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AMERICAN MORNING

Gunfire at Mumbai Hotels; Film Crew Caught Up in Hotel; Obama and Bush Coordinate a Response

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CAROL COSTELLO, CNN CO-HOST: We want to bring our viewers up to date what is happening in the past 20 hours. We know there have been 10 coordinated attacks throughout Mumbai. One hundred people reportedly dead, including nine gunmen, 14 police officers. The chief of Mumbai's police anti-terrorism squad also cut down and killed; 314 people wounded in hospitals throughout the city. Hospitals are completely overwhelmed.

JOE JOHNS, CNN CO-HOST: We believe militants are still inside the hotels. Hostages perhaps held. Nine suspects arrested. There are reports that a group calling itself the Deccan Mujahideen has claimed responsibility. We also know as of the last hour or so that the prime minister of India has said the individuals responsible for this did not come from within the country.

There are a lot of people speculating, of course, this morning that the people who may have been responsible came, perhaps from Pakistan. But we have to say what we don't know. We have no information telling us that that has, in fact, occurred.

We have no information telling us that the individuals who were responsible for this in any way planned, participated, executed or brought weapons even in from that country, Pakistan, which is involved, of course, in a very tense and unusual situation, a detente, you might call it, that has been developing into a little bit more peace and a little bit more ease over the past several months or years, Carol.

COSTELLO: On the ground in Mumbai, let's bring you up to date. There's been gunfire and explosions inside the Taj motel in the past, oh, let's say, 45 minutes or so. At least five loud explosions inside the Taj. That's the big beautiful hotel in Mumbai.

Not far away is the Oberoi Hotel. We understand there are new gunshots coming from that hotel as well. Earlier this morning, there were also explosions from inside of that hotel. Phil O'Sullivan, our producer, is there now. He's on the phone.

Phil, what's happening right now at the Oberoi?

PHIL O'SULLIVAN, CNN PRODUCER: Well, real developments here in the last half an hour, Carol. Actually, we had those really long periods of sustained gunfire both out of the front of the hotel and moved out in the rear of the hotel. It got so bad for all of us. We started to move equipment around the back of the hotel. As soon as we got down to the back, the gunfire started coming from that direction as well. We can't see who's firing. We can't --

COSTELLO: Phil, you still with us?

Obviously, cell phone reception isn't the greatest from India to the United States.

JOHNS: Absolutely.

COSTELLO: We'll try to reestablish communication with Phil.

JOHNS: OK. Say again? OK.

Besides being a major financial center for Asia, Mumbai is the home of Bollywood, the center of the India film industry. We're joined on the phone by members of an Australian film crew who were caught up in the attack on the Taj Hotel. Photographer Daniela Federici -- did I get the name right? And director Anthony Rose had just checked in when the attack began.

VOICE OF DANIELA FEDERICI, WITNESS: Hello.

JOHNS: All right. We don't have that apparently right now.

Daniela, are you there.

FEDERICI: Can you hear us?

JOHNS: OK. Got you, got you.

FEDERICI: Joe, hi. Can you hear us?

JOHNS: Yes, I can. But just barely. Now, tell me what you heard, tell me what you saw, tell me what happened.

FEDERICI: We arrived here last night a bit late. So we arrived to the hotel and we were checking in. We did a quick check in because they're in a bit of hurry, and we ran upstairs quickly to the restaurant area with the rest of our crew for a pre-production meeting.

If we hadn't hurried, we would have been in the lobby when the terrorists came in. Because as soon as we left the lobby, and the rest on the first level, there were gunshots heard.

And at first, we actually thought it was firecrackers or something because there were like handguns. It wasn't automatic explosion (ph) or automatic guns. So there's no retaliation. So we sort of thought oh, something is going on. And then

when the shots got louder and louder and you can really hear the piercing of the gunshots, we all started to run and move around the room.

Some of us headed to the door in the back of the room in the restaurant. We managed to get it opened. We moved through three rooms and we blockaded the end (ph) to get to a safe area where we held up for the night. And the night was a long night because it started at sort of 10:00 and we had no relief. There were no signs. We didn't hear about any police, but we heard sirens about 5:00 a.m.

So throughout that time, we had our iPhones with us so we got updated news throughout the night which was great. So we knew what was going on. But we could hear people screaming in the corridors being dragged, the hostages being dragged up to the roof. It was quite terrifying. And then the constant explosions where the whole ceiling vibrated. The chandeliers and the floor we're standing in nearly fell off the ceiling.

