

Printed from

# THE ECONOMIC TIMES

Business in conflict zones: India Inc and government have to pay  
16 May 2010, 0700 hrs IST, Shantanu Nandan Sharma, ET Bureau

**Topics:** [Nandigram](#) [Chhattisgarh](#) [India Inc](#) [POSCO](#)  
[Indian companies](#) [turbulent issues](#)

NEW DELHI: If there were no conflicts, there would have been enough money to buy a Mercedes Benz car for every family on earth. This is an off-the-cuff remark from the globally acclaimed security expert Rohan Gunaratna when asked about the costs of global conflicts.

The writer of Inside Al Qaeda, and one of the handful of men on this planet who got access into the territory of Osama bin Laden, may not have researched costs of conflicts, but his guesstimate is close to reality.

Conflicts, whether triggered by sovereign nations or by non-state actors like Al Qaeda, come with a big price tag, forcing many rich countries to set aside sizeable resources on prevention of such menaces than reacting to terror incidents.

Ajay Sahni, executive director of the New Delhi-based Institute for Conflict Management, says: "A steep increase in India's home ministry's budget is an indication that conflicts have a huge cost attached to them." The last Union Budget made a provision of Rs 30,000 crore for the country's police force alone.

Around Rs 1,975 crore of that was earmarked as assistance to states for modernisation of the force, thanks to growing incidences of Naxal or Maoists violence in natural resources rich areas of Bihar, Jharkhand, Orissa, Chhattisgarh and even West Bengal, where businessmen want to explore the available resources and set up factories.

## Also Read

- [Indians are global faces of MNCs; West looks East for growth](#)
- [India Inc turns Big Brother, tracks staff's every move](#)
- [Check out world's top 10 most admired companies](#)
- [Indian cos may not lose sleep over Thai unrest](#)

Then there are places such as Jammu & Kashmir. Nearly half a million troops are deployed to man the J&K border with Pakistan and to maintain internal peace. Some estimates suggest it costs the country in excess of Rs 20,000 crore a year. Huge money is also going into managing conflicts in the north-eastern states, where the issue is more ethnic in nature.

All this is a matter of consternation for India Inc too. In the recent past, Indonesia's Salim group put on the backburner a 10,000-acre special economic zone project in West Bengal's Nandigram after violent protests by Maoists-backed locals.

South Korea's Posco is facing the heat in the Naxal-infested belt of neighbouring Orissa and in Chhattisgarh, mining companies are having a torrid time. Oil companies and tea estates in the north-eastern states have historically been the target of insurgents and violent ethnic groups.

In fact, most conflict zones in the world are replete with natural resources—largely oil and gas—and hence are politically quite potent. If Indian companies have to grow, they have to tap these resources, but they will also need to deal with these turbulent issues.

"It's a vicious circle. Industry has to reach out to these areas with development programmes. If you don't, people will remain poor and deprived; if you want to go there but aren't allowed, they will still remain deprived," says K Subrahmanyam, strategic affairs expert and former defence production secretary.

Industry body Ficci in a task force report on 'National Security & Terrorism' has warned that future attacks could take place in economic nerve centres. It recommended separate tailor-made plans be prepared for Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad, Jaipur and Ahmedabad, in addition to the national plan for strengthening counter-insurgency.

Significantly, the report prepared by a group of heads of corporate houses such as Rajeev Chandrasekhar of Jupiter Capital, Harsh Pati Singhania of JK Paper and Yogendra K Modi of Great Eastern Energy Corporation, among others, recommended a collaborative approach on a public-private partnership model that will extensively tap into private sector capabilities for managing risks.

In fact, the private sector is now willing to engage not just in protecting vulnerable targets as pure short-term measures, but paying attention to investing in security strategies as a long-term goal. What it wants from the government is a clear framework, and incentives such as tax breaks among others.

“Industrialisation is less an event and more a process of change. It is the advent of a new culture, structure of work and human relationship, that is mandated by our need for growth and prosperity. When the old way is challenged there is bound to be resistance and conflict,” admits Simanta Mohanty, Posco India’s general manager in charge of external relations.

On the ground, however, the current doctrine of doing business by private companies in conflict areas is being severely criticised by security experts. Ved Prakash Marwah, former police commissioner of Delhi and DG of National Security Guard complains that many big companies are throwing money in Naxal areas just to buy peace.

