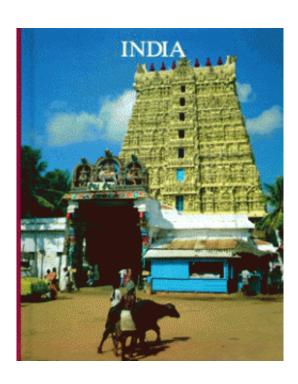# Terror enters India's IT community

December 29 2005

Late evening on Dec. 28 terror finally struck Bangalore, India's IT sector hub. A masked gunman opened an indiscriminate fire on a group of delegates at an international conference on the peaceful campus of Indian Institute of Technology, killing, an ex-IIT professor and injuring four others.

Undoubtedly, this has shaken the industry and the country. But besides the fact that this attack has finally brought terror to the country's showpiece IT sector doorsteps, what may have emerged as more

unnerving is that perhaps the success of India' IT industry has ultimately made it vulnerable to terror threats.

The threat has been looming for a while now. The first threat came in March when the Indian police surrounded a group of men on the outskirts of New Delhi, alleged to be members of Lashkar-e-Toyba, a Pakistani terrorist group active in the Indian state of Kashmir that shares borders with Pakistan. The police were able to kill them and said that besides arms and ammunitions, for the first time in the country's terrorism history, they also found detailed plans of technology companies in Bangalore as targets. The Delhi police also claimed that prior to getting holed up in Delhi, those terrorist had visited Bangalore in December 2004 with the target of attacking software companies.

A few months later there were bomb threats at the premises of Wipro and Infosys, two of India's largest IT companies. Those threats later were found to be false alarms.

"There is sense of shock because nobody had expected that science and IT would be the target for terrorism," said Bob Hoekstra, the CEO of the Dutch IT and electronics multinational Phillips NV. "It sounds like the terrorist have found an easy target in IT and that's where the sense of shock stems from."

Indeed, even as India and its industry are accustomed to terrorism in Kashmir in the north, Bangalore in the south was always considered a safe haven. For one, Bangalore, the citadel of the country's IT and technology industries, was far away from the Indian political hot seat, Delhi; and two, it was believed that by hitting the industry terrorist will not gain much as mileage.

"But now," says Vivek Kulkarni, the former IT secretary of the Indian state of Karnataka (that has Bangalore as its capital), "it appears that

terrorists have realized targeting the IT sector and particularly Bangalore is yet another way of getting global attention."

Over the past five years the contribution of IT has been significant to India's economy.

IT has grown from $4 billion exports revenue industry in 2000 to about $17 billion in 2005, accounting for 6 percent of the increase in gross domestic product during the period.

The offshore IT and the back-office industries accounted for nearly 95 percent of the absolute growth in foreign exchange inflows associated with the country's services industries. While total services exports grew by 60 percent from $16 billion in 2000 to $25 billion in 2004, offshore IT and BPO exports tripled over the five years.

The National Association of Software Services Companies (NASSCOM), the industry lobby, forecasts that India's IT and ITeS (information technology and IT enabled services) industry may hit $28 billion in revenues by March 2006.

Bangalore is home to nearly 1,500 technology companies, dozens of which are foreign companies employing around 2000 foreigners.

"The attack has changed the equation completely," said Pramod Bhasin, CEO of Genpact, an erstwhile GE subsidiary. "We all have very sophisticated continuity planning, very good security, but terrorist attacks bring in an entirely different set of crisis of confidence in the industry and among its global clients."

According to the local IT industry, following the Sept. 11, 2001, attacks a host of companies have spread their data to India for minimal disruption in adverse circumstances including terrorist attacks. "And

now with this attack, the feeling of security surrounding India that prevailed until now, possibly gets hit hard," said Kulkarni.

This attack is also another blow to Bangalore, which has been hit lately by a host of problems including inadequate infrastructure, absence of general law and order and data theft -- all of which are threatening the attractiveness of the city as "India's Silicon Valley."

"I think following this attack Bangalore will start losing out to other Indian destinations pretty quickly now," said Noshir Kaka, a partner in consulting firm McKinsey & Co. "We see that 150 million square feet of infrastructure space that we have forecast in the (latest) McKinsey report as necessary for sustaining India's IT growth plans, is going to get diverted to other state and cities that will provide competing infrastructure."

However, even as these issues could impact India's IT in the longer term, at the moment though there's another very important concern bugging local IT.

"The big concern of the IT industry is that the attackers have not been apprehended," says Bhasin. "We must know who is doing it and find out if it is a part of a series or, just a one-off incident. Clearly someone has done some planning and may do it again."

NASSCOM nevertheless is trying its best to ally this fear.

"NASSCOM and the IT industry will work, in collaboration with the Police and government, towards tightening security measures to create a safer working environment for the industry," said Kiran Karnik, its president.