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Information on the Situation in the DPRK

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Summary:

Soviet diplomats Fedorenko and Ponomarev report on a wide range of issues involving North Korea, including agriculture, industry, and economic conditions in the DPRK, relations with China and the Soviet Union, and the situation in South Korea.

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CPSU CC

In connection with the forthcoming consultations with senior officials of the KWP CC we are sending "Information on the Situation in the DPRK" which has been corrected and supplemented on the basis of recent informational materials, and also a draft note "The Main Questions for Discussion with the Korean comrades"

April 1955

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INFORMATION

ABOUT THE SITUATION IN THE DPRK

The DPRK economy ended up in a state of extreme disorganization and ruin as a result of the war. According to incomplete information, the damage inflicted on the country by the war is calculated at 430 billion won (14 billion rubles). Gross output of the government and cooperative industry was reduced by more than 40% compared to 1949, the productive capacity of ferrous and non-ferrous metallurgy, the fuel and chemical industries were almost completely put out of commission and transportation was wrecked. Great damage was inflicted on agriculture and the material situation of the peasants, workers, and other sectors of the population has considerably worsened.

The KWP did much organizational and administrative work to restore the country's economy after the conclusion of the armistice. The tasks of the three-year plan to revive the economy are being successfully accomplished thanks to aid from the Soviet Union, the PRC, and the countries of the people's democracies. Enterprises have been put into operation to mine coal, produce steel, cement, fertilizer, brick, cotton fabric, shoes, and other products.

However, serious shortcomings occur in the work of the KWP CC to which attention should be directed and the necessary assistance given.

1. Industry

The Korean friends are forcing development to the detriment of an improvement in the living conditions of the population.

In 1954 production of gross industrial output already reached the 1949 level and was 29.7 billion won in constant prices against the plan for this year of 28.3 billion won. The production of industrial output in the sum of 48 billion won is planned for 1955 and the same time as according to the three-year plan the amount of production planned for 1955 is 37.4 billion won and 46.8 billion won for 1956. The industrial production was aimed at fulfilling and overfulfilling the three-year plan in two years in the amount of industrial production. However, the economic circumstances of the people remain low as before.

The production of the primary types of industrial production in 1954-56 in physical terms compared to the prewar 1949 is:

	1949	1954 (expected fulfillment)	1955 (planned)	projected per the 3-year plan		
				1955	1956	% of 1949

	total industrial production	billion won	29.9	29.7	48	37.4	46.8	
1	electricity	millions of kilowatts	5924	1946	3040	2700	3800	65
2	hard coal	thousands of tons	4005	1372	3450	2670	4020	100.3
3	pig iron	"	166	-	101	100	180	108.4
4	steel	"	144.4	52.7	154.8	106.2	119	82.5
5	cement	"	537	231.5	550	455	650	121
6	brick	millions	44.3	384	799	663	722	x 16.3
7	commercial timber	thousands of cubic [meters]	1601	1841	2858	2000	2300	142.8
8	fertilizer	thousands of tons	401	21.8	80.2	59	82.6	20.5
9	cotton fabric	millions of meters	9.4	22	44.2	37.7	47.7	x 5.1
10	silk textiles	"	3.2	0.8	2.9	1.8	1.98	62.2
11	rubber and multi-purpose footwear	millions of pairs	5.8	11.7	14.7	14.4	22.4	x 3.9
12	laundry soap	thousands of tons	9.2	1.9	6.3	3.8	4.4	47.5
13	tobacco products	thousands of tons	6.0	4.5	6.0	5.2	5.7	95
14	fish crop	thousands of tons	273	269	552	418	550	x 2

The three-year plan envisions total capital investment in the economy and social amenities construction in the amount of about 79 billion won (2.6 billion rubles), including industry - 37.4 billion won (47%); agriculture and irrigation construction - 5.6 billion won (7%), of which 2.2 billion won are for irrigation; transportation and communications - 11.3 billion won (14%); social amenities construction - 14.1 billion won (18%), of which 9 billion won is for housing construction.

The amount of capital investment in the economy in 1954 was 24 billion won (26.3% of the budget) against the planned 22.3 billion won; in 1955 it will be 32 billion won (36% of the budget) against the planned 26.9 billion won for the three-year plan according to plan, and 30 billion won according to plan for 1956.

Many industrial facilities are being built underground without proper justification. At the present time 10 enterprises are operating underground and 11 new ones are being rebuilt, among which large auto parts, machine tool manufacturing, and diesel plants, textile mills, and others are being placed underground. The majority of underground plants are unventilated and unheated, which creates abnormal working conditions and leads to premature wear of equipment.

The Korean comrades do not have a clear idea on the issue of the long-range prospects for industrial development.

In August 1953 the VI KWP CC plenum adopted a decision which indicated that the main task of the three-year plan to revive the economy (1954-1956) was the creation of a base to carry out a comprehensive industrialization of the country in the next five years with the expectation of "not experiencing economic dependency in the production of weapons", etc. The problems of reviving agriculture and improving the lives of workers were not sufficiently reflected while this was being

done and the real economic conditions in the country and opportunities for economic cooperation with the countries of the socialist camp were also not taken into consideration.

