SECRET

Current Support Brief

INDIAN DEFENSE REQUIREMENTS STIMULATE THE ELECTRONICS INDUSTRY

CIA/RR CB 63-98

13 December 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

Approved For Release 2002/08/13 : CIA-RDP79T01003A001800160004-1

INDIAN DEFENSE REQUIREMENTS STIMULATE THE ELECTRONICS INDUSTRY

In August of this year the Indian government established an Electronics Committee to review the condition of the domestic electronics industry and to make recommendations with a view to achieving "self-sufficiency" in this field. 1/ The Committee appears to be primarily interested in measures affecting military programs, but civil requirements also are receiving some attention. The current interest in military programs stems directly from the confrontation with Communist China last year. During the border clash, severe weaknesses were evident in all areas of communications and in air defense. 2/

To remedy these weaknesses without increasing Indian dependence on foreign sources or creating large additional drains on foreign exchange, India apparently is embarking on a long-range program to foster the development of its rather small domestic electronics industry. Because of this limited base -- three or four government-owned manufacturing plants and about a dozen small assembly plants -- significant results over the next few years probably will be confined to the production of military communications equipment. It is likely that the more complicated air defense systems will be imported. However, some domestic assembly of military radar, based partly on foreign technical direction and imported components, may be achieved. In view of the relatively low capital-output ratio of electronics production equipment and the Indian intention to encourage foreign investment in the electronics industry, foreign exchange expenditures for capital plant need not be excessive. Officials of US firms consulted by the Chairman of the Electronics Committee have been favorably impressed by the Indian approach to this program.

1. Past Performance

In the past, India has depended on foreign sources for its major military and industrial electronics needs. Imports of electronics gear probably will remain a significant part of future expansion programs. At present, India is attempting to meet some of its military electronics requirements from abroad -- for example, surface-to-air missiles with their related electronics equipment from the USSR and microwave communications systems from Japan. Severe shortages of foreign

exchange, however, put sharp limits on such imports. As a consequence, the Indians have tried to build up domestic production. Lacking the production equipment and technology, India has encouraged foreign investment and technical assistance with some success. In the past few years, components plants with a capacity of several million transistors in addition to standard components have been established with the help of US companies. In addition, a good deal of electronics equipment -- mostly for communications -- is manufactured under foreign license and in collaboration with foreign firms. Even so, production of electronics equipment was far below requirements, and priorities were not high.

At present, consumer electronics production, primarily radio-broadcast receivers, is quite small in relation to the large population of India, and very little in this area is imported. A lack of demand, resulting from India's low per capita income, probably is the cause of this situation. Some 350,000 to 400,000 receivers are manufactured annually -- less than the number manufactured in Poland, a country with only 7 percent of the population of India. And, in spite of new plants, the Indian industry meets less than half of its components needs for consumer electronics goods. Other areas of production, such as that for the military and for communications networks, are similarly small.

2. Future Plans for the Industry

The course of the Indian electronics industry in the next few years will be determined largely by the requirements and priorities of the military. The Indian Army, Air Force, and Navy make up one of the largest military establishments in the world -- ranking fourth in total manpower. The quality of its electronics gear, however, ranks much lower. The Army is largely equipped with obsolete pre-World War II communications gear, and the Air Force, although not too poorly equipped electronically for offensive action, has very little defensive capability. If the Indian government makes a serious attempt to equip this force with more efficient electronic equipment produced in India, the impact on the domestic industry will be prodigious.

