefficient allocation of risk insurance. Second, although the solvency risks of the public sector is lower than the solvency risk of private companies given the capacity of the government to enact taxes, at social level the risk assumed by the state may be shifted to the

---

<sup>12</sup> The case of Great Britain is interesting. A special agency called Pool Re, basically a mutual insurance company has been set up with the purpose of providing reinsurance of losses on commercial property sustained as a result of a terrorist attack (as defined by an enabling statute). The British government acts a re-insurer to Pool Re, therefore acting as an insurer of last resort, charging a premium to Pool Re only after the accumulated surplus reaches 1 billions pounds<sup>12</sup>.

private sector in unanticipated and inefficient ways (e.g. distortionary taxes can be levied). Third, an all-encompassing public insurance company can become a monopoly of insurance against terrorism, conflict and other forms of human-led disaster risk. As a result of this monopoly, competition is stifled and private markets for insurance may not develop.

According to the theory of insurance an incentive compatible insurance scheme is one that leaves the insured (or the insurance company) to cover the initial layers of risk. As we move up in the risk layers, we need to go to the capital market or be financed by the government as insurer of last resort. In fact, when the government is willing to reinsure the top tier of losses that are beyond the capacity of an insurance company, then we refer to this as the government playing the role of *insurer of last resort*.

In the United Kingdom the agency Pool Re (that provides terrorist insurance) is an example of a limited liability pool (LLP) combined with an insurer of last resort, the later function played by the British Treasury. In the United States, the California Earthquake Agency (CEA) is a LLP but without an explicit insurer of last resort like in the U.K.<sup>13</sup> The combination of a state-provided LLP plus insurance of last resort has potential incentive problems that could be avoided by a market solution based on the securitization of insurance risk. In the British system, the allocation of insurance for high layers of risk is made by the state that provides insurance coverage for extreme events eliminating the risk of bankruptcy by the insurer. A market alternative is to transfer to investors in the capital market the risk of extreme events that generate large losses through a suitable security issued by insurance or reinsurance companies. That security could be the catastrophe bond of the kind we discussed before.

Still this may not be really a “pure” market solution. In fact, to provide some “comfort” to investors, the government may acquire Cat Bonds tailored to cover the highest layers of C–T risks. In this case, the government would play, implicitly, the role of *insurer of last resort* through its commitment to buy Cat Bonds to insure high-risk layers. Another possibility to reduce high layers of risk is to open a credit line by the Central Bank to primary insurance companies operating in the segment of C–T risks. In this case, the Central Bank plays the role of *creditor of last resort*. In this scheme, the loan will be oriented to cope with liquidity problems associated with payment of insurance losses related to C–T risks. The loan can also cover capital of insurance companies depleted after the occurrence of insurance losses. Assets of the insurance firm would collateralize the loan and government debt will have priority over claims on equity by shareholders. However, government debt will have less priority than the liabilities to insurance policy holders. The key question is whether the lender of last resort function of government is a substitute of the role of insurer of last resort. The most likely case is that the market will not accept the solution of a lender of last resort as a full substitute of an insurer of last resort; if this is the case, the capitalization of insurance companies exposed to large losses may not take place without an insurer of last resort.

## Moral hazard issues

Public insurance with mandatory premiums and no deductibles often create moral hazard problems. In turn, private insurance of risks associated with C–T events can reflect the risk of low mitigation by the insured agent charging higher premiums. Of course, too high a premium may “kill” a market, so premiums must be in line with the capacity and willingness to pay of the

---

<sup>13</sup> The agency of public insurance can be a quasi-public entity holding all C–T insurance risks backed by the capital base, reserves and retained profits. In this case, the actual entity managing the insurance can be a limited liability pool (LLP) whose resources available to pay claims are given by its own capital base, reserves and retained profits. A LLP has no claim on government resources (Jaffee and Russell, 2003). In the case of an extreme event policyholders may not be able to receive full payments for their losses according to the formal status of a LLP. Of course, there is always the possibility of a government to bail out the insured a practice that creates its own problems of moral hazard.

clients<sup>14</sup>. A combination of both self-insurance and market insurance would take care of the lower layers inducing a degree of prevention that reduce moral hazard. In addition to retention (e.g. the existence of deductibles) as a device to reduce moral hazard problems, it is important that the trigger under which the insurance payment is activated is beyond the control of the “cedent” (the entity that buys the policy or transfer the risk to other agent).

