

4. NEHRU MAY SEEK LARGE-SCALE FINANCIAL AID
DURING US VISIT

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The foreign exchange deficit in the Indian Second Five-Year Plan, which was originally estimated at \$1,680,000,000, has already risen to between \$2,100,000,000 and \$2,300,000,000, according to Indian production minister K. C. Reddy.

The minister told American officials in New Delhi that the rise was due to the world crisis and increasing freight and other import costs. He also commented on India's difficulties in attracting American investment and said that high American prices seemed to preclude construction activity by US firms in India.

Reddy made repeated reference to India's credit needs, and explained that the price of goods to be obtained under the \$126,000,000 loan which India recently accepted from the USSR would be equated to the lowest world competitive prices. Projects to be considered under the Soviet credit, he said, include a fertilizer plant, a shipyard, another oil refinery, a pharmaceutical plant, and "heavy machinery" plants.

Comment

Recent intensive Indian efforts to attract Western capital have been unsuccessful--largely because of private investors' fear of the increasing pace of socialization in India. India's foreign exchange holdings have fallen 24 percent in the last seven months.

Reddy's comments may be aimed at preparing the ground for new approaches for American aid during Nehru's visit to the United States between 16 and 20 December.

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