



## India in 2009 The First Quarter

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Three issues dominated India in the first quarter of 2009: the aftermath of Mumbai terror attacks, Satyam fraud and elections for the Parliament in 2009. This essay analyze the above three events.

### I AFTER MUMBAI ATTACK: INDIA & INDO-PAK RELATIONS

The three-day seize of Mumbai, in November 2008, left 183, over 230 injured; within hours of the attack, Indian security and intelligence agencies established that the attack had been perpetuated by terrorists of the Lashkar-e-Toiba (LeT) that operates from Pakistani soil with the help of the Inter Service Intelligence (ISI). India remained firm on Pakistan's involvement and the fact that the lone surviving attacker, Mohammed Ajmal Amir Kasab, was a bonafide Pakistan national.

India passed its new anti-terror regulation, after a nod from the President on the amendments proposed in the Unlawful Activities Prevention Act and to set up the National Investigation Agency in January. On 6 January, Prime Minister Manmohan Singh publicly stated that the precision of the attack and its sophistication both point to the complicity of official agencies. On January 7, Pakistan officially accepted that Kasab was a Pakistani national, a fact that had been denied till then by all quarters in Pakistan, government and otherwise; a huge step forward for India, which now stood vindicated. However, both countries carried on their strong posturing against each other through January effectively derailing the stalled peace process in totality even as the international community called upon Pakistan to extend full cooperation to India and demand harsh punishment for the perpetrators.

In early February, Pakistan leveled allegations that the attacks had been planned in Bangladesh and the finer details were finalized in India with support from Indian based militant groups and criminal organizations. However in February, Pakistan Interior Minister Rehman Malik admitted that some part of the conspiracy was hatched in Pakistan and that a First Information Report (FIR) under Anti-Terrorism Act had been filed against four people in connection with this case including Javed Iqbal, the man responsible for buying VoIP phones for the attackers from Spain and Hamad Ameen Sadiq who transferred money for funding the attack. Pakistan, within the next few days suggested links between the Samjhauta Express blasts that took place on the train connecting Delhi to Lahore, in February 2007, and the Mumbai attacks and said that India needs to share more information if it wants Pakistan to investigate efficiently and effectively.

On 17 February, the FBI handed crucial evidence to a team of Mumbai police in Washington that effectively linked the attackers to Pakistan leaving little room for Pakistan to deny its involvement in the audacious attack any further. In the meantime, on February 20, Ajmal Kasab's police custody expired and he was remanded to judicial custody, five days before the Mumbai police finally wrapped up the first phase of its probe in the Mumbai attack case and submitted an 11,280 page long chargesheet in the court of metropolitan magistrate M J Mirza. The chargesheet named 38 accused, including Kasab and two Indian nationals, three months after the attack took place. The chargesheet names 2,002 people, including FBI officials as witnesses in the case. The case was subsequently committed to the sessions court on 9 March. Amidst high voltage drama on who will defend Kasab, the case finally went to trial in a special court set up inside the high-security Arthur Road Jail on 17 April.

While the real battle in proving the culpability of the guilty and ensuring that those who the Pakistan

government claims to be prosecuting for the involvement in this case will be bought to justice is still underway, India proved that it is a patient and strong regional player through its handling of the aftermath of the Mumbai attacks. With its deft, if not perfect handling of the battle of words, post attack India proved its position as a responsible nuclear state in a nuclear sub-continent which the world had feared might go to the brink of war like had happened after the Dec 2001 Parliament attack.

## II

### CRASH OF THE TITAN: THE SATYAM FRAUD

In January, Satyam, India's fourth largest technology firm, shook the very core of corporate India when its founder and chairman, B. Ramalinga Raju, confessed to falsifying the company's accounts for years, inflating revenues and fabricating cash balances of about US \$ 1 billion. As industry stalwarts and government officials and ministers expressed shock and promised action, even as they were trying to separate the wheat from the chaff on what really happened, over 30,000 Satyam employees flooded online job sites, and Satyam's reputation and consequently that of India's tech firms plummeted. International clients like Bloomington, a State Farm Insurance Company, cancelled its contract with Satyam within 10 days of the scandal hitting headlines, while others from the 650 strong client list dispatched teams to India to see first hand the situation at Satyam and the capacity of a shaken up team and management to pull their act together. Satyam's share price fell from Rs 179 to Rs 10 within a day triggering fears that the company, which had about 50,000 employees with Rs 600 crore to be paid as just one month's salaries to these workers, will collapse forcing its clients to flee.

The fears weren't entirely baseless. Satyam, counts a third of the Fortune 500 as its clients, some of which had outsourced critical technology operations. In the tech service business a clients

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operations and that of the service provider can get intimately interwoven, making overnight exits difficult. However, departure in the face of financial collapse is inevitable.