The fact that the government is likely to play the role as insurer of last resort for high layers of C-T risk (or directly set-up a public insurance agency for all terrorist risk) creates, in principle, incentives for undertaking adequate prevention. Ultimately, the fight against terrorism is the domain, mainly, of governments, likewise the prevention of civil conflict.

---

<sup>14</sup> Froot (1999) analyzing the market insurance for natural disasters recommends insurance contracts and cat bonds that cut losses into layers, so that each contract has an associated limit, or maximum possible loss

## VI. Final remarks

---

Currently, in Latin America there is a clear lack of both public and private insurance mechanisms for facing the contingencies associated with political violence, conflict and terrorism. These events have had a significant incidence in Latin America in the recent past and create losses of human lives, destruction of assets and entertain social insecurity. Prevention of political violence, conflict and terrorism requires actions in several fronts: one is the development of a culture of understanding and peaceful resolution of conflict along with economic and institutional reforms that lift living standards and reduce inequality and exclusion. For humanitarian reasons there is a need of public insurance and compensation for victims and their families in countries that have suffered protracted and costly internal conflicts. At the same time, there is a potential scope for developing market insurance for terrorism and conflict related losses, provided incentives, risk and moral hazards issues are properly managed.

The development of private insurance needs to adequately manage complex pricing problems of this kind of risk as well as handle the financial consequences of “ extreme events” in which a major terrorist attack (e.g. the New York City’s Twin Towers collapse on September 11) creates very high losses that strain the financial capacity of private insurance and reinsurance companies and create large bankruptcy risk. The problem of pricing of C–T risk may be particularly serious in the shaky area of terrorism and conflict, given the lack of precise and well–verified knowledge of the determinants and dynamics of these phenomena. In turn, solvency risk can be handled, in principle, through suitable financial instruments that shift

risk from insurance companies to investors short in risky assets. Well-structured insurance schemes have the property of partitioning the layers of risk with self-insurance and market insurance taking care of initial layers of risk, leaving to international capital markets and public intervention to provide risk protection against “extreme events”. Moral hazard problems associated with too little mitigation and insufficient prevention is another dimension of the development of adequate insurance of terrorism and conflict risk. In any case, the social benefits of having adequate prevention and insurance mechanisms for these large contingencies are bound to be very large in historically conflicting Latin American societies.

## Bibliography

---

- Anderson, T. (2002) “Innovative Financial Instruments for Natural Disaster Risk Management” Sustainable Development Department, Technical Papers Series, Inter-American Development Bank. .
- Arrow, K (1964) “The Role of Securities in the Optimal Allocation of Risk Bearing” Review of Economic Studies, 31, April., 91–96.
- (1996) “The Theory of Risk Bearing: Small and Great Risks” Journal of Risk and Uncertainty, 12: 1023–111.
- Borch, K. (1974) The Mathematical Theory of Insurance, Lexington, Ma; Heath.
- Brown, J., R. Kroszner and B. Jenn (2002) “Federal Terrorism Risk Insurance” NBER Working Paper # 9271.
- Debreu, G. (1959) The Theory of Value, New York, Wiley.
- Froot, K, editor, (1999) The Financing of Catastrophic Risk .The University of Chicago Press.
- (1999) “The Evolving Market for Catastrophic Risk Insurance” NBER Working Paper #7287.
- Gleditsch, N. , P. Wallenstein, M. Erisksson, M. Sollenberg and H. Strand (2002) “Armed Conflict 1946–2001: A New Data Set” Journal of Peace Research 39 (5):615–637.
- Jaffee, D. and T. Russell (2002) “Extreme Events and the Market for Terrorist Insurance” NBER Insurance Conference, February.
- Kunreuther,H. (2002) “The Role of Insurance in Managing Extreme Events: Implications for Terrorist Coverage” Wharton, Financial Institutions Center.
- Lakdawalla, D. and G. Zanjani (2002) “Insurance, Self-Protection and the Economics of Terrorism” NBER Working Paper 9215.
- Niehaus, G. (2002) “The Allocation of Catastrophe Risk” Journal of Banking and Finance, 26: 585–596, Elsevier.

