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MILITARY AND ECONOMIC INFORMATION ON NORTH KOREA

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MILITARY AND ECONOMIC INFORMATION ON NORTH KOREA

Following is a translation of selected passages from Chosen Yoran, Tokyo, 20 August 1960, pages 152-166.

Korean Democratic People's Republic
(North Korea)

I. MILITARY

A. Army

Military forces	450,000 (grand total)
Infantry divisions	18
Defense Brigades	5

Armament

Anti-aircraft guns	1,800
Artillery	1,300
Mortars	3,000
Recoilless guns	46
Anti-tank guns	1,800
Tanks	330
Armored cars	320

B. Navy

Total forces	7,400
Destroyers and small naval vessels	170 units
Total tonnage	17,800

C. Air Force

Total forces (five air divisions)	33,000
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Aircraft

MIG 17 fighters	350
MIG 15 fighters	345
Propelled aircraft and others	290

Air bases (including 16 bases for jet aircraft)	28
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The following are the top figures in National Defense: The Supreme North Korean Military Commander -- Kim Il-sung (Marshal); Chief of the General Staff -- Kim Ch'angbong; Chief Delegate to the Military Armistice Commission -- Chu Ch'angjun.

National Defense Budget

60,800,000 won have been allocated for national defense expenditures for the year of 1960. Despite the claim of North Korea that this amount is less than 3.2 percent of the national budget in contrast to the one-third allocated by the South Korean budget for defense, it would be inadvisable to accept the officially released figures at face value since the prevailing practice in communist nations is to enforce strict censorship. Moreover it is not in accord with the known existing military strength.

II. FINANCE AND ECONOMY

A. Introduction

The focus of the economic policy of North Korea, like that of the rest of the countries in the communist hemisphere, is placed on heavy industry and the parallel development in agriculture and light industry. This policy was put into force under the direction of the long-range economic plan with the aim of achieving a socialistic independent economy by reformation of economic and industrial institutions. These were remedial measures to the previously biased Japanese colonial economic policy and will also place the North Korean economy in alignment with the communist hemisphere of which Russia and Communist China are the nucleus.

The outbreak of the Korean war in the midst of these efforts was a fatal blow to the young North Korean economy. It not only destroyed the inherited Japanese assets which had been the basis for the plan but also wiped out the groundwork of the hopeful beginning of socialistic construction. The damage to the North Korean economy is estimated at a minimum of 420 billion won (1,200 billion Japanese yen or 3.3 billion U.S. dollars). Of course, accurate assessment of the damage is impossible. The post-war reconstruction is presently being carried out under the long-range recovery program. The first five-year plan was initiated in 1957 with aid from the U.S.S.R. and China. Under this plan the North

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Korean economic policy is playing a vital role in securing independent economy and promoting accelerated socialistic national construction by the relocation of industrial allotments and by the potential success of heavy industrialization.

The Five-Year Plan

Premier Kim Il-sung, in his address to the Korean Labor Party's Congress in March of 1956, clarified the first Five-Year Plan to be undertaken in 1957 to promote the completion of socialization in North Korea by 1961, and to renovate its industry by modernization by the same date. Its specific accomplishments will be as follows:

1. By 1961, in comparison with 1956 outputs, the production of pig iron will increase 280%; steel, 350%; and rolled steel products, 400%.
2. With the completion of two hydro-electric power plants on the Kanggye and Tungno Rivers the output of electricity will increase to 8.5 KWH. The production of coal will be increased 170%.
3. Production of chemical fertilizers will increase to 400,000 tons, cement to 1.5 million tons.
4. Production of various textiles will increase 150 to 200%; the increased production of socks will be 2.4 pair per person per annum.
5. The agricultural cooperatives will be completed and will be self-sufficient in food production. The area of corn cultivation yielding abundant crops will be expanded to 500,000 chongbo. The following items will be increased as follows: pig raising to 150%, sheep and goat raising to 240%, fruits to 130%, and silkworms to 300%.
6. The housing area will be increased to five million square meters.

On 15 July 1959 the Central Statistics Bureau of the National Planning Council announced that the objectives set by the Five-Year Plan had been reached by June of 1959, two-and-a-half years earlier than had been contemplated.

In the Labor Party's expanded session of the Central Committee the following agenda was announced and adopted:

1. The post-war industrial output during the last five years reached 42% above the average expected during that time.
2. The forecast of the completion of the Five-Year Plan is expected to exceed 113.2% by the end of 1959.
3. The year 1960 is designated as the buffer period; the second five-Year Plan will be launched at the beginning of 1962.

According to the Central Bureau of Statistics, when they announced on 16 January 1960 that the first Five-Year Plan had been completed, the residual traces of colonial industry had been replaced by socialistic industrialization, and the completion of the agricultural irrigation project had secured the foundation for increased production of agricultural products.

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The primary policies of 1960 are as follows:

1. Implementation of mechanization of agriculture.
2. Improvement of the living standard under which housing will be increased 200% in comparison to the 1959 figure, school construction 350%, hospitals 360%, and theaters, motion picture houses, and other recreational facilities will each increase eight-fold.
3. A forestry expansion program under which 900,000 chongbo will be planted within five to six years.

B. Finance

Budget: The national budget for 1958 was adopted at the second meeting of the second quarter of the Supreme People's Council in February 1958.

In that budget the annual total revenue was listed as 121,209 million won, and the expenditures at 118,336 million won, thus leaving a balance of 2,873 million won as excess revenue. In its revenue breakdown, socialistic enterprises of state-operated and cooperative groups form the major block of contributors with 92.5%. This percentage is an increase of 10.5% over the previous year's 82.4%. On the other hand, the tax revenue decreased from 6% to 3%. The aid receipts from other countries in the Communist bloc decreased from 14.4% to 4.5%.

