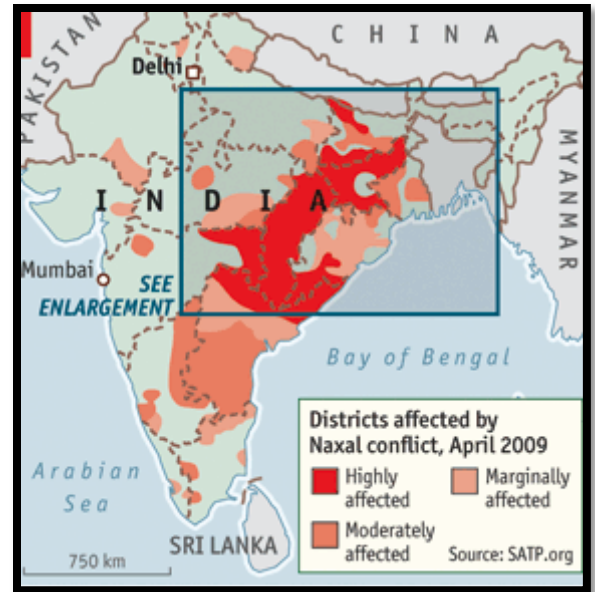


The following report is derived from media reporting and unclassified U.S. Government documents.

Overview

OSAC constituents operating in India face a multitude of threats, many of which are difficult to evaluate from a security standpoint. Often times, the international media will mimic the hyperbolic Indian news industry and sensationalize a security concern, resulting in significant private sector hand-wringing. One such example of this is the Communist Party of India-Maoist insurgency in India, popularly known as the Naxalite movement. For instance, Naxalites ambushed and killed 75 members of India's Central Reserve Police Force on patrol in Chhattisgarh state on April 6, 2010. The disaster triggered alarmist headlines around the world. A headline in the British Independent on April 8 screamed "Who are the Naxalites and will they topple the Indian Government?" The attack also brought renewed attention to the Naxalites from publications such as The Economist and The New York Times, which typically publish maps showing the current "extent" of the Naxal problem alongside their analyses. Even the Prime Minister of India Manmohan Singh is on record as saying that the Naxalites are the greatest threat India faces.

Yet many of these headlines and articles miss the mark, especially in regards to the private sector. This collaborative report (between OSAC and several major private sector companies) utilizes economic data and policing data provided by the Indian government, incident reporting from the South Asian Intelligence Review, and anecdotal supplemental data from private sector partners in order to examine the threat posed by the Naxalites to the U.S. private sector. Several key findings can be drawn from the data:



Map from "India's Naxalite Insurgents," The Economist, 4/8/2010

- **States that have dramatically surged their levels of police (in relation to their population) tended to have the highest levels of Naxalite violence.**
- **A very good indicator of a state's ability to combat the Naxalites is spending per policeman per 1000 citizens.**
- **Naxalites not historically presented a significant threat to the vast majority of U.S. private sector operations in India, and despite the recent headlines, there is little to indicate that the status quo will change for the worse.**

Naxalite Strategy and Tactics

Maoist movements have simmered in India for almost 40 years. In 2004, the People's War Group and the Maoist Communist Center combined their resources to form the Communist Party of India (Maoist), forming the latest iteration of the Naxalite group that operates today. The Naxalite movement shares the traditional Maoist goal of revolutionary activity, specifically to encourage the rural masses to seize control of the state structure. Maoists seek to win the support of the rural laborer and tribal classes and engage in guerilla operations against the state and land owners. The Naxalites

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also attack infrastructure that links rural areas to the state such as communication towers, power lines, roads, and train links. They have also been involved in work-stoppages and economic shutdowns, called *bandhs*.