- Samuelson, P. (1963) "Risk and Uncertainty: A Fallacy of Large Numbers" Scientia, 98.
- Sanchez, F., A. Solimano and M. Formisano (2002) "Conflict, Violent Crime and Criminal Activity in Colombia", mimeo, Research Program of the Economics and Politics of Civil Wars, Yale University.
- Solimano, A., Editor, (2000) Colombia: Essays on Peace, Conflict and Development, Conflict Prevention and Post-Conflict Reconstruction. The World Bank.
- U.S Department of State (2003) "Patterns of Global Terrorism", April.
- Woo, G. (2002) "Quantifying Insurance Terrorism Risk" NBER Insurance Conference.
- World Bank (2003) Breaking the Conflict Trap: Civil Wars and Development Policy, Policy Research Publication.

## **Annex**

---

**Table 1**  
**ARMED CONFLICTS IN LATIN AMERICA, 1946-2001**

Country	Objective	OPPOSITION ORGANIZATION	YEAR	Intensity Level *
Argentina	Government	Military faction	1955	Minor
		Military faction	1963	Minor
		ERP ( Revolutionary People's Army), Montoneros (left-wing armed branch of the Peronist Party)	1973-74	Minor
			1975	War
			1976-77	Intermediate <sup>[1]</sup>
Argentina - UK	Territory	Malvinas/Falkland Islands	1982	War
Bolivia	Government	Popular Revolutionary Movement	1946	War
		MNR (Movimiento Nacionalista Revolucionario: National Revolutionary Movement)	1951	Minor
		ELN (Ejército de Liberación Nacional: National Liberation Army)	1967	Minor
Chile	Government	Military faction	1973	Minor
Colombia	Government	FARC (Fuerzas Armadas Revolucionarias Colombianas: Revolutionary Armed Forces of Colombia, ELN (Ejército de Liberación Nacional: National Liberation Army), EPL (Ejército Popular de Liberación: People's Liberation Army), M-19 (Movimiento 19 de Abril: 19 April Movement), Faction of FARC, Faction of ELN, MAO (Movimiento de Autodefensa Obrera: Workers' Self-Defence Movement), Quintin lame <sup>[2]</sup>	1965-79	Minor <sup>[3]</sup>
			1980-88	Intermediate <sup>[4]</sup>
			1989-90	War
			1991	Intermediate
			1992-93	War
			1994-97	Intermediate
			1998-01	War
Costa Rica	Government	National Liberation Army	1948	War
Cuba	Government	Military faction	1953	Minor
		Movimiento 26 de Julio: 26 July Movement	1957	Minor
			1958	War
		National Revolutionary Council, USA	1961	Minor
Dominican Rep.	Government	Military faction	1965	Minor <sup>[5]</sup>
Ecuador-Peru	Territory		1995	Minor
El Salvador	Government	Military faction	1972	Minor
		ERP (Ejército Revolucionario del Pueblo: People's Revolutionary Army), FAL (Fuerzas Armadas de Liberación: Armed Liberation Forces), FARN (Fuerzas Armadas de Resistencia Nacional: Armed Forces of National Resistance), FMPL (Fuerzas Populares de Liberación Farabundo Martí: Farabundo Martí Popular Liberation Forces), PRTC (Partido Revolucionario de Trabajadores Centroamericanos: Revolutionary Party of Central American Workers) <sup>[6]</sup>	1979-80	Minor
			1981-90	War
			1991	Intermediate
El Salvador - Honduras	Territory		1969	War
Guatemala	Government	Military faction	1949	Minor
		Forces of Carlos Castillo Armas	1954	Minor
			1965-67	Minor
		MR-13 (Movimiento Revolucionario Trece de Noviembre: 13 November Revolutionary Movement), FAR (Fuerzas Armadas Rebeldes: Rebel Armed Forces), EGP (Ejército Guerrilleros de los Pobres: Guerilla Army of the Poor), PGT (Partido Guatemalteco del Trabajo: Guatemalan Worker's Party), ORPA (Organización del Pueblo en Armas: Organization of Armed People) <sup>[7]</sup>	1968	Intermediate
			1969-87	War
			1988-91	Intermediate
			1992	War
	1993-95	Intermediate		
Haiti	Government	Tonton Macoute, Military faction	1991	Minor
Honduras-Nicaragua	Territory		1957	Minor
Mexico	Government	EZLN (Ejército Zapatista de Liberación Nacional: Zapatista National Liberation Army)	1994	Minor