The bullet proof glass, which is a big window, the main window on the waterfront, were all shattered from hand grenades being thrown off the building. The whole night was terrifying. And then about by about 5:00 a.m., the fire was quite, quite strong and moving. The smoke was really so suffocating in the room.

So all the ballrooms (ph) still in top and we all broke through the windows and led our way down on joint up curtains and hit the floor and left the building at about 6:00 a.m. But from 10:00 to 6:00 a.m., none of us really knew what was going on.

JOHNS: So you were in New York for 9/11, were you not?

FEDERICI: Yes. .

JOHNS: Tell us what this was like. Compare the two.

FEDERICI: 9/11, I mean, they're both terrifying. 9/11 was one, well, I like that (ph) area, 9/11, so we knew what was happening in one area. And the American response, people helping the firemen, the police, they were there within seconds.

We just felt a little bit abandoned. We felt that there wasn't anything going on. We didn't know what to do or to move, so we just stayed put. And I think, you know, imagine New York, if we had central station and, you know, the Twin Towers and a few other locations. Plus, imagine if people, you know, the New Yorkers tried to leave the buildings being shot down as they were doing. That was a terrifying element of it. It was sort of -- it was better just to stay put and barricade ourselves in. That was a terrifying element of the night.

JOHNS: And more terrifying than 9/11?

FEDERICI: Well, I think they're just different but I would say so because we just didn't know where to go. There was no escape. We can still -- even we heard people we were being hunted down because they were going into rooms. Because some of the staff which the Taj staff were amazing, I must say, were helping us, trying to give a little bit of communication and saying that in some of the other rooms the terrorists have come in and actually requested to see the American

English and foreigners first. And apparently, there were calling down -- calling up to the rooms. They were in a section calling the rooms and asking Americans or English to come down through reception. So, you know, they were obviously targeting foreigners.

JOHNS: Got it. Photographer Daniela Federici. And director Anthony Rose, we didn't hear from him but thank you both so much.

Carol?

COSTELLO: Yes. Thank you both. And we're glad you're safe this morning.

We want to bring you up to date with what's happening on the ground in Mumbai. There's been another explosion at the Taj Mahal. We understand five suspects are inside of that hotel. The Indian army going floor to floor trying to root them out. Within the past hour, there have been five big explosions, maybe six right now.

There's been gunfire. There's also smoke pouring from a fourth floor window. Just a few moments ago, this was the latest explosion.

(BEGIN VIDEO CLIP)

SARA SIDNER, CNN CORRESPONDENT: I -- OK. That was a blast. It's Sarah. Can you do me --

(END VIDEO CLIP)

COSTELLO: Yes. That was our correspondent, Sara Sidner. She's been experiencing explosions like that all morning long. She's as safe as she can be and taking cover. But she says she doesn't know what's causing these explosions. Is it the Indian army's weapons?

JOHNS: Right.

COSTELLO: Are they grenades from the terrorists? We just don't know.

JOHNS: A very scary situation. You haven't a clue. All you know is you hear booms and you're trying to figure out what they are.

Apparently, the authorities have not been giving her or any of the other media there a lot of information. Of course, you also realize that if there are communications with people who are inside who are holding hostages, they wouldn't want to alert the media, in other words, especially this is a very sensitive time, Carol.

COSTELLO: Absolutely. We'll take you to Mumbai in just a second. We'll take you back there, rather.

For now, we want to take you to Washington. You know, this is the first major international incident during the transition and right now the Obama team is working with the Bush administration to coordinate a response.

Our White House correspondent Ed Henry, actually Ed is in Chicago.

Ed, I know that the Obama transition team has been brought up to date and the Bush team has been brought up to date. So who's going to be in charge of this situation, you think? ED HENRY, CNN WHITE HOUSE CORRESPONDENT: Well, clearly, the current White House, Carol, is in charge. President Bush is at Camp David. He's been getting briefings from his national security staff. There was also a special urgent National Security Council meeting at the White House last evening where they brought in officials from the State Department, basically counter terror officials, intelligence officials trying to get a hand on the latest information.

But then they are bringing Barack Obama, the president-elect into the loop. Of course, he's not in the decision making role yet. He's not going to be sworn in until January 20th of next year. But specifically, Secretary of State Condoleezza Rice personally briefed the president-elect last evening by telephone, we're told by aides to both sides. Secretary Rice pledging to keep Barack Obama in the loop as well.

