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No. Pages 7

12 October 1963

Current Support Brief

SHARP INCREASE IN SOVIET IMPORTS OF ELECTRONICS



CIA/RR CB SC 63-28

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1999

CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports

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SHARP INCREASE IN SOVIET IMPORTS OF ELECTRONICS

A wide variety of sources indicate that Soviet imports of electronics items are increasing sharply. These increases are noted in imports from both the European Satellites and the West. Although most of this growth seems to be occurring in imports of components and production machinery, imports of some manufactured goods appear to be expanding as well. Imbalances generated by recent upward revisions of Soviet plans for the electronics industry probably have motivated the expansion. ^{1/} Timely support for this line of reasoning comes from statements made by senior officials of the State Committee for Electronics Technology in Moscow. ^{2/} The Soviet officials,

in August 1963, referred to shortages of electronics goods and suggested that they might have to purchase electronic components plants from the West. Although some technological advantages will accrue to the USSR from the current import of non-Bloc production machinery, it is not believed that these advantages are of predominant concern to the USSR. The basic reason behind the imports appears to be the pressure for a rapid increase in production resulting from the revised plan goals.

On the basis of present information, accurate quantitative analysis of the increased trade is difficult, but a comparison of past estimates of such trade with current reports indicates that very large jumps are taking place in several areas and more moderate increases in others. In the aggregate these increases would have a significant impact on the Soviet electronics industry, permitting diversions of production to more strategic needs or preventing reductions in civil areas which may suffer from new military requirements.

1. Production Equipment

The firmest information available concerns Soviet imports of electronics production machinery. Large purchases of this type of equipment are known to have been negotiated in Japan, France, Italy, West Germany, and Hungary. Smaller exports are forthcoming from the UK and the US.

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The impact on production of this type of capital goods acquisition is especially significant when viewed in the light of the low capital-output ratio obtaining for electronics production, where a dollar invested in production machinery returns 5 dollars or more annually in value of output.

In the past year, Japan has climbed into first place as an exporter of electronics production machinery to the USSR. A ceramic condenser plant worth \$1.7 million was sent to the USSR in the first half of 1963, 3/ and a further \$5.6 million worth of production machinery is expected to be supplied by Japan before 1964. 4/ In addition, the Japanese have negotiated to supply at least \$8.4 million and \$11.2 million worth of electronics production machinery in 1964 and 1965, respectively. As a side-light the Japanese plan to export about \$2 million worth of electron microscopes to the USSR during 1963-65. Spokesmen for the Japanese industry see this \$28.9 million export total as a minimum figure and have made provisions to renegotiate the 1964 and 1965 levels upward when necessary. 5/

At about the same time that the Japanese-Soviet agreement was being discussed, in late 1962 and early 1963, the USSR also was trying to obtain production facilities from the French. 6/

Somewhat less important are the production facilities for metal film resistors discussed by the USSR with Metal-Lux of Italy in 1962 and the production machinery for electrolytic and ceramic condensers sought in both Italy and West Germany in the second half of 1962. 9/ The Metal-Lux equipment is reported to cost \$950,000 and has a capacity of 5 million

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resistors a year. This capacity is a small percentage of total Soviet resistor production, but this import is given significance because of the military nature of the resistors to be produced. There is no definite quantitative information available on the capacitor plant.

Three other Soviet contracts for production equipment are known to have been awarded in the past 6 months: one to a US firm for a \$450,000 machine for making television picture tubes, one to Derritron Electronics in the UK for \$700,000 worth of unspecified "electronic industrial equipment," and one to Hungary for a cathode-ray tube factory. 10/ Furthermore, the USSR is known to have increased recently its efforts to procure information on electronics manufacturing technology from the US.

2. Components

Soviet imports of components (electron tubes, semiconductors, condensers, resistors, and the like) also appear to have jumped sharply in volume in the past year. The bulk of these imports originates in the European Satellites; however, in the past year, at least two large orders have been made in the West as well. On the whole, information substantiating this increase is more tenuous than is that on production machinery.

Recent reports from East Germany describe a phenomenal increase in the amount of components supplied to the USSR. 11/ These components reportedly are to be used to increase production of consumer goods in the USSR. The reports state that the value of components exported to the USSR increased to 500 million East German Marks (DME) and will continue at this high rate. Assuming that the value figure mentioned is an annual total for the current year, the quantity of components represented by 500 million DME is sufficient to satisfy a large portion of Soviet yearly needs in the consumer sector. On the basis of earlier estimates, the value of components exported by East Germany in 1963 would approximate 150 million to 200 million DME for all foreign markets. If reliable as to both amount and direction of trade, the information in question is startling, but as large as this jump in exports might appear, it is possible. Export increases of this magnitude have been seen before in the electronics market.

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A noteworthy example from East Germany is a recently publicized increase of 80 percent in the export of telecommunications equipment in 1963 above that of 1962. 12/

The volume of exports of electronic components to the USSR from the other European Satellites does not match the high level that seems to characterize the shipments from East Germany, but there are indications of large increases in some categories of components. Czechoslovak export of electron tubes is a case in point. Although the total volume of this trade does not compare with the reported East German traffic, it appears to be greatly expanded over past quantities. For example, known exports of receiving tubes to the USSR for 1962 amounted to somewhat better than 400,000 units. 13/ Currently it is reported that more than 4 million receiving tubes have been ordered, and more than one-half had been delivered to the USSR by June 1963. 14/ Similarly, known annual exports of klystrons from Czechoslovakia to the USSR have jumped from a total of 1,000 units in 1961 to a present high of 2,000 units. 15/ Moreover, the Czechoslovak industry has been asked by the USSR to speed up delivery of the 1964 order of receiving tubes to 1 November 1963. 16/ Another Soviet import of components that was not especially significant when compared with the East German case but was much greater than previously noted levels was an order for \$600,000 worth of electron tubes from CSF of France. 17/

3. Manufactured Goods

A final piece of evidence pointing toward new efforts to expand imports of electronics goods is an unusual request received by six Austrian instrument firms from the Soviet Trade Mission in Vienna. 18/ These firms were asked to draw up lists of spares and spare parts for all instruments purchased from them by the USSR since 1945. With the lists as a basis, the Austrians were then to project "realistically" what spares and spare parts the USSR should purchase in order to keep the imported instruments in repair for the next 10 years. Subsequent reports have tended to confirm the existence of such negotiations and the resulting Soviet orders.

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