

Mumbai Terror Attack: Will it slow -the Indian economy?

The terrorist attack in Mumbai last week were cruel and unfortunate. This attack seemed to be quite different from others in India. Typically terror attacks in India would be in heavily crowded locations like railways stations, open shopping areas or religious gatherings, where with a few bombs, terrorists would inflict maximum damage to human life. Take the example of Mumbai train blasts or the blasts in Delhi a couple of years ago. In this attack, the pure number of casualties were similar, but the impact and coverage was for a longer time and more importantly, the terrorists targeted western and capital interests. While one could think this was primarily orchestrated to target US interests – the question arises why Mumbai, India?

With the non-stop coverage of this incident on the television by the media all the over the world and particularly in the US, there is increased awareness of threats to westerners and western interest in India. Many of my friends have enquired over the past few days if it is safe to travel to India on business in the upcoming months given the situation. Several firms such as Walt Disney, Glaxo SmithKline and Astra Zeneca have decided to ban travel to India for business until further notice. I suspect scores of leisure travelers are going to cancel their holiday travels to India and may reroute it to a safer country. Many other firms may start considering alternative locations for offshoring value added services and activities if such acts occur frequently. If such changes occur, they are likely to slower the Indian economic growth engine which is already showing signs of slowing down due to the global financial crisis. If the objective of the terrorists was to reduce the western interests in India, and thereby stem the growth of capitalism and western ideals in the largest democracy in the world, they seem to have succeeded based on immediate reactions. That poses the question – what could be done to restore confidence and avoid putting brakes on the economic engine?

Here are some of my thoughts on that. Following the attacks in New York and in London, there was strong communication that came from the government about the security of residents going forward. I believe that there is an urgent need for the Indian government to communicate and demonstrate how the security and safety of domestic and western interests will be strengthened going forward. The government would need to quickly commission a task force to enable restoration of normalcy in the city and create long term plans to guarantee a secure and prosperous India. If other such attacks happen in the near future, India will become a highly risky place for economic investment. Secondly, the Indian people would also need to keep their calm and try to go about their business as normal as humanly possible given the devastation. Finally, the people and businesses outside of India should recognize and incorporate risks of doing business in a global economy, and avoid knee jerk reactions to such events, since those would just equally play to the hands of the terrorists.

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[*Indian Economic Superpower: Fiction or Future?*](#)