I can tell you that the transition team here in Chicago is telling me they have had contact with various other Bush officials, mid-level, senior level contacts to make sure both sides are working together. You'll remember that President-elect Obama went to the White House very quickly after his election victory to meet directly with President Bush. That's traditionally what happens. But they did it sooner than usual and largely that was because of national security reasons.

Something like this. The possibility of something like this happening. We've been hearing from White House officials for weeks, for months, even that they've been concerned that in the first transfer of power since 9/11, terrorists could try to take advantage of that on U.S. soil or elsewhere.

Obviously, this could happen at any point. They're particularly concerned during a transfer of power. That's why they're keeping Barack Obama in the loop. Of course, the White House condemning the attack last evening but also Barack Obama, through a spokeswoman, releasing this statement condemning the attacks and saying, "These coordinated attacks on innocent civilians demonstrate the grave and your again threat of terrorism. The United States must continue to strengthen our partnerships with India and nations around the world to root out and destroy terrorist networks. We stand with the people of India whose democracy will prove far more resilient than the hateful ideology that led to these attacks." That statement from Brooke Anderson. She's the chief national security spokeswoman for the Obama transition team.

Interesting because all this week here in Chicago, Barack Obama has been focused on financial security, economic security instead of national security. You know, of course, unveiling his new money team, treasury secretary, et cetera. But next week, he was already planning to roll out his new national security team.

Obviously, the horrific images we're seeing in India right now, you know, a stark

reminder that it's not just about financial security. There are a lot of national security challenges for the incoming president, Carol.

COSTELLO: Ed Henry live in Chicago. Thanks.

JOHNS: And we are still watching pictures from CNN-IBN as we talk about new developments constantly streaming into our network from the Taj Mahal Hotel in Mumbai, India where terrorists are laying siege. Here's a recap of the very latest.

Fire and reports of shots fired and explosions this morning. The Indian Navy says its forces are boarding a cargo vessel suspected of ties to the attacks. The Bush administration says it's monitoring developments and is ready to help if India asked. At least 101 people have been killed. Terrorists on a rampage, hostages still being held at gunpoint. More shots and explosions.

(COMMERCIAL BREAK)

ANNOUNCER: This is "CNN Breaking News."

COSTELLO: And for those of you just joining us on this thanksgiving morning, we want to bring you up to date with what's happening in Mumbai, India. You're taking a looking at the Taj Mahal Hotel. Smoke pouring from some of the windows there. There have been several explosions, at least six in the last hour.

We understand the Indian army inside of this hotel going floor to floor trying to root out these five suspects they believe to be inside. We don't know if there are hostages in there. We don't know if they're safe. We don't even know where the explosions are coming from.

And what I mean by that are they coming from grenades that the terrorists are throwing? Are they coming from weapons from the Indian army? We just don't know.

A few blocks away, we got Oberoi Hotel. Gunfire there, too. Same thing. Security forces going floor to floor trying to root out these terrorists and trying to save whatever hostages are inside of those hotels.

These attacks happening at least 20 hours ago now. Ten coordinated attacks in all throughout Mumbai. We understand 101 people have been killed, including nine gunmen. Fourteen police officers and the chief of Mumbai's police anti-terrorism squad -- and you understand that's kind of throwing a wrench into things because he was head of the intelligence there -- and they're scrambling to replace him and to find a good leader to handle the situation.

At least 314 people wounded. Hospitals overwhelmed in Mumbai. And as I said, it's still going on right now.

JOHNS: And there have been claims of responsibility by a group calling itself the Deccan Mujahideen. This is a group that's not real well known, although there have been a few reports.

Continuing coverage of breaking news now. We're right here with a person who, I was so surprised to see you sit down next to me because we've been through so many international crises where you've been right there on the scene or at least on your way.

Christiane Amanpour here. Thank you very much for coming in this morning. What do you make of this?

CHRISTIANE AMANPOUR, CNN CHIEF INTERNATIONAL

CORRESPONDENT: Well, clearly, what you just said about the Deccan Mujahideen is what's confusing everybody, because frankly, nobody has ever heard of them. None of the intelligence community either in India or elsewhere.

Deccan is the name of a town or neighborhood in a place called Hyderabad. It is also the name given to a southern India plateau. Mujahideen, as everybody knows, is the Arabic word for holy warrior.