The attitudes of the Korean comrades toward the comprehensive industrialization of the country were to a certain extent corrected in practice after Korean leaders (Kim Il Sung, Pak Jeong-ae [Pak Jong Ae], and others) arrived in Moscow in September 1953.

However, the decisions of the VI KWP CC plenum about the comprehensive industrialization of the country were not reexamined and, as is evident from a statement by Kim Il Sung, these attitudes will be further elaborated both in a new Party platform and in the five-year DPRK economic development plan for 1957-1961.

2. Agriculture

The issue of the development of agriculture took a secondary place in KWP policy until recently although agriculture is the most backward sector of the economy and is far from meeting the needs of the country in food and feedstock [*syr'ye*].

The state of agriculture in 1954-56 compared to prewar 1949 is described in the following data:

	1949	1954 (expected fulfillment and percentage of 1949)		1955 (planned)	1956 (planned)	according to the three-year plan and as a percentage of 1949)
total area under cultivation (in thousands of tenbo ^x)	2386	2887	98	2448	2285	96 ^{xx}
including grains	2113	2111		2140	2026	96
of which rice	395	459		485	483	122
other grains	1718	1652		1655	1543	90
industrial crops	106	60.6		62	74	70
vegetables	46	71.7		110	85	195
gross harvest of grains (in thousands of tons)	2795	2800	100	3250	3322	138
including rice	1241	1347		1550	1630	131
cotton	78	22.8		40	43	55
vegetables	797	1082		2250	1597	200
fruits	54	37		75	75	138
head of cattle at the end of the year (in thousands of head)						
cattle	788	480	61	640	694	88
including dairy cattle	0.9	0.7		0.95	1.2	134
pigs	660	846		1175	934	141

sheep and goats	13	43		63	55	x 4.2
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^x one tenbo = 0.99 hectare

^{xv} the total area under cultivation in 1956 will be considerably above plan due to an increase in replantings and the opening up of new areas.

This data is evidence that agriculture has still not reached its prewar level, which was extraordinarily low, in a number of the most important sectors.

At the present time agriculture has tractors in terms of 800 15-horsepower [ones]; two-thirds of peasant farms do not have draft or pack animals. In 1954 agriculture received about 50,000 tons of fertilizer against 250,000 tons in 1949. The DPRK imported 200,000 tons of grain from the PRC in 1953 to cover the shortfall in food, 130,000 tons in 1954, and expects to import 170,000 tons in 1955. In 1948-49 the DPRK was self-sufficient in grain and did not import grain from other countries.

More than 30% of the total number of peasants are not able to feed themselves and need constant aid from the state not only in the supply of seed, fertilizer, and implements, but also in food. Peasant farms are even experiencing an acute shortage of the simplest agricultural implements.

There are 228 state farms in the country, having 3% of the country's total land under cultivation (65,000 hectares). These state farms are increasingly unprofitable and farm with outdated methods. The DPRK government is not taking effective steps to strengthen the economic management of state farms.

The immediate tasks of the Party with respect to agriculture were formulated in the decision of the IX KWP CC plenum which was held in November 1954. The plenum's decision provided for an increase of 40% in the gross harvest of grain over 1949 in the next one or two years; the expansion of land area through irrigation and reclamation work to 320,000 tenbo; bringing cattle head in cooperatives and peasant farms to 680,000 and pigs to one million by the end of 1955; and the improvement of the work of state farms, machine-rental stations, and purchasing agencies.

The decree of the IX plenum pointed out that the KWP CC considers the most important issue of Party policy in the countryside to be "the graduation transition of peasants from scattered individual farming to collective farming, to the socialist development of the countryside". At the plenum Kim Il Sung said that now we need to shift from experiments to the mass unification of peasant farms into cooperatives.

The KWP CC directive to create experimental cooperative farms in the countryside was issued in January 1954. This directive found its reflection in practice in the creation during 1954 of more than 10,000 agricultural producer's cooperatives, which accounts for 29% of the country's total land under cultivation. Thirty-two percent of all peasant farms were formed into cooperatives. Excesses were committed in the process - the principle of the peasants joining the cooperatives voluntarily was violated.

In the words of Kim Il Sung, it is planned to unite approximately 35-40% of the farms into cooperatives by the summer of 1956. It is intended to form all peasant farms into cooperatives in five or six years.

The compulsory joining of cooperatives caused additional economic difficulties. The government was forced to increase aid to economically weak cooperative farms which mainly unite poor peasants. It is planned to release approximately 40,000 more tons of grain this year for this purpose. Inasmuch as the DPRK government does not have the necessary food stocks for this, it turned to the Soviet government with a request to deliver 50,000 tons of wheat to the DPRK. This

request was granted (USSR Council of Ministers decree of 10 March of this year).

3. The Economic Circumstances of the Population

The task of improving the economic circumstances of the North Korean population, which also has great importance for the matter of reunifying the country, deserves serious attention. The Korean comrades recognize the importance of this problem but are not taking the proper steps in this regard.