In the area of disbursements, 66.7 was for the people's economic expenditure, an increase of 9.4% from the previous year's 57.4%; socio-cultural expenditure has increased from 6.6% to 18%. On the other hand, the defense budget showed a slight decrease from 5.8% to 5.4%.

The recent national budget of revenue and expenditures is as follows:

1. Revenue

<u>Year</u>	<u>Socialist Sector</u>	<u>Taxation</u>	<u>Foreign Aid</u>
1956 (settled)	74.9%	8.9%	16.2%
1957 (budget)	79.5	6.1	14.4
1958 (budget)	92.5	3.0	4.5

2. Expenditures

<u>Year</u>	<u>People's Economy</u>	<u>Socio-Cultural</u>	<u>Defense</u>	<u>Maintenance of Gov't organs</u>	<u>Other</u>
1956	74.3	12.7	5.9	6.2	6.0
1957	57.4	16.6	5.8	0.9	14.2
1958	66.7	18.0	5.4	---	---

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The 1959 budget shows a revenue of 2,325 million won and expenditures of 2,281 million won, thus leaving 44 million won in excess revenue. However the revenue entries are not clearly specified; the expenditures for the national economy and socio-cultural implementation rose to 89.4%, and expenditures for the maintenance of governmental organs and defense decreased to 6.2%. The national budget decreased to 2.8%.

1960 National Budget

(Exchange rate: 1 North Korean won to 150 Japanese yen)

Annual Revenue 1,967,522,000 won
Annual Expenditures 1,900,184,000 won

Percentage change in comparison to previous year

Revenue 114.6%
Expenditure 115.1%

Of which --

Revenue

Socialist accounts 1,875,288,000 won
Taxation 42,234,000 "
Loans and aid from socialist countries 50,000,000 "

Expenditures

National economy disbursements 1,168,326,000 won
Socio-cultural implementation 501,982,000 "
National defense 61,600,000 "
Maintenance of Governmental organs 6,320,000 "
Reserve fund 105,000,000 "

National Budget

<u>Year</u>	<u>Revenue</u>	<u>Expenditure</u>
1956	89,570,000,000 Japanese yen	86,002,000,000 Japanese yen
1957	97,423,000,000 Japanese yen	95,588,000,000 Japanese yen
1958	1,529,140,000 North Korean won	1,321,414,000 North Korean won
1959	2,325,000,000 North Korean won	2,281,000,000 North Korean won

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Currency

The unit of currency is the won. With the currency reform on 22 February 1959 the exchange rate of one won to 300 Japanese yen was established. The new currency was exchanged at the rate of 100 old won to one new won.

The fiscal year is January through December of the calendar year.

C. Banking

The banking system in North Korea is completely centralized, and monetary transactions are conducted by two national institutions, the Central Bank of North Korea and the Farmers Bank of North Korea.

1. Financial Institutions

a. The Central Bank of North Korea was originally put into operation with capital stock of 100 million won as a banking institution for the Soviet military occupation administration. The bank was later transferred to the North Korean Provisional People's Committee and the bank system renovated with the merger of the former Korea Bank, Chohung Bank, Choson Industrial Bank, Korea Savings Bank, Yasuda Bank and their 58 branches, all instituted during the Japanese reign with a total capital investment of 500 million won. The bank is unique in its operation in that it issues currency and acts as the sole governmental monetary control agency.

It is organized as follows: a Board of Directors made up of five directors; eight officers -- for Staff, Planning, Finance, Accounting, Inspection, National Treasury, Issuance of Currency, and General Administration; an office of the Secretary; main branch offices in each province, and local branch offices in cities and counties. In addition to this organization there is a subsidiary network of Savings Control Offices in every post office under the Bureau of Savings Administration.

b. The Farmers Bank of North Korea came into being under the enactment of the law passed by the North Korean People's Council establishing this banking institution on 1 April 1946.

This institution provides loans to farmers and assists in land reforms. Its capital is 300 million won under the joint-stock (in name only) company system. The main office is located at P'yongyang, and there are branch offices in counties and other localities.

2. Savings, Loans, and Deposits

There is no clear statement on the amount of deposits, savings, and loans with the banks, and the accurate figures are inaccessible. However following the increase in wages and other incomes in contrast to the reduction in price of commodity goods, it is estimated that there has been a considerable increase in deposits and savings. These deposits and savings are in turn

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invested in metal, machinery, chemicals, lumber, textiles, food, industry, and agricultural projects in that order.

The Farmers Bank of North Korea had initiated its business with individual farmers, but later its major transactions were with the agricultural cooperatives. The amounts of loans to such institutions rose considerably.

III. MANUFACTURING AND INDUSTRIES

The local industrial development in 1959 was particularly noteworthy. The local industrial growth started in June 1958 showed a faster rate of growth in 1959 and presently averages 11 factories in every county.

Over 2,000 of these local factories are primarily engaged in the production of foodstuffs and daily consumer goods, depending on the local resources. The output of local industries was 27.5% of the total industrial output, and 45.1% of the total consumer goods industrial output.

For these local industrial developments, many managerial and technical cadre were shifted to the local areas, and a new managerial system was adopted following the reorganization of the Ministry of Industry in September 1959. Under this planned production over 13,000 machines were produced.

