Globalization and Conflict in Developing Countries: Role of Institutional Quality

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ABSTRACT

Globalization may either be a blessing or a curse for any country depending on its effects on the economy and lives of human beings. Conflicts whether inter-state or intra-state have devastating effects on economic as well as human development. The study aims to analyze the impact of globalization on conflict by focusing on the role of institutional quality in this relation. According to structuralists, globalization may increase conflict by increasing inequality and poverty through unequal distribution of resources. On the contrary, liberalists view that globalization reduces conflict by promoting overall economic growth and is beneficial for the masses. Moreover, the state with better institutional quality has more ability to deal with the effects of globalization. The study focuses on both the intra-state and inter-state conflict and has considered different dimensions of globalization namely, economic, social and political for the panel of 83 developing countries over the period 1970-2020. Other variables incorporated in the study are GDP growth, total natural resource rent, population growth, and ethnic fractionalization. Results are in accordance with the structuralist view indicating positive relationship between globalization and inter and intra state conflict. Moreover, better institutional quality is mitigating the negative impact of globalization on conflict.

ملخص

العولمة يمكن أن تكون إما نعمة أو نقمة لأي بلد بالنظر إلى آثارها على الاقتصاد والحياة البشرية. ولا شك أن للصراعات، سواء كانت بين الدول أو داخلها، آثار مدمرة على التنمية الاقتصادية والتنمية البشرية على حد سواء. تهدف هذه الدراسة إلى تحليل أثر العولمة على النزاعات، مركزة على دور الجودة المؤسسية في هذا الصدد. وفقا للبنيويين، قد تؤدي العولمة إلى زيادة الصراع حيث

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تؤدي إلى زيادة عدم المساواة وتفاقم مشكلة الفقر من خلال التوزيع غير المتكافئ للموارد. وعلى العكس من ذلك، يرى الليبراليون أن العولمة تقلل من الصراع من خلال تعزيز النمو الاقتصادي العام وهي مفيدة للعموم. علاوة على ذلك، فإن الدولة التي تتمتع بجودة مؤسسية عالية لديها قدرة أكبر على التعامل مع آثار العولمة. تركز الدراسة على كل من الصراع الداخلي والصراع بين الدول وتنظر في الأبعاد الاقتصادية والاجتماعية والسياسية للعولمة في 83 دولة نامية خلال الفترة ما بين 1970 و2020. بالإضافة إلى ذلك، تعالج الدراسة متغيرات أخرى كنمو الناتج المحلي الإجمالي، وإجمالي ريع الموارد الطبيعية، والنمو السكاني، والتجزئة العرقية. وتتفق نتائج الدراسة مع وجهة النظر البنيويين التي تشير إلى وجود علاقة بين العولمة والصراع الداخلي والخارجي. وعلاوة على ذلك، فإن تحسين الجودة المؤسسية قد يخفف من الأثر السلبي للعولمة المتمثل في تعميق الصراعات.

RÉSUMÉ

La mondialisation peut être une bénédiction ou une malédiction pour tout pays en fonction de ses effets sur l'économie et la vie des êtres humains. Les conflits, qu'ils soient inter-étatiques ou intra-étatiques, ont des effets dévastateurs sur le développement économique et humain. L'étude vise à analyser l'impact de la mondialisation sur les conflits en se concentrant sur le rôle de la qualité institutionnelle dans cette relation. Selon les structuralistes, la mondialisation peut accroître les conflits en augmentant les inégalités et la pauvreté par le biais d'une répartition inégale des ressources. Au contraire, les libéraux considèrent que la mondialisation réduit les conflits en favorisant la croissance économique globale et en étant bénéfique pour les masses. En outre, l'État doté d'une meilleure qualité institutionnelle est mieux à même de faire face aux effets de la mondialisation. L'étude se concentre à la fois sur les conflits intra-étatiques et inter-étatiques et a pris en compte différentes dimensions de la mondialisation, à savoir économique, sociale et politique, pour un panel de 83 pays en développement au cours de la période 1970-2020. Les autres variables incorporées dans l'étude sont la croissance du PIB, la rente totale des ressources naturelles, la croissance démographique et la fractionnalisation ethnique. Les résultats sont en accord avec le point de vue structuraliste, indiquant une relation positive entre la mondialisation et les conflits inter et intra-étatiques. En outre, une meilleure qualité institutionnelle atténue l'impact négatif de la mondialisation sur les conflits.

1. Introduction

Globalization refers to highly integrated global market in terms of capital, technology and labor (Merriam-Webster's, 2006; Johnson, 2002). This integration can also be decomposed on social, political and economic basis (Cherry, 1994). Globalization integrates multi-continental actors through their production and monetary systems (Norris, 2000). It creates networks having interregional and transcontinental partners (McGrew, 1998; Bairoch and Kozul-Wright, 1996). However, the socio economic and political consequences of globalization is still a matter of debate among researchers and policymakers. The economic implications of globalization are widely discussed with inconclusive findings. Whereas, fallouts of globalization for inter-and intra-state peace are still not explored extensively by researchers. At one hand, globalization is believed to increase global integration, promotes harmony, and leads to higher convergence among countries, on the other hand, it is expected to increase political tension, destabilizing political orders, and armed conflict which further creates aggression and hostility within as well as outside the country (Pollins, 2008). This uncertain situation gets the shape of armed conflict when the state uses military strength against non-state actors (Gasiorowski, 1986). The contagious instabilities inside the country may occur due to political, economic and ethnic insecurities (Smith, 1999). Intra-state conflicts usually occur because of separatist movements on the basis of social and economic disparities (Horowitz, 1988).