Table 1 (Continued)

Country	Reason of Conflict	Opposition Organization	Year	Intensity Level *
Nicaragua	Government	FSLN (Frente Sandinista de Liberación Nacional: Sandinista National Liberation Front) Contras <sup>[8]</sup>	1978-79	War
			1981-82	Minor
			1983-88	War
			1989	Intermediate
Panama	Government	Military faction	1989	Minor
Panama-USA	Government		1989	Minor
Paraguay	Government	Opposition coalition (Febreristas, Liberals and Communists)	1947	War
		Military faction	1954	Minor
		Military faction	1989	Minor
Peru	Government	MIR (Movimiento de la Izquierda Revolucionaria: Movement of the Revolutionary Left), Túpac Amaru [Guillermo Lobatón], ELN (Ejército de la Liberación Nacional: the National Liberation Army) SL (Sendero Luminoso: Shining Path), Sendero Rojo (Red Path), MRTA (Movimiento Revolucionario Tupac Amaru Tupac Amaru Revolutionary Movement)	1965	Minor
			1980	Minor
			1981-85	War
			1986-87	Intermediate
			1988-92	War
Surinam Trinidad and Tobago	Government	SLA (Surinamese Liberation Army)/Jungle Commando	1986-88	Minor
	Government	Jama'at al-Muslimeen (Society of Muslims)	1990	Minor
Uruguay	Government	MLN (Movimiento de Liberación Nacional: Movement of National Liberation) or Tupamaros	1972	Minor
Puerto Rico	Territory	Puerto Rican Nationalist Party	1950	Minor
Venezuela	Government	Military faction	1962	Minor
		Military faction (Revolutionary Bolivarian Movement for National Salvation)	1992	Minor

**Source:** Nils Petter Gleditsch, Peter Wallensteen, Mikael Eriksson, Margareta Sollenberg & Håvard Strand (2002). 'Armed Conflict 1946–2001: A New Dataset', *Journal of Peace Research* 39(5): 615–637. The latest version of this document <http://www.prio.no/cwp/armedconflict/>

**Note:** \* Minor armed conflict: at least 25 battle-related deaths in that year and fewer than 1,000 battle-related deaths during the course of conflict. Intermediate armed conflict: at least 25, but fewer than 1,000 battle-related deaths in that year and an

accumulated total of at least 1,000 deaths. War: at least 1,000 battle-related deaths in that year. Names of the opposition organizations are given in the local language, if available, and in English.

<sup>1</sup> Possibly war in 1976–77.

<sup>2</sup> Only FARC and ELN active in 1992–99.

<sup>3</sup> It is unclear when the conflict changed from minor to intermediate.

<sup>4</sup> Possibly war in several of the years.

<sup>5</sup> Possibly war in 1965.

<sup>6</sup> In 1980, FMLN (Frente Farabundo Martí para la liberación nacional: Farabundo Martí Front for National Liberation) was formed by ERP (Ejército Revolucionario del Pueblo: People's Revolutionary Army), FAL (Fuerzas Armadas de Liberación: Armed Liberation Forces), FARN (Fuerzas Armadas de Resistencia Nacional: Armed Forces of National Resistance), FPL (Fuerzas Populares de Liberación Farabundo Martí: Farabundo Martí Popular Liberation Forces) and PRTC (Partido Revolucionario de Trabajadores Centroamericanos: Revolutionary Party of Central American Workers).

<sup>7</sup> In 1980, URNG (Unidad Revolucionaria Nacional Guatemalteca: Guatemalan National Revolutionary Unity) was formed by FAR (Fuerzas Armadas rebeldes: Rebel Armed Forces), EGP (Ejército Guerilleros de los Pobres: Guerilla Army of the Poor),

PGT (Partido Guatemalteco del Trabajo: Guatemalan Worker's Party) and ORPA (Organización del Pueblo en Armas: Organization of Armed People).