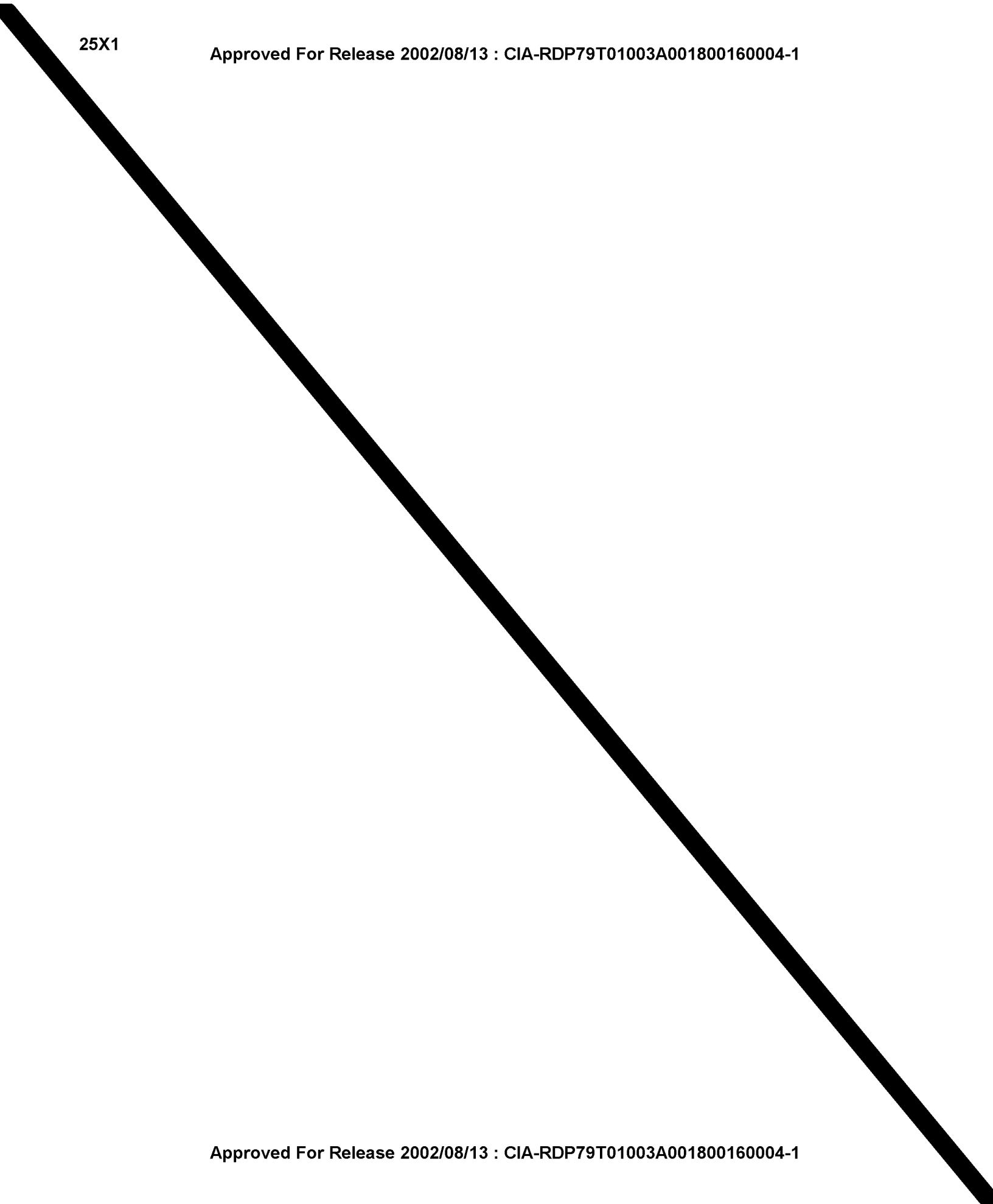
The goals of the Electronics Committee, which are fairly broad, were preceded by a thorough survey of the possibilities of foreign assistance [redacted] The Committee

25X1

25X1

intends to set up three or four new government-owned electronics plants for the manufacture of defense equipment. [redacted] The Committee also intends to concentrate the efforts of the government-owned plant in Bangalore, Bharat Electronics, Limited, on the manufacture of communications equipment, tubes, and transistors. The Bharat plant is the largest in the comparatively small Indian industry. Last year it produced about $2.5 million worth of equipment and components for the military plus an unknown quantity for civil uses. In the past, it has produced mostly communications gear; hence the intended concentration is quite logical. Moreover, the concentration of its largest plant on production of components also is reasonable, as the Indian industry has been manufacturing components only since late 1961 and is still far from meeting demands.

The Committee also will encourage the privately owned sector of the industry to implement more stringent control of the quality of components in order that they may correspond more closely with government standards. Finally, the Committee plans to encourage the private sector to manufacture both civil and military equipment in collaboration with well-known foreign firms. Collaboration of this type minimizes expenditures of foreign exchange. As noted above, foreign companies have always played a large part in India's electronics industry through both investment and technical assistance. Therefore, no particular problems should be encountered in this respect. All in all, the Indian program appears to be competently administered and to have high priority.



Approved For Release 2002/08/13 : CIA-RDP79T01003A001800160004-1

25X1

25X1