Relationship between globalization and conflict has been highlighted by different schools of thought. Liberalists proclaimed interdependence or globalization as a gateway to peace. As conflict brings height of disincentives, which ultimately leaves the state at the looser end and increase the opportunity cost (Keohane and Nye, 1973; Fearon, 1995; Rosecrance, 1986). On the contrary, Structuralists argue that globalization increases conflict through income inequality and labor exploitation (Hegre et al., 2003; Galtung, 1971). The positive relation between inequality and conflict is in accordance with the theories of relative deprivation (Firebaugh, 1992b). Inequality through globalization affects both developing and developed economies by producing 'working poor' class (Wood, 1995). Moreover, according to neo-realist, globalization may cause autonomy and territorial problems among interdependent states, which can instigate war (Keohane and Nye, 1973). Realists argue

that benefits or losses from globalization depend upon the decision-making by a state according to its interests. Asymmetrical gains from trade usually lead to conflict (Gowa, 1986; Buzan, 1984).

Economic globalization has the ability to instigate only low intensity civil wars. Deterrence and insurance promote civil conflicts by compromising the stability of the state (Martin et al., 2008). The progressive fallouts of globalization increase the opportunity cost of conflict (Collier and Hoeffler, 2005). People participating in conflict have to bear high costs in the form of destabilized economy (Fearon and Laitin, 2003). Globalization and ethnic conflict are not directly related to each other but grievances against the government may cause ethnic protests (Ishiyama, 2004). Social-psychological approach states that when inter-group comparison is created and enhanced by extractive institutions, it creates unrest (Lieberman and Singh, 2012). High quality institutions would make war expensive and vice versa (Wig and Tollefsen, 2016; Loasby, 1999; Acemoglu and Robinson, 2006). Institutional quality may affect the conflict through two primary channels. Firstly, through influencing the motivation that ultimately leads to violence, and the second one is the functioning of the institutions that either control or accelerate conflict. In the presence of high-quality institutions aggression would be an expensive undertaking. In both of the situations, whether external or internal militia have to bear high cost to ignite conflict. (Wig and Tollefsen, 2016).

Empirical evidence on the relationship between globalization and conflict is mixed. Some researchers claim a direct and statistically significant relationship between globalization (specifically social & political) and armed conflict (Ezcurra and Manotas, 2013). Others conclude that globalization (specifically social) is negatively associated with conflict (Chisadza and Bittencourt, 2016; Stephens, 2018) while some researchers concluded that economic and political globalization are least predictors of armed conflict. Another strand of literature shows a negative relationship between globalization and onset of civil war, particularly, economic globalization negligibly affects civil war (Barbieri and Reuveny, 2005; Bussmann and Schneider, 2007). The researchers claim that increase in trade increases income inequality but did not conclude any significant relationship between conflict and inequality (Hegre et al., 2003). However, in the case of international conflict, monetary interdependence

has a positive while capital investment has a negative effect (Gartzke and Boehmer, 2001).

In a recent study, Amavilah, Asongu and Andrés (2017) have analyzed the implications of globalization for peace and stability in Africa. Authors construct the link as a three-stage process with four testable hypotheses. The findings reveal that the effects of globalization defined as commerce are stronger than those of globalization defined as foreign direct investment. The authors argue that foreign direct investment is ineffective at stimulating and sustaining African knowledge base. Moreover, the prospects for the knowledge economy in African countries may be realistic and attainable, as long as these countries continue to engage in the type of globalization that promotes peace and stability and reduce conflict.

Stephens (2018) not only analyses the prominent theories of globalization and conflict, but also utilizes panel data on globalization and conflict in Africa to lend empirical support to these theories and also investigates the impact of rate of globalization on conflict. Study findings reveal a negative impact of globalization on conflict. However, the rate of change of globalization increases conflict, and size of impact is greater for the latter. In another study for African countries, Chisadza and Bittencourt (2018) focused on the impact of globalization on conflict in a panel data setting for the period 1970 to 2013. The findings show that historical shifts reduced territorial boundaries and generated incentives that discouraged enmity. Furthermore, the findings indicate that social globalization is instrumental in driving these outcomes. The influence of social contacts through increased migration, commerce, and information availability promotes tolerance while increasing the opportunity cost of conflict.

Globalization is frequently blamed for a variety of evils, including the escalation of warfare in crucial regions. In an interesting study, Gallea, & Rohner, (2021) determine the validity of these claims. researchers created a database to determine the strategic value of any given place. To conduct empirical analysis, a panel data set of 0.5 decimal degrees grid cells (55 km 55 km at the equator) encompassing the entire planet from 1989 to 2018 is created. The algorithm in the paper is aimed to locate crucial zones in the sea, so-called maritime "*choke points*" (e.g., straits or capes), which are locations of "*natural congestion along two wider and important*

navigable passages" that are often of critical strategic importance for international commerce. Consistent with the game-theoretic model of strategic interaction, the authors discover that overall fighting is more common in strategic locations near maritime choke points (e.g., straits or capes), but that thriving global trade openness significantly reduces the risk of conflict erupting in such strategic locations. Moving one SD (1,100 km) closer to a choke point increases the likelihood of conflict by 25% of the baseline risk during periods of low globalization while decreasing it during periods of high globalization.

Focusing on the role of institutional quality, there are two primary channels through which institutional quality affects the conflict positively or negatively. The first way is through influencing the motivation that ultimately leads to violence, and the second one is the functioning of the institutions which either control or accelerate conflict. When the state owns high quality institutions it will make aggression an expensive wear. In both of the situation whether external or internal militia, have to bear high cost to ignite the conflict. High quality institutions are considered as the crucial assets of the sates. They are the integral part of the local state capacity. People residing in the districts with high institutional quality, effective police and judicial system will mostly oppose to engage themselves in any of the conflict or violence. As they have to bear high costs and sacrifice their peace of mind to indulge into conflicts. Contrary to this, people in those areas where the local institutions are not up to the mark will join the violence or conflict movements because of their grievances towards state. Poor intuitions will be one of the most prominent reasons of increasing homegrown rebellions. Local grievances can only be controlled through high quality local intuitions which in turn will curtail rebellions (Wig and Tollefsen, 2016).

