

June 8, 1957
Journal of Soviet Ambassador to the DPRK A.M.
Puzanov for 8 June 1957

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Summary:

Kim Il Sung tells Puzanov that the North Korean delegation to Moscow seeks consultation for the first DPRK five-year plan and the development of economic ties between the DPRK and the USSR. He states the expected North Korean production increases in agriculture, industry, consumer goods, capital investment, and export goods. Kim Il Sung also articulates the intended goals of the first five-year plan.

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The Journal of Soviet Ambassador to the DPRK A. M. PUZANOV
for the period 3 through 18 June 1957

Pyongyang

[...]

8 June 1957

I visited Cde. Kim Il Sung at his invitation. In connection with the issue of a trip by a Korean delegation to Moscow for consultation and economic coordination of the draft of the first DPRK five-year plan, Cde. Kim Il Sung said that he would like to talk about those tasks with which this delegation is faced.

The first task of the delegation is to obtain consultation and advice on the draft of the five-year plan. At this point Cde. Kim Il Sung added that the Soviet Union has much experience in planning the economy and they are very much asking for them to help in drawing up the first DPRK five-year plan. An important issue for consultation, stressed Cde. Kim Il Sung, will be the issue of the target figures of the five-year plan, whether we have correctly determined the development and relationship of heavy and light industry, whether we have correctly planned development for individual sectors of the economy. We are devoting special attention to raising the standard of living of the people and we also intend to consult about this very important issue. We also need to get advice on the economic and technical performance indicators of our plan and on financial issues.

A second goal of the delegation is consultation on issues connected with the further development of economic ties between the DPRK and the USSR. It is necessary to refine and determine the possibility of receiving the equipment, materials, and raw material from the Soviet Union that we need for the five-year plan and, on the other hand, to refine and determine our deliveries to the Soviet Union, that is, our exports. We attach great importance to this issue since a correct and accurate determination of our foreign trade ties with the Soviet Union is a reliable and firm basis of our five-year plan. Some of our wishes in this direction are small, but the coordination of our wishes with the possibilities of obtaining them from the Soviet Union is necessary.

The five-year plan envisions that gross industrial output in 1961 will be 157 billion won and constitutes an increase of 2.4 times the 1956 level. The average annual

industrial production growth rate is 19%.

The production of means of production will increase by 2.47 times, the production of consumer goods, by 2.36 times. In overall industrial production the proportion of group A in 1961 will be 55.7% against 54.5% in 1956 and for group B, 44.3% vs. 45.5%, respectively.

The gross grain harvest will grow from 2,876,000 tons in 1956 to 3,728,000 tons in 1961, or by 29.6%.

Capital investment for the five-year plan is planned to be 152.7 billion won. The average annual capital investment will be 30.5 million won for the five-year plan against 27 billion won for the years of the three-year plan (1954-1956). Eighty-three billion won will be invested in industry (or 54.6% of the total), including about 70 billion won, or 84%, in heavy industry, and 13 billion won, or 16%, in light industry.

Capital investment in agriculture (together with the funds of agricultural cooperatives) will be 15.5 billion won. During the three-year plan 7.4 billion won was invested.

Great attention is being paid in the draft five-year plan to an increase of the standard of living of the population. The average annual wage in the economy per worker will grow from 22,700 won in 1956 to 34,400 won in 1961, or 51%. The volume of retail trade turnover is to almost double.

Sales per capita will grow: cloth from 7.8 meters in 1956 to 14.6 meters in 1961; shoes from 1.3 pair to 1.9 pair; soap from 0.3 kg to 1.3 kg; vegetable oil from 0.1 kg to 1.5 kg; thick soybeans from 11.4 kg to 15.2 kg; and fish products, from 17.4 kg to 29.4 kg.

Touching on the issue of the grain balance for the upcoming five-year plan, Cde. Kim Il Sung reported that they are not planning on importing grain except those quantities which have already been contracted. The demand for grain is fully met from their own resources with the exception, of course, added Cde. Kim Il Sung, of cases of major natural disasters.

The production of grain will grow from 330 kg to 390 kg per capita.

It is planned to increase the amount of state housing construction. Whereas in 1954-1956 3,868,000 square meters of housing were put into operation, in 1957-1961 7,215,000 square meters of housing will be built. Thus an annual average of 1,443,000 square meters will be placed into operation during the five-year plan against 1,290,000 square meters during the three-year plan.

It is also planned to consult in Moscow about the issue of abolishing the rationing coupon system in the DPRK and about uniform prices, and also about the correct organization of a system of agricultural production procurement and purchase prices to stimulate a further growth of agricultural production.

Cde. Kim Il Sung then said the five-year plan provides for the construction of a heat and power station with a capacity of 100,000 kilowatts (four generators of 25,000 kilowatts each), mills to produce linen (400 looms and 10,000 spindles), a butter-making plant with a capacity of 15,500 tons a year of finished product, the electrification of individual stretches of railroads, and the construction of several electrical substations.

