

January 17, 1955

Memo about the Situation in the DPRK

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Summary:

A memorandum dated 17 January 1955 about the overall ground situation of North Korea. Topics range from agriculture and industrialization, power output and Kim Il-Sung's Three-Year-Plan to foreign aid from the Communist Bloc, the domestic political situation of North Korea, and inter-Korean relations after the 1950-1953 war. The memorandum concludes with suggestions on Soviet policy in the region.

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MEMO

about the situation in the DPRK

The DPRK economy found itself in a situation of extreme disorganization and ruin as a result of the war. According to incomplete data, damage caused the country by the war is calculated at 420 billion won (14 billion rubles). The gross production of state and cooperative industry was reduced by more than 40% compared to 1949, and the production capacity of ferrous and non-ferrous metallurgy and the fuel and chemical industries was almost completely put out of action, and transportation was wrecked. Great damage was also inflicted on agriculture, and the economic condition of the peasants, workers, and other groups of workers worsened considerably.

After the conclusion of the Armistice the Korean Worker's Party carried out much organizational and administrative work to revive the country's economy. Thanks to aid from the Soviet Union, the PRC, and the countries of people's democracy the tasks of the three-year plan to revive the economy are being fulfilled successfully. Enterprises to extract coal, produce steel, cement, fertilizers, bricks, cotton, shoes, and other products have been placed in operation.

However, serious shortcomings occur in the work of the Korean Worker's Party to which attention ought to be paid and the necessary help given.

1. Industry

The Koreans friends are speeding up the development of industry to the detriment of the population's standard of living.

In 1954 the gross industrial output had already reached the 1949 level and was 29.7 billion won in constant prices against this year's plan of 28.3 billion won. Industrial production for 1955 is envisioned to be 48 billion won, at the same time as according to the three-year plan the amount of industrial production was expected to be 37.4 billion won for 1955 and 46.8 billion won for 1956. The approach taken for the amount of industrial production is to fulfill the three-year plan and overfulfill [it] in two years. However, as before the economic conditions of the people remains serious.

The production of the main types of industrial products in physical terms for 1954-1956, compared to prewar 1949 is:

□□□

□□□□

1949

1954

(expected fulfillment)

1955 (plan)

outlined per the three-year plan □□□

□□□□

1955

for 1956 and % of 1949 □□□

□□□□

total industrial production

billions of won

29.9

29.7

48

37.4

46.8 □□□

□□□□

electrical power

millions of kilowatts

5924

1946

3040

2700

3800 (65%) □□□

□□□□

hard coal

thousands of tons

4005

1872

3450

2670

4020 (100%) □□□

□□□□

cast iron

"

166

-

101

100

180 (108.[4]%) □□□

□□□□

steel

"

144.4

52.7

154.8

106.2

119 (82.5%) □□□

□□□□

cement

"

537

231.5

550

455

650 (121%) □□□

□□□□

bricks

millions

44.3

334

799

663

722 (16.2 times as much) □□□

□□□□

industrial wood

thousands of cubic [meters]

1601

1841

2853

2000

2300 (142.8%) □□□

□□□□

fertilizer

thousands of tons

401

21.3

80.2

59

82.6 (20.5%) □□□

□□□□

cotton

millions of meters

9.4

22

44.2

37.7

47.7

(5.1 times as much) □□□

□□□□

silk

"

3.2

0.8

2.9

1.8

1.98 (62.2%) □□□

□□□□

rubber and compound shoes

millions of pairs

5.8

11.7

14.7

14.4

22.4 (3.9 times as much) □□□

□□□□

household soap

thousands of tons

9.2

1.9

6.3

3.8

4.4 (47.5%) □□□

□□□□

tobacco products

"

6.0

4.5

6.0

5.2

5.7 (95%) □□□

□□□□

fish catch

"

273

269

552

418

550 (double) □□ □□

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

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

Many industrial facilities are being built underground without sufficient justification. At the present time 10 enterprises are operating underground and 11 new enterprises are being built; among them a large auto parts, machine tool and diesel plants and a textile mill are being located underground. The majority of the underground plants are being built without ventilation and heating, which creates abnormal conditions for those working and leads to premature wear and tear of the equipment.