But who are these people? It's not clear as you've been reporting all morning who they are or what their grievance is. Some have suggested that it might have something to do with Indian Muslims, and their traditional and growing grievance. Are there what they perceive is their treatment of the hand of the Hindu majority?

Others have suggested that it may be something from outside. It may have something to do with grievances regarding the Himalayan territory of Kashmir, which is under Indian rule but which is a majority Muslim enclave there.

JOHNS: So there's this question about these individuals coming from outside the country. What do you make of that?

AMANPOUR: Well, the prime minister of India has been on -- given a national address in the wake of this attack and he has talked about a highly coordinated attack. He talked about some of them coming in from boats. He talked about how they had targeted the real financial hub of India, the gateway to the nation which Mumbai is and it's cultural hub as well, including its international face. But he's also put out the speculation that it could be included some motivation from abroad. But we don't know.

Usually that is code for Pakistani activity, but we don't know. And the thing is this does come at a time when the president of Pakistan, the new president, Zardari, has made the single most warm outreach to India in decades, talking about wanting to bring full peace between the two countries, wanting to renounce potentially the first nuclear strike that no other Indian leader has said before. And officials from both countries just yesterday meeting and deciding to cooperate, they say, on combating terrorism.

COSTELLO: Christiane, I want to ask you about the aspect of this situation that they were, these terrorists were targeting American citizens and British citizens and why that would be, because India has suffered these kinds of terrorist attacks before but they haven't really centered on American visitors or British visitors.

AMANPOUR: Well, precisely that. We heard that from some of the eyewitnesses that they said that they were coming in to the hotels, calling rooms, asking for Americans or British to come down. We heard the stiff condemnations from the president of the United States, from the prime minister of Great Britain, also from the prime minister, the new president of Pakistan.

This is a chilling and new development. The question is why? Some of these groups have said that they, for instance, Indian Mujahideen have said not only do they want their own rights in India but that they oppose India's close relationship with the United States. Still that is unclear exactly why they would do that.

The fact is that India, according to the State Department, is the nexus for so much terrorism and so much of these groups that one finds in the South Asia region.

JOHNS: If you were the United States government going through a transition right now with candidates as well as a president, all watching the situation, what would be the flash points?

What would be the thing you're looking for?

AMANPOUR: Well, India itself is a worry. This is the single biggest attack of all of these and different. It doesn't have the al-Qaeda hallmarks. It's not about suicide bombings. It's not about IEDs. It's not about anything other than a group of people who may or may not be highly sophisticated.

They've chosen soft targets, hotels which apparently didn't have a huge amount of security, restaurants and the like. And they have engaged with the security forces with gunfire. So they're not just going in and anonymously throwing a grenade or setting off a suicide attack. They are actually there engaging.

So who are these people? Why are they doing it? But the fact of the matter is that South Asia continent right now is in a very, very dire situation. Pakistan is a failing state. The U.S. Marine Corps commandant just recently has said that al-Qaeda as it leaves Iraq, as the hammer of security leverages down on Iraq, is moving out and using Pakistan and, of course, Afghanistan as its main base.

This is a big, big problem and obviously because of the sensitivity of the Kashmir issue and because of the ability to move across these countries, there is this worry about this nexus moving into India. So this is something that the next administration is going to have to deal with very, very carefully and, obviously, it's not over yet -- the al-Qaeda threat. But the focus, obviously, has got to also be on these places where the U.S. thought they had their allies. They thought they had the full strength of Pakistan and Afghanistan combating this, and yet they are failing in that regard at the moment.

JOHNS: Christiane Amanpour, thanks.

COSTELLO: And the terror siege in Mumbai, new explosions, shots, smoke and flames at the Taj Hotel with hostages still inside. One of the world's biggest cities on lock down. We are live there.

It's 24 minutes after the hour.

(COMMERCIAL BREAK) (BEGIN VIDEO CLIP)

UNIDENTIFIED FEMALE: There are about 25 people in my room and everybody was just lying still, lying on the tables, lying on the furniture and just, you know, being very quiet and just hoping it would pass.

But we could just hear it all. We could hear -- you knew when the army went in. We could hear the army running through the hotel, and we just heard a little gunfire ahead of the blast. Most definitely the worst experience of my entire life and, you know, it was just horrendous. It was absolutely horrendous. Never experienced anything like it and hope I never do again.

