

gonise the Nagas again. Those who hold that India should take a 'strong line' have apparently learnt nothing from the years of frustrating; warfare. Another important point that has received relatively little notice is the tentative attempts being made at unity among the Nagas themselves. The December meeting between the rebels and other Nagas did not end in complete agreement — no one expected it to — but it indicated their concern to end their quarrels.

The outlook for the future is hopeful, as long as the talking continues. Talks should go on, likewise the cease-fire. Each side has been ready to enter the talks without reservations so far. No pressure should be put on the Government of India to try and force the pace of progress, or worse still to try and issue any ultimatums. India's best hope of achieving what she wants is by showing the Nagas the real benefits of association with India. As this is only possible while the cease fire lasts, it should be a matter of concern to all that it does last indefinitely, thus enabling the Nagas and India to arrive at the best solution of a complex, but by no means insoluble problem.

### Story of a Railway Project

IN 1956 the Railway Board decided to set up a Loco Component Works at Vara nasi to manufacture components for steam locomotives. The following history of this project is taken from the Comptroller and Auditor General's latest report on the Railways, released this week:

April 1956: Engineer-in-Chief appointed and the nucleus of the organisation set up.

March 1957: Project reviewed by the Railway Board in the background of the policy of progressive dieselisation and decision taken to go ahead with the project on grounds of operational necessity although the Ministry of Finance did not regard it as of sufficiently high priority for release of foreign exchange.

September 1957: Work relating to construction of building commenced.

April 1958: Project estimate for Rs 4.79 crores approved fixing March 31, 1961 'as the date for the completion of the project,

Work temporarily suspended from

February 1959 to June 1960 due to difficulties in arranging adequate power supply.

Work suspended again from May 1961 to February 1962 due to difficulties in settling the design of some shops.

Meanwhile, an expenditure of Rs 28.01 lakhs was incurred on the pay and allowances of the staff employed between April 1956 and March 1962 and Rs 14.54 lakhs on other general charges against the provision of Rs 37.94 lakhs and Rs 23.56 lakhs respectively on this account in the project estimate. The expenditure on the construction of workshops and stores buildings and procurement of workshop equipment was, however, only Rs 28.19 lakhs and Rs 29.14 lakhs respectively against the provision of Rs 133.22 lakhs and Rs 168.11 lakhs in the project estimate.

### Letter to Editor

## Foreign Private Investment

ANANT NEGANDHI, presumably an Indian, has attempted to present his findings on the Government's decision-making apparatus as seen "through the foreign investor's eyes" (*The Economic Weekly*, January 23, 1965) after a fruitful stay abroad at the University of Michigan. May 1, a foreigner who has spent a few years in India, attempt to present some aspects of foreign investment as seen "through the eyes of government officials"?

Negandhi argues that red tape, hureaucracy and the lack of a clear-cut foreign investment policy are the factors inhibiting the flow of private foreign capital into India. In a planned economy, however, the foreign investment policy is incidental to and an outcome of plan priorities and since these priorities evolve over time, the sectors in which foreign investment is welcome also change *pari passu*. Thus, a sector in which foreign investment would be welcome a decade ago would not warrant the same facilities today. As Negandhi would have it, the Indian government should specify the sectors in which foreign investment would be welcome and then adhere to this policy, at least for a few years.

Again, the costs of servicing foreign equity investment are known to be

No loco components were actually produced upto the end of March. 1962. An attempt in May 1960 to undertake manufacture of 10,000 super heater elements for Chittaranjan Locomotive Works proved abortive, resulting in an expenditure of Rs 12,630 on freight and handling charges for collecting and returning raw materials, etc. In another attempt at production, 52 axle box bodies were machined for a private company at a cost of Rs 20,847 in 1961, but a payment of Rs 2,775 only was received as the private company did not agree to the actual cost incurred.

By the end of 1961-62, a total expenditure of Rs 1.95 crores, or slightly over 40 per cent of the project estimates, had been incurred on the works. Then it was decided to abandon the project and the project accounts were finally closed on March 31, 1962!

extremely high in many sectors of Indian industry and one cannot but have sympathy for the "bureaucrats" and their "red tape". The fact that foreign private capital and technical know-how comes into India notwithstanding the hurdles mentioned by Negandhi is an indication not of the samaritan spirit of the foreign companies as much as the highly lucrative Indian market. In this context regular readers of *The Economic Weekly* (and one hopes that Negandhi is one) will recall Michael Kidron's 'Behaviour of Foreign Capital' (*The Economic Weekly*, Special Number, July 1964). A reading of Kidron's exhaustive study should convince Negandhi that what is required is perhaps an even less certain foreign investment policy, more red tape and more bureaucracy—if this could ward off the foreign investor! Foreign investment in India hardly needs to be encouraged; it has to be suffered as a *quid pro quo* for Government aid. While public pronouncements discouraging foreign investment cannot be made for reasons only too well known, at least intelligent young Indian economists should know better,

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Bombay,  
February 14.