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“It’s a Different India This Time”

A calm reaction to terror bodes well for the economy

By Manjeet Kripalani in Bombay

As the afternoon of Aug. 25 wore on, Raman Roy was growing concerned. Two bomb blasts had ripped a hole in the heart of Bombay at 1 p.m., killing 52 and injuring 178. Roy, CEO of Wipro Spectramind, India’s premier call-center service company, wondered whether fear of further violence would keep his night shift employees from their jobs. So he prepared to switch calls to Spectramind’s four other locations across India, and alerted his overseas customers to the news. He needn’t have worried. There was no violent response to the bombings, and only a few of his workers failed to show. Roy says he was “struck by the resilience of that young workforce not to be cowed or let anything get in the way of their opportunities.”

The reaction across Bombay — indeed, across India — was much the same. Most Bombay offices stayed open that day. Foreign residents didn’t flee, the trains and buses ran as usual, flights took off on time, and the stock market continued to trade. Although the benchmark Bombay Sensex index fell nearly 3% on August 25, it gained 5% over the next two days to close at a 17-month high on August 27. **“Those bombs didn’t send me any message,” says Jon Thorn, Hong Kong-based managing director of the $26 million India Capital Fund. In fact, Thorn invested an additional $500,000 in Indian companies when panic sellers bolted.**

Is this a sign of a stronger, maturing India? While the country has traditionally been rocked by bloody reprisals after terrorist incidents — especially those, like the Bombay blasts, that authorities blame on Pakistani groups — the response this time has been muted. It’s still possible that Hindu extremists may seek revenge, but the government has tightened security at airports and monuments and appealed for peace in an effort to defuse the situation.

So far, extremist elements have kept their emotions in check. Normally disruptive Hindu nationalist groups didn’t make their usual call for a shutdown of the city. And many Bombay Muslims helped blast victims and donated blood. “It’s a different India this time,” says Arun Maira, chairman of Boston Consulting Group in India. “People are saying: ‘Economic activity shall not stop.”’

Foreign investors, meanwhile, made no moves to pull out of their India holdings. One unfortunate reason: Terrorist bombings have become so common around the world that investors have learned to live with them. “Bombay in particular and India in general does not stand out,” says Sanjeev Sanyal, chief economist for Deutsche Bank in Singapore.

Indians, including those in the ruling coalition led by the Hindu nationalist Bharatiya Janata Party, have much to protect. The economy is on a bull run, with the Sensex up 22.5% since January. Profits at the top 1,346 companies grew by an average of 42% in the fiscal first quarter, ended June 30. Foreign reserves stand at a record $85 billion, while exports are up 17% this year. And a good monsoon will likely boost farm income, which has prompted India’s central bank to revise its 2003 gross domestic product growth forecast to over 6% — a big jump from last year’s 4.8%.

Of course, an escalating cycle of violence could quickly deflate both investor confidence and India’s economic upswing. But for the moment, Indians are holding their breath and hoping that new bloodshed can be avoided. If the government can keep both Hindu and Muslim extremists in check, it may indeed be a harbinger of better times for the subcontinent.