Loasby (1999) argues that effective institutions reduce the waves of uncertainty. These tend to provide a clear roadmap towards the distributions of scarce resources. Poor institutions do not have ability to work efficiently that leads to resource misalignment. These disorders or malfunctions ultimately lead to the situation of chaos and violence. Appropriate allocation of resources is considered being extremely important for peace and stability of the state. Misallocation creates the sense of inequality among the people. Whenever the benefits are enjoyed by some counted groups in the country and other masses are deprived of the necessities it will create inequality, which ultimately foster the

conflict. As the people suffering from inequality will have low opportunity cost and they can join the rebel groups.

Acemoglu and Robinson (2006) favor globalization and argue that the institutions which are created through globalization are the source of creating harmony and positive environment globally. These institutions decrease income inequality and polarization and lower down the gap between the poor and rich. The environment of trust and harmony will push the masses to participate in the peace process and support the redistributive policies. The opportunity cost which people have to bear to engage in the conflict will be increased as they started enjoying basic necessities and development.

Since, institutional quality plays an important role in the relationship between globalization and conflict, the present study aims at analyzing the impact of globalization on conflict in the presence of institutional quality. Nevertheless, some of the earlier studies have analyzed the impact of globalization on conflict; but the present study is unique in its attempt to estimate the impact of globalization on conflict for developing countries by incorporating the role of institutional quality. The study utilizes the panel data of 83 developing countries over the period 1970-2020 and applies system GMM estimation technique for empirical assessment.

The paper proceeds with historical evolution of globalization in section 2. Methodology and data is presented in Section 3, while section 4 presents the results and discussions. Finally, section 5 concludes the paper.

2. Historical Evolution of Globalization and Conflict

History shows three waves of globalization. Maddison (2001) stated that the economies experienced first wave of globalization (1870-1914) due to cut in transport costs and reduction in trade barriers, UK being the dominant beneficiary (Bairoch and Kozul-Wright, 1996). The main advantages for European economies were technology intensive transport and flourishing manufacturing sector which helped in achieving consistent economic growth. The first wave was the era of high growth, migration and capital flows (Lindert and Williamson, 2003).

However, the first wave was followed by the reversal period of thirty years (1914-1945). Amid Great Depression, all the economies had increased their protection measures to save domestic industries resulting in reversal of global integrations (Maddison, 2001). The ills of reversal phase forced the economies to again move toward global integrations. This second phase was dominated by US and resulted in the formation of United Nations (Straw and Glennie, 2012). Besides, easing trade restrictions among developed countries lead to signing of GATT agreements (Kuznet, 1967). Moreover, Lindbeck (1973) stated that 1990s was the period of regional cooperation specifically exports among Western European countries increased manyfold.

Nevertheless, this liberalization had its own structures and patterns. Primarily, second phase trade constitutes raw materials and finished products benefiting both developed and developing world with lowering down poverty levels (Baldwin and Marti, 1999; Jones, 1997). The developed economies enjoyed this upturn until mid of 1970s when they were stuck in stagflation and oil shocks due to collapse of Keynes's postwar settlements and Bretton Wood system (Straw and Glennie, 2012). To reverse these economic downfalls, supply side reforms were proposed which globally helped to reduce inequality and poverty levels (Pinkovskiy and Sala-i-Martin, 2009; Chandy and Gertz, 2011). Almost 100 years of first two phases were globally beneficial to the masses; now the prevailing third wave of globalization is predicted to be dominated by the Asian region specifically China (O'Neil, 2011; Zhu et al., 2011).

Moving towards the trend of conflict, the 20th Century was the era in human history with largest number of deaths in different conflicts; WWI (1914-18) took the lives of 17 million people, WWII (1939-45) had death toll of 75-80 million people (Fearon and Laitin 2003). Historically WWII was the deadliest conflict. The 20th century also witnessed '*Russo-Japanese War*' which took the lives of 60,000 people, followed by second '*Sino- Japanese War*' in 1937 which ended up after atomic attack on Japan in 1945 and Chinese Revolution in 1949 (Mahajan, 2003). During that period 1936-39, Spain also faced civil war causing lives of more than 500,000 people, which erupted due to military interference and attempt to topple the civilian government (Macgarry, 2004). From 1943-1949, Greece was trapped in civil war due to clashes between communist party and central government ending up in death toll of 117,139 persons (Christodoulakis, 2016). Soon after another conflict took place in 1950

(Korean War) when North Korea attacked South Korea (Cumings, 2010). Korean War ended in 1953 with the loss of 2-3 million people.

Furthermore, in 1948 the war between Arab and Israel also erupted on the issue of Palestine. Arabs lost the War and 78% of the territorial control was under the Jews and 700,000 Palestinians were forced to migrate (Pressman, 2005). Similarly, South Asian history is full of inter-state and intra-state conflicts. Afghanistan has a long history of conflicts starting from political instability and civil war in 1973 to Soviet Union invasion in 1978, which faced backlash due to guerrilla tactics. After Soviet withdrawal in 1989, civil war again broke out in 1992, ended in 1996. After 9/11, US blamed Afghan Taliban of supporting al-Qaida and attacked Afghanistan which took lives of almost 100,000 people (Qadir, 2002). Bangladesh is also facing civil war among Chittagong hill's Shanti Bahini and armed forces (Islam, 2003). India and Pakistan also have long history of conflicts, Kashmir being the most critical issue. Further, Sri Lanka faced "race riots" due to economic and social discrimination in 1956, 1958, 1978, the worst in 1983 which took the lives of 1,000 innocent Tamils.

