

November 3, 1957

**Notes from a Conversation between the 1st
Secretary of the PRL Embassy in the DPRK and
Comrade Makarov, Counselor of the Embassy of the
USSR on 11.III.1957**

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Summary:

Brzezinski Henryk and Comrade Makarov discuss the economic situation in the DPRK and reveal that the DPRK has abandoned a policy of self-reliance, which has led to industrial reforms and changes in agricultural production, as well as the preparation of the first 5-year plan.

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Pyongyang, 11.III.1957

Embassy of the
People's Republic of Poland
in Pyongyang [trans. note: tilted stamp]
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Secret [trans. note: added by hand]

N o t e

From a conversation with Comr[ade] Makarov, Counselor of the Embassy of the USSR on 11.III.1957

Comr. Makarov has been in the DPRK for over a year and a half. Prior to arriving in the DPRK he was a vice-premier of the Russian Republic. In the DPRK, he headed the office of economic relations (this office was a separate unit, the office dealt with the USSR's aid to the DPRK). Currently Comr. Makarov is the Embassy counselor for questions of economic cooperation. Comr. Makarov possesses contacts in the economic sphere on a high level with Korean comrades.

The conversation had as its goal a discussion of the DPRK's economic problems and gaining information in this sphere.

Comr. Makarov remarked at the beginning that the DPRK government has now abandoned the unreasonable policy of economic self-reliance, a policy calculated for the construction of huge branches of production (machinery, cars, engines and so on) with the goal of exporting these products.

These goals overreached the capabilities of the DPRK and furthermore there were no real perspectives for selling these products, if only because of the low quality of these kinds of products in the DPRK.

In Comr. Makarov's opinion, the visit of the DPRK government delegation to the countries of people's democracy influenced the change in economic policy. In response to my question whether the appearance of the August group influenced the change in economic policy, Comr. Makarov was of the opinion that it was the visit of the government delegation to the countries of people's democracy that decided it.

The DPRK's current economic plan for 1957 should be judged as correct, calculated for the appropriate exploitation of the natural wealth of the DPRK based on real financial, material, technical and cadre possibilities.

The DPRK is developing a 5-year plan. The development of the plan is supposed to be finished in May of this year. Comr. Makarov stressed that positive changes have occurred in the DPRK this year in the realization of the national plan. After the December plenum there were certainly voices among the ministries that the plan which had been agreed on was too high, still the goals were met and significantly exceeded in January and February. Until now, in the period of the 3-year plan, January and February were months of not fulfilling plans. The economic perspective in the DPRK for 1957 in the sphere of implementing the national plan is favorable. The fact of the great mobilization of the whole leadership of the DPRK, which for two months came into contact with the staff of factories, production cooperatives and where concrete economic tasks were discussed, influenced this kind of situation. Various kinds of Korean specialists, who helped the teams and leadership of given economic

units in the correct, organizational, economic and so on development of plans took part in these meetings. The meetings mobilized the working masses, as well as the management institutions.

Speaking about these changes, comr. Makarov said that he is satisfied with the results of his work (he repeated this sentence several more times on other occasions).

On the question of spending on investments in 1957, Comr. Makarov believed that the DPRK does not aim to develop the steel and machine industries on such a scale that these areas would be produced for export. The construction of a diesel automobile engine factory was removed from the plan, but only to build those branches to the extent that they would secure the production of spare parts, renovation of existing machines, production of minor installations, minor agricultural equipment indispensable to the current needs of the country, in a word, to maintain and leave functioning what is in the industry and agriculture of the DPRK, as well as the production of necessary equipment for agriculture, so as to save foreign currency for the import of other things.

Investment for 1957, albeit 80% is designated for heavy industry insofar as to raise agriculture (chemical industry: production will increase [by] about 100,000 t. artificial fertilizers and will surpass 300,000 t.), the electro-technical industry indispensable for the whole of the economy, the coal industry and so on, since there is a shortage of coal for heating in the DPRK. This winter there was not enough coal for the population, and the winter was very harsh. (The production of coal is to grow by over 300,000 t. and will reach 4,300,000 t.)

This way investment in heavy industry returns directly to the population and causes a rise in the standard of living.

Comr. Makarov stated that earnings in the budget for 1956 were higher than expenditures by about 4 billion won. In the current year, the budget amounts to about 96 billion won, i.e., 8 billion more in relation to 1956.

In principle, assistance to the DPRK from the countries of people's democracy and the USSR ends in the current year. In Comr. Makarov's opinion, 1958 will be a very difficult year for the DPRK from the point of view of the currency balance. Comr. Makarov asserted that already 1959 should demonstrate an active balance of foreign currency in the DPRK.

On the issue of the planned 22% growth in production for 1957, at which almost half of the growth in production is to be attained through the growth in work productivity, Comr. Makarov stated that this is possible taking into account the huge reserves lodged in the economy of the DPRK, and especially in the organization of work. Comr. Makarov also relayed that, for example: in 1956 ca. 60-70% of the workers employed in industry worked at daily rate. In 1957 ca. 60-70% will do piecework, and so the relation will reverse.

On the issue of agriculture, Comr. Makarov stated that the very fast tempo of collectivizing the countryside in the DPRK has given birth to fears among the Soviet comr[ade]s that agricultural production may go down. These fears did not come true. The attained outcomes in the production of grains eliminated fears of this kind. The number of Korean cows and of oxen has gone down. (There is a shortage of over 300,000 oxen to guarantee tractive force in agriculture). The drop in the numbers of cattle stems from the fact that at the beginning of the organizing of the cooperative movement the Korean comrades chose to create cooperatives without giving cattle as a contribution to a cooperative by the peasants. Hence those joining cooperatives got rid of or killed cattle. The mistake has been repaired, but the results can still be felt.

In the period of the 3-year plan the farming of technical cultures dropped significantly. Comr. Makarov said that he had rought up this matter with the Korean comrades (e.g.: the area of cotton cultivation fell from 80,000 ha to 15,000). The Korean comrades maintained that they are consciously reducing the production of cotton and increasing the area of cultivation of rice because people have nothing to eat and giving rice is the most important thing. Currently the area of cultivation of technical cultures is being increased, after achievements in the sphere of grains.

For 1957 the Koreans have planned a crop of 2,950,000 t. of grains. The peasants and cooperativists have declared a further 340,000 t. of grains above the plan, after conversations with the party leadership after the December plenum. If this quantity is reached (i.e., nearly 3,300,000), for which there are realistic possibilities as long as there are no unexpected disasters, floods or droughts, then the government of the DPRK will receive the amount of grains necessary for a free and full feeding of the population.

In this way a basis for the gradual lifting of the voucher system for food items would be created. At this moment the food situation is such that, despite the fact that more grains were harvested than in 1949, there is a shortage of grains, while in 1949 there was too much. This fact is being explained with the argument that the amount of vegetables (vegetables are the second principal food item, after rice, for feeding the population) is significantly smaller than before the war. In the area of fishing, plans are far from being executed (e.g., 80,000 t. of mackerel were to have been caught in 1956, and 4,000 were fished this shortfall could not be made up by the surplus of dories).

Apart from this, before 1950, the DPRK did not export fruit, now it is being exported. The totality of these issues combines into the fact that despite the growth of grain production, there is a shortage of grains.

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Brzezinski Henryk

[trans. note: followed by signature]

1st Secretary of the PRL Embassy in the DPRK