After the end of the war the DPRK government carried out some measures directed at improving the people's lives. In 1954 the wages of blue- and white-collar workers was increased by 25%, and commercial prices for food and manufactured goods were reduced. The peasants were released from the repayment of debts in kind. Compulsory meat deliveries were abolished. The task of considerably improving the living and social conditions of the workers' lives, the creation of conditions for the abolition of the ration card system, and a move from rationed supply to expanded trade was set in the law about the three-year plan.

However a noticeable improvement in the situation has not yet been achieved. Prices for manufactured goods and foods still remain high and unaffordable for the broad masses of the population. Commercial prices are more than 10 times those of rationed supply and often exceed market prices. For example, the average monthly wage of an unskilled worker is 800-900 won and of a skilled worker, 1200-1300 won, but the commercial price of a pair of rubber shoes is 400-450 won, of one meter of cotton fabric, 330-400 won, the cost of a piece of coarse wool for a dress, 25-30 won, of a padded vest, 2,000-3,000 won, and of a kilogram of laundry soap, 300 won. State commercial prices are two or three times 1949 prices while nominal wages are presently being kept at the 1949 level.

In 1954 the plan provided for a price reduction of 2,750,000,000 won but only 850,000-900,000 was realized in practice. About 2 billion won (66,000,000 rubles) above plan were sent for capital construction in industry at the expense of this.

Budget appropriations for a reduction of prices for manufactured goods and food for 1955 were 6 billion won in the financial plan and 3.2 billion won [was budgeted] to cover the price reductions made in 1954. This reduction was far from being enough to create conditions to abolish the ration card system and change to free trade in all food and manufactured goods at uniform state prices in the next two years as the three-year plan provides.

The supply the population with food is an acute problem. Workers live mainly on food rations bought through ration cards allowing 600 to 900 grams a day of rice and millet for a worker and 300 to 500 grams for a family member. Meat, fats, and other foods are either not issued at all or issued in small quantities and not always regularly. Commercial prices for rice are 60-70 won per kilogram and 350-400 won for meat.

Private trading in bread is forbidden because of the shortage of food. However, the Korean authorities are not able to prevent the speculation in bread. The free sale of bread in Pyongyang at commercial prices has been halted in order to combat speculation.

The DPRK food situation has become further complicated as a result of the failure of the state plan to purchase 270,000 tons of grain from the peasants. The KWP CC decided to halt the purchases inasmuch as it turned out that they could not produce the results that were being sought (only 170,000 tons of grain had been purchased by this time).

Measures to purchase grain, like those to collect tax in kind, were conducted on the basis of obviously overstated figures about the harvest. It was assumed that in 1954 the gross harvest of grain would be 2,940,000 tons but it was only 2,640,000 tons. Nevertheless, when taxing the peasants they proceeded from the assumed size of the harvest, as a result of which they took from

the peasants not 27% of the harvest they had collected, as had been set by law, but 33-35%. The government knew that the figures about the harvest were overstated but demanded that the prescribed plan be fulfilled at any cost. As a consequence of this, the local authorities and also the authorized agents of the capital put pressure on the peasants, even using repressive measures.

According to DPRK Ministry of the Interior [MVD] information there were instances of arrests and also beatings of peasants and humiliation on the part of purchasing agents. For example, Choe Chang-ik [Choe Chang Ik], Deputy Chairman of the DPRK Cabinet of Ministers, who had been appointed as the authorized [purchasing agent] for the province of North Pyeongan, gave an order to arrest peasants who refused to sell bread to the state. In the province of Hwanghae the authorized [purchasing agents] led the "guilty" throughout the village with a poster branding them as wreckers of state purchases. There were cases of suicides of peasants on account of beatings and other humiliations.

All this led to an increase in popular unrest and the activity of malicious elements. The number of handbills calling for resistance to government measures and condemning the DPRK government's policy increased.

The Korean leaders underestimated the difficulties and the consequences of such food purchases and stubbornly rejected the suggestions of Soviet specialists about the need for barter purchases.

Speaking at a meeting of the KWP CC Presidium, Kim Il Sung admitted that the purchases had not provided the necessary effect but had led to a political defeat. The KWP CC condemned the flawed methods of conducting food purchases but got off on the wrong foot, shifting the blame to local organizations which had allegedly misinformed the government about the progress of the purchases.

The restoration of housing is going extremely slowly. Of the 28,000,000 square meters of housing destroyed during the war only about 2,000,000 square meters had been rebuilt by the end of 1954. A majority of the urban population and up to 30% of the rural population live in primitive dwellings.