The regional conflicts have its own history; India and China two most influential countries of Asia region indulged into conflicts in 1962 on Tibet-India border issue (Devereux, 2009) followed by another regional conflict between Malaysia and Indonesia from 1963-66 (Ab Ghani et al., 2013). One more regional conflict erupted when US attacked North Vietnam through Cambodian border in 1970. The war ended in 1975 with the win of North Vietnam (Von Bogdandy et al., 2005). In African region, countries face civil wars due to its ethnic diversity. Somalia, Rwanda, Liberia and Angola all of them faced ethnic conflicts (Elbadawi and Sambanis, 2000). Angola faced 27 years of civil war from 1975 after independence till 2001 when USSR declared it as People's Republic of Angola. Burundi also faced 13 years of civil war started with the murder of President of the State (Nkurunziza et al., 2005). The conflict took the lives of almost 300,000 people.

Uganda in 1979 was attacked by Uganda National Liberation Army (UNLA). The conflict broke out due to ethnic divide among Northern and Southern parts of the Country (Kustenbauder, 2010) ended in 1985 with the death of almost 300,000 civilians and soldiers. In 1955, Sudan faced separatists' movement due to Islamization, the conflict ended after 25

years due to the "Addiss Ababa Agreement". In 1983, the country again underwent the civil conflict on the issue to Shariah law and oil reserves, ended in 2005 by signing the agreement called "Comprehensive Peace Agreement" (CPA) (Gonzalez, 2010; Ottaway and El-Sadany, 2012). This war took the lives of 2 million people and displaced almost 4 million residents. Sudan did not enjoy peace for the long time again in 2011 war broke out settled in 2015 and again started in 2016 (Knopf, 2016). The world's history of war is long and ugly, with the biggest loss being that of human life and suffering. While the frequency of incidences of outright wars have reduced, the factors that may have contributed to that and the circumstances that may ignite another high casualty conflict need to be identified and avoided through unilateral as well as multilateral reforms.

3. Data and Methodology

Based on the framework of Ezcurra and Manotas (2013), the study adapted the following model to analyze the empirical relationship between conflict and globalization for the panel of 83 developing countries from 1970-2020.

$$con_{it} = \alpha_{0i} + \alpha_1 glob_{it} + \alpha_2 IQ_{it} + \alpha_3(glob_{it} * IQ_{it}) + \alpha_4 GDP_{it} + \alpha_5 Pop_{it} + \alpha_6 HC_{it} + \alpha_7 TNR_{it} + \alpha_8 EF_{it} + \eta_{it}$$

Where, Con_{it} = conflict variable, incorporated both inter-state and intra-state conflict. It is measured by the threshold of 500 battle-related deaths and takes the value from 0-10 where '0' denotes no episode of conflict for that year.   Inter-state conflict total, measures the summed magnitude scores of inter-state violence and inter-state war faced by the state during that particular year while civil conflict total, measures the summed magnitude scores of intra-state violence and war faced by the state during that particular year. Data of conflict is taken from Major Episodes of Political Violence (MEPV) dataset. $Glob_{it}$ shows KOF globalization index which includes economic, political and social globalization. IQ_{it} refers to institutional quality measured by democratic accountability and sourced from ICRG dataset. GDP_{it} presents Gross Domestic Product (growth annual %). POP_{it} is population growth (annual %). HC_{it} reflects human capital index based on years of schooling and economic returns and TNR_{it} shows total natural resource rent as % of GDP. Data of GDP_{it}, POP_{it} and

TNR$_{it}$ is taken from world development indicators database, while data of HC$_{it}$ is sourced from Penn World Table.

Some researchers are of the view that globalization reduces conflict. The main advantages of integration are related to economic development and social changes experienced by the globalized economies. Access to international markets encourages economic stability with increased development. It further promotes social changes with the influx of people as well as technological advancements. All these benefits promote friendly relationships between states, as denial of this change will cost them a lot in many sectors, therefore, political instability and threat of civil war can be minimized through globalization (Choi, 2010; Flaten and De Soysa, 2012; Barbieri and Reuveny, 2005; Hegre, et al. (2003 and 2010). On the contrary, many researchers argue that globalization promotes hostility and conflict. They argue that interdependence increases inequality among the masses and people suffer from poverty, which in turn expands the gap between the rich and the poor. This gap creates the attitudes of grievances among people and instigate conflicts within the state (Bezemer and Jong-A-Pin, 2013; Olzak, 2011).

Institutional quality, directly or indirectly, has impact on grievances, which in turn promotes conflict. Institutions with low quality are the main reason to instigate grievances as they directly or indirectly damage social balance. This might be true for both external and internal conflicts. Moreover, high corruption level reduces the investment in development projects such as infrastructure and education. This sense of negligence of compromised infrastructure gets imparted in the masses in the form of discrimination that ultimately results in intrastate conflict. In contrast, high quality local institutions working responsibly may lead to lower grievances and increase the opportunity cost of involvement into conflict (Meredith, 2005; Le Billon, 2003).

Presumably, the relationship between per capita income growth and conflict is negative because higher per capita income not only reduces the poverty level but also lower down the grievances experienced by the people which ultimately curtail the circumstances that promote conflicts. Fearon & Laitin (2003) argue that high income per-capita decreases conflict as people's opportunity costs of involving into conflicts increases. As far as impact of population growth is concerned, Rothgeb (1990) and Collier & Hoeffler (1998) are of the view that large population

size increases possibility of conflict because of more heterogenous groups of population, influx of people in rebellious groups and larger number of people with grievances against government. Human capital is also believed to negatively affect conflict because education helps people to engage themselves in productive activities that leave positive impact on the economy. Skillful population enjoys employment facilities rather than engaging themselves in any war or conflict (Pinker, 2011; Reynal-Querol, 2002a). Finally, Pinker (2011) argue that natural resource rent increases the probability of conflict as people wanted to accumulate power as much as they can because of the wealth attached with the natural resources.