A. Electricity

When Korea was liberated, 92% of the total electric production was accounted for in North Korea, including the hydro-electric plants on the Amnok River (Sup'ung), Punyong, Kwaejon River, Changjin River, Hoch'on River, Choch'on in Hamgyong Namdo, Ch'ongch'on River, and Kumgang-san. Following the Korean War some of these incapacitated plants were restored and have resumed production. Of these the Sup'ung plant was expanded, and the new hydro-electric plant at Tungno River in Ch'agang-do was completed in December of 1959, and they are presently in operation with a total output of 780,000 KV and an annual production of 30,000,000 KWH. In 1958 the cumulative electric output exceeded 7,630 million KWH, an increase of 700% in comparison with the post-Korean War period of 1953.

B. Metallurgical Industries

After the Japanese surrender the North Korean Government took over the Nippon Iron Works at Ch'ongjin (then damaged), Mitsubishi Iron Works at Ch'ongjin (then damaged), Songjin High Frequency Steel Mill, Nippon Smeltery at Kyomip'o (now Songnim), Namp'o Smeltery, and Hwanghae Iron Works. After the Korean War the Songjin Steel Mill, Songnim Smeltery, the Namp'o Smeltery and the Hwanghae Iron Works were partially restored and put into operation.

In addition to the restorations of these operations, the newly established Kimch'aek (former Songjin) Iron Works and the Kangson Steel

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Steel Mill have been added. In 1958 the war-damaged No. 1 blast furnace at Hwanghae Iron Works and the No. 2 blast furnace at Kimch'aek were also repaired and put into operation.

Also in the same year the copper smelting plant was nearly constructed and the zinc smelting plant of the Namp'o Smeltery was restored. The breakdown of the 1958 total production was as follows: pig iron and granulated iron, 400,000 tons; steel, 365,000 tons; iron ore, 1,550,000 tons.

At present [the metallurgical industries in North Korea] are equipped with electrical pig iron manufacturing facilities which have the potential capacity of producing one million tons of iron ore per year. Other production facilities for iron and steel manufacture, rolling, and non-ferrous products have been constructed. In order to meet the demand of local industry numerous small scale blast furnaces and rolling equipment were installed in various localities. Along with the expansion of iron ore mining and new installation of mining facilities active geological surveying is being conducted to locate new resources to be tapped.

C. Coal

80% of the coal reserve is stored in North Korea, and 70% is also produced here. Anthracite is widely utilized for fuel, carbide industries, and for other chemical industries. Over 50% of the anthracite is produced in the southern mining areas including Kangdong and Kangso counties, and the city of P'yongyang. The northern mining areas include Tokch'on, Kae-ch'on, Pukch'ang, and Unsan counties. Kanggye in Ch'agang-do is also actively engaged in coal mining.

Over 90% of the lignite reserves are in Hamgyong-pukto; the rest are in Anju, P'yongan-namdo, Pongsan, and Hwanghae-do mining areas. The lignite is essential not only as fuel but also for various chemical processes including processed petroleum production. In North Korea, where there is no bituminous coal reserve, the lignite may be utilized in producing coke.

There is a soft coal reserve in the southern coastal area of Hamgyong-namdo and the southern area of Hwanghae-do.

The coal output in 1958 was 6,880,000 metric tons, and in 1959 the figure was 8,854,000 tons.

D. Chemical Industries

The various chemical industries which produced military goods during the Second World War shifted to the production of peace goods. The Hungnam Factory is now producing ammonium sulfate; the Pongung Factory, calcium cyanamide; Kiyang Factory, caustic soda; Ch'ongsu Factory, nitro-lime and synthetic rubber; Sinuiju, an alcohol plant producing methanol; and the Yongan Factory, bakelite.

After the Korean War Hungnam, Pongung, and Ch'ongsu Factories were restored, and they are in operation under the Three-Year Plan.

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The total output of the chemical industries rose more than ten times in comparison to that of the 1953 post-war period.

The major chemical products in 1958 were as follows: chemical fertilizer, 457,000 tons (of which ammonium sulfate made up 284,000 tons); caustic soda, 14,000 metric tons; carbides, 150,000 metric tons. With the increased production in 1959 chemical fertilizer increased to 391,000 metric tons, caustic soda to 24,000 metric tons, and carbides to 135,000 metric tons.

E. Building Materials Industry

North Korea, resourceful as ever, uses a variety of building materials such as limestone, kaolin, loam, and silex, and processed materials such as cement and bricks. The cement plants in P'yongyang, Ch'onnaeri, Komusan, Pongsan, Haeju, and Amnok-gang and many brick factories were transferred to North Korea after the Japanese surrender. After the Korean War damaged facilities at Komusan, Ch'onnaeri, Sunghori, and Haeju were restored and are now taking a vital role in various construction projects.

The 1958 production of cement amounted to 1,244,000 metric tons and glass to 3,270,000 square meters. In 1959 production rose to 1,926,000 metric tons of cement and 3,779,000 square meters of glass.

F. Light Industry

Light industries, insignificant before the liberation, have been emphasized with the installation of textile mills at Sinuiju, Sariwon, and Ch'ongjin, and paper mills at Sinuiju, as well as a pulp factory at Kilju. After the war new textile mills were built at P'yongyang and Kwisong, and the Ch'ongjin textile mill was restored. There are numberless small pulp mills around raw log collecting centers.

The 1958 production of these industries was as follows: textiles, 110 million square meters, 21 million pair of socks, and household goods valued at 12,610,000 won. During 1958 the new P'yongyang silk mill, the Ch'ongjin textile mill, and the Pukch'ong processed food manufacturing company were established.

At present the Pongung BI-NA-RON vinylon? Factory, the Chloride Vinyl Fabrics Textile Mill, the Sinuiju Amalgamated Textile Mill, the Hamhung Meat Processing Company and various light industrial factories are under construction.

