

August 9, 1960

**Report from Deputy Chairman of the State
Committee I. Arkhipov to USSR Deputy Minister of
Foreign Affairs Cde. G.M. Pushkin**

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Summary:

Arkhipov touches upon different aspects of the DPRK economy, including industrial and agricultural development and capital construction.

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[Logo of the USSR State] TO USSR DEPUTY MINISTER OF
Committee for Foreign FOREIGN AFFAIRS
Economic Relations] Cde. G. M. PUSHKIN
[date off the page] August 1960
№ 234/4143

In reply to № 558/DV of 28 July 1960

In accordance with [your] request I am sending you a memo about the economic situation of the DPRK.

Attachment: the aforementioned on 13 pages

Deputy Chairman of the [signature]
State Committee

I. Arkhipov

Secret
Copy № 2

MEMO
about the economic situation of the DPRK

In the past 15 years the Korean people have achieved great successes in the socialist transformation and development of the country's economy under the leadership of the Korean Worker's Party with the fraternal aid of the Soviet Union and other socialist countries. An advanced socialist system has been firmly entrenched in the DPRK. The economy of the country is growing rapidly, the colonial imbalance in industry has been eliminated, and a firm base of socialist industrialization of the country has been created. The high rate of growth of industrial production is a characteristic feature of the DPRK economy. The first five-year plan (1957-1961) was fulfilled for gross industrial production by 1 July 1959, that is, 2.5 years ahead of schedule. In 1959 industrial production rose by 6.6 times compared to 1944 (before liberation) and was 71% of overall national production. In the postwar period the average annual growth of gross industrial production was 43.1%. The proportion of machinebuilding and metalworking industry rose from 1.6% in the period before liberation to 20.6% in 1959.

Agriculture, light industry, and the food industry are developing rapidly based on the heavy industry created and an increase of the people's welfare is being provided.

Fundamental changes have also occurred in agriculture. The cooperation of agriculture has been completed. Agricultural production is increasing at a rapid rate. Natural disasters have been overcome as a result of the completion of irrigation.

Great progress has been achieved in the fields of culture and health. A system of universal seven-year education has been introduced in the country (in the past half of the entire adult population was illiterate). Thirty-seven institutes have been created in the country, national personnel have been trained, and at the present time about 100,000 engineering specialists, technicians, doctors, agronomists, etc. work in various sectors of the economy.

The number of medical institutions has increased by 3.3 times and hospital beds by 4.4 times in comparison with the prewar period, and a system of free healthcare has been introduced. Day nurseries and kindergartens have been built in cities and villages, and the number of health resorts, sanatoria, rest homes, and cultural institutions have been increased. Science and technology are developing and national culture and art are flourishing.

Industry. The average annual growth rate of industrial production has been 44.6% in the first three years of the five-year plan (1957-1959). An especially rapid growth took place in 1959 when the volume of industrial production increased by 53% compared to 1958, including 60% for group "A" and 44% for group "B":

The growth of industrial production for individual years is described by the following data:

Year	Gross industrial output (in millions of won)	Percentage growth
1953	255	100
1956	740	290
1957	1066	418
1958	1471	576
1959	2251	885
1960	2484	975
actually fulfilled for the first half of 1960	1234	-

The output of the main types of production in physical terms:

1958

1959

the 1960 plan

actually fulfilled for the first half of 1960 □□□

□□□□

electrical power

billions of kilowatt-hours

7.6

7.8

9.1

4.0 □□□

□□□□

coal

millions of tons

6.9

8.9

10.9

5.4 □□□

□□□□

cast iron and iron balls

thousands of tons

393

694

850

438 □□□

□□□□

steel

"

365

451

630

304 □□□

□□□□

rolled products

"

255

331

465

235 □□□

□□□□

copper

"

4.7

7.2

...

... □□□

□□□□

lead

"

18.7

26

...

... □□□

□□□□

zinc

"

18.1

27.2

...

... □□□

□□□□

metal-cutting tools

units

1450

2701

1379

1577 □□□

□□□□

ammonium sulfate

thousands of tons

284

223

243

127 □□□

□□□□

ammonium nitrate

"

92

94

134

46 □□□

□□□□

caustic soda

"

14.4

24

27

... □□□

□□□□

cement

millions of tons

1.2

1.9

2.3

1.1 □□□

□□□□

fabric of all kinds

millions of meters

110

158

178

96 □□□

□□□□

fish and seafood

thousands of tons

664

605

650

216 □□□

□□□□

trucks

units

1

150

3000

1034 □□□

□□□□

tractors

"

1

125

3000

1022 □□ □□

Enterprises built with the technical assistance of the USSR played a large role in the increase of industrial production. The proportion of production in the total volume produced by these enterprises in 1959 was: electric power, 40%; cast iron, 51%; steel, 22%; rolled products, 32%; coke, 53%; copper, 100%; zinc, 80%; ammonium sulfate, 100%; ammonium nitrate, 91%; cement, 19%; cotton fabric and staple fiber, 67%; plywood, 100%; canned meat and fish, 100%, and large reinforced-concrete

blocks, 45%.