<sup>8</sup> Various groups, mainly FDN (Fuerzas Democráticas Nicaraguenses: Nicaraguan Democratic Forces).

**Table 2**  
**NUMBER OF INTERNATIONAL TERRORIST ATTACKS BY REGION, 1991-2002**

Region	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1991-2002 Total	1991-2002 Annual Average
	Africa	3	10	6	25	10	11	11	21	53	55	33	5	243
Asia	48	13	37	24	16	11	21	49	72	99	68	99	557	46.4
Eurasia	6	3	5	11	5	24	42	14	35	31	3	7	186	15.5
Latin America	229	143	97	58	92	84	128	111	122	192	201	50	1507	125.6
Middle East	78	79	100	116	45	45	37	31	26	20	29	29	635	52.9
North America	2	2	1	0	0	0	13	0	2	0	4	0	24	2.0
Western Europe	199	113	185	88	272	121	52	48	85	30	17	9	1219	101.6
<b>Total</b>	<b>565</b>	<b>363</b>	<b>431</b>	<b>322</b>	<b>440</b>	<b>296</b>	<b>304</b>	<b>274</b>	<b>395</b>	<b>427</b>	<b>355</b>	<b>199</b>	<b>4371</b>	<b>364.3</b>

**Source:** Patterns of Global Terrorism, U. S. Department of State.

**Note:** \* The term "international terrorism" used by the U.S. State Department is the following "means terrorism involving citizens or territory of more than one country". This definition we assume includes foreigners as perpetrators or victims and assets of foreign companies and organizations as targets of terrorist attacks.

**Table 3**  
**NUMBER OF INTERNATIONAL TERRORIST ATTACKS BY COUNTRIES \***  
**IN LATIN AMERICA, 1994-2002**

Country	1994	1995	1996	1997	1998	1999	2000	2001	2002
Argentina	1			0	0	1	0	0	0
Bolivia	0	0	0	0	0	1	0	0	0
Chile	1	1	2	0	0	1	1	0	0
Colombia	41	76	66	107	108	112	186	191	49
Ecuador	1	0	0	0	0	4	1	0	0
Peru	3	3	2	15	1	0	0	0	1
Panama	1	0	0	0	0	0	0	0	0
Venezuela	0	0	0	0	0	3	1	0	0
Other Countries	10	12	14	6	2	0	3	10	0
<b>Total</b>	<b>58</b>	<b>92</b>	<b>84</b>	<b>128</b>	<b>111</b>	<b>122</b>	<b>192</b>	<b>201</b>	<b>50</b>

**Source:** Patterns of Global Terrorism, U. S. Department of State.

**Note:** \* The term "international terrorism" used by the U.S. State Department is the following "means terrorism involving citizens or territory of more than one country". This definition we assume includes foreigners as perpetrators or victims and assets of foreign companies

Table 4

**COLOMBIA. DOMESTIC AND INTERNATIONAL TERRORIST ATTACKS\*, 1996-2002**

Years	Number
1996	625
1997	858
1998	748
1999	804
2000	1 037
2001	795
2002	1 171

**Source:** National Department of Planning, Colombia.

**Note:** \*Terrorist attacks is the use of explosive like bomb, bomb car, cylinders of gas and sound bomb, directed to unamed individuals and economic assets and infrastructure.

Table 5

**NUMBER OF HUMAN CASUALTIES CAUSED BY INTERNATIONAL TERRORIST ATTACKS\*, 1991-2002**

REGION	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Africa	3	28	7	55	8	80	28	5379	185	102	150	12
Asia	150	25	135	71	5 639	1507	344	635	690	904	651	1 281
Eurasia	7	0	1	151	29	20	27	12	8	103	0	615
Latin America	68	374	66	329	46	18	11	195	10	20	6	52
Middle East	33	236	178	259	445	1 097	480	68	31	78	513	772
North America	0	1	1 006	0	0	0	7	0	0	0	4 091	0
Western Europe	56	65	117	126	287	503	17	405	16	4	20	6
<b>Total</b>	<b>317</b>	<b>729</b>	<b>1 510</b>	<b>991</b>	<b>6 454</b>	<b>3 225</b>	<b>914</b>	<b>6 694</b>	<b>940</b>	<b>1211</b>	<b>5 431</b>	<b>2 738</b>

**Source:** Patterns of Global Terrorism, U. S. Department of State.

**Note:** \* The term "international terrorism" used by the U.S. State Department is the following "means terrorism involving citizens or territory of more than one country". This definition we assume includes foreigners as perpetrators or victims and assets of foreign companies and organizations as targets of terrorist attacks.