The Korean comrades are not using all the opportunities available in the country to increase the production of consumer goods. For example, enterprises of the Department of the Defense Industry could have mastered the production of bench, threaded, and cutting tools, padlocks and deadlocks, furniture accessories, hardware, furnace accessories, nails, wood screws, etc. The two nail-making machines available in this department for making wood screws are underused and only for in-house needs at the same time as industrial cooperatives are making nails and wood screws by hand, putting them for sale at very high prices, and moreover the need for them is not being satisfied. Nails and wood screws are imported from the Soviet Union and China. The production of consumer goods is not sufficiently organized by the enterprises of the Ministries of Heavy Industry, Communications, the Chemical Industry and Construction Materials, the Electrical Industry, and the Department of Light Industry. These ministries and departments could produce considerably more consumer goods at their own enterprises primarily from scrap such as cast-iron dinnerware, electrical appliances and accessories, manual and agricultural implements (sickles, hoes, blades, etc.), household furniture, earthenware and chinaware, etc.

On the matter of reviving the economy, in particular increasing the production of consumer goods, private capital in handicraft and cottage industry might be permitted within certain limits under suitable state control, which might also promote the establishment of business relations with South Korea. But the leadership of North Korea is rushing to carry out a policy of the final elimination of capital. For example, in 1949 the percentage of private enterprise in industrial production was 15%, in 1953 it had been reduced to 3.2%, in 1954 to 2.5%, and for 1955 it is planned to be 1.3%. In commerce the percentage of private capital in 1949 was 46.8%; it was reduced to 22.3% in 1954.

4. Aid from the USSR, PRC, and Countries of the Peoples Democracies

The material and technical assistance given by the Soviet Union, China, and the countries of the peoples democracies is having a decisive importance in the revival of the DPRK economy. Aid from the Soviet Union, China, and the countries of the peoples democracies is 31.6% of the DPRK's 1954 budget.

Among the aid allocated by the Soviet Union and delivered to the DPRK by the end of 1954 was equipment, materials, and technical aid in the sum of 400,000,000 rubles, including the delivery of fishing vessels, vehicles, tractors, agricultural machinery, rail cars, equipment for the mining, textile, and power industries, metal-cutting machine tools, construction equipment, road-building vehicles, cable equipment, instrumentation, laboratory equipment and visual aids for higher educational institutions, fertilizer, and petroleum products.

Survey work has been done for 22 industrial facilities being built with the assistance of the Soviet Union and the design work needed to begin construction has been performed for a majority of them.

Industrial enterprises in the DPRK which have been repaired and rebuilt, which numbered 100 as of 1 October 1954 (including 30 large ones), have to a considerable degree been outfitted with the latest equipment which has come from the USSR and the countries of the peoples democracies.

It seems possible to increase the production of cotton fabric in the DPRK from 22,100,000 meters in 1954 to 44,200,000 in 1955 through the equipment which has come from the USSR for the textile industry.

In 1953-54 20 equipment rental points and 113 horse-rental stations were created which were supplied with tractors and horses from the USSR.

It ought to be noted that the DPRK government is using the aid provided by the Soviet Union chiefly to obtain industrial equipment and raw material, avoiding applying funds toward the 1 billion rubles for the acquisition of consumer goods. The latter accounts for 33,000,000 rubles. The same situation is being observed in the use of aid in other areas.

According to existing decisions in 1955 it is intended to deliver Soviet goods to the DPRK in the sum of 350,000,000 rubles toward aid (counting complete deliveries), including equipment and materials to build the Anhui [sic] irrigation system, equipment for a textile combine, meat combine, small spinning and weaving mills, a fishsmoking plant, dyeing and finishing mills, a fertilizer plant, rail cars and locomotive cranes, equipment for the mining industry, fishing vessels, vehicles, electrical equipment, movie equipment, petroleum products, cable equipment, rolled steel, ferrous and nonferrous metals, and also 16,000,000 rubles of consumer goods (fabric, thread, medicines, cotton yarn, etc.).

In addition, in connection with a request from the DPRK government the USSR Ministry of Foreign Trade prepared a proposal for additional deliveries of goods to the DPRK in 1955 toward aid in the amount of 26,000,000 rubles. A list of these goods is being coordinated with the Korean side at the present time.

Taking this into account the DPRK government will have free remaining resources (from the one billion rubles granted it) to place new orders for the delivery of goods from the USSR in the sum of approximately 30,000,000 rubles.

The People's Republic of China has allocated 8 trillion yuan for aid to the DPRK. Taking into account that the prices for goods delivered to the DPRK by China are considerably higher than the export prices set for Soviet goods, according to USSR MVT [Ministry of Foreign Trade] data the aid allocated by China in the amount of 8 trillion yuan is approximately 850,000,000 rubles.

The PRC is also delivering consumer goods along with industrial equipment and materials (looms,

locomotives, rail cars, coal, etc.). For example, in 1954 the PRC delivered 130,000 tons of grain (millet, beans), 40,000,000 meters of cotton fabric, more than 600,000 pairs of shoes, 300,000 sets of padded clothing, and other goods. Food and manufactured goods will be delivered from the PRC in 1955.

The People's Republic of China is also giving the DPRK aid in restoring railroads and the construction of railroad bridges and depots.

Other countries of the people's democracies have offered the DRPK aid in the amount of 209,000,000 rubles, including: Romania - 65, GDR - 45, Czechoslovakia - 35, Hungary -25, Bulgarian - 20, and Poland 19 million rubles.