The Korean comrades have no definite clarity on the issue of the further prospects for the development of industry.

In August of 1953 the 6th KWP CC plenum adopted a decision in which it was ordered that the main task of the three-year plan to revive the economy (for 1954-1956) is the creation of a base to carry out a comprehensive industrialization of the country in the next five-year plan with the expectation of "not feeling an economic dependence in the production of weapons", etc. Questions of the revival of agriculture and an improvement in the lives of the workers were not sufficiently reflected when this was being done, and also the real economic conditions in the country and the opportunities for economic cooperation with the countries of the socialist camp were not being taken into consideration.

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

However, the decisions of the 6th KWP CC plenum about the comprehensive industrialization of the country were not reexamined and, as is evident from a statement of Kim Il Sung, these aims are further developed both in the new Party program as well as in five-year plan for the development for the DPRK economy for 1957-1961.

2. Agriculture

Until recently the issue of the development of agriculture took a secondary place in Korean Worker's Party policy, although agriculture is the most backward sector of the economy and does not nearly meet the country's needs in food and raw material.

The condition of agriculture in 1954-1956 compared to prewar 1949 is described by the following data:

□□□
□□□□
1949
1954 (expected fulfillment)
1955 (plan)
1956 (according to the three-year plan and against 1949) □□□
□□□□
total planted area taking replanting into consideration (in thousands of tenbo)*
2386
2337 (98%)
2443
2235(96%)** □□□
□□□□
including grains
2113
2111
2140
2026 (96%) □□□
□□□□
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 grain harvest (in thousands of tons)

2795

2800 (100%)

3250

3322 (138) □□□

□□□□

including rice

1241

1347

1550

1630 (131) □□□

□□□□

cotton

78

22.3

40

43 (55) □□□

□□□□

vegetables

797

1082

2250

1597 (200) □□□

□□□□

fruits

54

37

75

75 (138) □□□

□□□□

head of livestock at the end of the year (in thousands of head)

□□□

□□□□

cattle

788

480 (61%)

640

694 (88) □□□

□□□□

Including dairy

0.9

0.7

0.95

1.2 (134) □□□

□□□□

pigs

660

846

1175

934 (141) □□□

□□□□

sheep and goats

13

43

63

55 (4.2 times) □□ □□

* - one tenbo is 0.99 hectare.

** - the total planted area in 1956 will be considerably above plan by increasing replanting and opening up new areas.

This information demonstrates a number of the most important agricultural sectors still have not reached the prewar level, which was extraordinarily low.

At the present time agriculture has tractors in terms of 800 15-horsepower [units], and 2/3 of peasant farms do not have draft 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 and 130,000 tons in 1954 to cover the shortfall in food, and proposes to import 170,000 tons in 1955. In 1948-1949 the DPRK was fully supplied with grain and grain was not imported from other countries.

More than 30% of the peasantry is unable to feed itself and need constant aid from the state not only in a supply of seeds, chemical fertilizers, and equipment but also in food. Peasant farms are experiencing an acute shortage of even the simplest agricultural equipment.

There are 228 state farms in the country which have 3% of all the planted area of the country (65,000 hectares). These state farms are still uneconomic and farm with outdated methods. The DPRK government is not taking effective measures to organize the economic strengthening of state farms.

The next tasks of the Party with respect to agriculture were formulated in the decisions of the 6th KWP CC plenum held at the beginning of November 1954. A plenum resolution ordered that the KWP CC considers the most important issue of Party policy in the countryside to be "the graduation transition of peasants from the splintered individual farm to the collective farm, to the socialist development of the countryside". Kim Il Sung said at the plenum that now a transition is needed from experiments to a mass cooperation of peasant farms.

