Tech Lahore

World Bank slaps Satyam with 8 year ban. Is the Indian Government complicit in cyber espionage?

Posted in Cyber Security, Economy, Law and Policy, Politics and Society, SW Industry by techlahore on January 9th, 2009

Raju: In a heck of a lot of trouble. Or is he?

If the title confuses you, let me quickly catch you up on this story. Satyam is one of the largest IT companies in India and has been the darling of the Indian outsourcing industry for some time now. The company is/was run by Ramalinga Raju, who has been hailed as one of the leading lights of Indian enterprise. Well, it so happens, that the World Bank was one of Satyam's customers, and their experience brought out into the open what we've been hearing various murmurs about; that outsourcing to India is becoming increasingly dangerous, and the service delivered by Indian IT companies is continuing to decline. Not only is this reflected in the quality of output, but also in the free-falling standards of plain old-fashioned business ethics.

While working with Satyam, the World Bank discovered that Satyam had been stealing proprietary World Bank information. Yahoo News! had this to say:

> "The World Bank move came after bank investigators discovered that spy software was covertly installed on workstations inside the bank's Washington headquarters"

Any customer outsourcing to India, or Satyam in particular, would cringe while reading this. This story raises very serious questions about the integrity of the customers' own systems… and frankly, the privacy of millions of consumer's personal and financial information. It only took a bit of research to discover that Satyam has plenty of financial services customers, including banks. They also enable mobile commerce transactions. Well, how safe is that consumer data? Now that we know Satyam has been deliberately stealing proprietary information from its own customers and indulging in all sorts of other financial frauds, what reason do we have to believe that this practice was exclusive to the World Bank? Who else could Satyam have stolen from? Do erstwhile Satyam customers have to invest in expensive audits to ensure that consumer information and other proprietary data is safe?

American companies like IBM and Accenture are already jumping in to drive the last nail in Satyam's coffin, but the bigger questions that need to be focused on, are: What does this means to indian industry in general? And, was Satyam used as a tool of espionage by the Indian government to steal proprietary information from important agencies, companies and countries? The fact that the World Bank is the first target to be discovered should certainly warrant more careful scrutiny of Satyam's dealings with other important institutions.

With regard to the first question, I think the writing is on the wall. American businesses will have a very hard time trusting Indian IT companies the way they did prior to this disastrous scandal. This is high profile enough that we wouldn't be surprised if some regulatory agency in the US took notice and made it more difficult or impossible, in some cases, for American companies to outsource to Indian software firms. The Indian news media is abuzz with the disastrous implications of the Satyam fraud; investors have lost billions of dollars, 53,000 employees stand to lose their jobs and the reputation of Indian enterprise has been seriously blackened. No small potatoes.

Coming to the second question, this is a very, very serious issue and one that multiple institutions, including US intelligence

agencies should look into. The Raju family has very deep political connections in India and may yet find a way out of this crisis. Was it really possible for multiple systems inside the World Bank, managed by Satyam, to have surveillance and espionage software installed on them without the management of Satyam finding out? And if it was, once this was discovered, why did Satyam fight the World Bank so publicly? Clearly, the decision to push back on the World Bank had to be taken at the Raju level. This company, was after all, a dictatorship. So Raju had to have known that a) information was being stolen from the world bank illegally b) the World Bank now knew about it and c) that Satyam's response - rather than cooperation - was absolute refusal to acknowledge the theft of data.

Was such a bold, brazen and public response issued by Raju because he knew no one in India could touch him? Why would he think that? Was it just because of his political connections or because he knew there were several people within the Indian establishment that would come forth to protect him on this issue?

There are many, many unanswered questions. If Raju and Satyam have been used by the Indian Government and intelligence agencies to steal important data from global institutions, are they the only ones? What about the other major indian outsourcers?

Come to think of it, the involvement of a leading businessman in acts of global espionage would not be a first. And the fact that indian outsourcers have their tentacles deep into western businesses do make them a very attractive source of information on other governments and citizens across the globe. Could the Indian intelligence agencies resist such temptation?

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1. **Asim** said, on January 10th, 2009 at 8:19 am

   Good informative article!!!

2. **The Jaywalker** said, on January 10th, 2009 at 12:40 pm

   Was about to write something about it….good analysis and reporting!

3. **Naavi** said, on January 11th, 2009 at 2:56 am

   The article is a motivated anti-india article.

   While the incident quoted is probably true, it is already known that the information alleged to have been stolen was ascribed to China. So the question if espionage by India is in correct. It could be espionage by China.

