made transparent, is ridiculous. On the one hand the currency traders condemned governments for their lack of transparency, on the other hand these self-appointed discipliners of governments are themselves not transparent. Despite dealing in billions and trillions of dollars, we do not know who they are, how they trade, where they trade, and who invests with them. It is only when they fail, as the Long-Term Capital Management Fund failed, that we learn about them and their massive trading.

22. It is shocking to learn that with a capital of $4 billion the Fund could borrow up to $1 trillion, 250 times more. Banks are supposed to exercise prudence. Is this what is meant by banking prudence? Aren't the governments supposed to supervise banks, or have they abdicated this role also?

23. While nothing was done to stop such banking imprudence, rich governments were quick to act to bail out the hedge funds, using money deposited in the banks by ordinary people. The rich investors in the hedge funds are being bailed out with money belonging to poor people. Yet the same governments condemn any bailout of corporations belonging to the public using public funds. The inconsistency and double-standards are glaring. . . .

31. The reason for Malaysia removing the ringgit [its currency] out of the reach of the currency traders is because we still believe that currency traders are too powerful and completely irresponsible. They don't mind bankrupting countries and regions, impoverishing millions of workers, and destroying whole economies in their quest for profits. We had asked the world to regulate the currency traders, but we were laughed at for not understanding the world's financial system, for being in denial, for profligate ways, for building the world's highest building, etc.

32. Now the world is beginning to realize that the activities of the currency traders can adversely affect them also. . . . But we are of the view that there is still anarchy in the international financial market. If we go back, there is no guarantee that we would not be attacked again. . . .

36. Our currency control will remain in place for as long as the world refuses to bring order to the financial market. . . .

37. In currency trading, the hedge funds are the Bill Gates of the international financial market. They compete against puny central banks of developing countries. The central banks have no chance at all, especially against the combined financial strength of all the funds and the banks which lend them money. . . . All the great religions of the world are good, but their adherents fight and kill each other despite being urged to be brothers. Globalization, too, is good, but it can be abused, abused in such a way that instead of worldwide prosperity, there will be worldwide poverty or extreme disparities between rich and poor, international and civil disorders, revolts, rebellion, and all kinds of crisis. . . .

50. Creative destruction is not the way. We can build on what we have instead of destroying and expecting the phoenix to rise from the ashes. It may not rise at all, or it may take too long a time. . . .

New Delhi government opens up insurance

by Ramtanu Maitra and Susan B. Maitra

Turning its policy on foreign participation in the insurance sector upside down, the Vajpayee government announced on Nov. 23 that it would allow 26% foreign equity in the insurance sector, and an additional 14% for investments by non-resident Indians, foreign institutional investors, and overseas corporate bodies. In August 1997, when the United Front coalition government had tried to introduce similar legislation, the Bharatiya Janata Party (BJP), then the leading opposition party and now leader of the ruling 16-party coalition, had overturned the effort, calling it a "sell-out to foreign imperialism."

India's insurance sector was nationalized in 1971 by Prime Minister Indira Gandhi. The objective was to garner public money for development. This objective was met partially over the years, but of late, following the decision to liberalize the economy, domestic and foreign pressure has mounted to open up the insurance sector for private participation. On the domestic front, the Confederation of Indian Industry led the charge, while such powerful insurance groups as American International Group (AIG), Chubb Group of the United States, and Eagle Star of the U.K., among others, were also involved.

It is expected that the proposed bill will be placed in the six-week winter session of Parliament, which began on Nov. 30. A fight broke out within the cabinet on the issue, with some demanding that the bill be shelved. But the Prime Minister and Finance Minister's intervention ensured that the bill will be up for discussion. If it goes through, licenses will be issued by June 1999, and Indians will be able to buy policies from private firms by the end of next year.

The sudden change in BJP policy has caught the attention of many. According to a business daily, following the announcement of the opening up of the insurance sector to foreign companies, some BJP leaders claimed that the Vajpayee government had buckled under pressure from lobbies from the United States. As is widely known here, AIG CEO Frank Wisner, who was formerly U.S. Ambassador to India, is chummy with some of the BJP leaders at a very high level. Wisner has made no bones of his intent to see AIG, which has formed an alliance with the domestic Tata Group (a powerhouse by itself), become a major player on the Indian scene.