Table 6

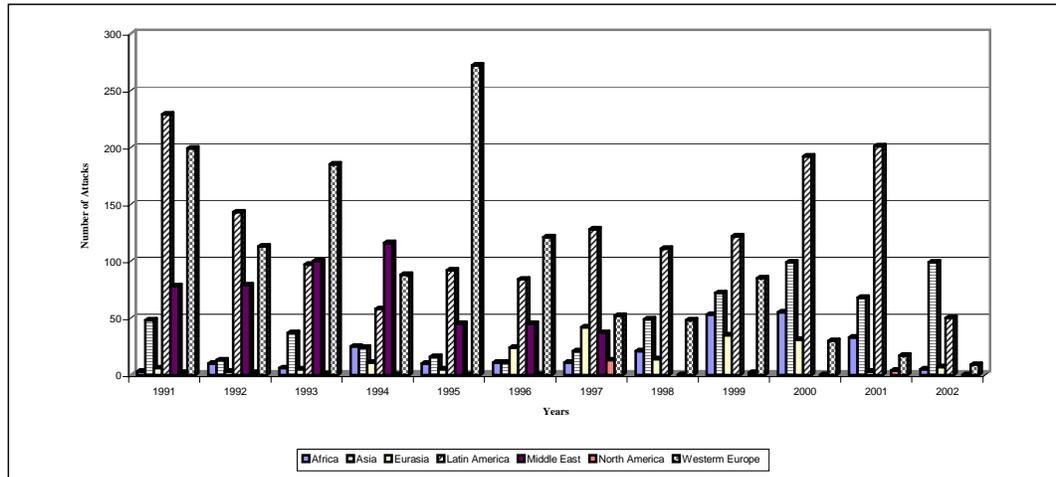
**NUMBER OF FACILITIES STRUCK BY INTERNATIONAL TERRORIST ATTACKS IN THE WORLD\*, 1991-2002**

Facilities Struck	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Business	377	249	280	130	338	235	327	282	278	383	408	111
Diplomat	112	71	42	24	22	24	30	35	59	29	18	14
Government	34	11	20	27	20	12	11	10	27	17	13	17
Military	29	5	15	5	4	6	4	4	17	13	4	1
Other	139	146	109	126	126	90	80	67	96	114	101	75
<b>Total</b>	<b>139</b>	<b>146</b>	<b>109</b>	<b>126</b>	<b>126</b>	<b>90</b>	<b>80</b>	<b>67</b>	<b>96</b>	<b>114</b>	<b>101</b>	<b>75</b>