   We in India have already raised the alarm as perhaps being part of "Cyber War" preparation by China.

   Naavi.org (www.naavi.org) has already carried many notes on this.

   We are looking at this as an Information Security negligence by Satyam. It needs to be tackled.

Yes we are aware that the recent Enron like fraud in Satyam is a matter of concern.

But this is a matter of bad Corporate Governance, overstatement of profits in the books from which investors have been mislead. This has no relation to issues such as "Espionage".

We also accept that most top business houses will have political clout. The nexus is bad and professionals in India always express their dis approval for the same. This is part of the corruption in the political system but again has no relation to the idea expressed in this article.

I must however appreciate the creative ingenuity of the author in expressing his opinion which we in India may consider as sinister.

Just as US overcame the Enron shock, we will overcome the Satyam shock. Let Pakistan wait and see.

I wish intelligentia in Pakistan (I consider the author to be part of this strata) turn their attention to re building Pakistan's credibility as we in India will try to re build the credibility of our Corporate Governance system.

Is the Pakistani intelligentia willing to take the challenge of converting Pakistan into a vibrant democratic state [#$%^#$%]?

4.   **techlahore** said, on January 11th, 2009 at 6:36 am

Naavi, it remains to be seen who will overcome which shocks, but suffice to say that the article is based on facts now firmly established and reported by numerous publications, including indian newspapers. Satyam was used by 'someone' to inject spy/espionage software into World Bank computers. This has been proved. These computers were running at the World Bank's US offices. There is no doubt viz this fact. The Satyam employees involved in all of this were Indians. No one can contest this either. And when the World Bank reported this to Satyam management, they threatened the World Bank with negative publicity. This is also a matter of public record. So in this case we are talking about firmly established facts reported in the Indian media, not fictional dossiers put together by a biased party, for instance…

The net-net here is that this was a cyber attack launched on American soil against an international institution, by an Indian company whose leadership is politically connected to hindu politicians in India.

This is part II in a very worrying trend which began with the arrest of a serving Indian Army office, Col. Purohit, who is in custody and has been found to be the terrorist responsible for blowing up the Samjhota express train. You will recall that Purohit is the infamous terrorist who, along with other people from the Indian army, planted bombs in the train, which then caused the loss of many Pakistani and Indian lives.

The penetration in the Indian military of terrorist extremists has been established by this incident, and now we are watching espionage against the US and international institutions unfold, carried out by Indian companies. These issues have to be investigated and will be dealt with appropriately by the international community.

5.   **Naavi** said, on January 11th, 2009 at 7:46 am

Your facts on the World Bank attack is wrong. Trojans were found in the network which was a security breach. Two IPs which indicated possible remote destination of the key logger have been traced to China. This incident was reported in October 2008 and you can see the reference in http://www.naavi.org and other places.

Now coming to the current crisis in Satyam, please note that the Government of India has already made a good move in appointing a three member Board and one of the members is Mr Kiran Karnik of Nasscom, Mr Deepak Parekh of HDFC and Mr C Achyutan of SEBI, all professionals who can be trusted to do their best for the revival of Satyam. Remember that Satyam is not financially sick since it is having profitable operations even now though there are liabilities to be met in future.

But what is important is that India is not a country of denials like Pakistan. We shall try our best to correct the loss of image and you will see the difference in the coming days.

6.   **Naavi** said, on January 11th, 2009 at 7:53 am

I donot want to divert this discussion into the terrorism related discussions but we in India are aware that the Government in Pakistan is controlled by ISI and the Military

That's why we feel that there is little future for Pakistan as a country.

We feel that the Government of Pakistan had a good opportunity after the 26/11 incident to come out clean but failed to do so. We are as much sorry as some of the intellectuals of Pakistan that the country is slowly passing its control to the extremist elements.

If you are elated at the one Col Purohit being arrested for one incident, so be it. It gives you a seed to keep misleading the Pakistani people that India is a terrorist state and Pakistan is the victim country.