Metal-cutting machine tools, construction and road equipment, electrical equipment, cable equipment, instrumentation, rolled steel, medicine, cotton yarn, and various kinds of raw materials worth about 100,000,000 rubles were delivered from these countries in 1953-54.

The countries of the people's democracies are making complete deliveries of equipment and giving technical assistance to repair and build a number of industrial and other facilities toward the aid allocated to the DRPK.

Romania is giving aid for the construction of brick tile and cement plants and factories to produce aspirin; Hungary - [for the construction of] three plants: machine tool, dye, and weights and measures; Poland - three coal mines and two plants: locomotive repair and rail car repair; Bulgaria - two plants: brick tile and wooden containers and parquet; the GDR - three plants: diesel, electrical appliances, and cable.

About 30,000 head of cattle and 10,000 sheepskins were delivered to the DPRK in 1954 from the MNR toward the voluntary donations of the Mongolian people.

It ought to be noted that the industrial equipment and materials delivered from the USSR and the countries of the people's democracies are being poorly used in the DRPK. According to the DRPK TsSU [Central Statistical Directorate] as of 1 September 1954 of the 11,500 metal-cutting machine tools present in the country not more than 3,500 have been installed; 490 of the 1,699 press-forging plants have not been installed. A large quantity of other types of industrial equipment which is being held at warehouses or stored in the open and subject to deterioration are also not being used .

At the same time the dependent tendencies of senior Korean officials with respect to the importation of goods from the USSR, PRC, and the countries of the people's democracies into the DPRK have not been eliminated; far too little attention is being paid to the effective use of the resources available in the country.

5. Sino-Korean Relations

During the war close military, political, economic, and cultural relations were established between the DPRK and PRC which were also successfully developed in the postwar period.

However, there are some individual abnormal phenomena in the relations between the Korean and Chinese comrades which are reflected to a certain degree in the course of Sino-Korean cooperation.

According to information received from our military advisers in Korea, the Korean comrades have not been able to establish firm, constant contact with the command of the Chinese People's Volunteers. Korean leaders visit the headquarters of the Chinese volunteers located several dozen kilometers from Pyongyang very rarely, and even then only for ceremonial visits. In turn, members of the Chinese Volunteer command also do not communicate with the Korean comrades.

Cases have occurred where some Korean leaders have expressed dissatisfaction amongst themselves that the Chinese command allegedly did not wish to take advantage of the defeat of the interventionists at the beginning of 1951 for the final liberation of Korea. Cases of a certain contrasting of the USSR to China by the Koreans are also being noted. For example, during military talks in Moscow in February of this year Pak Chang-ok [Pak Chang Ok], a Deputy Chairman of the DPRK Cabinet of Ministers, said in effect that he did not want to deal with the Chinese comrades about issues connected with the repair of military equipment.

The experience of working in Korea shows that the Korean comrades underrate the role and importance of Chinese aid to Korean and, in particular, downplay the role of the Chinese volunteers in the fight against the American intervention. This is evident if only from the fact that at an exhibit in Pyongyang devoted to the war with the interventionists only one of the 12 pavilions was devoted to the Chinese volunteers but the remaining pavilions described the combat operations of the Korean Peoples Army, ignoring the operations of the Chinese volunteers. The role of the Chinese volunteers was clearly downplayed at the exhibit. For their part the Chinese command in Korea organized an exhibit in which the Chinese guides created their own explanations in the sense that Chinese volunteers were given the credit for the defeat of the interventionists and the liberation of North Korea.

There is a group of senior officials in Korea made up of former CPC Party members who served at one time in the ranks of the Peoples Liberation Army. Unhealthy relations have developed between this group of officials and Soviet Koreans who occupy senior positions in the DPRK. It is not excluded that the Soviet Koreans are influencing Kim Il Sung with the object of removing the Koreans who came from China from senior positions. One of the most prominent DPRK leaders, Pak Il-u [Pak Il U], who is closely associated with the Chinese command, was removed from the post of Minister of Internal Affairs in 1952 without adequate reason and then appointed Minister of Communications. Bang Ho-san [Pang Ho San], also associated with the Chinese command, was removed from the post of rector of the DPRK Military Academy. According to assertions by Soviet Koreans these people allegedly expressed dissatisfaction that the posts of command in the DPRK Army and government apparatus are occupied by Soviet Koreans and that Kim Il Sung relies completely on Soviet military and other advisers.

According to Embassy information Kim Il Sung intends to gradually dismiss the officials who arrived from China from senior posts in the Party and government, which might have a negative impact on Sino-Korean relations.

There is reason to think that the Chinese comrades are not satisfied with the behavior of the Koreans (although they do not say this openly) and for their part treat the Koreans reservedly. The fact stands out that in February 1952 after the recall of its ambassador from Korea the PRC government did not appoint a new ambassador until January of this year. Those present at receptions held by the Korean Embassy in Peking cannot help but notice that Cde. Zhou Enlai barely talks to the Korean representatives.