**Source:** Patterns of Global Terrorism, U. S. Department of State.

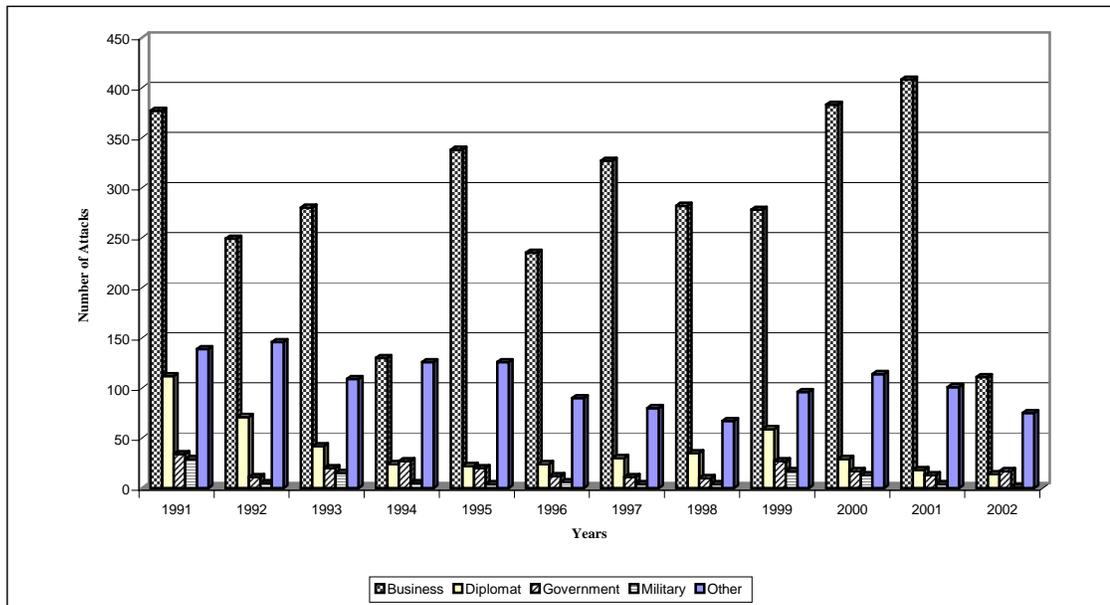
**Note:** \* The term "international terrorism" used by the U.S. State Department is the following "means terrorism involving citizens or territory of more than one country". This definition we assume includes foreigners as perpetrators or victims and assets of foreign companies and organizations as targets of terrorist attacks.