“We used to see this phenomenon in the north-eastern states. But now, many companies are using the same tactic of paying regular money to the Naxals just to buy peace. The central and state governments should not turn a blind eye to this phenomenon,” he says.

Several police officials working in Naxal-hit states SundayET spoke to, said on the condition of anonymity that the Naxal war kitty has risen considerably because of liberal doling out of money by private sector companies which have business interests in those regions.

“One should note that attacks by Naxals and Maoists are intermittent. That’s their way of saying they still have a clout and that gives them the license to terrorise the locals as well as keep up the pressure on private companies who want to do business there,” says Mr Subrahmanyam.

He in fact goes on to say that even the conflict groups want businesses to come into those regions. It keeps their tills ringing. So, business houses and government should start working on ways to apprise the locals of the benefits of development instead of running away from the issue.

“Pick up their fallen fruits, make some pulp and juices in your factory and then tell them they will get paid if they brought their fruits to you. Your policy should be to make their shareholders in your business,” he suggests. Next, of course, business houses should keep aside a portion of their profits for social development likes schools, hospitals, etc.

Chhattisgarh police chief Vishwa Ranjan adds: “I don’t think the recent attacks will in anyway impact the state’s chances of wooing investments. We have zero power cut in the state, and electricity is cheap. So, companies will continue to come here,” he says.

Yet, India Inc would like to strengthen its presence only in those areas which are likely to be free from persistent conflicts. But here comes the big question as who would be able to map correctly what lies ahead for India’s conflict zones.

Whereas Assam, which was one of the most peaceful states till 1970s became a hotbed of insurgency in the late 1980s and ‘90s, Punjab which saw turbulence in 1980s returned to normalcy in the 1990s. Even globally, today’s pockets of peace could turn out to be tomorrow’s disturbed zones and vice versa.

The corporate world which hesitated to invest in Sri Lanka till recently has changed their perception of investing in the island nation after the LTTE was wiped out after a fierce battle last year.

So, what’s in store for India’s conflict zones? Home minister P Chidambaram has said in a number of recent occasions that problems in the north-eastern states and Naxals are well within the control of the government, but the question remains how to contain them. The official line so far is that India has the capacity to replicate the Sri Lankan model for Maoist areas, but New Delhi is unlikely to resort to aerial attacks to eliminate the militants.

Chidambaram candidly admits that the major challenge for India’s internal security comes from jihadi terror that has roots outside the country. And it is not just cross-border terrorism any longer, as origins of terror could go far beyond India’s border with Pakistan. So, will the regions of conflict as India Inc will pursue its global dreams by setting up shops all over the world.

Some of the world’s biggest energy resources are in conflict zones. Already, Indian and Chinese companies have made a foray into troubled zones of Africa thanks to their rich resources and vast consumer base. Rohan Gunaratna, who now teaches security studies at the S Rajaratnam School of International Studies in Singapore, says that the Global Jihad Movement comprising the traditional Al-Qaeda, associated groups, and inspired local cells, has already replaced the threat posed by Al Qaeda or Laden.

“In the next decade, the threat posed by the Global Jihad Movement is likely to persist. As an ideologically driven threat and religio-politically driven movement, the Global Jihad Movement is networked and resilient, and is likely to endure and grow beyond the current generation,” he predicts.

Oil companies, especially, have always lived through conflicts and are finding innovative ways like blending CSR into business strategy among others to flourish in conflict zones.

“If however, one is risk-averse and decides to wait for fair weather, chances are that only the marginal assets with much higher premiums will be available on the table,” says Bikash C Bora, former chairman and managing director of ONGC.

“As in any change management process, three ‘C’s will help us manage conflicts that emerge from change: Communicate, Calibrate and Create. We have to be focused in our communication of the imperatives of industrialisation, like the demand for jobs,” says Mr Mohanty of Posco.

The idea should be to calibrate the process in accordance with feedback received and be unswerving in the commitment to create the change... “At the heart of our communication is that we will grow with the community. We will not let any individual fall by the wayside.”

Powered by Indiatimes

---

[About Us](#) | [Advertise with Us](#) | [Terms of Use](#) | [Privacy Policy](#) | [Feedback](#) | [Sitemap](#) | [Code of Ethics](#)

Copyright © 2010 Bennett Coleman & Co. Ltd. All rights reserved. For reprint rights: [Times Syndication Service](#)

This site is best viewed with Internet Explorer 6.0 or higher; Firefox 2.0 or higher at a minimum screen resolution of 1024x768