A KWP CC guideline for the creation of experimental cooperative farms in the countryside was given in January 1954. In practice this guideline was reflected in the creation during 1954 of more than 109,000 agricultural production cooperatives [Translator's note: 9 was crossed out and 10 was written above it by hand]. More than

25% of all peasant farms were cooperated. Excesses were committed during the process, a violation of the principle of peasants joining cooperatives voluntarily. [Translator's note: 32% was written above and in front of 25%, but the 25 was not crossed out] In Kim Il Sung's words, it is planned to join approximately 35-40% of farms into cooperatives by the summer of 195[5]. The cooperation of all peasant farms is supposed to be done over five to six years.

The plenum resolution provided for a 40% increase of the gross grain crop harvest in the next one or [two] years over 1949; a 320,000-tenbo expansion of land area through irrigation and reclamation work; bringing the number of cattle in cooperative and peasant farms to 630,000 and pigs to one million by the end of 1955; and an improvement of the operation of state farms, machine rental stations, and procurement organizations.

3. The economic conditions of the population

The task of improving the economic condition of the population of North Korea, which also has great importance for the cause of the unification of the country, deserves serious attention. The Korean comrades recognize the importance of this task but are not taking the necessary 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 for manual and office workers was increased by 25% and commercial prices for food and manufactured goods were reduced. Peasants were released from the repayment of debt for the tax in kind. Compulsory meat deliveries were abolished. A task to considerably improve housing conditions and social amenities of worker's lives was placed in the law on the three-year plan and conditions were created for the abolition of the ration coupon system and a shift from rationed supply to expanded trade.

However, no noticeable improvement of the situation has yet been achieved. Prices for food and manufactured goods still remain high and unaffordable for the broad masses of the population. Commercial prices are more than 10 times the prices of rationed supply and often exceed market prices. For example, the average monthly wage of an unskilled worker is 800-900 won and a skilled worker, 1200-1300 won, but the commercial price of a pair of rubber shoes is 400-450 won; for one meter of cotton, 380-400 won; a length of coarse wool for a suit, 25-30,000, and of a fleece sweater, 2-3,000 won; a kilogram of household soap, 300 won. State commercial prices are two to three times 1949 prices while the nominal wages are kept at the 1949 level.

In 1954 the plan provided for a reduction of prices by 2.75 million [SIC] won but in practice only [a reduction of] 850-900 million won was implemented. In 1954 about 2 billion won (66 million rubles) over plan was sent to capital construction in industry at this expense.

In the 1955 financial plan an appropriation of six billion won were provided for a reduction of prices for manufactured goods and food and 3.2 billion won to cover the reduction of prices produced in 1954. This reduction was far from being sufficient to create conditions for an abolition of the ration coupon system and a shift to free trade in all food and manufactured goods at single state prices in the next two years, as the three-year plan provides.

The supply of the population with food is an acute problem. Workers live mainly on a ration received by ration coupons at an allowance of 600-900 grams of rice and millet a day for a worker, and from 300 to 500 grams per family member. Meat, fats, and other foodstuffs are either not distributed at all or in small quantities and not always

regularly. The commercial prices for rice are 60-70 won per kilogram and 350-400 won for meat.

The purchase of 270,000 tons of grain from the peasants provided by the plan is being carried out with great difficulty in view of the state's lack of the necessary goods for return trade and the unsatisfactory work of the procurement organizations. Only about 50,000 tons of grain was bought from the peasants by the end of 1954. The Korean comrades intend to speed up the purchase of grain which actually takes on a compulsory character since the assessment is being lowered not only to the village level but in many cases even down to the peasant household. This provokes discontent among the peasants.

Private trade in grain is prohibited because of the lack of food; however, the Korean authorities are not managing to prevent speculation in grain. The free sale of grain at commercial prices has been halted in Pyongyang with the goal of fighting speculation.

The food difficulties in the DPRK are being used by hostile elements and enemy agents, who are distributing anonymous letters and leaflets calling for organized resistance to the government purchase of grain which is being conducted.

The repair of the housing stock is going extremely slowly. Of the 28 million square meters of housing destroyed during the war years by the end of 1954 only about 2 million square meters had been repaired. The majority of the urban population and up to 30% of the rural population live in primitive housing.