The production totals for 1959 were as follows:

Paper and paper products	45,000 metric tons
Porcelain wares	10,654,000 won (North Korean currency)
Textile fabrics	158,000,000 meters
Socks	17,000,000 pair
Underwear	9,281,000 pieces
Processed vegetables	30,000 metric tons

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Canned food	9,600 metric tons
Cake and candies	33,000 metric tons
Beverages	14,000 kiloliters
Soy sauce	66,000 kiloliters
Soy bean paste	57,000 metric tons

(Source: Central Statistics Bureau, National Planning Council.)

G. Machine Industry

During the Japanese occupation period machine industry was in its infancy; therefore most of the demands were dependent on Japanese industries. However post-war developments were significant in achievement, including machinery manufacturing companies at P'yongyang, Sinuiju, Haeju, Yongsong, and Munch'on; the P'yongyang Automobile Repair Factory; and shipbuilding (wooden ships) factories at Wonsan, Namp'o and Ch'ongjin.

The products of these manufacturers were wooden ships, equipment for mining and irrigation, and other light industrial machinery. They also produced precision instruments, automobiles and internal combustion engines for ships, and an attempt to produce steel ships of the 1,000 ton class was successful.

The above facilities were destroyed during the war, but under the Three-Year Plan the Kwisong Mining Equipment Factory, the Pukchung Machinery Factory, the Hich'on Machine Tool Plant, and the Huich'on Precision Instruments Plant were restored and reconstructed. They produce motors, electric wire and other electrical equipment, lathes, water/pumping machines, grain separators, and animal-drawn seeding machines. In 1958 these industrial plants produced 344 electric generators, 17,000 electric motors, 8,000 electric transformers, 1,450 metal cutters lathes?. Over 7,100,000 won worth of agricultural machinery and equipment was produced and over 300 motored vessels. Also for the first time in North Korea tractors, excavators, trucks, bulldozers, electric locomotives for mining, a 90-ton class refrigeration ship, a 4,000 KW capacity electric generator, a universal milling machine, automatic looms, and automatic grain thrashers were produced.

The 1959 production figures are as follows:

Electric generators	23,000 KVA
Electric motors	448,000 KW
Electric transformers	659,000 KWA
Pumps <u>water</u> /	14,000
Agricultural machinery and equipment	1,149,000 won (N. Korean)
Other tools and equipment	20,286,000 won (N. Korean)

At present the addition of the Tractor Production Division with an expected capacity of 7,000 per year is underway at the Kiyang Machinery Factory. Expansion of the Tokch'on Automotive Factory is also in progress, and completion of the Kwisong Machine Tool Plant is not too distant.

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H. Mining

Most of the mineral resources are in North Korea. These include many varieties, and these, plus the unexcavated resources, are gaining prominence in the world market. 140 varieties of minerals have already been found. In particular North Korea is rich in raw materials for pig iron. The magnetite (grade 40%) reserves around Mosan of Hamgyong-namdo alone are estimated to be 13 billion metric tons. If six million tons were excavated annually, the mining would continue for 300 years. Approximately two million tons of pig iron are produced from six million tons of iron ore.

Besides the Mosan reserves over several ten million tons of red pig iron [sic], limonite, and magnetite are in reserves around Unnyul, Chaenyong of Hwanghae-do, Kaech'on of P'yongan-namdo, and Yiwon of Hamgyong-namdo. The secondary metals such as tungsten, molybdenum, nickel, chromite, manganese, and cobalt are essential to produce the black metals. However due to the scarcity on earth of such ores for alloy purposes, these materials are becoming very important. North Korea has abundant reserves of these metallic ores, of which tungsten and molybdenum have great reserves and large output. Although there is no official report on the present production of tungsten ores, the output ranked tenth in 1944, and the reserves are listed as sixth in the world. The reserves are located around Koksan in Hwanghae-do, Taehunggun in P'yongan-namdo, and Nyongsonggun and Kumkangsan in Kangwon-do. The production of molybdenum also ranked sixth in the world in 1944; the reserve is located around Kumkangsan in Kangwon-do.

The reserves of copper-steel [sic] -- used for heat and electric conductors -- are widely scattered in Korea. Yongsan in Hamgyong-namdo and Huch'ang in Ch'agang-do are especially rich in these reserves. The reserves of lead and zinc -- used for manufacturing water and gas pipes, and in sulfate products -- are also abundant in the Songch'on mine in P'yongan-namdo and the Komdok mine in Hamgyong-namdo.

With its rich reserves of aluminum and magnetite ores for light metal industries, along with sufficient electricity and graphite used for electric terminals, North Korea is in an advantageous position to promote the light metallurgical industry.

Gold and silver, however small in production and reserve, are important minerals for use in precision machinery and aircraft manufacture and for export. They are excavated in Unsan, Taeyudong gold mines in P'yongan-pukto. Others are in P'yongan-namdo and Hwanghae-do.

I. Agriculture

Farming in North Korea is classified into three categories: state, cooperative, and private. If we retrace the North Korean agricultural socialization, first in our consideration is the Land Reform Law enacted on 5 March 1946 and the subsequent practice of the taxes-in-kind system. Under this law the land confiscated from the Japanese and the Japanese government, as well as the land taken from the land-

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lords, was allocated to tenants. Consequently the tenant farmers became landowners and could keep the remainder of their crops after the taxes-in-kind were deducted.

Since 1947 the agricultural productivity recovery has been hastened with yearly projects and programs such as expansion of cultivated land, irrigation projects, improvement of land utilization and increase of grain crops and animal husbandry -- all these under the people's economic program.