7. **DSK Rao** said, on January 11th, 2009 at 9:03 am

What is happening and happened at SATYAM is unfortunate. Having said this let us get straight about articles of this sort which want to use this to malign India. This is a Lahore Publication and definitely will try to get the best mileage out of the situation to harm India. Now coming back to SATYAM Saga, companies world over does what SATYAM has done and America leads the pack. Having said this please note the following

* Companies like ENRON, .. supported by Arthur Anderson which are no more have done these kind of scams in USA and these kind of scams called PONZI scams originated in USA & UK . See this link for more details
http://specials.rediff.com/money/2009/jan/05slide1-the-worlds-biggest-frauds.htm
* PwC (US Based Auditing Firm) is the Auditors for SATYAM and also to around 300 Indian organizations including Central/State & Private organizations. All these organizations accounts need to be relooked and PwC kicked out of our country
* World Bank & it's representatives as per several reports available on Public Domain are known for corrupt practices and it may interest members that many of the projects bagged by Maytas are world bank funded. Lahore should look into all WB projects in their country also!
* Most of the Financial Systems have IDS(Intruder Detection Systems) installed. As a client world bank should have taken all necessary precautions and the allegations may be for other reasons
* We should also question SEBI, MCA, CLB, RBI etc who are supposed to be whistle blowers and operating on Tax Payer's monies

India has definitely a great advantage wrt their talented and young work force and the world can not to ignore it\

Regards,

DSK Rao
Global IT & Innovation Consultant,
Hyderabad
dskrao65@gmail.com

8. **M Junaid Khan** said, on January 11th, 2009 at 10:16 am

I wonder how stupid one can get in his arguments to say that what Satyam has done has been done by other companies world over and lead by Americans. Is this the justification given by the self claimed intelligentsia of India? If yes i think the argument is over at this moment because arguing with person who consider what Americans do as a foundation of right and wrong are destined to be doomed.
And yes Pakistan is passing through a critical time but we are very much sure that our neighbour India has tremendous contribution in it and we will get back to them once we are done with the other enemies we are facing. Lastly, plainly blaming your neighbours for your own weaknesses show volumes of India psychology. China is blamed for this and Pakistan is blamed for self staged Mumbai attacks.
You should be sure of one thing that the coming generation of Pakistanis are well aware of your sinister designs and will not let you harm our motherland.
Great work TechLahore team for highlighting this issue. Pro-pakistan would like to republish it with your permission for wider coverage to the Indian corruption.

9. **DSK Rao** said, on January 11th, 2009 at 11:43 am

Can you have positive articles on IT or any other capabilities of Pakistan which they woefully lack instead of fault finding with India and gleefully doing wishful thinking. ;Smart' people like M Junaid Khan may find some sensible arguments 'stupid' as they lost their reasoning powers learning in Madras

10.   **techlahore** said, on January 11th, 2009 at 4:24 pm

DSK, if you are so interested in reading about Pakistan's achievements in IT, this site is full of such articles. Your commendable desire to learn about Pakistan's successes can be fulfilled here:

Karachi IT tower will be largest in the world
http://techlahore.wordpress.com/2008/06/10/karachi-it-tower-will-be-largest-in-the-world/

Pakistan's growing software expertise increasing its defence capbilities
http://techlahore.wordpress.com/2008/11/26/pakistans-growing-software-expertise-increasing-its-defence-capabilities/

"Pakistan has the world's largest WiMAX network - will American catch up?", wonders TMCnet
http://techlahore.wordpress.com/2008/12/14/pakistan-has-worlds-largest-wimax-network-will-america-catch-up-wonders-tmcnet/

Japan's DTS to invest in Karachi Software Park
http://techlahore.wordpress.com/2008/11/13/japans-dts-to-invest-50m-in-karachis-software-park/

Is Pakistan the best place on earth to launch a Web 2.0 company?
http://techlahore.wordpress.com/2008/08/16/is-pakistan-the-best-place-on-earth-to-launch-a-web-20-company/

11.   **techlahore** said, on January 11th, 2009 at 4:26 pm

Thanks, Junaid. You are welcome to syndicate - please link back and credit as per standard practices.

Thanks,
TechLahore

12.   **DSK Rao** said, on January 11th, 2009 at 5:29 pm

Dear Techlahore,

Thanks for all the links, most of which I am aware of. Pakistan has miles to go before it reaches anywhere near India, be it be Software or Military Capabilities.I am surprised at the editing of word MADRASAS to MADRAS! Junaid chose to go personal to which I responded. It would be better if issues are deliberated at issue level.