The Korean comrades are not using all the capabilities which exist in the country to increase the production of consumer goods. For example, the enterprises of the department of the defense industry could start up the production of small and threaded tools, cutting instruments, padlocks, and deadlocks, furniture accessories, hardware, furnace accessories, nails, wood screws, etc. The two nail-making machines in this department for the production of wood screws are being insufficiently used and only for internal needs at the same time as an industrial cooperative makes nails and wood screws by hand, putting them out for sale at very high prices, and what is more, the need for them is not being met. Nails and wood screws are being imported from the Soviet Union and China. The production of consumer goods is not sufficiently organized by enterprises of the ministries of heavy industry, communications, the chemical industry and construction materials, the electrical industry, and the department of forestry. These ministries and departments could basically produce considerably more consumer goods at their enterprises from scrap such as cast-iron cookware, household appliances and fittings, manual and agricultural equipment (sickles, hoes, shovels, etc.), household furniture, clay and china crockery, etc.

Regarding the matter of the recovery of the economy, especially an increase of production of consumer goods, private capital in small-scale and handicraft industry might be permitted within limits under appropriate state monitoring, which might also advance the establishment of business ties with South Korea. But the leadership of North Korea is hastening to pursue a policy of finally eliminating the business owner. For example, in 1949 the proportion of private enterprises in industrial production was 15%; in 1953 it was reduced to 3.2%; in 1954, to 2.5%; and in 1955 it is planned to be 1.9%. In commerce the proportion of private capital was 46.8% in 1949; in 1954 it had been reduced to 22.9%.

4. Aid from the USSR, PRC, and countries of people's democracy.

The material and technical aid given by the Soviet Union, China, and the countries of people's democracy have fundamental importance in the recovery of the DPRK

economy. Aid from the USSR, PRC, and countries of people's democracy is 31.6% of the 1954 DPRK budget.

Technical aid of equipment and materials worth about 400 million rubles was supplied to the DPRK by the end of 1954 toward the aid allocated by the Soviet Union, including fishing ships, vehicles, tractors, agricultural machinery, railcars, equipment for the mining, textile, and the energy industries, metal-cutting tools, construction equipment, road-building machines, cable products, control and measuring instruments, laboratory equipment and visual aids for higher educational institutions, fertilizer, and petroleum products.

Exploratory work has been done for 22 industrial facilities being built with the aid of the Soviet Union and the design work needed to start construction has been done for a majority of them.

The repaired and newly constructed industrial enterprises in the DPRK, the number of which reached 100 (including 90 large ones) as of 1 October 1954, have been to a considerable degree equipped with the latest equipment delivered from the USSR and countries of people's democracy.

It seems possible to increase the production of cotton in the DPRK from 22.1 million meters in 1954 to 44.2 in 1955 with equipment for the textile industry which arrived from the USSR.

In 1953-1954 20 machine rental stations and 113 horse rental stations were created which were equipped with tractors and horses which came from the USSR.

It ought to be noted that the DPRK government uses the aid being given by the Soviet Union chiefly to get industrial equipment and raw materials, avoiding spending money against the one billion rubles to obtain consumer goods*. The same situation is also being observed in the use of aid from other countries.

Only recently the DPRK government submitted a request for the delivery from the USSR of cotton and other consumer goods worth about 49 million rubles.

According to decisions which already exist it is proposed to deliver to the DPRK in 1955 [handwritten words, probably "against aid"] of Soviet goods worth 240 350 million rubles (including deliveries of complete equipment), among them: equipment and materials for construction of the [Anzhui] irrigation system, equipment for an integrated textile mill, a meat plant, a silk spinning shop, a cannery, a dyeing and finishing plant, a fertilizer plant, railcars and cranes, equipment for the mining industry; fishing ships, vehicles, electrical equipment, movie equipment, petroleum products, cable products, rolled steel, **) [SIC, without a period, leading into the next three paragraphs, which were crossed out. No text was linked to the asterisks].

In addition, waiting for consideration at the USSR Ministry of Foreign Trade are Korean requests for Soviet goods for approximately 290 million rubles, including requests for 80,000 tons of fertilizer; 9.5 million meters of cotton; 2,300 tons of cotton yarn; 1,400 tractors; 1,500 sowing machines; construction and transportation equipment; and also other equipment and materials for industry.