By 1950, prior to the outbreak of the Korean War, the food supply in North Korea had reached the level of production during the Japanese reign. However the war destruction -- an end-result of over-confidence -- liquidated not only the cities but also farm villages in remote mountainous regions. The complete destruction of the agricultural economy compelled the socialization of the Korean agricultural economy and necessitated taking the second step, that of the establishment of cooperatives. Since the first establishment of the Kyongwon State Agricultural Farm in 1948, there were 19 State Farms, 20 State Fruit Farms, and 127 Cooperated Pastures in 1955.

The role of the State Agricultural Livestock Farms is to study and to experiment with ways of increasing crop harvest and improving animal husbandry, and to make available tested grain seeds and the latest in breeding stock to agricultural cooperatives. It also functions as the model of the socialistic form of agricultural operation.

Agricultural Cooperative Enterprises

The ravages of war not only destroyed the dreams of the farmers who had obtained land after the liberation but also impaired the recovery of these farms. To overcome this adversity the North Korean government adopted a policy to induce agricultural cooperatives and enforced this program. The agricultural cooperative discussed here is according to the three stage progression of the program.

The first unit is made up of ten or more farmers who assist each other. The second form is that of the land-pooling program where private farmers retain their property rights but where management control and labor are shared and the crops divided according to the capital and land outlay and the number of days of labor. The third form is that of complete consolidation including land, animal labor force [i.e., oxen used in farming], and equipment. The crops are divided according to the share of labor by days. It consists of 40-100 households. Besides these forms there are numerous subsidiary agricultural cooperatives. 20% of the farmers are still from private family households. According to a report they are comparatively well-to-do farmers; consequently they are showing reluctance in joining the cooperative enterprises.

Within two years production reached self-sufficiency in food supplies, and large scale irrigation projects were completed, thereby increasing the irrigated land by 214,000 chongbo. In 1957 the crop lands were increased by 140,000 chongbo and in 1958 they were increased by 190,000 chongbo. Also the adoption of advanced farming technology, the

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application of chemical fertilizers, and the increased use of agricultural implements contributed to the increase in the size of the harvests. Consequently crops and industrial raw material production showed a significant increase. The increase in grain crops in 1957 was 3.2 million tons or 111.4% in comparison to the previous year. In 1958 the gain exceeded 3.7 million tons, or 115.6% as compared to the previous year.

Livestock holdings also increased in these years as follows: cows and oxen, 566,000 in 1957 to 660,000 in 1958; pigs, 1,340,000 in 1957 to 1,460,000 in 1958. Along with this increase in animals was an increase in animal husbandry products.

The campaign for agricultural cooperatives was concluded by August of 1958 (by March 1958, 98.6% of the total farm households joined the cooperatives with their 95.1% of cultivated land holdings) with these successful results in the socialization of agricultural farming.

The government and the Korean Labor Party, however, in an effort to facilitate the irrigation, automation, and electricification of agricultural production, undertook the consolidation of existing agricultural cooperatives under an administrative unit or "ri" during the two month period of October to November 1958. Consequently 13,309 agricultural cooperatives were incorporated into 3,841 new cooperatives. Each cooperative unit averaged 300 farm households instead of the previous 80, and the average farmland increased to 500 chongbo instead of the previous 130.

The first five-year People's Economic Development gave top priority to the problem of food supplies and clothing. For this effort heavy emphasis was placed on the grain crop production and at the same time on accelerated programs for cultivation of materials for industrial arts, animal husbandry, and sericulture. These were carried out while accomplishing agricultural cooperation with an emphasis on organization and economy.

The production target for agricultural items for 1961 was as follows: cotton, 30,000 tons; flax, 70,000 tons; potatoes, 2,260,000 tons; fruits, 150,000 tons; cocoons, 25,000 tons; meats, 200,000 tons.

J. Forestry

All forest land in North Korea was nationalized with the enactment of the 1946 Land Reform Law. The Changbaeksan mountain system with Changbaeksan as its main peak, is extremely rich in resources for the logging industry. The government placed forest lands into two administrative units, state controlled and local controlled forestry. The former is under the control of the twelve control offices of the Ministry of Agriculture and the latter under each of the local provincial people's councils.

The forestry administrative unit is divided into two divisions, those of Forest Protection Service and Logging Operations Services. The Protection Service enforces the protection of the forests from fire and theft and encourages the planting of trees as a national movement; the Logging Operation Services shoulders the responsibility for the con-

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struction of logging railways, increased allotments of locomotives, repair of log transportation canals, and the establishment of lumber mills.

As a result the lumber production at the end of 1955 rose about three times over that of 1953, and it is noteworthy that this increase contributed greatly to the post-war reconstruction projects.

K. Fishing

Korea, surrounded by three seas, is abundant in marine products. The east coast of North Korea is an especially important fishing area. The main products netted in North Korea amount to 650 species. Of these 530 are salt water species and 120 are fresh water. Approximately 120 species are listed as marketable products including mackerel, sole, menu-ke eyeless, hairtail, tuna, tangle, and trepang.

The fishing industry was operated by Japanese monopolistic entrepreneurs during the days of the Japanese reign in Korea. However after the liberation the fishermen were incorporated into and operated by the State Fishing Enterprises and the industrial cooperatives which were organized by the North Korean government and the Korean Labor Party. The increase of fishing industries based on the 1946 index was as follows: 139.1% in 1947; 159.1% in 1948; 167.9% in 1949.

