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Puzanov for 23 October 1957

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Summary:

Qiao Xiaoguang relays the results of the trip to China by the unofficial Korean delegation headed by Kim Il, where the draft of the first DPRK five-year plan and issues of the commodity exchange between the PRC and DPRK were discussed.

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By previous arrangement I visited PRC Ambassador Qiao Xiaoguang and had a conversation with him.

From the Chinese Embassy side Counsellor Cao Keqiang, Trade Counsellor Xue Chongpu, and Attaché Wang Baoming took part. On our side were USSR Trade Representative I. A. Gladkov, Counsellor V. I. Pelishenko, and 3rd Secretary Yu. I. Ognev.

Ambassador Qiao expressed readiness to inform us of the results of the trip to China by the unofficial Korean delegation headed by Kim Il, Deputy Chairman of the DPRK Cabinet of Ministers, regarding the draft of the first DPRK five-year plan and gave the floor to his Trade Counsellor Xue Chongpu, who had gone to China together with the Korean delegation and taken direct part in these talks.

Xue Chongpu reported that the Korean delegation headed by Nam Il arrived in Peking and held talks from 13 September through 6 October about a discussion of the target figures of the 1st DPRK five-year plan and foreign trade issues between these countries.

The delegation of the Chinese side at these talks was headed by Deputy Premier of the State Council and Chairman of the PRC State Planning Committee Li Fuchun. The Chinese delegation included Gosplan specialists, representatives of the Ministry of Finance, the Ministry of Foreign Trade, and the People's Bank of China.

The delegations immediately divided into two groups. The first group dealt with issue of the draft of the first DPRK five-year plan and the second group with trade issues.

The Chinese delegation first approved the general direction of the development of the DPRK economy envisioned by the draft five-year plan, the target figures of the draft of the first five-year plan, and familiarized the Korean comrades in detail with the experience of the fulfillment of the first five-year plan in China...[Translator's note: ellipsis due to missing text]

...the construction of irrigation facilities, the raising of agricultural production in mountainous regions, and in increase in the harvest.

In the opinion of the Chinese side, agriculture in the DPRK is developing at an active pace; however, they think that capital investment in agriculture could be increased. Maybe [the DPRK] ought to think about opportunities to reduce the pace and scale of construction in the heavy industry sector, in particular, at the expense of enterprises for which there is insufficient raw material in Korea and the production of which might have a difficult market, and thus release additional capital investment for agriculture.

2. In the opinion of the Chinese side, a plan should have a reliable basis and thorough calculations, for many unforeseen difficulties arise in the course of its fulfillment which need to be overcome and the plan is to be fulfilled and overfulfilled at any cost.

The course of the fulfillment of the first five-year plan in China revealed a number of its significant shortcomings.

First, bad harvest years and their influence on the development of the economy as a whole were not taken into consideration.

Second, the significant difference between capital investment in productive and unproductive sectors of the economy was not taken into account, as a result of which large capital investments ended up in unproductive sectors of the economy.

Third, much construction of educational institutions and training of personnel were envisioned in order to develop culture and education, but the fact was not considered that first the economy needs to be developed and only on the basis of the development of the economy are culture and education raised.

Fourth, tasks were set to increase the standard of living of the population, but the need to ensure a rise in the standard of living with consumer goods was not taken into account. The task was promoted of increasing the standard of living on the basis of an increase of production and labor productivity. But this slogan was not comprehensible to the broad masses, and was interpreted in different ways at different enterprises. Workers of some enterprises submitted complaints that labor productivity and the level of production at their enterprises grows but their standard of living remains as before. Now another slogan and task is being advanced: raise the standard of living of the workers on the basis of an overall growth of industry and agriculture.

In the opinion of the Chinese side, the pace of development provided by the draft DPRK five-year plan is very active and accordingly the conformity in the development of industry, its raw material base, and market ought to be studied. The pace of development of the economy ought to be active but bad harvest years, the possibility of aid from other countries, etc. need to be taken into consideration so that there is a reliable guarantee of fulfillment and overfulfillment of the plan, for the successful fulfillment of the plan raises the authority of the Party and government and inspires the working masses.