The USSR Ministry of Foreign Trade intends to submit proposals concerning these requests to the USSR Council of Ministers in January of this year.

According to preliminary calculations the cost of the equipment and materials contained in the requests of the DPRK government submitted to Soviet foreign trade

organizations, including the 1955 requests, already exhausts the one billion rubles of aid budgeted by the Soviet Union.

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

Along with industrial equipment and materials (textile machines, steam locomotives, railcars, coal, etc.) the PRC is also supplying consumer goods. For example, in 1954 the PRC supplied 180,000 tons of grain (millet, beans), 40 million meters of cotton, more than 600,000 pairs of shoes, 300,000 padded clothing outfits, and other goods. Food and manufactured goods will also be supplied from the PRC in 1955.

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

The other countries of people's democracy have furnished the DPRK with aid totaling 209 million rubles, including; Romania - 65, the GDR - 45, Czechoslovakia - 35, Hungary - 25, Bulgaria - 20, and Poland - 19 million rubles.

In 1953-1954 metal-cutting tools, construction and road-building equipment, electrical equipment, cable products, control and measuring instruments, rolled steel, medicines, cotton yarn, and various kinds of raw materials worth about 100 million rubles were supplied to the DPRK from these countries.

The countries of people's democracy are delivering complete sets of equipment and giving technical assistance toward the aid allocated to the DPRK in the repair and construction of a number of industrial and other facilities in the repair and construction of a number of industrial and other facilities.

Romania is helping build a brick and tile factory, a cement plant, and a plant to produce aspirin; Hungary - three factories: machine-tool, dye, and weights and measures; Poland - three coal mines and two factories: steam locomotive and railcar repair; Bulgaria - two factories: brick and tile and wooden container and parquet; the GDR - three factories: diesel, home appliance, and cable.

About 30,000 head of cattle and 10,000 sheep skins were supplied to the DPRK in 1954 from the MNR through voluntary contributions of the Mongolian people.

It ought to be noted that the equipment and materials being supplied to the DPRK from the USSR and countries of people's democracy are not always used efficiently; there are still many cases when equipment that is being supplied (especially metal-cutting tools) are not being distributed between consumers in a timely manner and remain in warehouses for a long time.

5. Some issues of the DPRK domestic political situation.

It needs to be noted that the political and organizational work of the Worker's Party is at a low level, both inside the Party and among the masses. A bureaucratic attitude and abuse of authority predominate in the work style of Party and government bodies. The issues of collective leadership, the development of Party democracy, criticism and self-criticism are being poorly implemented in practical activity.

As before, the cult of personality is being successfully propagandized in the Worker's Party and in the entire country; however, among the Party leadership the opinion is widespread that this cannot be done without at the present time. Kim Il Sung still combines the post of Chairman of the Party CC and head of government, is commander-in-chief of the Korean People's Army, and heads a number of other government and Party bodies. His opinion is decisive and, as a rule, not discussed. Senior Party and government officials cannot show initiative since they are forced to wait for Kim Il Sung's instructions. Kim Il Sung often gives orders contrary to Party and government decisions, which in some cases causes harm to the matter. For example, he gave orders to tax the workshops of agricultural cooperatives the same as private entrepreneurs. He gave orders to build an underground defense plant in the area of Kanggye without doing any exploratory work, ordered budget revenue of more than 46 million rubles (230 billion yuan) received from the PRC not to be taken into consideration in reimbursing expenses for the support of the Chinese Volunteers, etc.

Many excesses, bureaucratic attitudes, bribery, and the replacement of educational work with naked abuse of authority are being committed in the government and economic apparatus. The fight against bribery and theft, and also the formal bureaucratic style of leadership is being poorly waged. In a majority of cases those who steal government property, and bribe-takers are not being held accountable to the Party or criminally. Until recently among the senior officials of ministries, departments, and enterprises it was common practice to hold various celebrations and banquets at government expense even for insignificant events. Proper attention is not being paid to strengthening MVD organizations, which are staffed with unqualified people [zasoreny] and poorly handle the tasks with which they are charged.