Also noteworthy is the allegation by one of the major dailies that the insurance turnaround was engineered by the Prime Minister's Office (PMO). Although the PMO has not responded to this charge, it is becoming evident that former U.S. Secretary of State Sir Henry Kissinger, who was also on the international board of directors of AIG, has the ear of the PMO. As Prime Minister Atal Behari Vajpayee's breakfast meeting with Kissinger in New York last October shows, Kissinger's increasing interest in subcontinental affairs cannot but be noticed.

Kissinger supported India's test of nuclear devices last May, not because he believes that India needs nuclear weapons for its security, but because he would like to see India become a major adversary to China—a classic British balance-of-power game which obviously has a few takers in the Vajpayee administration. In addition, Kissinger's appeal to the Clinton administration for "progressive" lifting of nuclear-related sanctions has helped him to warm up some of the heavyweights in New Delhi.

Domestic political reactions

It is evident that the BJP has been weakened politically because of its disastrous showings in three major recent State Assembly elections. Nonetheless, it is expected that the insurance bill will scrape through. The main reason is that the major opposition party, the Indian National Congress, which also supports the opening up of the insurance sector, may not find it convenient to oppose the bill. But loud opposition will come from the Left, a small group which has some 50 members in the 540-member Lok Sabha, the lower house of Parliament. The Left has declared its intention of opposing the bill and has charged the government with succumbing to pressure from international financial institutions and multinationals, which is paving the way for dismantling domestic insurance companies.

Perhaps more significant, the Vajpayee government should be more concerned about the opposition from one of its own front organizations, the Swadeshi Jagran Manch (SJM). The SJM is led by a senior leader of the Rashtriya Swayamsevak Sangha, an apolitical organization which acts as a braintrust for the BJP and various front organizations which work for the growth of the BJP. The SJM has announced its decision to launch a mass movement in the first week of January 1999, against the Vajpayee government's policies on the insurance sector and patent rights. Calling the action by the government a "breach of public trust," the SJM secretary said that there is no point in talking to the government.

Growing foreign interest

For years India's insurance sector has drawn the attention of overseas companies. Those which argue for its privatization point out that the act will attract foreign direct investments that would help finance the building of India's depleted infrastructure. The Vajpayee government said almost the same. While there is a general agreement among observers that some more foreign investment will now find its way into the Indian market, the All India Life Insurance Employees Association rejects the move categorically. "Money for infrastructure is a bogey," Association head S.N. Jaokar told a news weekly. "We are opposed to both the opening up of the sector and the entry of foreigners."

In India a large number of people believe that Jaokar may not be wholly wrong, and that the overseas companies are simply interested in the privatization of the insurance sector because that would provide them with an opportunity to make some fast money. They point out that it would deprive the government of captive development funds.

With the prospect of privatization, many foreign insurance companies have forged alliances with their Indian partners. These foreign companies, mostly British, include Rothschilds (U.K.), Royal & Sun Life (U.K.), Standard Life (U.K.), Prudential (U.K.), Commercial Union (U.K.), Liberty Mutual (U.K.), Guardian Royal Insurance (U.K.), Metlife (U.K.), General Accident (Scotland), Allianz Holding (Germany), Zurich Insurance (Switzerland), Winterthur Insurance (Switzerland), Canada Life Insurance (Canada), and Legal & General (Australia), in addition to the foreign companies mentioned earlier. ING Bank and Cigna have also set up joint ventures with Indian firms.

The keenness of foreign investors can be gauged somewhat by what the President of the Swiss Confederation, Flavio Cotti, had to say during his recent visit to Delhi. Cotti, the first Swiss Confederation President ever to visit India, told newsmen less than 24 hours before the Vajpayee government made the announcement, that the point of his visit was to stress greater openness of the Indian economy, including of the insurance sector.

One of the drawbacks of India's insurance sector all along has been its low productivity. Insurance premiums in India account for just 2% of the GDP, as compared to the world average of 7.8%. Insurance premiums as a percentage of savings, as one study shows, account for 5.95% in India, as compared to 52.5% in the United Kingdom.

In addition, India's policyholders, who number close to 80 million, cater only to life insurance. Health insurance is virtually nonexistent, and general insurance fares no better. For years, the absence of even minimal service has moved people away from saving through insurance.

However, better service and new instruments that the foreign companies would introduce may not be enough to remove fears that people have about foreign insurance companies and their "hidden agenda" to loot India to enrich themselves. Jagdish Shettigar, an economist with the ruling BJP, recently pointed out that the government should put in place all safeguards before opening the sector to foreign participation, and in particular should ensure that the foreign companies disburse the funds mobilized through a set procedure.