Though reactions were quick to flow in, so was action. While many reputed international experts and researchers refused to jump into the alarmist bandwagon labeling the entire Indian technology industry untrustworthy, the government and its institutions too were surprisingly agile and set in motion a process worth applause. Within hours of the scandal coming to light the Government went into overdrive to ensure Satyam doesn't crumble leaving not just the Industry shame faced but also the government for having failed to step in when needed most. Two days after the Raju made his now in-famous confession, the Ministry of Corporate Affairs roped in Kiran Karnik, former president of Nasscom and the force behind India's outsourcing industry, to be part of a government appointed board that superseded Raju and other high-profile members at Satyam. Karnik was joined pro bono by HDFC's Deepak Parekh and Confederation of Indian Industry's (CII) Tarun Das in his mammoth task of ensuring Satyam survives the choppy seas. Government action was visible in the highest echelons of the Center. Prime Minister Manmohan Singh was personally involved and openly stated that Satyam was too big to fail.

Satyam, in a little over a quarter, has become a classic case of public-private partnership working well, not just in India, but globally. The government, by playing a robust and proactive role has addressed any anxiety about India as an outsourcing, investment and business destination. The government designated the Ministry of Corporate Affairs as the nodal agency for stabilising Satyam and bringing its operations and accounts in the clear. The Ministry in turn set up a new six member board, to set things in order within six to 12 months, which has recommended a permanent solution within 12 weeks and gave Satyam a new owner in Tech Mahindra. The decision to move in this direction did not find 100 per cent support from the government to begin with, but the combined expertise of the board and the government's willingness led to the agreement that Satyam needs a new majority stakeholder through a process of a public bid.

The commendable action plan that the government and the new board executed covered every aspect of Satyam's operations. The board raised the Rs 600 crore needed to pay salaries through a bank loan against collateral, arranged capital, personally pacified investors

and clients, retained the latter and did the same for the 50,000 odd Satyam employees, maintained transparency throughout this period and appointed a clean inside man, A S Murthy, as the CEO within four weeks of taking charge. The new board even encouraged client-employee-management interaction as a confidence boosting measure; a key aspect of their save Satyam strategy. The government, played an important part in reassuring some big clients of the tainted company convincing them to not sever their contracts with the tech giant; a big comfort for a fragile company. The second wave of hectic public action, however, took place in the first two weeks of April, just after the first quarter of the year. On April 7, a day before the Central Bureau of Investigation (CB) filed a chargesheet in the case in court, the accounting regulator ICAI confirmed that India's biggest corporate scam started 5-6 years ago with an "adjustment" of Rs 10 crore. The CBI named nine accused in the chargesheet including Raju, his brothers B. Rama Raju and B. Suryanaryana Raju, former chief financial officer Srinivas Vadlamani and Price Waterhouse (PW) auditors S. Gopalakrishnan and Srinivas Talluri, Vice-President (Finance) G Ramakrishna and two other employees, Venkatapathy Raju and Srisailam sending senior PWC management in a face saving overdrive.

The most important lesson in this entire nail biting saga is the positive role a determined government can play in maintaining investor confidence and salvaging a crumbling giant against all odds. Clearly, the top-notch new board will not have had it easy in any manner had the government, especially the Prime Minister, not set the wheels of efficacy in motion, proving to the world that setback can happen anytime anywhere but India means business.

### III

#### THE MEGA SHOW: PARLIAMENT ELECTIONS 2009

The fact that the all important 15th Lok Sabha elections were round the corner began dominating headlines in 2008 itself. Almost everything said and done by political leaders and political parties was seen as a step towards gearing for the upcoming general elections. The last two months of 2008 saw five states - Rajasthan, Madhya Pradesh, Chhattisgarh, Mizoram and J&K - and the National Capital - New Delhi - go to polls, while charging the electoral air as a direct consequence and forcing political parties to rethink poll strategies well in advance based on the results of the state elections. While the Congress won Mizoram after a decade-long gap,

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it retained Delhi for a record third time, much to the surprise of many poll pundits, and wrested Rajasthan out of BJP's control. The state of J&K saw the NC led by Omar Abdullah come into power while the BJP retained MP and Chattisgarh.

The end of 2008 and the beginning of 2009 threw some rough challenges for the incumbent government as outlined in the sub-sections above. Weeks before the announcement of the poll schedule and the Election Commission's model code of conduct coming into effect, party leaders and ministers rushed to woo their vote banks. January and February saw several bills being passed, various inaugurations, stone laying ceremonies, foundation laying ceremonies, new trains being flagged off etc. The Union Cabinet hurriedly convened on 23 February to clear over 50 proposals and met again on 26 February to dole out sops like a 6 per cent hike in dearness allowance of Central Government employees. The Model code of conduct came into effect on March 2, after the EC's poll schedule announcement.

