



Analysts: India economy will be OK despite attacks

Nov 27 10:44 AM US/Eastern
By ERIKA KINETZ
AP Business Writer

MUMBAI, India (AP) - The terror attacks that rocked India's financial capital may depress stocks, dampen tourism and slow new investment, but are unlikely to inflict long-term damage on the nation's economy, analysts and business people said Thursday. "This is a challenge for the government to maintain law and order in the country," said Takahira Ogawa, director of sovereign ratings at Standard & Poor's in Singapore. "At this stage, I don't think there will be any major impact on the macroeconomic or fiscal position of the government."

The attacks, which began Wednesday night when gunmen invaded two posh hotels, a restaurant and several other sites in downtown Mumbai, came as India was struggling to contain fallout from the global financial crisis.

Foreign investors have already pulled \$13.5 billion out of the nation's stock market this year, driving the benchmark Sensex index down 57 percent and punishing the rupee. Liquidity has dried up, economic growth is slowing and people are spending less money.

The attacks are "a challenge to the economic resurgence in India," said Habil Khorakiwala, chairman of Wockhardt, an Indian pharmaceutical company.

"The targets identified clearly demonstrate that the intention is to create panic and shatter the confidence in the minds of investors in India and global investors coming to India," he said in a statement. "This war has to be fought together by all across, to protect the safety of Indian people, for economic resurgence and growth of the Indian nation."

A previously unknown Islamic militant group claimed responsibility for the carnage, the latest in a series of nationwide terror attacks over the past three years that have tarnished India's image as an industrious nation galloping toward prosperity.

The gunmen singled out Westerners for punishment and struck two spots—swish Oberoi hotel and the historic Taj Palace & Hotel—at the symbolic heart of Mumbai's growing, global financial class.

Just last week former U.S. Secretary of State Henry Kissinger sat with top executives from Goldman Sachs and the Tata Group for a chat about American politics in one of the Taj's many opulent meeting rooms.

On Thursday, that wing of the building was engulfed in flames.

Throughout the day, explosions and gunfire were heard as Indian commandos tried to free hostages trapped by the militants. Officials said 104 people had died and more than 300 were wounded.

Anglo-Dutch food giant Unilever said that a number of senior executives, including group Chief Executive Patrick Cescau and his successor Paul Polman were in Mumbai at the time of the attacks. The company said all were safe and accounted for.

Mumbai's stock market was closed Thursday, and it was unclear when trading would resume.

Vishesh Chandio, a partner at global consulting firm Grant Thornton, said he was supposed to fly to Mumbai and stay in the Taj Thursday night. His company indefinitely postponed plans to hold a global conference in Mumbai next week.

"It is a shock," he said. "There will be some short-term postponement of people's investment plans, and perhaps people thinking of relocating to Mumbai will reconsider."

But medium- to long-term corporate investment would likely remain on track, he said.

"India is no bigger a risk than anywhere," he said, adding: "Mumbai is a very resilient city. Saturday everything will be running as normal."

Indeed, Mumbai has a long history of terror attacks—and has managed to bounce back from them. A series of bombings in July 2006 killed 187 people.

Chandio said Indian companies are going to have to take security issues more seriously going forward, and Grant Thornton's India office has already begun a review of its policies.

Manjit Rajain, chairman of Tenon Services, a facilities management and security company whose clients include Accenture, Intel Corp., automaker Maruti Suzuki, the Tata group, and Vodafone, said he was up all night Wednesday, speaking with overseas clients.

"Yes, people will be scared," Rajain said. New investors may balk, but he said most of the companies he works with are too big and well entrenched to consider a hasty exit.



[Firefighters try to douse flames at the Taj Mahal Hotel in Mumbai, India...](#)



[An unidentified guest at the Taj Hotel is brought out to an ambulance by...](#)



[An army personnel runs to take his position opposite the Taj Hotel in Mumbai...](#)