It is proposed to import complete equipment for these installations from the USSR. In addition, it is planned to annually import from the USSR from 1958 to 1961 an average of, in thousands of tons: petroleum products - 453; coking coals - 350; superphosphate - 36; rolled ferrous metal products - 43; cotton and yarn - 5; tires - 35,000 sets; trucks - 500 vehicles; and other goods.

It is proposed to export to the Soviet Union between 1958 and 1961 an annual average in thousands of tons of: zinc concentrate - 52; monazite concentrate - 15; lignite - 150; electrolytic zinc - 6.7; lead bullion; 15; calcium carbide - 58; cement - 300; crude gold - 4.4 tons; electrolytic silver - 15 tons; and other goods.

It is planned to look at the issue of concluding a long-term trade agreement in Moscow with the Soviet side and to also find out the possibility of organizing trade between the northern regions of the DPRK and regions of the Soviet Far East. It is proposed to deliver tomatoes, cucumbers, potatoes, and fruits to these regions. The DPRK already conducts similar trade in seafood with China, primarily with regions of Northeast China where Koreans live.

Cde. Kim Il Sung reported that they managed to balance the balance of payments in the five-year plan. When doing this we took into consideration paying off corresponding credits and the necessary payments for equipment, materials, raw material, etc. Of course, he added, there will not be a difference for the balance of payments with one necessary condition - if the Soviet Union will be able to take all those goods of ours which are planned for export to the USSR for the five-year period.

The issue of supplying the metallurgical industry with coking coals is important to us. We have enough power-generating coal, and if the Soviet Union has a need, in particular for the regions of the Far East, then we could ensure a supply of this coal to [Aodi] from our coal enterprises. As regarding coking coal, we do not have this. Before the war we received this coal from China and from the Soviet Union. We need to come to agreement about this issue for the entire five-year period.

Cotton is the next issue of importance for us. We would like to solve the problem of meeting our needs for cotton with domestic resources and have worked out a number of necessary measures in this connection. This year we have considerably expanded the planted area for cotton plants - we have planted over 25,000 jeongbo (a jeongbo equals 0.99 hectare); however, conditions this spring are such that we cannot count on a good harvest. This produces additional requirements for us to import cotton. By the end of the five-year plan we count on bringing the planting of cotton plants up to 70,000 jeongbo and essentially meeting the needs of our textile enterprises from our own cotton. But until this problem is solved we are counting on aid from China and the Soviet Union. In addition, we hope to get some quantity of cotton from those Asian countries with whom we have established trade ties or will in the future. However, this last source is limited for us since we will not be able to allocate many resources for reciprocal trade with these countries.

Considering that in our conditions cotton does not yield good harvests we have planned an expansion of the planting of flax and are thinking of having 20,000 jeongbo by the end of the five-year plan. Therefore we intend to build a flax mill to process flax and to get up to 10 million meters of linen a year.

As was noted above, said Cde. Kim Il Sung, in the first five-year plan we intend to build a heat and power station in Pyongyang with a capacity of 100,000 kwt. An important task of the heat and power station will be to supply the housing facilities of the capital with heat for central heating. This heat and power station will also yield electrical power and improve the republic's energy mix during low loads due to a shortage of water for hydroelectric power plants. We have calculated that the construction of a thermal station is economically beneficial to us.

Cde. Kim Il Sung then said that he would like to touch on some current economic issues. The construction of ammonium nitrate production lines is concluding this year at the Heungnam Chemical Works. The corresponding equipment should be put into operation to supply these production lines with ammonium both at the Heungnam Chemical Works and the Bongun Plant. However, equipment from the Soviet Union is planned for delivery only in 1958. In this event a situation might be created where the completed ammonium nitrate production lines in Heungnam will stand idle. We know that the Soviet government has already examined the issue of deliveries of equipment for the Heungnam and Bongun plants twice and it is awkward for us to again turn to the Soviet government about this issue. Therefore, when our delegation is in Moscow we intend for it to clarify the timeframes for the receipt from the Soviet Union of the equipment needed for these plants. At the same time we are taking steps here to search for suitable equipment from any other of our enterprises or new construction projects. If we manage to find suitable equipment at our enterprises we will temporarily take it for the Heungnam and Bongun plants in order to return it after we receive the new equipment from the Soviet Union. This will be a way out of the situation and after the conclusion of the construction of the ammonium nitrate production lines we will be able to put them into operation.

At the end of the conversation Kim Il Sung asked for help for Gosplan chairman Ri Jeong-ok in familiarizing him with Soviet industrial enterprises while Ri Jeong-ok is in the Soviet Union in the Korean delegation.

I thanked Cde. Kim Il Sung and said that I would immediately report to the Soviet government about all the views and wishes he had expressed in this conversation...

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