13.   **techlahore** said, on January 11th, 2009 at 6:02 pm

DSK, yes, obviously this is not a military oriented web site so on that issue all I can say is, if Indian military is so superior, perhaps it should take action against Pakistan and then we will see who is superior and who isn't. That's really all I have to say on pretty much the entire India-Pak debate at this point. No one in Pakistan and China trusts a darn thing Indians say and no one in India trusts the Chinese and Pakistanis. Well, so be it. As far as your comments on madras or madrasas or whatever, I would just ask you to dispassionately look at this report:

US National Counter Terrorism report shows India #2 behind Iraq in Terror
http://techlahore.wordpress.com/2008/07/29/foreign-customers-jittery-as-us-national-counterterrorism-says-india-2-in-terror-attacks-behind-iraq/

On software capabilities, I think any 'capability' India has, Pakistan has. I mean this in the sense of skills and ability. But you are right when it comes to the size of the industry. Pakistan's SW industry is estimated to be around $3BN right now, and as of the latest figures it was growing at 50% YoY. On a population/per-capita adjusted basis when comparing to India (160M people vs. 1.2B people) you would roughly multiply the $3BN number by 8, so you would get $24B as a comparison IT contribution number, taking into account the population differences. Now, I believe India is somewhere around there - maybe 10/15% more, maybe 10/15% less, but somewhere in that ballpark. By next year given the 50%

growth the Pakistani Software industry is seeing, in particular with rising exports to the Middle East, I think we will need to revisit this and figure out who is where.

Pakistan's Software Exports Growing at 50% Annually
http://techlahore.wordpress.com/2008/07/01/pakistans-software-exports-growing-at-50-annually/

Pakistani exports to UAE… Software growing fast
http://techlahore.wordpress.com/2008/10/07/pakistani-exports-to-uae-rise-to-18b-software-growing-fast/

14. **TarnishedBoard** said, on January 11th, 2009 at 8:09 pm

@Navvi: very interesting that you point out Kiran Karnik's role. He is one of the most tainted appointments by the Government of India to the Satyam board. He has been a close Raju associate and served on the board of a Raju company. He has derived income from the Raju family. What a great selection for a board that would supposedly look into Satyam's espionage and wrongdoings!

http://timesofindia.indiatimes.com/Kiran_Karnik_on_board_of_another_Raju_firm/articleshow/3965361.cms

Or maybe he is a great choice if all the government of India wants is a massive coverup. In that case, great job.

15. **Naavi** said, on January 12th, 2009 at 3:57 am

Dear TarnishedBoard,

It is the indication of the vibrant press in India that an issue has been raised in the press about Kiran Karnik's association with EMRI. However, you need to get the full details before jumping to a conclusion that Karnik's association with EMRI indicates anything sinister in his relationship with Mr Ramalinga Raju.

Please note that EMRI is not a commercial company. It is a not for profit public service organization involved in providng ambulence services in 100 towns of Andhra Pradesh. If Kiran Karnik has been a Director of such a Company (He has been involved only since April 2008), I donot think there is any indication of corruptive link.

Why I appreciate the appointment of Mr Karnik is that one of the requirements in the revival of Satyam is to talk to and provide confidence to the national and international clients of Satyam and assure them that the IT service of Satyam would continue smoothly.

Karnik by virtue of his stint in Nasscom has the necessary contacts to quickly establish a communication bridge with the customers who would naturally be shaken.

Before the appointments were announced, I was also sceptical about the appointment of the right persons. I have been pleasantly surprised with the three persons appointed and hope they would be able to stabilize the operations.

Remember that Satyam is a company with an annual billing of around US $ 2 billion. Even the deflated profit for the last quarter is Rs 61 crores or an annual equivalent of around Rs 240 crores. Compare this with the SW business in Pakistan and you will realize that we are dealing with a huge chunk of global IT business. The Government of India has realized the importance and at this point of time made an excellent move with the chosen three members to the Board.

As a head of such a large company, Raju must have had close working relationship with Mr Karnik who was the President of Nasscom. This is also not unnatural. But like every Indian proud of its IT heritage, I am sure that Mr Karnik would be highly concerned about the imapct of the problem on the IT industry and I expect that he would have the right motivation to revive the company. In this respect, the choice of Mr Karnik could be even more effective than say Mr Narayana Murthy of Infosys.

Let me clarify that I am not a friend of Mr Karnik nor I am a supporter of what all the Government does but yet within my limitations appreciate what the Government does if it deserves. The decision to appoint Mr Karnik as one of the members of the Board is one such decision which I am more than happy about.

I understand that managing a US $ 2 billion company is not easy and the employees have a big role in making Karnik's task succeed. Since some of the top employees may have to be removed for their complicity with the fraud, a new set of people who were near the top need to be groomed for the day to day management.

This requires a management strategician with excellent HR capability and I am looking at further board appointments where a management expert may also have to be roped in.

We in India know that the task of rebuilding a corporation from the kind of crisis Satyam has landed itself in is as much difficult as say the Zardari Government faces in ridding Pakistan of terrorist elements.

But we are confident that we will do it since we have the intention to do it.

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