3. A gradual increase of the standard of living is necessary, for this is the goal of the development of the economy, but when raising the task of increasing the standard of living it is necessary to provide for the development of a base of supply with goods; when increasing wages the purchasing power of the peasants needs to be taken into account and the increase of wages [needs] to be supported with a mass of commodities.

Such are the general comments made by the Chinese delegation about the draft of the first DPRK five-year plan. In Xue Chongpu's words, the Chinese side could not make specific comments since to do this it would be necessary to know the situation in all the DPRK economic sectors in more detail.

The second group discussed issues of the commodity exchange between the PRC and DPRK. The Korean comrades presented a list of goods which they would like to receive in 1958. This list included many goods which are lacking in China and some of which China imports from other countries.

It had been decided that specific questions of reciprocal trade deliveries in 1958 would be discussed between the trade delegations, but this time it was decided to come to agreement about the basic kinds of goods.

The Korean side asked China for 700,000 tons of coking coal, 170,000 tons of power-generating coal, and 30,000 tons of coke in 1958. The PRC itself is experiencing difficulties with coal: there will be a shortage of more than 6 million tons of coal in 1958 in the PRC. However, considering that the PRC's to deliver coal to Korea might put the Korean economy in a difficult position it was decided to grant the request of the Korean side and to leave the figures the same.

It was also decided to grant the request of the Korean side about the delivery of 30,000 tons of soybeans and 5,500 tons of sulfur, although China is also experiencing a shortage of sulfur.

The Korean comrades included rubber in the list of goods for 1958, which the PRC imports from other countries. The Chinese side agreed to delivery 3,100 tons of rubber to the DPRK, although the Korean comrades requested 3,300 tons.

The issue of cotton, cotton yarn, and cloth fabric was solved with much greater difficulty.

The first five-year plan for the production of cotton was not fulfilled in China. In 1956 the cotton-planting plan was underfulfilled by five million mu*, and this year by 7 million mu. The supply of the population with cotton fabric declines with each year. In 1951 the production of cotton fabric was 7.3 meters per capita, in 1957, six meters, and in 1958 it will drop to 5.3 meters. Such a decrease in the quantity of cotton fabric per capita is explained by the large population growth, a decrease in the area planted with cotton, and the idleness of many textile mills because of a lack of raw material. The PRC expects to import several dozen thousand tons of cotton in the future.

* one mu is 0.061 hectare.

Considering these circumstances the Chinese side agreed to deliver 8,000 tons of cotton to Korea instead of the 12,000 tons that the Korean comrades requested, 500 tons of cotton yarn instead of 1,500 tons, and five million meters of cotton fabric instead of 10 million meters.

Discussion of the issue of trade turnover for 1958 was limited to this. Other issues of barter between the PRC and DPRK will be decided by the trade delegations.

In addition, the Korean comrades proposed concluding a long-term trade agreement between the PRC and DPRK. But the conclusion of such an agreement was postponed inasmuch as the second five-year plan for the development of the PRC economy has not yet been drawn up. However, the Chinese side informed the Korean comrades of their capabilities for further deliveries of coal, sulfur, cotton, and rubber.

The Korean comrades expressed a desire to get as much coal in 1959 as they are receiving in 1958, and to get one million tons per year in 1960 and 1961. The Chinese comrades reported that they consider it possible to deliver the same quantity of coal in 1959 as in 1958, and the issue of increasing deliveries of coal in 1960-1961 can only be decided after the second five-year plan is developed.

As regards sulfur, the Chinese comrades agreed to supply it during the first Korean five-year plan in the same quantity as they supplied it previously, although the Korean comrades requested much more.

Xue Chongpu reported that in Korea there are large reserves of iron pyrite of the same quality as in China, and therefore they recommended that the Korean comrades organize the production of sulfuric acid themselves.

The Chinese side warned the Korean comrades that deliveries of cotton fabric and yarn will be reduced in the future and in 1960 China will no longer be able to supply cotton at all. The Chinese side will try to keep deliveries of rubber at the same level in 1959, 1960, and 1961, but in 1961 it will be able to deliver synthetic rubber to Korea.