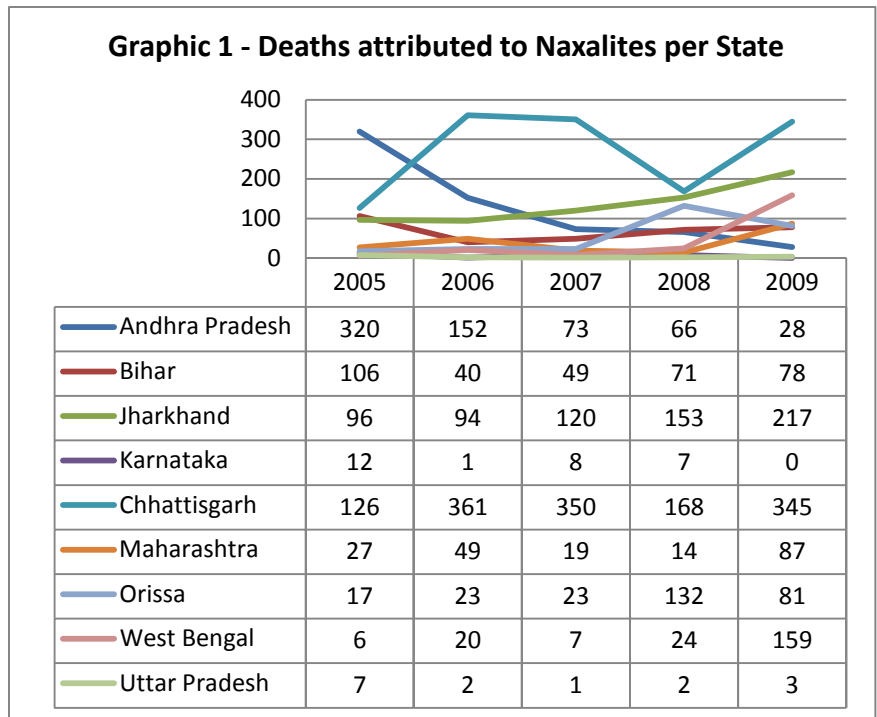
In the past, the Naxalite movement was viewed as merely a state and local issue. Individual states were in charge of combating the militants themselves, and were given broad mandate to do so. The federal government helped states arm people's militias, generally with poor results. While this paramilitary option was cheap and produced body counts, the Maoist threat continued to spread for the next few decades.

The structure of the Naxalite movement is similar to that of other insurgency movements. While there is a loose centralized leadership core that provides guidance, much of the work is done by auxiliaries at the local level (generally by village). Local leaders are in charge of recruiting, training, and leading groups of 10 to 20 fighters. These groups work to become the legitimate authority in the eyes of the public at the local level, supplanting police, elected officials, and other leaders.

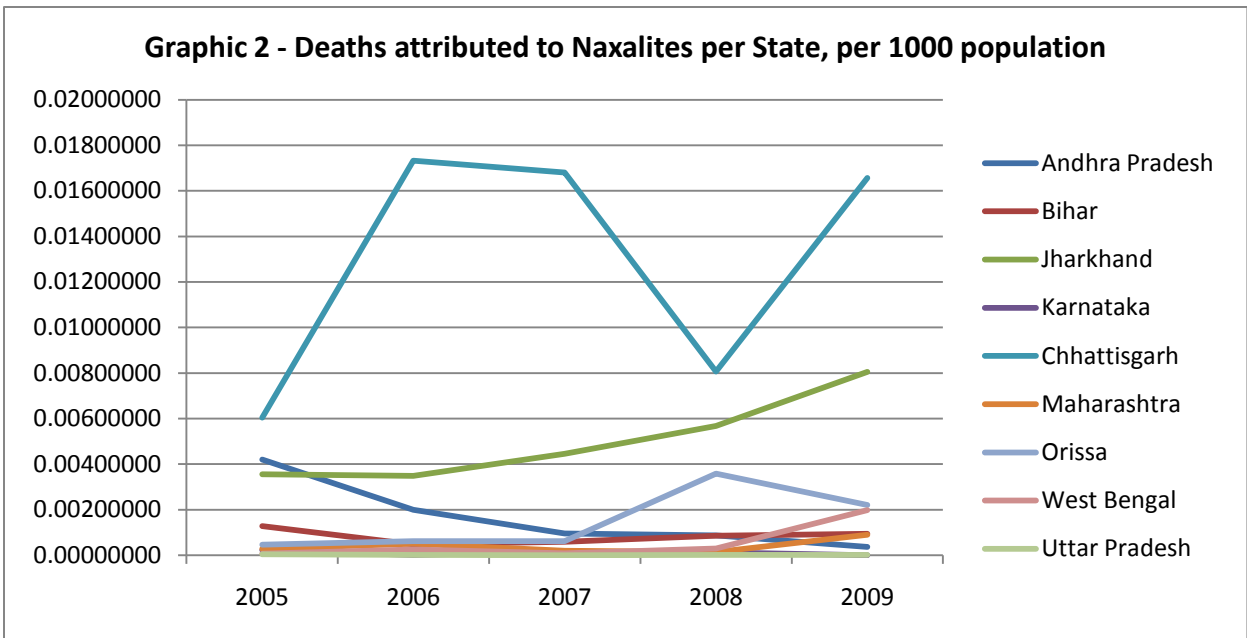
It is common for these local groups to engage in criminal activity to fund their operations including protection rackets and kidnap for ransom. Roadblocks are a classic Naxalite technique, and are still employed extensively to exert control over an area and extort travelers. Naxalite attack techniques include swarming attacks by lightly armed fighters on targets ranging from business headquarters to police stations to the houses of judges and mayors.