(END VIDEO CLIP)

JOHNS: It's 26 minutes after the hour. We're monitoring a still chaotic unfolding story in India's largest city. Americans and other westerners were likely among the targets in a series of 10 terrorist attacks in Mumbai. More than 100 people are dead, more than 300 hurt. Hostages are believed held at two of the city's hotels where gunshots, explosions and flames are being reported at this hour.

COSTELLO: Yes. In the middle of it all is Sara Sidner. She's part of our worldwide effort to bring you the latest on this crisis. She's live outside of the Taj Hotel in Mumbai, where there have been a series of explosions within the last hour and a half.

Sara, what's happening now?

SIDNER: We should just first mention the explosions just because those happened about an hour and 15 minutes ago. There were a total of six. There was one blast that was quite loud and one smaller blast and two large blasts and then the last blast. Obviously, all of us ducked trying to get out of the way wondering what is happening behind us.

Subsequently, there was a fire that came out of one of the windows on the fourth floor in the old section of the building. Burst out the window, lots of glass. The entire sort of window area in the room was blowing with fire. That has now calmed down quite a bit. But this has been quite a fluid situation because every few minutes it seems something new is happening.

We just noticed that a fire brigade, the fire truck sort of rolled up to where the lobby would be normally where people would go in, rolled up and sort of rolled past a bit. We noticed that there are quite a few members of the army that are getting closer and closer, armed certainly with large automatic rifles and with their flak jackets on but getting a bit closer.

And we do understand the army did at some point today a few hours back, swarmed the area. And so, this is still quite an active scene. Still plenty going on. I'm going to step out of the shot here for you just quickly and let you see some of the smoke that is still rising out of this absolutely beautiful structure. You're

seeing now pictures of, it looks like the window that was bursting with flames. It has now receded into the building a bit. We don't know if that fire is consuming (INAUDIBLE). We do know it's a lot less than it was just about 10, 15 minutes ago.

And then, further beyond that, there are more plumes of smoke pouring out of the right-hand side of the Taj building near one of the beautiful domes. It's coming out apparently a room, because it's pouring out of a balcony there. And this is a scene that's been changing.

The army comes up and pushes some of us back every now and then. There are loud bangs, and we've heard quite a few numbers of gunshots over the past hour and a half. Successions of what sounds like automatic gunfire inside the Taj Hotel.

We do know now that there are a few people that are inside. We do know now that there are people that are inside that hotel. Number one, authorities have told us that there were five terrorists still inside. Number two, we've had people contact CNN saying that they are inside the hotel and that they would be able to get to a phone and call us and talk to us. They're obviously not certainly hostages but stuck somewhere inside the Taj.

A very serious situation. I mean, imagine being inside there not knowing what's going on. They don't have a television. They don't necessarily have a way to communicate very well. And so it's a scary situation for everyone involved and certainly family members don't yet know what's going on as authorities are being hush-hush in what they're doing inside the Taj.

COSTELLO: You know I'm wondering, you know, if you were inside that hotel, you would be hiding somewhere in a broom closet, under the bed. I mean, knowing that you can get out and possibly run by these terrorists.

SIDNER: I --

COSTELLO: OK. I think we lost the signal with Sarah. Sarah, we'll get back with you as soon as we can. But if you're just joining this, this thing happened 21 hours ago.

JOHNS: Yes.

COSTELLO: The city of Mumbai, completely understand siege.

JOHNS: Right. Exactly. Let's recap a little bit. The coordinated terror attacks in India of course, are raising questions here at home. What we do know so far is we had 10 coordinated attacks. 101 dead so far. 314 wounded we're told by authorities. Militants still inside the hotels. Hostages still inside at least one of the hotels from what we can tell. Nine suspects arrested including seven fishermen and reports of a group called the Deccan Mujahideen claiming responsibility.

Authorities say they don't know a lot at all about the Deccan Mujahideen. The coordinated terror attacks raising questions here in the United States. Federal

authorities notified the city here of a possible plot against the New York City Transit Authority at a time when commuter trains and subways are packed with shoppers and tourists. There are no specifics, no specific threats but the NYPD says it is deploying extra resources.

CNN'S Kelli Arena is following that part of the story. She's live in Washington and Kelli, what do you know?

KELLI ARENA, CNN CORRESPONDENT: About the New York City attack, there was intelligence that came in back in September, according to the FBI suggesting that Al Qaeda terrorists had at least talked about going after New York City subway and rail systems. And this was put out in a bulletin from the FBI to its state and local law enforcement partners.