6. Some Issues of DPRK Domestic Policy

It should be noted that the political and organizational work of the KWP is at a low level, both inside the Party and among the masses. Bureaucratic attitudes and high-handed administrative methods dominate the working style of Party and government bodies. The issues of the leadership's collective nature, the development of Party democracy, and criticism and self-criticism are poorly applied in practical work.

As before, the cult of personality is being intensely propagandized in the KWP and in the entire country; however, among the leadership of the country the opinion is widespread that it cannot be avoided for the time being. Kim Il Sung combines the post of Chairman of the CC of the Party and head of government, is the commander-in-chief of the Korean People's Army, and heads a number of other government and Party organizations. His opinion is decisive and, as a rule, is not debated.

Senior Party and government officials are not able to show initiative since they are forced to wait for orders from Kim Il Sung. Kim Il Sung frequently gives orders which run contrary to decisions made by the Party and government, which in some cases harms a matter. For example, he gave orders to treat [*oblegat*] the producers' workshops of agricultural cooperatives the same as private entrepreneurs. He gave orders to build an underground military plant in the area of Ganggye without conducting any surveying work, ordering that the income from over 46,000,000 rubles (230 billion yuan) received from the PRC to compensate for the expenses for the support of the Chinese volunteers, etc. not be counted in the budget revenues.

The Korean comrades are not taking steps to realize the democratic principles provided by the Constitution with regard to the election of government bodies. They are putting off indefinitely holding general elections to the Supreme People's Assembly, whose term expired in 1952. Elections have not been held to the local People's Committees elected in November 1946 and March 1947. So far most of the leadership of local People's Committees were appointed by higher bodies.

The government apparatus is being subjected to a partial reorganization, which distracts from the solution of current political and economic problems and often leads to a complication of the system of managing individual sectors of the economy. For example, in March 1954 the Ministry of Municipal Services was eliminated and its functions were transferred to the State Committee for Construction Affairs; in January 1955 this Ministry was reestablished and, in addition, the Ministry of Construction, which had been eliminated in 1953, was created again. At the same time the State Committee for Construction Affairs is also being retained although it is evident that its functions ought to have been transferred to the Ministry of Construction. As a result of a number of reorganizations at the present time construction materials enterprises of industry are spread between four organizations, not counting the construction materials plants subordinate to local People's Committees.

At the same time the transfers of senior staff of the organizations have taken on broad dimensions, which interferes with the training of experienced cadre. For example, about half of all deputy ministers were replaced in 1954. In nine months of 1954 the [post of] deputy minister of Gosplan who handles matters of finances and prime costs, turned over three times. The majority of new appointments were transfers of senior cadre from one sector to another.

Insufficient attention is being paid to the improvement of the style and methods of work of the leaders of departments and the government apparatus as a whole. No struggle is being conducted to introduce collegiality and strengthen the ties between the government apparatus and the masses.

Many excesses have been committed, there are bureaucratic attitudes, and educational work has been replaced by high-handed administrative methods in the government and economic apparatus. Until recently the practice of holding celebrations and banquets at government expense even for insignificant occasions was widespread among senior officials of ministries, departments, and enterprises. Proper attention is not being paid to strengthening MVD organizations, which are inefficient and poorly handle the tasks assigned them.

As a result of poor recordkeeping [*postanovka ucheta*, SIC], poor financial discipline, and a lack of reliable government oversight a situation has developed in the DPRK which is conducive to all sorts of theft of government funds, waste, bribery, and other crimes. For example, the identified shortcomings and waste in the trading system in the second quarter of 1954 alone was 192,900,000 won, that is, 4.7% of total trade. The waste and theft in consumer cooperatives in the first half of 1954 was 280,900,000 won, while the total profit from consumer cooperatives for the same period totaled 434,800,000 won. Commission shops open in Pyongyang bring the government almost no income in view of the fact that store employees misappropriate the goods and sell them on the market through speculators.

These crimes are widespread among government apparatus workers, including KWP members. According to KWP CC information 22,000 Party members were identified who had engaged in embezzlement from June 1953 through July 1954.

Senior officials of a number of ministries and departments have a conciliatory attitude toward these outrages, considering the theft of government funds, misuse of one's official position, and bribery to be unavoidable phenomena under Korean conditions. For example, Minister of Communications Pak Il-u issued a written instruction that people who misappropriated relatively small amounts of government funds and who admitted this, ought not be held responsible nor should compensation of the loss be demanded (this instruction was annulled by the Cabinet of Ministers as incorrect).

The fact that in 1952 Minister of Finance Choe Chang-ik, who indulged in bribery, stubbornly resisted an increase in financial oversight and committed serious distortions of DPRK tax policy, which signified encouragement of capitalist elements, not only was not held accountable to the Party but was even appointed Deputy Prime Minister of the DRPK, ought to be mentioned in this connection.

Oversight of the status of the work of the government apparatus and its observance of financial discipline was entrusted to the Commission of People's Control of the Cabinet of Ministers (the aforementioned Choe Chang-ik, who in November 1954 was removed from the post of Minister of Finance a second time for exceeding his authority and waste, was recently appointed its chairman according to Embassy information). This Commission does nothing. The KWP CC is not taking the necessary steps to revitalize its activity, as a result of which there is essentially no effective government oversight in the DRPK.