The Korean comrades are not taking steps to implement the democratic principles provided by the constitution with respect to the election of government bodies. They are delaying indefinitely the holding of general elections to the Supreme People's Assembly, whose term ended in 1952. Elections have not been held to the local people's committees elected in November 1946 and March 1947. To date a large part of the managerial personnel of local people's committees have been appointed by higher bodies.

Political work in the Army has slackened considerably. Military discipline and vigilance have decreased. Drunkenness, arrogance, and rudeness in dealing with subordinates are 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.

6. South Korea

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

The South Korean economy is recovering slowly. The UN Commission on Korea determines that foreign aid of \$1.25 billion over five years and an investment of \$650 million from the domestic resources of South Korea will be required to restore an economy that meets the country's needs.

In the 1953-1954 US fiscal year \$280 million were appropriated for economic aid to South Korea. In addition, \$42 million were appropriated in that year for economic aid through UN channels.

The US has appropriated \$250 million in economic aid and \$450 in military aid to South Korea in the 1954-1955 US fiscal year.

The total revenue from South Korean domestic sources in 1953-1954 is \$170 million dollars and was set at \$250 million for 1954-1955. Meanwhile, that part of the expenses which South Korea bears for the maintenance of its armed forces (750,000 men) was \$210 million in 1953-1954 of a total amount of \$600 million for military expenses. The 1953-1954 budget had a deficit of \$150 million and is expected to be \$250 million in 1954-1955.

The shortfall of money in South Korea is being primarily covered by a large-scale issue of money. The amount of banknotes in circulation tripled from June 1953 through November 1954 (from 13 billion to 40 billion hwan). As a result of galloping inflation and the devaluation of the Korean currency the hwan exchange rate changed from 60 hwan to the dollar in 1953 to 180 by the start of 1954, and to 250 by the end of the year. The market rate reached 600-700 hwan to a dollar.

Market prices for goods grow continually with relative stability of prices for grain, which creates an especially difficult situation for the peasants, who are 70% of the population.

In 1954 industry continued to stagnate because of a shortage of money for capital investment in industry, industry's lack of raw materials and electrical power, and also as a result of the importation of large quantity of consumer goods into South Korea from the US and Japan when the population had low purchasing power.

In the 12 October 1954 report of the UN's Agent General for the Korean Reconstruction [Agency] it is admitted that the population of South Korea is still impoverished. As before an acute shortage of food, clothing, housing, and medical service is being felt. The number of unemployed is over one million.

The balance of power in parliament has changed in favor of Syngman Rhee's Liberal Party as a result of police measures taken against the opposition by Syngman Rhee's forces [Ilsynmanovtsy] during elections to the National Assembly of South Korea. The number of seats of this party in parliament has risen from 93 to 120 of the total number of 203. Using the position of the ruling party Syngman Rhee's supporters are also suppressing opposition elements in mass organizations of workers - trade union, peasant, youth, and other organizations - whose activity has been crippled.

An analysis of measures being taken in North Korea concerning work in the South leads to the conclusion that the Korean leadership is not setting itself the goal of seriously establishing links with South Korea and is not undertaking effective steps toward this. Almost nothing is being done to create illegal organizations of the Worker's Party in the South and support in the mass organizations which exist there. The 6th KWP CC plenum noted that the Party's political work in the South had ended up a complete failure. More than a year has passed since the decision of the 6th KWP CC plenum but the Party's work in the South has not improved. Until recently the Worker's Party infiltrated groups of partisans into the South for armed attacks but does not pursue work to attract the population of South Korea to its side and does not create bases in trade unions and other mass worker's organizations.

On the issue of developing ties with the South the Korean comrades set themselves limited goals of a propagandistic nature, but propaganda in the South is conducted clumsily. Instead of a policy of splitting off progressive elements of the national bourgeoisie from Syngman Rhee and attracting them to their side on the issue of creating a united and independent Korean state, they continue indiscriminate attacks against all South Korean leaders. In view of an ignorance of the situation in South Korea in the majority of cases the propaganda directed at the South is unsubstantiated, does not achieve the goal, and sometimes also discredits the North Korea propagandists as unable to analyze the real situation in South Korea.