Now the FBI says that it doesn't have any indication that this plot has moved forward at all, but the FBI does say that it's plausible and, you know, Joe, you know as well as I do, we've heard many, many times that you know the subway systems in this country are what they call soft targets. Targets that terrorists could easily get to if they choose to. And lots of questions about why we have not seen such an attack on U.S. soil.

FBI is warning that the holiday season seems to be an attractive time for such an attack. And we did see immediate reaction to that bulletin yesterday. There was increased security in and around New York City. Even here in Washington, D.C. at Union Station, there was a very physical presence of increase in security in response to that bulletin.

JOHNS: There's also, I would assume, a certain urgency with federal authorities right now just because of what has happened in India.

ARENA: Well, I mean worldwide security agencies are ramping things up. But there is no increase in the threat level here in the United States. And there's actually no indication that this plot that took place in India, you know, had any connection to any sort of plot to attack on U.S. soil.

JOHNS: The other concern though, as you know, when you look at what happened in India, apparently the intelligence authorities there were caught completely flat footed.

ARENA: Well, you know, that's what we hear, Tony. You know, I'm calling you Tony. It's Joe. Really, early in the morning.

JOHNS: It's OK.

ARENA: I've been up since midnight.

JOHNS: Long day.

ARENA: That's what they are saying. We have heard from a variety of intelligence officials that there was no indication that this was going to happen. But interestingly, there was an article that I saw, open source information from the

Indian Mujahideen saying that, and this is in September, threatening attacks against Mumbai, and I have not been able to get any clear indication as to why that was apparently ignored. But, you know, this is something that, obviously, did not happen overnight.

I mean, this is the kind of an attack, the coordination and the scope of this attack was something that took months to plan. And terrorism experts say probably involved an outside organization as well, maybe for money, maybe for training, maybe for weapons, you know some type of coordination. So this was something that one would expect, you know, there may have been some intelligence threat on.

JOHNS: Kelli Arena, working hard on this Thanksgiving day. Thanks for that.

COSTELLO: New explosion, shots and smoke and flames at the Taj Mahal Hotel with hostages still inside. We'll talk with an eyewitness visiting from New York who has been barricaded inside an apartment for hours. It's 35 minutes past the hour.

(COMMERCIAL BREAK)

[gun shots heard]

COSTELLO: Our correspondent Sarah Sidner avoiding the blast coming from the Taj Hotel in Mumbai, India. There have been six explosions like that coming from inside the hotel within the last hour and a half. Of course, the Indian Army inside going floor to floor trying to root out those terrorists. They believe there's at least five inside and we don't know if there are hostages or not. Of course, we continue to follow this breaking news, the massacre in Mumbai.

We want to go right now Samitri Mundra (ph), a New York based filmmaker who is visiting family there. She's been barricaded in an apartment around the corner from the Oberoi, another hotel where people are reportedly being held hostage. Another hotel where there is reportedly gunfire right now. Thank you so much for joining us (Samitri).

VOICE OF SAMITRI MUNDRA: You're welcome.

COSTELLO: Am I pronouncing your name right?

MUNDRA: Yes. That's pretty good.

COSTELLO: Good. I'm relieved at that. You lived this chaos through last night. This has been going on for 20 hours.

MUNDRA: Yes.

COSTELLO: Take us back to the beginning, to the point where you noticed something was terribly wrong.

MUNDRA: Well, as I was getting ready for bed last night, I just heard a bit of a

commotion outside of the window and police sirens and things like that. and initially I didn't think much of it because, you know, things like that happen in Bombay, and when my parents had put the news on and I started watching and realizing what was going on in the streets just outside of our building so that was when, you know, I realized the extent of the situation.

COSTELLO: So when you look outside of your window, did you see, did you see the gunfire? Did you see police storming the hotel? Did you see the terrorists?

MUNDRA: I didn't see the terrorists. I'm six floors up. So I was hearing a lot. Also we were told to stay away from the windows and, you know, keep the blinds down and everything. So hearing more than I was seeing. But I was hearing throughout last night a lot of police sirens, a lot of commotion down on the street. I heard the explosions in the hotels. And you know, just basically trying to keep my ears open and get a sense of the situation.

COSTELLO: When you heard these terrorists were asking people inside of those hotels whether they were Americans, as an American yourself, how did that make you feel?