4. Results and Discussions

4.1.   Descriptive Statistics

Table 1 presents the descriptive statistics of variables used in the analysis. It is evident from the table that the selected sample of countries are experiencing both interstate as well as intrastate violence. However, the onset of intra-state violence, on average, is higher during the selected time period. In addition, the variation in the intra-state violence is also higher as compared to the inter-state violence. As far as different types of globalization is concerned, it is observed that the average value of political globalization is highest followed by economic and social globalization. On the other hand, the average value of the institutional quality measured through democratic accountability is 3.2 with standard deviation of 1.5 indicating the, on average, the selected sample of countries exhibit moderate level of institutional quality. As the standard deviation of IQ is less than mean which indicates less dispersion in the IQ. The average value of GDP growth and its standard deviation reflects a low economic growth on average with high dispersion/variation among the selected countries. The ethnic fractionalization portrays moderate level of fractionalization while natural resource rent highlights a huge disparity among the countries.

Table 1: Descriptive Statistics

Variables/ Sample	Obs	Mean	S.D	Min	Max
ICT	3445	0.14	0.7	0	6
CCT	3445	1.3	2.2	0	10
IQ	2090	3.2	1.5	0	6
Eglob	3474	41.4	13.9	10.2	79.5
IQ_eglob	2045	152.07	97.6	0	475.1
Sglob	3568	35.51	16.4	6.7	84.2
IQ_ sglob	2076	139.57	107.1	0	505.5
Pglob	3568	53.56	19.9	6.2	98.5
IQ_pglob	2076	212.4	132.9	0	589.2
GDPG	3247	3.98	6.93	-64.0	123.1
POPG	3747	2.091	1.4	-6.3	15.2
HC	2786	1.8	0.6	1.0	3.6
TNR	3200	9.5	11.4	0	83.2
EF	2090	3.4	1.4	0	6

4.2. Discussion of Empirical Results

The empirical analysis is based on two sets. Firstly, the impact of globalization on each type of conflict is estimated, separately. Secondly, the role of institutional quality is examined in the relationship of globalization and conflict. The estimates for the impact of globalization on interstate conflict are presented in Table 2. Panel A presents empirical findings while Panel B displays diagnostics. It is worth mentioning that the study estimates not only the impact of overall globalization on conflict but also of its three types, namely, economic, social and political, on conflict. This exercise helps in identifying which type of globalization is more robust for its impact on conflict.

According to Table 2, globalization and conflict show direct positive relationship at 1% level of significance. Particularly, one percent increase in globalization causes 0.087 percent increase in inter-state conflict. The results support the Structuralists school of thought. Factors related to globalization which creates rapid increase in conflict are declined growth rates, increased poverty and inequality through potential gap between rich

and poor (Hillebrand, 2017). These factors fuel the political and economic instabilities which in turn becomes the reason to ignite or sustain conflict in the region. Greif, Milgrom and Weingast (1994) provide the evidence that the undesirable effects of globalization increase conflicts. They argue that the multilateral and bilateral agreements held to pacify the trading process does not meet the needs of the hour to curtail the risk of conflict among the countries engaged in free trading patterns. Barbieri and Levy (1999), Martin et al., (2008), Hafner-Burton and Montgomery (2012) stated that when bilateral trade shifts to the multilateral then the opportunity cost to step into conflict decreases which in turn increases conflict. The extent of relationship among states whether friendly or conflictual depends upon the trade agreements carried out for interdependence (Hirschman, 1977). However, geographical location of the trading partners also decides about positive or negative effects of globalization. Lee and Pyun (2018) explain that partners sharing boundaries are more likely to indulge into conflict.

All the three dimensions of globalization show statistically significant and positive relationship with conflict. One percent increase in social globalization will increase conflict by 0.25%. For economic globalization, on percent increase in this measure of globalization will increase conflict by 0.01%. Finally, with 1% increase in political globalization inter-state conflict will increase by 0.08%. The results show that among all the categories, social globalization

Table 2: Impact of Globalization on Inter-State Conflict

Panel A				
Column	**(1)**	**(2)**	**(3)**	**(4)**
Variable				
$Glob_{it}$	0.087** (.037)			
$IQ_{it}*glob_{it}$	0.004* (0.002)			
$sglob_{it}$		0.25*** (.069)		
$IQ_{it}*sglob_{it}$		0.005* (0.003)		
$eglob_{it}$			0.016* (0.009)	
$IQ_{it}*eglob_{it}$			0.004 (0.003)	
$Pglob_{it}$				0.085*** (.030)
$IQ_{it}*pglob_{it}$				0.013*** (0.005)
GDP_{it}	0.031 (0.025)	-0.103** (0.050)	0.101** (0.039)	0.19** (0.078)
IQ_{it}	-.338** (0.158)	-.511*** (0.193)	-0.26* (0.159)	-1.08*** (0.40)
HC_{it}	-4.92** (2.06)	-14.5*** (3.98)	-2.72*** (0.878)	-9.20*** (3.03)
TNR_{it}	-.010 (0.007)	0.036* (0.019)	-0.014** (0.006)	0.014 (0.014)
Pop_{it}	-.038 (0.033)	-.084 (0.067)	-0.064** (0.031)	-0.15** (0.07)
EF_{it}	-.026 (0.024)	0.245*** (0.082)	0.015 (0.024)	-0.08 (0.05)
Panel (B) Diagnostic tests				
Under ID Test	9.31* (0.09)	31.09*** (0.000)	33.8*** (0.000)	16.9*** (0.009)
Hansen Test	1.95 (0.74)	7.72 (0.46)	10.3 (0.32)	6.88 (0.22)
Endogeneity test	1.913 (0.167)	2.107 (0.156)	2.351 (0.503)	5.310 (0.150)

Note: Standard errors are reported in (). ***, **,* shows the level of significance at 1%, 5% and 10% respectively. P-values for under ID and Hansen tests are also mentioned. For all sets of regressions, we have used lagged values of endogenous variables (GDP growth, IQ, HC) and other exogenous variables.

have higher impact as compared to the other two. For developing countries, it is established that globalization in all forms is undesirable and is in fact causing violence. This may be attributed to the kind of external influences being exerted on developing countries in general, which may include initiation of proxy wars, transfer of xenophobic and racist ideologies, extremist ideologies and support of rebel groups etc. This also compels a dependent developing nation to enter conflicts due to strategic interests.