Lately, Maoists groups in India have engaged in sophisticated hit-and-run attacks against patrolling security forces. They have also relied increasingly on deploying improvised explosive devices (IED) and landmines on strategically important roads and trains. According to reporting, these IED have become increasingly sophisticated. However, all of these marginal increases in attack sophistication and IED construction remain localized in the undeveloped tribal areas of India.

As Graphic 1 demonstrates, Naxalite violence has increased in the past five years in the states of Chhattisgarh, Jharkhand, and West Bengal. Orissa and Maharashtra saw a moderate increase in attacks, while Uttar Pradesh and Karnataka had negligible levels of violence. The only state that had a large decrease in levels of Naxalite violence in the past five years was Andhra Pradesh. The difference in violence levels across the states is even more staggering when population of the states is taken into account (Graphic 2). In terms of overall population, Naxalite violence in Bihar, Uttar Pradesh, Andhra Pradesh, and Maharashtra is minimal.



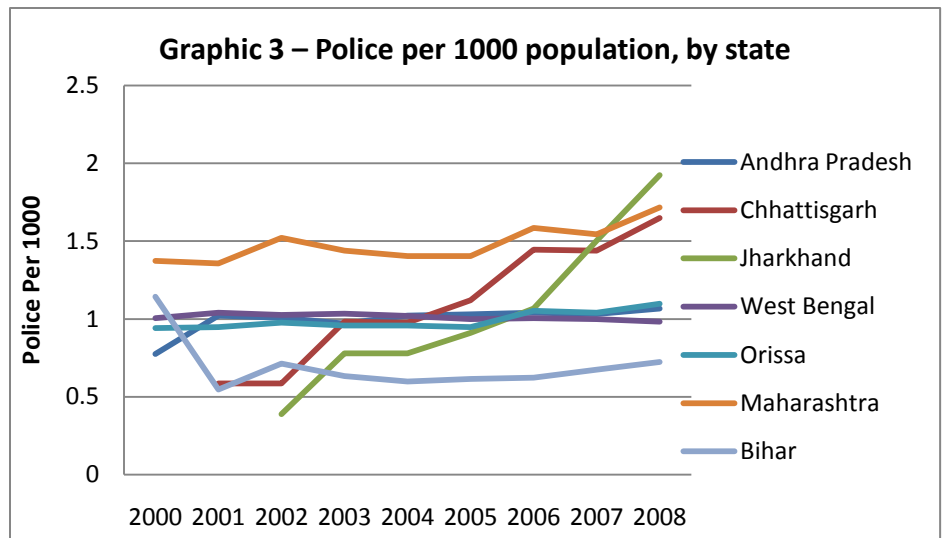
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Government strategy and capability

A look at numbers of police in affected Naxalite states suggests that simply deploying more police insufficiently addresses the insurgency. States such as Chhattisgarh and Jharkhand dramatically increased their levels of combined civil and armed police in the last decade, especially when corrected for population (Graphic 3). While both began the millennium at about half the ratio of the other states with Naxalite issues (.5/1000 as compared to 1/1000), both Jharkhand and Chhattisgarh surged police force numbers, for the next several years, ending the decade with nearly *double* the police ratio of most other states. Still, the number of police was well below international levels (for instance, the United States had roughly 2.84 police per 1000 in 2004).