MUNDRA: It was a bit frightening. I mean last night was very surreal. It's hard to imagine something like this happening in a part of town like south Bombay. I've been visiting Bombay and you know especially this part of town since I was a baby and I've never felt unsafe here, I've never you know just yesterday morning I was jogging, you know, in front of that very hotel, the Oberoi Hotel. And I've never felt unsafe. I had dinner and drinks there you know hundreds of times, same as in the Taj Hotel. It's in a very much regular part of our life here in Bombay, is that being in those hotels. So I've never felt unsafe and it was - it took a while for it to register that, you know, Americans and British citizens were being targeted for any reason. But it's definitely giving me pause about going outside you know with my accent and my nationality in the neighborhood in the coming days. I'm not sure how long it will take for the situation to normalize and for people like me to feel safe, you know, kind of wandering the streets during the daytime.

COSTELLO: And for you it's a double whammy. Here you are an American of Indian descent. Your family is Indian. And when you leave that country I'm sure that your worries will stay with you about your family still there.

MUNDRA: Yes. Most definitely. I mean we're all a little bit you know shaken up. This type of attack on this scale we've never really seen in south Bombay especially in recent memory and it just makes you realize how vulnerable you are, no matter where you are. I mean South Bombay is a cosmopolitan city just like New York City or any other big city in the world. And this tourist and business travelers and celebrities and all kinds of people, you know, participate in daily life here all time and to feel vulnerable like that to, you know what we're being told so far essentially a group of 20 somethings with AK-47s that just sort of wandered into these hotels and, you know, taken over the streets is really unsettling. So I do worry for my family once I leave they are going to stay behind. COSTELLO: I hope the situation is over soon although it doesn't look that way. But stay safe. I know

you have to stay holed up in that apartment for a while longer. But thank you for talking with us this morning.

JOHNS: New developments are constantly streaming into CNN from the Taj Mahal Hotel in Mumbai, India where terrorists are laying siege. CNN confirms the Indian Navy is boarding a cargo vessel suspected of ties to the attacks. We're bringing in our state department correspondent Zain Verjee next.

(COMMERCIAL BREAK)

JOHNS: We're continuing to follow the breaking news out of Mumbai. A metropolis in chaos for a second straight day after teams of heavy armed gunmen took over yesterday. Hunting down British and American tourists at sites across the rich island city. At least 101 people killed so far. More than 300 others injured in one of the biggest cities in the world. And just moments ago new loud explosions and gunfire rounds at the Taj Mahal Hotel which is now in flames.

That was our reporter on the scene, Sara Sidner, ducking for cover. CNN's state department correspondent Zain Verjee joins us right now and we were just talking in the break in that last interview we had on the phone, one of the women was referring to Bombay, a lot of people may not make that connection between Bombay and Mumbai. Could you explain it for us?

ZAIN VERJEE, CNN STATE DEPARTMENT CORRESPONDENT: It's the same place. It was always called Mumbai. Then the British came and they colonized India, they called it Bombay and then sort of reclaiming the name of the city, the Indians decided let's go back to Mumbai. But there a lot of Indians living in the city that still call it Bombay.

COSTELLO: OK. That's explains it. Mumbai and Bombay is the same place.

You know I wanted to talk a little bit about what's happening on the ground there. These explosions are going on. And the Indian security forces are invading these hotels. And one of the difficult things for them is the head of the counter terrorism unit in Mumbai was killed in these attacks. How is that affecting things on the ground there?

VERJEE: It seems to be really affecting the situation. The fact that he died and a couple of his top officers also got killed and they are really viewed by the people of Mumbai as heroes. These are the guys that fight the bad guys. These are the guys that are leading the charge to target some of these disaffected young Muslim men that have been ripe for recruitment by terrorists or feel modernized or criminalized and get up to no good. And so, it's a real blow to the whole operation right now. And many experts are saying it's clearly affecting how the commandos and the police force and security forces are operating.

JOHNS: And this isn't the first terrorist attack at Mumbai. VERJEE: No, it isn't. I mean, you know back in 2006 there were attacks, to the Indian Mujahadin has also been blamed for a string of attacks over the last few months in India. This is a much more, this is a different kind of attack, much more well-planned, well

coordinated and it takes it to a whole new level. But, the Indians are no strangers to this. It raises a lot of questions about the Indian government and its own actionable intelligence. You know there was a public paper or Kelli Arena was referring to an open source that said we're going to come in and attack specifically like this you know in 2008 in Mumbai. And nothing happened. So, you know, the Indian government is also watching their own local political situation because they have been criticized by the opposition VJP for being too soft on terrorism. So they need to take some kind of stand, either say well accept the blame or blame somebody else.