In 1950 the Korean War inflicted a great blow to the growing fishing industry. The damage to the State Fishing Enterprises and the Industrial Cooperatives was estimated at 5.4 billion won; they faced total collapse. However post-war reconstruction of the fishing industry, brought about with the aid of the U.S.S.R., Communist China, and other Communist nations, brought the 1956 total output to 9% in excess of the pre-war production. In addition to this recovery a modern marine products canning factory with an annual capacity of 4,000 tons was erected in Sinp'o city with Soviet aid.

At the 1955 General Assembly of the Korean Labor Party Central Committee it was decided that 600,000 tons would be the fishing industry's target for the first Five-Year Plan. But the subsequent output increase by the State Fishing Enterprises, Marine Cooperatives and Agricultural-Fishing Cooperatives exceeded this quota in 1958, reaching over 600,000 tons or 68.2 kg. per person. This is 2.3 times the total output in 1949. Furthermore a shoal culture is presently underway utilizing the shallow waters and the areas off sandbars. One million tons was set as the fishing industry target for 1961.

In 1941 the population engaged in the fishing industry was equally distributed between east and west coasts. The occupational distribution now shows that the west coast has more fishing and marine culture households. However the comparison of the output in east and west indicates that the east coast produced 80% of the total 865 million won brought in by the North Korean fishing industry. This is an indication that the east has taken an industrial approach lacking on the west coast. These production figures were for processed industrial supplies, and there were active manufacturing industries on the east coast. Dried pollack and shrimps were well-known in the marine food industries during the pre-war

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[Second World War] years, and these were mostly produced in North Korea. Also most of the salted pollack roe was produced in North Korea, amounting to 62% of all salt-pickled fish products.

Non-food industrial fish products manufacturers are located in Hamgyong-namdo, Hamgyong-pukto, and the Kangwon-do areas. These industries are engaged in manufacturing dried fish powder for fertilizer and saku-haku [crushed refuse?], manufactured from sardines and pollack.

IV. LABOR

The slogans "everyone should engage in labor," and "labor is the foundation of economic prosperity and culture of the people" (provision 30 of the Constitution) are basic in North Korea where the Korean Labor Party, made up of laborers and farmers, is taking the leadership. Furthermore labor is regarded as the first fundamental right of the people, and the national prosperity is largely dependent upon it. To conform to this principle, emphasis is placed on the national labor policy of protection and improvement in labor and agricultural manpower.

If we retrace the progress of the labor policy since the liberation, the idealistic approach has been the "removal of exploitation of human beings by other human beings." Under this approach all enterprises were nationalized along with the Labor Code enactment in which the protection of labor and the guarantee of human rights were specified. This code helped establish the socialistic national structure in which it was asserted that laborers and farmers are the masters of the nation. Also it promoted the cooperativization of agriculture and promoted private enterprises to foster the power of labor. This movement of cooperation in the proletariat will strengthen the authoritarian political authority and the development of such movements as have been contemplated.

In order to improve labor qualitatively and quantitatively a series of policies has been carried out, such as the following: transfer of administrative personnel to the production line under the Three-Year Plan; 11,000 trained technicians from colleges and universities as well as from industry; 800 technical experts who studied in Communist China, the U.S.S.R., and other Communist nations; recruitment of 32,000 technical workers for the reconstruction projects.

There are two systems of compensation -- salaries and wages. There are also additional monthly allowances for those who continue after a six-month period and rewards for surpassing production quotas, submitting creative suggestions, economizing in the use of raw materials, operating without accidents, and improving production.

The government also promoted the actual increment of incomes by the reduction of taxes by 25% in 1954, and a wage hike of 35% in 1956. The North Korean Wage Policy has been regarded as being primarily based on the uniform wage raises in all labor divisions with consideration of individual benefits and over-all production development. The wage increase in 1956, however, was reported to show discrepancies depending on the urgency of production, the level of technology, the condition of labor and the productivity of labor divisions.

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Various labor protection policies are being carried out in post-war reconstructed enterprises. They include technological safety, expansion of the health program, emphasis on the protection of female and child labor, conformity to operational safety, a seven hour labor period for dangerous underground work, special vacations, study of labor protection projects, distribution of operational items, and free and nutritious food rations.

Labor protection inspectors are dispatched to various industrial locales in order to oversee the fulfillment of these practices. Furthermore to confirm the labor protection practice, as defined by the law, in the light of its social impact, a separate labor protection inspector is dispatched to each production enterprise under the guidance of the workers union.

V. TRADE

The trade of North Korea is basically different from that of South Korea. The overseas trade of North Korea has a close relationship with the people's planning for economic development, and it is the foundation of economic independence in establishing a socialist nation.

The overseas trade of North Korea since the "15 August Liberation" has been carried out under consistent planning to achieve the goals set for the achievement of a democratic and prosperous Korean economy.

This has been achieved under the Nationalization Act of Vital Industries enacted in August of 1946, the Land Reform Law, the Agricultural Income Tax-in-Kind Law of March 1946, and the Labor Code enactment of June 1946.

After the "15 August Liberation" the North Korean Provisional People's Council was composed of ten bureaus and three departments in which one bureau was designated as a Bureau of Commerce. The duties of this bureau were to administer exchange of materials, price control, procurement of materials, and weights and measures.

Prior to this set-up the P'yongan-namdo Commerce Administration Bureau, Trade Council, and the Shoppers Union existed at the time of the establishment of the People's Council. These organizations were, however, replaced by the Trade Committee within the North Korean Provisional People's Council. The Committee was established on 20 September 1946, and all trade affairs were under its administration. On 9 January 1947 this Committee was suspended to allow for the centralization of the national trade administration under the new Commerce Bureau. When the North Korean People's Council was organized on 21 February 1947, the Bureau continued its existence. With the establishment of the Korean Democratic People's Republic on 9 September 1948, the Commerce Bureau was replaced by the Ministry of Commerce.