Agreement was reached in these talks that starting with next year the deliveries of goods between the PRC and DPRK will be done at world market prices in rubles. Specific questions about the switch to world market prices will be decided by the trade delegations.

The Korean comrades also proposed concluding an agreement on scientific and technical cooperation. The Chinese side responded with agreement and proposed sending this issue to the competent bodies for consideration.

Trade Representative Gladkov was interested in the pace of deliveries of goods in the current year.

Xue Chongpu replied that in general the goods deliveries plan is being carried out normally and the Chinese side has no complaints in this regard. This year China is delivering 100,000 tons of millet and 50,000 tons of soybeans to Korea.

I noted that next year the Korean comrades have evidently decided to manage with their own harvest since they have planned to import only 30,000 tons of soybeans.

Xue Chongpu agreed and said that according to the preliminary list of goods for 1958 the Korean comrades planned to import another 50,000 tons of millet but then dropped [the request], probably meaning good prospects for the harvest. This year China is delivering 11,000 tons of cotton and one million tons of coal to Korea, including more than 500,00 tons of coking coal.

The total amount of PRC goods deliveries to the DPRK in 1957 in trade turnover is 75 million yuan, and 50 million yuan against aid. Aid is completely exhausted for this year.

The amount of goods deliveries to Korea in 1958 will be approximately 100 million yuan.

Trade Representative Gladkov who was present at the conversation asked Xue Chongpu, was the list of Korean goods discussed during the trip of the Korean delegation to China?

Xue Chongpu replied that such a list had not been discussed. However, he noted that it is difficult for the Chinese side to accept some goods, for example, cement, electrolytic lead, ammonium nitrate, graphite, corn starch, since there is a surplus of them in China.

The Korean comrades are offering China 30,000 tons of calcium carbide, which China has in sufficient quantity. The Chinese side is agreeing to accept 8,000 tons of calcium carbide inasmuch as previously China received calcium carbide and a refusal to receive it in 1958 might harm the Korean industry. The PRC agrees to receive the 300,000 tons of iron ore offered by the Korean side.

I thanked Ambassador Qiao and Trade Counsellor Xue Chongpu for the information and informed them that the Soviet Union also receives goods from the DPRK for which the USSR has a surplus, in particular, the Soviet Union buys monazite from the DPRK, however at prices which are twice the world market prices.

Then I told Ambassador Qiao of my recent conversation with Kim Il Sung, informing him that Kim Il Sung had a high opinion of the comments made by the Chinese comrades about the draft of the first five-year plan, and said that they will take them

into consideration during finalization of the plan. The Korean comrades, in Kim Il Sung's words, understand China's difficulties with respect to the deliveries of cotton, and accordingly next year they plan to expand the planting of cotton in the DPRK from 25,000 jeongbo* to 60,000 jeongbo.

* one jeongbo is 0.9 hectares.

I informed Qiao briefly about the decisions of the October KWP CC Plenum regarding organizational issues.

Qiao thanked [me] for the information and in turn told about his conversation with DPRK Gosplan Chairman Ri Jeong-ok.

In this conversation Ri Jeong-ok expressed gratitude for the comments made by the Chinese comrades about the draft of the first five-year plan and for the cordial reception given the Korean delegation in China. Ri Jeong-ok reported that the DPRK government proposes to solve the problem of cotton by expanding the area for cotton plants, the production of synthetic fiber, and the conclusion with a trade agreement with Egypt.

After the conversation Ambassador Qiao held a small dinner at which, besides the above comrades, General-Lieutenant Kuang Fu-dao, Commissar of the 9th Army Group of the Chinese People's Volunteers, was present. He had arrived in Pyongyang to celebrate the 7th anniversary of the entry of the People's Volunteers in the patriotic liberation war of the Korean people.

Taking advantage of the occasion, I invited Kuang Fu-dao to a reception on the occasion of the 40th anniversary of the Great October Socialist Revolution.

The conversation and the dinner passed in a friendly Party atmosphere.