COSTELLO: That's right. You know, we were talking about this earlier that the difference about this attack in India is that the terrorists asked for Americans when they went into those hotels. And we were sort of discussing how Barack Obama and his new presidency might play into this.

VERJEE: Well, what this attack does is it really underscores, once again, to President-elect Obama directly and the American people that Americans are targets around the world, period.

You know, the focus of the president-elect has been on the economy but the national security team and how that's put together, and what they're going to handle, and what their priorities are going to be is going to be absolutely critical. And this is just a reminder.

COSTELLO: But we were also talking about the wider Muslim world at large and how they felt about the Obama presidency.

VERJEE: The Muslim world has basically given the president-elect a clean slate. They're looking at America and saying, wow, you know, an African-American was elected, America really does have these values. Look at this man's life story. Maybe there will be real change around the Muslim world too. There are a lot of experts that have said that even in his inauguration speech, Mr. Obama should reach out in some kind of capacity to the Muslim world. So they're looking at this and him with a lot of hope. There some experts that have said that militant groups, terrorists, extremists don't like that and they want to continue to drive that wedge because President-elect Obama has a clean slate to work with the Muslim world.

JOHNS: Would you talk just a little about the Kashmir problem? Because people probably don't get that and it's a bit complicated.

VERJEE: Right. It is and I'll try to do my best to simplify it. And we keep saying Kashmir militant groups that may have been linked to Kashmir because there's a huge amount of tension in that region. OK, what happened was the critical date is 1947. That's when there was a partition between India, Pakistan and the British left. And all of the states in India had to decide, do we go to India or do we go to Pakistan? So the mainly Hindu state went to India, the Muslim states went to Pakistan.

Now, Kashmir is a mainly Muslim state. The head of Kashmir at that time, the

Maharaja was Hindu, OK? And he ended up going to India and Pakistan said, wait a minute, they are mainly Muslim, they should be ours. And so they fought a war in 1947, they fought another one in 1965, and both sides claim it. And in the middle of all of that, there's a third angle where there's a separatist movement because we don't want to belong to either of you guys, we want to be independent.

JOHNS: It is complicated.

COSTELLO: That's your history lesson for the day.

JOHNS: But I get it. You did very well.

COSTELLO: Seriously, now, new large explosions, more shots fired as terrorist siege continues in Mumbai, India. You're hearing that blast sending reporters like our Sara Sidner ducking, people running, hostages still being held at gunpoint. Updates live on the scene where the smoke is rising again. It's 52 minutes past the hour.

(COMMERCIAL BREAK)

COSTELLO: Of course, we've been reporting to you all morning, terrible conditions on the ground in Mumbai, India. Two hotels under siege, explosions and gunfire emanating from both of those hotels. We're hearing now of possible help from Great Britain. Let's go to London and Paula Newton, she has more on that. Paula?

PAULA NEWTON, CNN CORRESPONDENT: Carol, Prime Minister Gordon Brown is making a statement saying that he'll do whatever he can in order to offer help to Indian authorities to make sure that they can deal with the situation. Materially, though, Carol, I can tell you Scotland Yard has a lot of experience in these kind of investigations, more than that because Scotland Yard follows very closely the actions of the Indian and Pakistani communities here in Britain. They have a lot of expertise in it in terms of any special funding, terrorist funding that would have gone to these organizations. But crucially, as I have been speaking about the whole morning. It seems the intelligence officials now need some help in trying to deal with and dissect this group, where do they come from? Who would have funded them crucially are there any more attacks in the pipeline?

COSTELLO: Paula Newton, live from London, thank you. It's 55 minutes past the hour.

(BEGIN VIDEOTAPE)

COSTELLO (voice-over): Good deed, a story of extreme kindness on this Thanksgiving, coming out of the mortgage crisis. Meet the woman who bought a total stranger's home at auction and gave it back.

Plus - free as a bird.

PRES. GEORGE W. BUSH, UNITED STATES OF AMERICA: Pumpkin.

UNIDENTIFIED MALE: Hello, pumpkin.

COSTELLO: Jeannie Moos roasts the turkey that got a presidential pardon.

BUSH: Biscuits, gravy -

COSTELLO: You're watching the most news in the morning.

(END VIDEOTAPE)

(COMMERCIAL BREAK)