In North Korea there are 30 prominent Southern political leaders who were taken prisoner in 1950. Among them is Oh [Ha Yen], one of the leaders of the 1919 anti-Japanese uprising; Cho [So An], former head of the Shanghai émigré government of Korea; [Ahn Dya Hong], former head of the civil administration of South Korea; and others. Undoubtedly it would be advisable to free some of them and use [them] to establish contacts with the South.

All the public and political forces in North Korea are not being used to develop ties with the southern part of the country. The United Democratic Fatherland Front organization is being poorly used to establish ties with the South.

7. 8. Suggestions

[Translator's note: 7. was typed and 8. was written over it]

[We] consider it necessary to direct the Korean comrades' attention to the following.

1. With respect to the development of industry the rates established by the three-year plan for the restoration and development of the economy ought to be maintained while increasing the importance of the sectors producing consumer goods. The real economic conditions of the country and the possibilities of economic cooperation with the countries of the socialist camp should be taken into consideration with respect to the development of industry when drawing up the five-year plan for the development of the economy.

2. With respect to the development of agriculture the Korean comrades should be counseled to refrain from a massive cooperation of peasant farms at the present time and to concentrate their efforts at strengthening the cooperative farms which have been created. Then the cooperation of peasant farms ought to 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 ensure an increase of the production of agricultural products but will also be a big burden for the state. The cooperation of 25% of peasant farms conducted in 1954 already requires large expenditures from the state for aid. Considering that the bulk of agricultural products in the country are produced by small peasant farms it is necessary to develop and implement measures to help working peasants who are individual farmers improve their farms.

3. We think that the Korean comrades' attention ought to be directed to the need to more quickly decide issues connected with the improvement of the economic condition of the workers: a) an increase of the production of consumer goods inside the country; b) a reduction of commercial prices for consumer goods; c) the preparation of real conditions for the replacement of the ration card system for supplying the population in 1956-1957; d) repair of available housing.

When this is being done the Worker's Party CC should take into consideration the fact that the country remains divided and that in these conditions it is especially important to show the South Korean population that in fact much work is being done in North Korea to improve people's lives. This would be an important stimulus for the South Korean population in its struggle to unite the country.

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

Recommend holding elections to local people's committees in 1955 and preparatory

work for elections to the Supreme People's Assembly.

It is also necessary to recommend that the Korean Worker's Party CC look closely into the situation in the Army and take the necessary steps to bolster political educational work and increase the combat characteristics and morale of both the enlisted men and Army's command staff.

5. An improvement of work with the United [Democratic Patriotic] Front [YeDOF] organization ought to be recommended to the Korean comrades in order to more fully involve all patriots of the country in a movement for peaceful reunification of the country, seeking for this organization to restore its ties with mass organizations of South Korea.

Recommend that the Korean friends direct the efforts of the Worker's Party at the creation of support in trade union, peasant, youth, women's, and other organizations which exist there in the South and use all legal possibilities to fight the Syngman Rhee regime. The revival of the illegal organizations of the Worker's Party in South Korea should also be sought.

Propaganda aimed at South Korea ought to be more skillfully carried out, sweeping, indiscriminate name-calling of all South Korean leaders abandoned, and progressive and opposition elements in South Korea who are capable of supporting the unification of the country and the creation of an independent democratic state [ought to be] skillfully supported. Make wide use of the differences in the ruling hierarchy of South Korea, in 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 of a neutral nature in the South which would advocate the establishment of cooperation between South and North Korea and a peaceful settlement of the Korean issue through the efforts of the Koreans themselves. Such an organization, without openly expressing its negative attitude toward the Syngman Rhee regime, could use the conditions of legal activity to split off progressive elements of the national bourgeoisie from Syngman Rhee and attract them to the struggle for the reunification of Korea on democratic principles.

signed (V. KUZNETSOV)

signed (V. STEPANOV)

[signature] (N. FEDORENKO)

[signature] (S. SUZDALEV)

17 January 1955

Authenticated: [illegible signature]