Political work in the army has been considerably slackened. Military discipline and vigilance have fallen. Drunkenness, arrogance, and rudeness toward subordinates is widespread among generals and officers. This is explained to a considerable degree by the existence of cases of treason, desertion, suicide, and various crimes both among enlisted men and officers.

7. South Korea

We have the following information about the situation in South Korea.

The economy of South Korea is slowly reviving. The UN Commission on Korea determines that foreign aid of \$1,250,000,000 over five years and the investment of \$600,000,000 through the domestic resources of South Korea will be required to restore an economy which provides the country's needs.

The US budget for 1953-54 has allocated \$280,000,000 for economic aid to South Korea. In addition, \$42,000,000 was allocated in that year for economic aid through UN channels.

The US budget for the 1954-55 fiscal year allocated \$250,000,000 for economic aid to South Korea and \$450,000,000 for military aid.

The total revenue from South Korean domestic sources in 1953-54 was \$170,000,000 and for 1954-55 it was \$250,000,000. Meanwhile, of the total amount of military expenditures in the \$600,000,000 that part of the expenditures which South Korea bears for its own armed forces (750,000 men) alone was \$210,000,000 in 1953-54. In 1954-55 South Korean expenditures for the army have been set at \$280,000,000. The 1953-54 budget deficit was \$150,000,000 but in 1954-55 it is expected to be \$250,000,000.

The shortfall of funds in South Korea is mainly being covered by the large-scale issue of currency. The amount of paper money in circulation tripled from July 1953 to November 1954 (from 13 billion to 40 billion won). As a result of the increasing inflation and the depreciation of the [South] Korean currency the won to dollar exchange rate changed from 60 won to the dollar in 1953 to 180 by the

beginning of 1954 and to 250 by the end of the year. The market rate reached 600-700 won to one dollar.

Market prices for goods are constantly increasing while prices for grain are relatively stable, which creates an especially difficult situation for peasants, who comprise 70% of the population.

Industry continued to stagnate in 1954 because of a shortage of funds for capital investment in industry, industry's lack of raw material and electrical power, and also as a result of the importation of a large quantity of necessities into South Korea from the US and Japan when the population has little buying power.

The 12 October 1954 report of the UN Agent General for Korean Reconstruction admitted that the population of South Korea was still in a disastrous situation. As before, an acute shortage of food, clothing, housing, and medical service is being felt. The number of unemployed is over 1 million.

The balance of power in Parliament is in favor of Syngman Rhee's Liberal Party as a result of police measures taken against the opposition during the elections to the South Korean National Assembly by Syngman Rhee's people in May 1954. The number of seats of this party in Parliament rose from 93 to 120 of a total number of 203. Using the position of a ruling party, Syngman Rhee's people also suppressed opposition elements in the mass organizations of workers, the trade unions, and peasant, youth, and other organizations, whose activity was paralyzed.

An analysis of the measures carried out in North Korea for work in the South leads to the conclusion that the Korean leadership is not setting itself the task of seriously organizing ties with South Korea, and is not taking effective measures to do this. Almost nothing is being done to create illegal KWP organizations in the South or support in the mass organizations that exist there. The VI KWP CC plenum noted that Party political work in the South had ended in complete failure. More than a year has passed since the decision of the VI CC plenum but Party work in the South has not improved. Until recently the KWP was infiltrating groups of partisans into the South for armed actions, but is not pursuing work to draw the population of South Korea to its side nor is creating bases of support in trade unions and other mass organizations of workers.

On the issue of developing ties with the South the Korean comrades set themselves limited goals of a propaganda nature. However, the propaganda to the South is not being conducted skillfully. Instead of a policy of splitting progressive elements of the national bourgeoisie away from Syngman Rhee and drawing them to their own side on the issue of creating a single, independent Korean state, they continue attacks against everyone without an analysis of the South Korean leaders. In view of the ignorance of the situation in South Korea, in a majority of cases the propaganda directed at the South is unsubstantiated and does not achieve the goal, and sometimes also discredits the North Korean propagandists as incapable of understanding the real situation in South Korea.

There are 30 prominent Southern political figures in North Korea who were taken prisoner in 1950. Among them is O Ha-yeong, one of the leaders of the 1919 anti-Japanese uprising, Jo So-ang, former head of the Shanghai émigré government of Korea, An Jae-hong, former head of the civil administration of South Korea, and others. It undoubtedly would be advisable to release some of them and use them to establish ties with the South.

Not all social and political forces available to North Korea are being used to develop ties with the southern part of Korea. The organization of the United Democratic Fatherland Front is being poorly used to establish ties with the South.

8. Suggestions.

We would consider it necessary to direct the attention of the Korean comrades to the following.

1. With regard to the development of industry it would be best to basically keep to the tempo set by the three-year plan for reviving and developing the economy while at the same time increasing the proportion of the sectors producing consumer goods. With respect to the development of industry the real economic conditions of the country and opportunities for economic cooperation with the countries of the socialist camp ought to be considered when drawing up the five-year plan for developing the economy.