With the outbreak of the Korean War on 25 June 1950, the security of commodity outlets and the stability of the living standard became vital issues. Subsequently an economic link with other nations became important. Excessive importation of aid materials from the U.S.S.R., Communist China, and other Communist nations showed two distinctively

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different roles of the Ministry -- those of overseas trade and of domestic consumption of national products. To overcome this problem the New Ministry of Trade was organized separately and has been in continuous operation ever since it came into being in October 1952. The Ministry of Trade is equivalent to the Ministry of Foreign Trade of the State Council of Communist China in its function as a central agency for trade administration. The North Korean People's Bank handles foreign exchange. The problem of reconstruction after the ravages of war has been of vital importance in post-war North Korean trade since the armistice on 27 July 1953. Economic reconstruction was given first priority in the national policy of North Korea. With the full scale aid programs of the U.S.S.R. and Communist China helping to attain this economic program, the role of the North Korean Trade Ministry has been expanded, and the amount of imported goods rose tremendously.

The Soviet one billion ruble free aid agreement with North Korea was signed in September 1953. Large quantities of various industrial construction materials have been brought in with this fund. These materials were used in restoring various war-destroyed enterprises including the Hwanghae Iron Works, Sup'ung Hydro-electric Power Plant, Songjin Steel Mill, and the P'yongyang Textile Factory; they are in full scale operation. The fund was used to supply tractors, chemical fertilizers, 50,000 to 60,000 horses, seed, farming tools and equipment, medical instruments, medicines and other cultural materials for agricultural reconstruction.

The Korean-Chinese Economic and Cultural Coalition Agreement was signed in November 1953 under which Communist China declared all the aid materials supplied during the period of 25 June 1950 to 31 December 1953 to be free of charge in addition to the interest-free credit loan in the amount of 800 million Chinese yuan during the period from 1954 to 1957. Under this agreement Communist China is to supply coal, grain, construction materials, transportation materials, metallurgical products, machinery, farm equipment and daily commodities to North Korea. The East-West Communist nations also joined in this aid to North Korea under the bond of international cooperation.

The post-war reconstruction of North Korea has been particularly noteworthy in that aid giving countries have cooperated under the international division of aid program in which a nation of distinction in certain areas has undertaken the responsibility of its reconstruction. Consequently the North Korean trade activities have been overshadowed by the receipt of aid materials from other countries.

Accelerated development and the surpassing of the annual quota in mining, industrial, and agricultural production, however, have gradually uplifted the living standard, and subsequently the import-export trade has been reactivated in a short time. Under this development North Korea has outgrown its need for post-war reconstruction foreign aid and, having completed trading with other nations, is actively engaged in foreign trade under a uniform import-export plan.

The exports to Red China in January 1956 included minerals, marine products, and fruits, and the imports from China included cotton, cotton

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fabrics, cotton textiles, coal, tele-communication equipment, and machinery. Also in the same year the exports to Poland and Czechoslovakia included dark metals, alloy metals, minerals and Alundum; the imports from Poland included equipment and machinery for coal mining and other construction facilities, electric equipment, and cotton textiles; the imports from Czechoslovakia included machinery, computation equipment, electric wire, automobiles and medicines.

The national trade between Japan and North Korea has not been restored just as trade between Japan and Communist China does not exist. However in a statement made in 1955 Foreign Minister Pak called for a resumption of trade by saying, "Despite no diplomatic relations between Japan and China, there is trade activity. Could not trade between North Korea and Japan exist in similar fashion?"

Although the degree of trade that existed between North Korea and Japan before the end of World War II can not be expected again, the geographic location and the proximity of their people prompted a certain amount of trade activity in certain sectors of industry. Toward a resumption of trade relations between Japan and North Korea, the Japanese Peace Delegates led by Masaharu Hatauchi, director of the Japan-Korea Cooperative Society, visited P'yongyang in the spring of 1955 and discussed such possibilities with North Korean economic circles. On 15 October 1955 a trade agreement between a major Japanese trading company and the North Korean Trade Company branch office in Peiping was reached, and on 19 October in the same year the official paper promoting trade between Japan and North Korea was exchanged by Minoru Tanabe, managing director of the Russo-Japanese Trade Association, and Kim Ch'oesun of the North Korean International Trade Promotion Committee in P'yongyang. This official document carried mutual agreements on trade goods, price, decisions, transportation, inspection, and methods of solution and mediation in case of company disputes. Also on 20 October a joint communique was announced by Sadao Furuya, delegate of the Japanese Diet then visiting Korea, and Kim Unggi, vice-chairman of the North Korean People's Council Presidium. This brought about wide discussion among Japanese industrialists on the possibility of the resumption of Japan-Korea trade.

In February of 1956 Yoshisuke Miyakosi, a Japanese Red Cross delegate visiting in Korea who represented several Japanese trading concerns, and Kim Unggi, president of the North Korea Trade Company, concluded a temporary contract for resumption of trade. To implement this contract the Japan-Korea Trade Association was organized on 28 February 1956, and in April a mass meeting was held under the auspices of the Japan-Korea Cooperative Society on Japan-Korea trade and fishing promotion, and delegates to Korea were selected to negotiate the trade problems between the two countries.