Strangely enough, both of these “surging” states saw Naxalite violence rates rise substantially from 2005 to 2009. Conversely, the state that has most effectively dealt with the Maoist insurgents, Andhra Pradesh, had virtually the same levels of police over the past eight years. Other states, such as Orissa, West Bengal, Maharashtra, and Bihar saw either moderate increases or a leveling off of police numbers. As we’ve seen in Graphic 2, these are some of the very states with the lowest amounts of Naxalite violence, per capita.



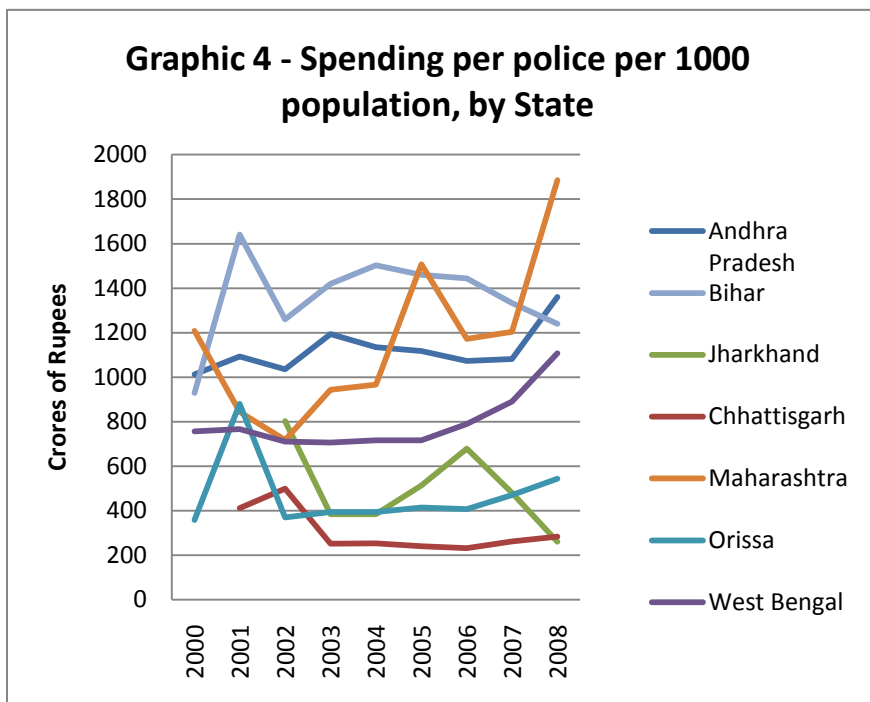
The real story from these numbers is the different tracks taken by Andhra Pradesh on one hand, and Jharkhand and Chhattisgarh on the other. Andhra Pradesh kept police levels constant and saw Naxalite incidents plummet. Jharkhand and Chhattisgarh saw both a surge of police and of Naxalite violence. Other states, most of which already had lower levels of Naxalite violence, stayed about the same both in terms of violence and police levels. What explains this disparity?

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Most observers credit the decline of the Maoists in Andhra Pradesh to the state's improved counter-insurgency doctrine and its adoption of a coordinated policing strategy. The improved strategy has been based on several principles. Police forces were expanded (slightly, as the numbers indicate) and given better arms. All police were required to train with the elite anti-Naxalite special forces unit, the Grey Hounds. Once trained, police units worked to extend the rule of law to Naxalite-controlled areas by setting up fortified police stations. Additionally, police created intelligence networks amongst the public they were serving. Intelligence that was developed was then shared with the Grey Hounds.

Finally, the government focused community development programs in the affected Naxalite areas, reinforcing the government's legitimacy. With focused aid addressing poverty issues and with effective neighborhood policing securing the areas, the Naxalites were not able to recruit as well from the local population. In fact, the rural poor began "buying into" the state and local governments, rejecting the insurgency. Because their needs were being met and they felt secure, the public began providing information on the whereabouts of insurgents, rather than sheltering them.