The estimated result shows negative and statistically significant impact of institutional quality on inter-state. High quality institutions inhibit the executive from initiating conflictual foreign policy and holds the state accountable for instigating violence. This makes the executive unable to start a violent conflict without popular support, which is hard to come by and thus the risk of inter-state conflict is lowered (Bergh, Mirkina & Nilsson, 2014; (Boswell and Dixon, 1990; Maoz and Russett, 1993). These institutions through their conflict management tools promote global harmony (Raymond, 1994; Mitchell, 2002).

In order to capture the role of institutional quality in the relationship of globalization and violence, we have introduced an interaction of all measure of globalization and institutional quality indicator. The results indicate positive but less than direct impact of globalization. This refers to the fact that institutional quality in developing countries is not strong enough to combat the adversities of globalization. For economic globalization, we do not find any significant role of institutional quality.

Among other determinants, the results show that increase in human capital causes decline in conflict. The social stability scholars advocate that the state that invests in human development may have the ability to deal with the risk of conflicts. It reduces conflict through increasing educational facilities, controlling economic and income inequality and lowering down the gap between the rich and the poor (Acemoglu & Robinson, 2006; Galor, Moav and Vollrath, 2009). However, misallocation of resources leads to increase grievances and inequality which ultimately results in conflict (Kim & Conceicao, 2010). Investment in human capital leads to increase the opportunity cost for the people to enter into conflict (Blattman and Miguel, 2010; Acemoglu and Robinson, 2006; Hoddinott and Kinsey, 2006; Shemyakina, 2006; Justino, 2009). The 'contest model' explains the nexus between conflict and human

capital with equal distribution of resources (Garfinkel, 1990). It may create an environment of mistrust on the state and decrease an opportunity to enter into the rebellion groups (Garfinkel & Skaperdas, 2007). Asymmetric information (lack of infrastructure and communication) due to low investments in human capital hinders the two parties to enter into sustain and credible commitments which leads to conflict (Kim & Conceicao, 2010; Dal Bó and Powell, 2007).

Table 2 show negative impact of resource rent on conflict. while comparing resource rich and poor countries, studies explain that resource abundant states (inelastic resource demand) are left with excess resource wealth as compared to the other (Acemoglu and Robinson, 2012). The positive or negative effects of resources depends upon the spending patterns, investments in development of labor specifically in resource sector, welfare of population and institutional quality (Dal Bó & Dal Bó, 2011; Snyder & Bhavnani, 2005). Moreover, low institutional quality is believed to make resource rent a curse for the states, as it decreases the opportunity cost for the people to indulge into conflict (Torvik, 2002; Mehlum, Moene & Torvik, 2006). Researches state that countries with ethnic heterogeneity do not enter into inter-state conflict as jumping into others war may harm their own country's structure and negatively affect the prevailing harmony across the ethnic groups (Huibregtse, 2010) and may not allow the state to reach any unanimous decision of entering into inter-state conflict (Carment et al., 2006).

Increase in GDP growth leads to increase in the interstate conflict. The realist school of thought argue that development increases the war making potential of the state (Waltz, 1990). Moreover, the country makes high investments to increase its military strength and engage into conflict as supported by war chest hypothesis (Blainey, 1988).

Moving ahead, Table 3 reports the estimation results for the relationship between globalization and intra-state conflict. The results show that there is positive and statistically significant relationship between globalization and intra-state conflict. This finding is supported by the Structuralist that globalization increases conflict through inequality and poverty. In the race of labor intensiveand capital intensive exports, the poor countries face more ills of globalization (Dos Santos, 1970; Amin & Robins, 1990). In developing countries, all the benefits are enjoyed by the elites, poor are the most ignored part of society (Rapley, 2004). This gap (rich and poor)

creates disagreement in the society and decreases opportunity cost for the people to enter into conflict and violence (Boswell & Dixon, 1990). Moreover, foreign investors pressurize the government to control the hostile situation and provide suitable environment, failing which may activate the non-state actors within the country which increases civil conflict. Moreover, imbalance wages approach (high in developed, low in developing) in different sectors and limited bargaining power of labor increases inequality, the main curse of globalization which increases the onset of conflict (Nielson and Alderson, 1995; Firebaugh, 1992a). The inequality is related to the sentiments of grievances against and mistrust on the government which is usually cashed by the rebellion groups against state (Mason, 2003; Muller & Seligson, 1987).

By estimating the impact of different types of globalization, we observed that economic and political globalization show positive relationship with intra state violence; however, the impact of economic globalization is insignificant. However, social globalization shows negative impact on intra state conflict. The results show that among all the categories, political globalization have higher impact as compared to the other two types of globalization.

Institutional quality shows negative relationship with intra-state conflict. High quality institutions can minimize the chances of unrest and conflict through proper allocation of resources, controlling inequality, bridging the gap between rich and poor and more importantly, by providing democratic means for conflict resolution and redressal for grievances (Hoddie and Hartzell, 2003; Hegre et al., 2017). Moreover, efficiently working institutions may also have the ability to control the activities of non-state actors and protect the innocent segment of the society (Fearon & Laitin, 2003) and lowers down the risk of civil violence (Barron, Kaiser, & Pradhan, 2009).