After this initial progress the Japan-Korea Trade Association members visited North Korea as part of the Japanese International Trade Promotion Society in September 1957 and concluded a six million dollar trade contract and in 1958 another six billion yen trade contract with North Korea. However the actual amount of trade was interrupted by the resolution of the conference of the vice-ministers, and trade was

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carried out via Port Arthur. Even this activity was terminated when Japan-Communist China trade was stopped in May 1958. Since June of 1959 partial trade has been in progress via Hong Kong. Although trade via the Hong Kong route exists as of now, it is far from full scale trade on the basis of mutual equality, friendly relationship and economic exchange. The Korean exports to Japan include mostly mineral raw materials for heavy and light industries. As stated in the previous paragraphs, iron ore, magnetic iron ore, zinc ore, graphite, anthracite, tungsten ore, and molybdenum ore are abundant in North Korea, and light mineral ores such as aluminum and magnetite are also abundant. There is trade possibility in the export of chemicals, agricultural and marine products, and processed marine products.

Faced with the lack of economic reconstruction materials and situated in geographical proximity to Japan, North Korea desires an immediate trade resumption with this country, whose post-war recovery was particularly noteworthy. The trade items are mainly major industrial materials including telegraph wire, electric cables, steel material (iron sheets), non-ferrous metals (zinc sheets, etc.). Also included are electric motors and other electrical machines, chemicals, fabrics, paper products and daily commodities.

The national meeting of the direct Japan-Korea Trade Opening Movement was held in May of last year [1959] with the support of the Japanese International Trade Promotion Cooperative Society, Japan-Korea Trade Association, and Japan-Korea Cooperative Society, and a resolution for implementation was adopted. The conclusion of the Repatriation Treaty by the delegates of the Japanese and North Korean Red Cross at the Calcutta Conference on 13 August last year [1959] shed new light on this development. The subsequent submission of petitions to the Diet resulted in gaining permission on 17 December last year to use boats to ship export goods to North Korea. It was a new step toward successful trade relations between North Korea and Japan.

The denial of trade with North Korea was based on the possibility of deterioration of the Japan-South Korea Negotiations, but it is thought that there will be a new prospectus with the reformation of South Korea's Cabinet. Although the problem should be solved on the diplomatic level, since Japan neighbors Korea and China in Asia, it is hoped that trade relations will be normalized in the future.

Current Year's Trade with North Korea, Red China and the U.S.S.R.

On 29 February the barter trade treaty with North Korea and Red China was signed in P'yongyang and that with the U.S.S.R. in Moscow.

The trade items were as follows:

1. North Korean Export Items

a. To Red China

Granulated iron, copper, zinc, high-frequency steel, fertilizer, carbides, fruits, marine products, and others

b. To the U.S.S.R.

Lead, tin, steel and iron, industrial products, concrete [sic],

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- tobacco, fruits, others
2. North Korean Import Items
 - a. From Red China
 - Coal, coke, beans, cotton, tires, manganese iron, sulfur, gypsum, chemical and industrial raw materials, and others
 - b. From the U.S.S.R.
 - Tractors, steel pipe, petroleum products, chemical products, paper, cotton, and others

It is assumed that North Korea's surplus minerals, marine products, fertilizers, carbides, concrete, and steel and iron exports are half-measures to obtain North Korea's acute demand for tires and petroleum products.

VI. TRANSPORTATION

A. Land Transportation

The Korean Railway System was facilitated early as a major route for the mainland operation by the Japanese, and at the end of World War II it included the following main lines: Kyongbu Line (Seoul-Pusan), Kyongui Line (Seoul-Sinuiju), Kyongwon Line (Seoul-Wonsan), Hankyong Line (Wonsan-Ch'ongjin-Najin), and the local lines which included Tonghaean Line (Ant'ong-Yangyang), P'yongwon Line (P'yongyang-Wonsan) and Manp'o Line (Sunch'on-Manp'o); there were engine depots at Wonsan and So-p'yongyang. Large numbers of passenger and freight cars were included in the facilities.

At the end of World War II the Soviets, busy with their reconstruction problem, dismantled the facilities and shipped them to the Soviet Union. The North Korean railway system started operations under this unfavorable condition, and the subsequent Korean War wiped out what had remained. However post-war reconstruction under the Three-Year Plan restored the main and local lines between P'yongyang and Sinuiju; Sunch'on and Manp'o; P'yongyang, Sangsangong and Namyang which connect Red China and Poland with the aid of the U.S.S.R. By 1956 all railways had been restored, and the engine depots at Wonsan and SoP'yongyang were back in operation; however there are many temporary restorations.

Cumulative Railroad length --	Broad gauge	3,167 km.
	Narrow gauge	559 km.

The highway system during the Japanese occupation sufficiently accomodated trucks and buses to remote villages in mountainous country. The present situation after the destruction caused by the war is at its worst, and there are far fewer facilities for truck and bus transportation, and many of the rivers have to be waded by persons and forded by carts. Under the Three-Year Plan a small number of trucks and buses have been added concomitantly with road improvements, but it is not anywhere comparable to past days.

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B. Sea Transportation

Wonsan, Ch'ongjin, and Najin on the east coast were fine natural ports and were equipped with large scale pier facilities. They were important navigation facilities with regular shipping line services to Japanese sea ports. Wonsan and Najin were militarily strategic areas for the Japanese and were also used by the North Koreans for similar purposes. The port of Ch'ongjin was glorified by the earlier reception of Korean repatriates and will be the port which will open the gate for Japan-Korea trade resumption.

Although the war ravaged ship transportation activity as well as marine industries, shipping has been reactivated along the sea coast with wooden vessels manufactured at Namp'o, Wonsan, and Ch'ongjin ship-building factories under the post-war three year reconstruction planning program. However the progress is far from being significant.

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