

**GOVERNMENT OF INDIA
EXTERNAL AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:154

ANSWERED ON:23.11.2005

ALLEGED BREACH OF FAITH IN INSURANCE REFORMS

Gaikwad Shri Eknath Mahadeo;Mane Smt. Nivedita;Singh Shri Kirti Vardhan

Will the Minister of EXTERNAL AFFAIRS be pleased to state:

(a) whether the Government's attention has been drawn to the statement of the US Ambassador to India regarding 'breach of faith' on insurance reforms as reported in 'The Times of India' dated October 7, 2005; and

(b) if so, the details of the suggestions made by him and the reaction of the Union Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (RAO INDERJIT SINGH)

(a) Government has taken note of the remarks attributed to the US Ambassador with regard to further liberalisation for FDI in the insurance industry.

(b) While addressing an insurance workshop in Delhi on October 06, the US Ambassador David Mulford had reportedly stated that many foreign insurance companies entered India with an understanding that FDI limit would be raised to 49 per cent from 26 per cent. He is further reported to have said 'Failure to follow through in raising the cap is increasingly seen by investors as a breach of faith. If India wishes to regain its credibility in the eyes of foreign investors this promise (of 49 per cent FDI) needs to be delivered sooner than later'. Foreign Secretary has conveyed to the US Ambassador Government's concern at his characterization, including using phrases like 'breach of faith'. Ambassador Mulford indicated that his remarks had been based on an assessment of the requirements of the budding insurance industry in India and were in the context of the Indian Government's stated desire to invite more FDI into this sector. He, however, appreciated the sensitivities on our side on this matter.