The problem with the Andhra Pradesh model, if there is one, is that it is strictly a local maneuver. The Naxalites facing defeat in the state have simply crossed state lines to Chhattisgarh, where they can operate in a safe haven. Indeed, the data shows that Naxalite violence has risen in the states bordering Andhra Pradesh to the north, Chhattisgarh and Orissa.



If we can use spending per police per capita as a proxy for overall qualitative factors, such as training, strategy, etc., the resulting chart (Graphic 4) is almost a mirror image of Graphic 1. The states with the highest or increasing amounts of spending per police per 1000 population are the very states with decreasing or negligible levels of Naxalite violence.

With the divergent strategies being taken by the different state governments, it is not surprising that the Naxalite problem persists across India. The good news is that by modernizing police training, equipment, strategy, and doctrine, the individual Indian state has a very good chance of checking (and possibly defeating) the Maoist insurgency. The bad news is that unless its neighbors do the same, the Naxalites will still find fertile country in which to thrive.

Future Operations

There are several indications that the federal government in New Delhi is taking the Naxalite threat more seriously, in the hopes of replicating the success of Andhra Pradesh in other states. According to Indian media reports, the government has set up Operation Green Hunt as a central coordinating mechanism to address the Naxalite threat at a country level. Operation Green Hunt includes deploying the Federal paramilitary forces and Special Forces in the most challenged regions on a short term basis. Several politicians and high-ranking members of the security apparatus have also indicated that massive air strikes might be sent against suspected militant locations.

A joint intelligence sharing network has also been set up among the states at ground zero of the Naxalite problem, including Andhra Pradesh and Chhattisgarh. The problem is that of all the states with a history of severe Naxalite

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problems, only Andhra Pradesh has developed a viable intelligence collection system. States with a growing Naxalite presence, like Chhattisgarh, may not have the strong intelligence networks to provide valuable input a joint fusion center. It is also not clear if Chhattisgarh's police and security forces possess the capability to pass down or utilize actionable intelligence effectively once they receive it.

While it is good that there will be some national cooperation and coordination, the worry is that the current Indian strategy misses the crucial feature required for successful counter-insurgency. A successful counter-insurgency strategy involves effective, basic policing in order to integrate civilians at the village level. So far, the Indian proposals and state level activities in states like Chhattisgarh and Jharkhand do not seem to address these issues adequately. Given time and enough national pressure, this may change, but the federalized nature of the Indian bureaucracy does not lend itself to short-term success on this front.

Long-term Private Sector Impact

Interviews and discussions with several major OSAC constituents that do business in India suggest that no significant Naxalite attacks have occurred against the U.S. private sector in India in the last five years. Indeed, only two constituents reported any experience with the Naxalites at all. One reported that they had received extortion threats at a facility in Andhra Pradesh for a period of several years. Although the company did not accede to the demands, the Maoists that made the extortion threats never followed through on their threats. A second OSAC constituent reported that a subcontracted delivery truck was once attacked in Jharkhand.

In general, the U.S. private sector has been relatively unaffected by Naxalite violence to date. Most U.S. or multinational organizations that do business in India are far away from the tribal areas where the Maoists have strength. While there has been some information that indicates the Maoists have established fund-raising and propaganda offices in urban areas, the conditions that would allow them to flourish do not exist in urban areas. Despite the poverty and perceived corruption of police and government members in many of India's large urban areas, the government is thus far able to successfully exert control.

The few companies and organizations that do operate in these rural areas have not reported any significant Naxalite incidents. **OSAC does not have any information to suggest that Naxalites will begin to actively target western organizations explicitly.** However, companies that operate in Maoist areas could be subject to extortion demands in the future, particularly if Naxalites gain the upper hand over the government (again, the least likely scenario). U.S. companies may also be collateral victims as they travel on the major roads that security forces also use in remote areas.