2. With regard to the development of agriculture the Korean comrades ought to be advised to refrain from a mass unification of the peasant farms into cooperatives [*kooperirovanie*] at the present time and to concentrate their efforts on strengthening the cooperative farms which have been created. The unification of peasant farms into cooperatives ought to subsequently be carried out gradually, providing comprehensive and careful preparation for this matter. Direct the Korean friends' attention to the fact that carelessly created cooperatives not only do not provide an increase in the production of agricultural products but will become a great burden for the state. The unification of 32% of peasant farms into cooperatives which was carried out in 1954 is already requiring large expenditures of aid from the state. Considering that the great bulk of agricultural products in the country is produced by small peasant farms, measures need to be developed and implemented to help the individual working peasant farmers improve [*v pod'yeme*] their farms.

3. We think that the Korean comrades ought to pay attention to the need to more quickly decide issues connected with the improvement of the economic circumstances of the workers: a) an increase in the production of consumer goods inside the country; b) a reduction of commercial prices for consumer goods; c) the preparation of realistic conditions for the abolition of the ration card system of supplying the population in 1956-57; d) the repair of housing.

When doing this the KWP CC should bear in mind the fact that the country remains divided and that it is especially important in these conditions to show the population of South Korea that in actuality great work is being done to improve the people's lives in North Korea. This would be an important stimulus for the people of South Korea in its struggle to reunify the country.

4. Direct the attention of the Korean comrades to the need for a further strengthening of Sino-Korean friendship and a struggle against manifestations of the dangerous tendency to set the USSR against [*protivopostavlyat'*] China. Point to the fact that some Korean comrades are still underestimating the role and importance of Chinese aid to Korea.

It is also advisable to discuss with the Korean comrades the issue of inviting Chinese advisers to serve in Korea (for example, in the MVD, Ministry of Agriculture, and other departments).

Advise [the Koreans] to take steps to eliminate the existing harmful division in the relations between Korean officials into local, Soviet, and Chinese Koreans, and strengthen the cooperation between them, using the workers in accordance with their political and professional qualities.

5. Direct Cde. Kim Il Sung's attention to the need for comprehensive development of methods of political leadership in the Party and government, the development of intra-Party democracy, criticism from below, and self-criticism. Also direct his attention to the inadvisability of concentrating many leadership post in one person's hands since this inhibits the initiative of other officials.

Recommend holding elections to local People's Committees in 1955 and conducting preparatory work for elections to the Supreme People's Assembly.

Advise eliminating the practice of constant reorganizations of the government apparatus and frequent transfers of senior officials, and taking steps to strengthen the government apparatus, especially the MVD and people's control organizations.

It is also necessary to recommend that the KWP CC closely look into the situation in the army and take the necessary steps to strengthen political education work, and increase the combat efficiency

and the state of morale of both the enlisted men and the command staff of the army.

6. It would be proper to recommend to the Korean comrades that they improve work in the organization of a common front (YeDOF) [United Democratic Fatherland Front] in order to more fully involve all the patriots of the country in a movement for the peaceful reunification of the country, getting this organization to renew its ties with the mass organizations of South Korea.

Recommend to the Korean comrades that [they] direct the efforts of the KWP at the creation of support bases in the South in the trade unions, peasant, youth, women's, and other organizations that exist there and the use of all legal opportunities to fight the Syngman Rhee regime. The revival of the illegal organizations of the KWP in South Korea should also be sought.

Propaganda in South Korea ought to be carried on more skillfully, abandoning the groundless indiscriminate deprecation of all South Korean figures, skillfully support progressive and opposition elements in South Korea able to support the reunification of the country and the creation of an independent democratic country, and extensively use the differences in the ruling hierarchy of South Korea, the bourgeois parties, and other organizations for these purposes.

It would also be advisable to discuss with the Korean comrades the issue of the possibility of creating a legal patriotic organization in the South of a neutral character which might advocate the establishment of cooperation between South and North Korea and a peaceful settlement of the Korean problem through the efforts of the Koreans themselves. Without openly expressing its negative attitude toward the Syngman Rhee regime, such an organization might use the conditions of legal activity to split off progressive elements of the national bourgeoisie from Syngman Rhee and to enlist them in the struggle to reunify Korea on democratic principles.

At the present time the Korean comrades are developing a draft KWP platform which it intends to adopt at a forthcoming Party Congress. The platform sets the tasks of building socialism in North Korea and liberating South Korea. In our opinion, given the present situation in Korea it is inadvisable to propose such a platform and reveal the ultimate aims of the KWP. Instead, it seems more important to develop a new platform of a United Democratic Fatherland Front which is in accord with the main tasks of the KWP in postwar conditions (the peaceful reunification of Korea, the revival and development of the DPRK economy, raising the material welfare of the population, etc.). Such a platform should have as its goal the uniting of all patriotic forces of the nation to fight against the American occupation of South Korea and for the creation of a united independent democratic Korean state.

(N. FEDORENKO) (B. PONOMAREV)

[date left blank] April 1955

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