**Figure 1**  
**TOTAL TERRORIST ATTACKS BY REGION, 1991-2002**



Source: Patterns of global terrorism, U.S. Department of State

**Figure 2**  
**TOTAL FACILITIES STRUCK BY INTERNATIONAL TERRORIST ATTACKS IN THE WORLD, 1991-2002**



Source: Patterns of global terrorism, U.S. Department of State



## Serie

# Macroeconomía del desarrollo

### Issues published

1. The impact of structural reforms on growth in Latin America and the Caribbean: an empirical estimation, Hubert Escaith and Samuel Morley (LC/L.1446-P), Sales N° E.00.II.G.123 (US\$10.00), 2000. [www](#)
2. Modernización económica y empleo en América Latina. Propuestas para un desarrollo incluyente, Tilman Atenburg, Regine Qualmann y Jürgen Weller (LC/L.1512-P), N° de venta S.01.II.G.55 (US\$ 10.00), 2001. [www](#)
3. Exportaciones de manufacturas de América Latina: ¿Desarme unilateral o integración regional?, José Miguel Benavente, (LC/L.11523-P), N° de venta S.01.II.G.66 (US\$ 10.00), 2001. [www](#)
4. Globalization and Liberalization: The Impact on Developing Countries, Barbara Stallings, (LC/L.1571-P), Sales N° E.01.II.G.114 (US\$ 10.00), 2001. [www](#)
5. Job Creation in Latin America in the 1990s: The Foundation for Social Policy, Barbara Stallings and Jürgen Weller (LC/L.1572-P), Sales N° E.01.II.G.115 (US\$ 10.00), 2001. [www](#)
6. Procesos de exclusión e inclusión laboral: la expansión del empleo en el sector terciario, Jürgen Weller, (LC/L.1649-P), N° de venta S.01.II.G.187 (US\$ 10.00), 2001. [www](#)
7. Tributación ambiental, macroeconomía y medio ambiente en América Latina: aspectos conceptuales y el caso de Brasil, Ronaldo Seroa da Motta, (LC/L.1650-P), N° de venta S.01.II.G.188 (US\$ 10.00), 2001. [www](#)
8. Long Run Economic Development in Latin America in a Comparative Perspective: Proximate and Ultimate Causes, André A. Hofman, (LC/L.1665-P), Sales N° E.01.II.G.199 (US\$ 10.00), 2001. [www](#)
9. Financial Regulation and Supervision in Emerging Markets: The Experience of Latin America since the Tequila Crisis, Barbara Stallings and Rogerio Studart, (LC/L.1670-P), Sales N° E.01.II.G.205 (US\$ 10.00), 2001. [www](#)
10. La problemática de la coordinación de políticas económicas, Christian Ghymers, (LC/L.1674-P), N° de venta S.01.II.G.209 (US\$ 10.00), 2001. [www](#)
11. The Evolution of World Income Inequality: Assessing the Impact of Globalization, Andrés Solimano, (LC/L.1686-P), Sales N° E.01.II.G.124 (US\$ 10.00), 2001. [www](#)
12. ¿Cuán dinámicas son las exportaciones intrarregionales latinoamericanas?, José Miguel Benavente, (LC/L.1669-P), N° de venta S.02.II.G.10 (US\$ 10.00), 2002. [www](#)
13. Euro and the financial relations between Latin America and Europe: medium and long-term implications, Luis Miotti, Dominique Plihon y Carlos Quenan, (LC/L.1716-P), Sales N° E.02.II.G.27 (US\$ 10.00), 2002. [www](#)
14. Regional integration and the issue of choosing an appropriate exchange-rate regime in Latin America, Hubert Escaith, Christian Ghymers and Rogerio Studart (LC/L.1732-P), Sales N° E.02.II.G.86 (US\$ 10.00), 2002. [www](#)
15. Globalizing talent and human capital: implications for developing countries, Andrés Solimano (LC/L.1773-P), Sales N° E.02.II.G.87 (US\$ 10.00), 2002. [www](#)
16. Las políticas del mercado de trabajo y su evaluación en Brasil, Carlos Alberto Ramos (LC/L.1814-P), N° de venta S.02.II.G.128 (US\$ 10.00), 2002. [www](#)
17. Las políticas de mercado de trabajo y sus evaluaciones en Chile, Guillermo García-Huidobro (LC/L.1833-P), N° de venta S.02.II.G.139 (US\$ 10.00), 2002. [www](#)
18. Las políticas de mercado de trabajo en México y su evaluación, Norma Samaniego (LC/L.1834-P), N° de venta S.02.II.G.140 (US\$ 10.00), 2002. [www](#)
19. Las políticas de mercado de trabajo y su evaluación en América Latina, Norma Samaniego (LC/L.1836-P), N° de venta S.02.II.G.142 (US\$ 10.00), 2002. [www](#)
20. Emergencia del euro y sus implicaciones para América Latina y el Caribe, Hubert Escaith y Carlos Quenan (coordinadores) (LC/L.1842-P), N° de venta S.03.II.G.7 (US\$ 10.00), 2003. [www](#)
21. Estudio de las experiencias europeas de instrumentos de evaluación de las políticas del mercado de trabajo, Francisco Mato, (LC/L.1846-P), N° de venta S.03.II.G.13 (US\$ 10.00), 2003. [www](#)
22. Development cycles, political regimes and international migration: Argentina in the twentieth century, Andrés Solimano, (LC/L.1847-P), Sales N° E.03.II.G.14 (US\$10.00), 2003. [www](#)

23. Governance crisis and the Andean region: a political economy analysis, Andrés Solimano (LC/L.1860-P), Sales N° E.03.II.G.33 (US\$ 10.00), 2003. [www](#)
24. Regional integration in latin America and dynamic gains from macroeconomic cooperation, Hubert Escaith and Igor Paunovic, (LC/L.1933-P), Sales N° E.03.II.G.92 (US\$10.00), 2003. [www](#)
25. Balance estructural del Gobierno central de Chile: análisis y propuestas, Heriberto Tapia (LC/L.1938-P), N° de venta S.03.II.G.97 (US\$ 10.00), 2003. [www](#)
26. Remittances by emigrants: issues and evidence, Andrés Solimano, (LC/L.1990-P), N° de venta S.03.II.G.152 (US\$ 10.00), 2003. [www](#)
27. Prevention and insurance of conflict and terrorism: issues and evidence for Latin America (LC/L.2005-P), N° de venta E.03.II.G.166 (US\$ 10.00), 2003. [www](#)

- Publications available for sale should be ordered from the Distribution Unit, ECLAC, Casilla 179-D, Santiago, Chile, Fax (562) 210 2069, [publications@eclac.cl](mailto:publications@eclac.cl).
- [www](#): These publications are also available on the Internet: <http://www.cepal.org/> o <http://www.eclac.org>

Name:.....
Activity: .....
Address: .....
Postal code, city, country:.....
Tel.:..... Fax: ..... E.mail address:.....