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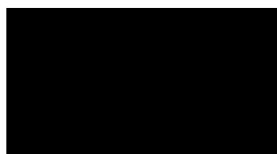
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### 3. INDIA MAY ENCOURAGE MORE PRIVATE FOREIGN INVESTMENT

Document 94.



Indian finance minister Krishnamachari has admitted that the Second Five-Year Plan (1956-61) may have to be extended to seven years. Rather than extend the period of the plan, India may modify its policies in favor of private foreign investment.

Krishnamachari recently told [redacted] that the Five-

Year Plan could be met only if approximately \$2 billion were made available from foreign sources in the next four years, and added that he doubted such funds would be made available by foreign governments. Krishnamachari had tentatively agreed that after the elections Tata and the Kaiser interests would be permitted to construct a large jointly owned shipyard despite the fact that shipbuilding is reserved for the public sector of the economy.

While Prime Minister Nehru and the Congress Party have committed their prestige to developing a socialist pattern of society as well as to the successful fulfillment of the plan in five years, they might be willing to reduce the emphasis on socialization if convinced that such a policy would attract the foreign capital needed to fulfill the plan goals.

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