Interestingly, issues and manifestos seem to have taken a back seat in these elections; be it media projection or the message being conveyed by political parties themselves. These elections have ended up becoming one big show of poll gimmickry where everything is visible except serious debate on serious issues and a firm stand on which party stands for what. Compared to the 2004 elections where the BJP launched its India Shining campaign and tied to come back to power based on its performance on macro issues, the Congress tried to woo the voters with being the party that is more concerned with the day-to-day lives of people and micro issues, these elections are lack lustre. It is not to say that parties this time around do not have manifestoes or issues that they claim are on their agenda, but it's the lack of focus on this aspect. In the meantime, the real limelight was trained on poll jingles, political parties acquiring copyright of popular songs to convert into poll anthems, advertisements and radio spots healthily peppered with anti-Congress or anti-BJP or pro-caste (read BSP) jargon as the case may. Also, the sheer concentration of news print and air time on political play or rather mud-

slinging between parties and everyone's open desire for a shot at PM's chair gathered epic proportions making the already jumbled world of our coalition politics seem even more complicated.

In stark opposition to these theatrics, have been the 'elite', educated and financially well off professionals contesting as independents who are taking the plunge at prominent seats, without the support of big parties behind them and a strong people's movement that is demanding a cleaner political map. The latter is relatively nascent and its first real victory was the Supreme Court ruling that made it mandatory for all candidates to declare their assets and criminal histories. These elections have taken this a step further where the movement now demands that electors should have the right to "not" vote any of the candidates, in effect ensuring a re-poll with new candidates. Whether the independents make a difference and whether the active campaigns being undertaken by the civil groups make a considerable dent on the face of our politics remains to be seen. The indications, so far, seem positive.

While some pre-poll surveys in early 2009 were stating that the ruling alliance, Congress led United Progressive Alliance (UPA), had a slight edge over the BJP led National Democratic Alliance (NDA), the complexity is only highlighted further by a very recent survey that now gives the BJP led NDA a slight edge over the ruling alliance. With every social research organization tying up with a news organization and carrying out their own surveys on pre-poll and post-poll scenarios based on a wide range of variable with little in common among them, the authenticity and the reliability of these surveys can be rightfully questioned.

Election phase, so far, has been a constant tie-up and break-up rumble between various political parties. While a Third Front has been set up by former allies of the BJP and the Congress to counter their spread, allies that are still with the two bigwigs have indulged in blatant theatrics, like the public spat between the BJP and the Shiv Sena and the carrot and Stick game between the Congress and Sharad Pawar, to come to pre-poll agreements, there are many big regional players that have been keeping their cards close to their chests. BSP supremo Mayawati, the current Uttar Pradesh Chief Minister and the woman who is ruling over the state that has traditionally been the make-or-break factor in all general elections is the one everyone is keeping an eye out for; of the 545 seats in the Lok Sabha, 80 are in Uttar Pradesh.

Interestingly, Mayawati, has been building up her mass support base in areas far beyond the borders of UP well since early 2008, only to hit the peak now. She, despite the various charges of corruption and embezzlement, has been vocal about her prime ministerial hopes and for many an urban, educated 'elite' the prospect of her in power incites level of fear as that of BJP's Narendra Modi getting a piece of the power pie. In the latter's case, he is being pitched as the next face of BJP, the next in line after the octogenarian L K Advani for the top spot from the BJP.

The month-long five phase polling exercise began on 16 April and will end on 13 May. Counting of votes will take place on 16 May and the new government is expected to take over by 2 June. These elections have elicited unprecedented interest across the world; while US based think tanks and new organizations have been trying to predict the possible outcome of this complex electoral exercise and its impact on India's foreign relations, news giant BBC has commissioned a train full of reporters from across its global bureaus to cover the democratic drama in the world's most populous democracy.

#### IV CONCLUSIONS

India showed remarkable restraint in face of its worst terrorist attack and its aftermath even at the cost of being labeled as "soft" by the opposition on the domestic front, drawing international support and adding to its image of a responsible regional power and global player, worthy of a higher power status in security matters. While the attack did put India in the red as a secure travel destination, the swift resurgence of Mumbai has helped neutralize alarmist perceptions.

While the IPL being exported to South Africa raised questions of India's security environment again at the international level, there hasn't been severe concern considering the reason behind the move has been the pursuit of a peaceful poll process. . However, violence in Naxal affected areas during the polls in April have raised questions of security yet again and this could eventually prove to be the Achilles heel for the new government that will have to deal with the growing threat in a more proactive manner.



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