The interaction of institutional quality and all the measures of globalization shows positive relationship, with economic globalization having lager impact. However, the size of impact is less than the direct impact of globalization. This refers to the fact that institutional quality in developing countries is not strong enough to combat the adverse impact of globalization.

Table 3: Impact of Globalization on Intra-state Conflict

column variable	(1)	(2)	(3)	(4)
$glob_{it}$	0.07** (0.03)			
$IQ_{it}*glob_{it}$	0.007** (0.003)			
$sglob_{it}$		-0.03*** (0.01)		
$IQ_{it}*sglob_{it}$		0.001 (0.002)		
$eglob_{it}$			0.005 (0.01)	
$IQ_{it}*eglob_{it}$			0.004* (0.002)	
$Pglob_{it}$				0.04** (0.01)
$IQ_{it}*pglob_{it}$				0.01*** (0.003)
GDP_{it}	-0.08 (0.067)	0.02 (0.05)	-0.01 (0.05)	0.065 (0.069)
IQ_{it}	-0.53*** (0.18)	-0.14 (0.11)	-0.29** (0.14)	-1.10*** (0.24)
HC_{it}	-6.17*** (1.79)	0.10 (0.42)	-3.95*** (1.22)	-8.44*** (1.56)
TNR_{it}	0.004 (0.01)	-0.04*** (0.01)	-0.0006 (0.009)	0.02 (0.013)
Pop_{it}	-0.08* (0.04)	-0.05* (0.03)	-0.12** (0.061)	-0.17** (0.07)
EF_{it}	-0.43*** (0.060)	-0.53*** (0.051)	-0.41*** (0.06)	-0.48*** (0.06)
Diagnostic tests				
Under ID Test	14.77** (0.02)	16.6** (0.05)	13.56** (0.05)	25.18*** (0.001)
Hansen Test	5.58 (0.34)	11.6 (0.16)	2.10 (0.90)	8.701 (0.27)
Endogeneity test	0.988 (0.610)	0.959 (0619)	2.861 (0.239)	0.246 (0.620)

Note: standard errors are reported in (). ***, **,* shows the level of significance at 1%, 5% and 10% respectively. P-values for under ID and Hansen tests are also mentioned. For all sets of regressions, we have used lagged values of endogenous variables (GDP growth, IQ, HC) and other exogenous variables.

Among other variables, human capital shows negative relationship with intra-state conflict. Elitism is the problem of most of the developing societies (Easterly, 2001). These elite dominated societies do not invest for the masses (infrastructure and human development), as this investment may cause the power shift which is not acceptable to them. This promotes grievances against state and lowers down the opportunity cost to participate in civil war (Tavares and Wacziarg, 2001). Our findings are in accordance with Alderman, Hoddinott and Kinsey (2006), Rodriguez & Sanchez (2012), Akresh & de Walque (2008), Barbieri & Reuveny (2005). Along with total natural resources threats of its depletion, scarcity and decreasing wealth is associated which creates frustration and unequal distribution (Homer-Dixon, 1994; Alexeev & Conrad, 2009). The result shows negative and significant relationship between conflict and natural resource rent. One percent decrease in total natural resource rents will increase the conflict by 0.004%. These inequalities have the adverse effects on the harmony in the society such as it increases poverty and grievances against the government and thus instigates civil unrest (Collier & Hoeffler, 2004; Fearon & Laitin, 2003). Benefits can only be enjoyed if the country has proper functioning institutions which can control its ills associated with extraction (negative externalities) and distribution (misallocation) (Hauge & Ellingsen, 1998; Bhattacharyya & Hodler, 2010; Humphreys, 2005). The estimated results for ethnic fractionalization are odd indicating inverse relationship between ethnic fractionalization and intra-state conflict. Most of the researchers argue that ethnic polarization and fractionalization may cause civil unrest and both variables have positive relationship (Esteban & Ray, 1999). Collier & Hoeffler (2004) argue that the society which is dominated by a single group is less prone to intra-state conflict as compared to the highly fractionalized states. However, Carment et al. (2006) argue that two states with high ethnic diversity are less likely to involve into the interstate violence. Highly fractionalized states could not bring harmony among the people about their decision of entering into war. However, the non-state actors may involve in the cross boarder conflicts but they have nothing to do with the government of the neighboring country. Henderson (1997) argues that the states having ethnic similarities or dissimilarities do not usually engage into conflicts if they have established similar democratic culture.

Countries with high economic growth provides high living standards (high employment, less poverty and inequality etc.) to their people and

increases opportunity cost to enter into conflict (Collier and Hoeffler, 2002a). The estimated results also show negative relationship between GDP growth and intra-state conflict. One percent increase in GDP growth decreases the conflict by 0.8%. Moreover, when government's revenue increases (high taxes and foreign investments), it in turn invests on its people (economic, social and development projects) which lowers down the grievances and increases the opportunity cost of conflict (Gurr & Moore, 1997; Homer-Dixon, 1994).

5. Conclusions

Globalization, whether a blessing or a curse, depends upon its effects on the economies and lives of human beings. It is a blessing when it helps to foster the economic development and increase the living standards of the masses but becomes a curse when it increases income inequality and only promotes the growth of elite. Conflicts whether inter-state or intra-state have devastating effects on economic as well as human development. People experience the adverse effects of conflict not only during the wars but it takes decades to wash away the trauma people have gone through. Conflicts destroy human and physical capital. The former through disturbing mental health, destroying educational facilities and lowering down income opportunities for survival and the later through the large-scale infrastructure destruction and postponement of crucial investment.