Tools to Help Your Company Forecast

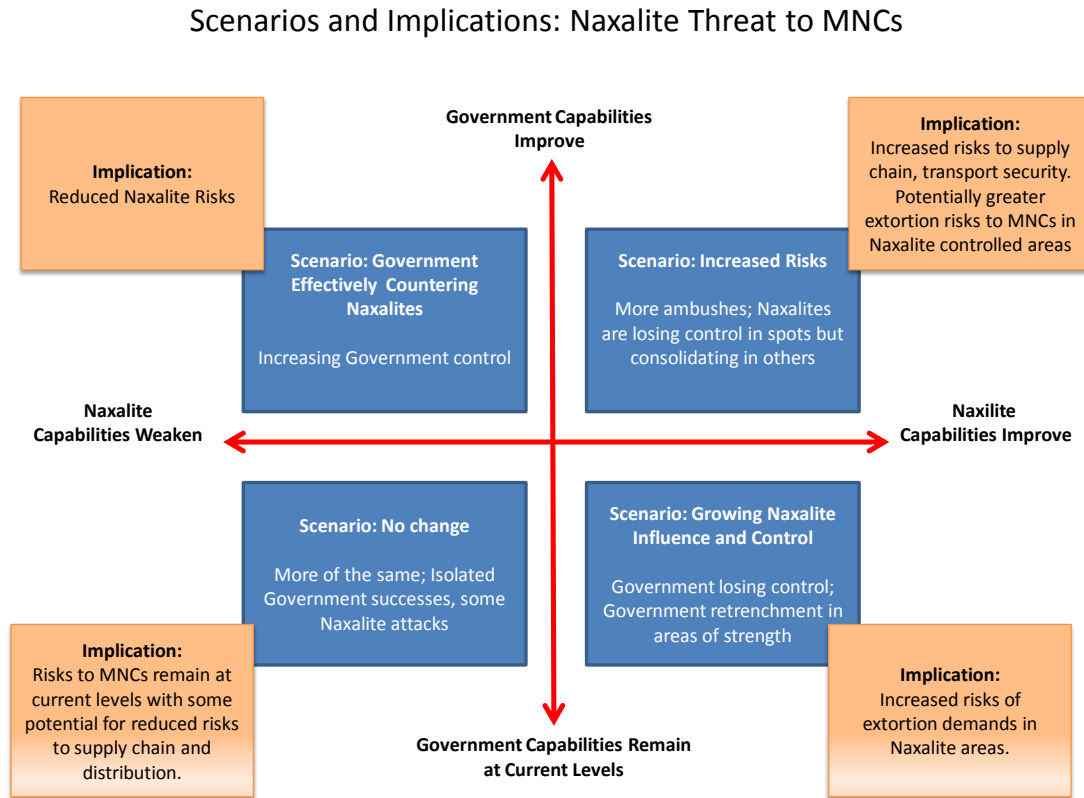
With the help of private sector partners, OSAC has created a quadrant analysis tool to help your company forecast likely Naxalite counter-insurgency scenarios for the next two years. Two variables control the below chart: the likelihood of Indian government (state or national) counter-insurgency capabilities staying the same or improving versus the likelihood of Naxalite capabilities improving or diminishing. Private sector analysts are invited to use their own best assessments of these odds to determine the likelihood of the following scenarios:

- **Status quo** –Risks to multinational companies operating in Naxalite areas remain at current levels. As Naxalite capabilities weaken compared with government capabilities, the risk of supply chain disruption may actually decrease. For companies selling goods and services in traditional Naxalite areas, the risk is unlikely to undermine economic and social development.
- **Government Increases Control** – This scenario reflects the government's growing capabilities and strategy relative to those of the Naxalites. Risks to companies in Naxalite areas decline.

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- **Naxalites Increase Control** – This scenario reflects growing Naxalite capabilities coinciding with failures in government strategy and capabilities. Under this scenario, supply chains become more vulnerable to disruption and costs of doing business increase. The risks associated with extortion attempts increase.
- **Increased Risks** – The government and Naxalites both increase their capabilities, resulting in head on clashes. Violence rates rise as the two sides jockey to control areas of the countryside.

Graphic 5 – Sample Quadrant Analysis



Conclusion

Looking towards the future, the Naxalite threat does not appear to be dire. At least one Indian state has demonstrated an effective strategy to combat the Maoist insurgency. In the long-run, the only impediments to implementing that strategy in other hard-hit states are bureaucracy, corruption, and lack of innovative leadership. In time, with increased wealth and the aid of the national government, all of these hurdles to implementation can be surpassed. For further information, please contact [OSAC's South Central Asia Analyst](#).

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