Present study has analyzed the impact of globalization on conflict by also focusing on the moderating role of institutional quality. Our results show that globalization increases conflict. In both the cases inter-state and intra-state, globalization and conflict show statistically significant positive relationship. The results are in accordance with the structuralism and neo-realist schools of thought. They both argue that globalization increases conflict through different channels. According to structuralisms globalization increases inequality particularly in the developing countries which increases the grievances and decreases opportunity cost of the conflict and people opt for violence. According to neo-realist large amount of dependency can lead to the exploitation and then the ultimate result may be in the form of conflict or war.

Institutional quality is found to be instrumental in curbing the violent situation and creating the environment of peace and stability. Effective institutions reduce the waves of uncertainty, by providing peaceful means

for resolution of potential conflicts thus reducing the possibility of violence. High quality institutions can play extremely strong role in the process of proper distribution of resources. This efficient working can build a trustworthy relationship between the masses and the government which ultimately reduces the grievances of people and improves general welfare. High institutional quality is also important for the process and effectiveness of globalization. As countries with high institutional quality can build a trustworthy relationship in order to enter in the globalized world economies.

We expected that the presence of good quality institutions would moderate or mitigate the violence enhancing effects of globalization. However, our results were contrary to expectations, which generated an interesting insight. We see that its international dependency that partially, neutralizes the effect of high-quality institutions, making a strong case for self-sufficiency. Since our sample exclusive comprises of developing nations the implications of these findings are significant. We see that institutional reforms while effective in reducing conflicts are unable to withstand external influences giving further credence to structuralist and neo-realist theories. External factors like vested interests of MNCs and powerful nations owing to geographical location, abundance of natural resources and strategic alliances along with a volatile and confrontational foreign policy render a country vulnerable to internal and inter-state violence to a degree where domestic institutional reforms may prove to be insufficient.

Since, globalization is positively associated with conflict, which does not mean that global connectivity is not important, if anything instead of isolationism the developing countries need to analyze the kind of external influences they may be facing. The propaganda in favor of globalization of all kinds keeps a democratically accountable executive from mitigating the violence enhancing the violence causing effects of globalization. By their very natural the bilateral and multilateral relationships that developing countries enter into tend to be highly asymmetric leading to increased dependency on developed nations with their own vested interests. There is a need to understand that existence of power asymmetries in diplomatic relations keeps developing countries unable to mitigate the internal as well as external sources of violent conflict. The global South needs to increase its connectivity with other developing nations for accruing mutual benefits on the basis of equality and reduce

their reliance on developed countries. We understand that it is easier said than done, however, recognizing and acknowledging the role globalization, as it currently stands, plays in exacerbating violence is imperative to carving out solutions to the issue.

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Annexure A. Robustness Analysis

Table 1A: Impact of Globalization on Inter-State Conflict

Panel A				
Variable	**(1)**	**(2)**	**(3)**	**(4)**
$Glob_{it}$	0.014*** (.005)			
$IQ_{it}*glob_{it}$	-0.002** (0.001)			
$sglob_{it}$		0.015*** (0.004)		
$IQ_{it}*sglob_{it}$		-0.002*** (0.001)		
$eglob_{it}$			0.013*** (0.004)	
$IQ_{it}*eglob_{it}$			-0.002** (0.001)	
$Pglob_{it}$				0.085*** (.030)
$IQ_{it}*pglob_{it}$				0.013*** (0.005)
GDP_{it}	-0.002 (0.003)	-0.002 (0.003)	-0.002 (0.003)	0.19** (0.078)
IQ_{it}	0.086* (0.052)	0.088** (0.35)	0.087** (0.044)	-1.08*** (0.40)
HC_{it}	-0.628*** (0.132)	-0.664*** (0.152)	-0.513*** (0.089)	-9.20*** (3.03)
TNR_{it}	-.008*** (0.003)	-0.008*** (0.003)	-0.010*** (0.003)	0.014 (0.014)
Pop_{it}	0.006 (0.015)	0.003 (0.015)	0.010 (0.015)	-0.15** (0.07)
EF_{it}	-.030* (0.018)	0.027 (0.018)	-0.032* (0.018)	-0.08 (0.05)
Panel (B) Diagnostic tests				
Sigma_u	0.716	0.723	0.692	0.691
Sigma_e	0.546	0.544	0.545	6.88
rho	0.0632	0.638	0.616	5.310

Table 2A: Impact of Globalization on Intra-state Conflict

column variable	(1)	(2)	(3)	(4)
$glob_{it}$	-0.066*** (0.011)			
$IQ_{it}*glob_{it}$	0.007*** (0.002)			
$sglob_{it}$		-0.044*** (0.09)		
$IQ_{it}*sglob_{it}$		0.004** (0.002)		
$eglob_{it}$			-0.020** (0.010)	
$IQ_{it}*eglob_{it}$			0.003 (0.002)	
$Pglob_{it}$				-0.050*** (0.034)
$IQ_{it}*pglob_{it}$				0.006*** (0.002)
GDP_{it}	-0.012* (0.007)	-0.014** (0.007)	-0.015** (0.007)	-0.014** (0.007)
IQ_{it}	-0.481*** (0.117)	-0.288*** (0.079)	-0.258*** (0.100)	-0.517*** (0.114)
HC_{it}	-0.019 (0.295)	-0.092 (0.340)	-0.996*** (0.201)	-0.182 (0.255)
TNR_{it}	-0.037*** (0.007)	-0.041*** (0.007)	-0.035*** (0.007)	-0.041*** (0.007)
Pop_{it}	-0.055* (0.034)	-0.048 (0.035)	-0.064* (0.035)	-0.050 (0.0)
EF_{it}	-0.462*** (0.041)	-0.501*** (0.041)	-0.486*** (0.041)	-0.455*** (0.041)
C	6.989*** (0.517)	5.784*** (0.499)	6.734 (0.491)	7.278*** (0.509)
Diagnostic tests				
Sigma_u	1.447	1.434	1.514	1.509
Sigma_e	1.214	1.221	1.228	1.211
rho	0.586	0.579	0.603	0.608