A boring and turning lathe with a faceplate diameter of eight meters was first manufactured in the DPRK in 1959 and the production was started of 200-hp air compressors, rotary pumps, 60-ton freight cars, automatic textile machines and spinning looms, lathes, and seamless steel pipes. One hundred and twenty-five tractors and 150 vehicles had been assembled by the end of the year. It is planned to produce 3,000 tractors and 3,000 vehicles in 1960. Some of the parts and assemblies for their production are supplied from the USSR through the Trade Agreement.

Along with this it ought to be noted that there are serious disproportions in DPRK industry in the development of its individual sectors. Between 1957 and 1959 the average annual growth rate of industrial production was three times the rate of the development of electrical power and almost 1.5 times that of the fuel and metallurgical industries. There are also disproportions between the development of metallurgy and the mining industry and also machinebuilding.

Whereas in the reconstruction period a high growth rate of industrial production was justifiable and was explained chiefly by putting enterprises which were being repaired into operation the maintenance of extraordinarily high industrial growth rates in the future might cause excessive strain and lead to a still greater disproportion in the economy.

Already in 1959 the Korean friends were forced to twice lower the targets for the state plan in connection with the shortage of electrical power, fuel, and raw materials. A considerable increase in the number of personnel in industry (by 49% against 1958) was required to fulfill the plan, in many cases extending the workday (to 12 hours), and an additional mobilization of students for construction work.

It is characteristic that during 1959 preventive maintenance and major repairs of equipment were considerably reduced, which often led to accidents, premature wear of equipment, and a lowering of production quality.

The organization of small home-based [kustarnye] enterprises for smelting cast iron, the production of cement, and other production practiced in the DPRK after the example of China has not demonstrated its value, and the great resources expended with the diversion of the labor force even caused some damage.

The plan for gross industrial production was 107% fulfilled in the first half of 1960 and was a 12% increase over the first half of 1959. The plan to produce coal, cast iron, steel, rolled products, chemical fertilizer, cement, tools, agricultural machinery, textiles, seafood, etc. was overfulfilled in the first half of this year. At the same time the plan was somewhat underfulfilled in the first half of this year for the production of electrical power, the extraction of iron ore, the production of vehicles and tractors, and logging.

The plan for the first half of 1960 for an increase of labor productivity was 106% fulfilled (the annual plan is 105.6%). Prime cost was reduced by 5.4% (the annual plan is 4.9%) compared to the corresponding period last year.

Agriculture. A number of measures have been carried out in the country to develop agricultural production in recent years. In 1958 the production cooperation of peasant farms was completed and a consolidation of cooperatives was carried out. Instead of 13309 small cooperatives 3843 consolidated cooperatives were created which use about 96% of the entire land. There are 17[8] state farms.

Plots of irrigated land have grown to 800,000 jeongbo, which is seven times that before liberation, and more than 8,000 tractors and a considerable number of vehicles operate on the fields of the country.

In 1959 agriculture received 340,000 tons of mineral fertilizer and about 6,000 tons of pesticides.

Along with this a reduction of cultivated plots of 339,000 jeongbo (one jeongbo equals 0.99 hectare) occurred in 1959, especially on grain crops - 608,000 jeongbo. The reduction of the sowing of grain crops occurred chiefly on steep mountain slopes.

The yield of grain crops grew in 1959 by an average of 19.1 centners per jeongbo against 15.2 centners in 1958, or by 25%; the rice yield [grew] from 29.9 centners in 1958 to 37.8 centners in 1959, or by 26%. However, in connection with the reduction of the sown area of grain crops the gross grain harvest fell in 1959 against 1958.

□□□□□□(in thousands of tons)

□□□	
□□□□	
1944	
1949	
1953	
1958	
1959	
the 1960 plan	□□□
□□□□	
total grains, including	
2417	
2654	
2327	
3437	
3100	
3802	□□□
□□□□	
rice	
1008	
1158	
1229	
1509	
1816	
1960	□□□
□□□□	
corn	
116	
375	
224	
1394	
817	
1148	□□□
□□□□	

Industrial crops, including

□□□	
□□□□	
raw cotton	
41	
78	
18	
51	
40	
40 □□□	
□□□□	
flax straw	
10	
3	
-	
17	
30	
32 □□□	
□□□□	
potatoes and sweet potatoes	
775	
782	
412	
1358	
839	
1208 □□□	
□□□□	
vegetables	
295	
797	
466	
1163	
1290	
2665 □□ □□	

The spring field work was successfully performed this year. The cultivated area in 1960 increased by 70,000 jeongbo compared to 1959.

One million three hundred and fifty-four thousand tons were purchased from the 1959 harvest, that is, approximately the same as from the 1958 harvest. At the same time the urban population grew by more than 700,000 in the year. Consequently the difficulties with the food supply of the population with grain deepened.

The DPRK government adopted a decision to import 550,000 tons of grain in 1960. As of 1 July 480,000 tons had already been purchased, including 140,000 tons from the USSR; 230,000 tons from China; 50,000 tons from Romania; and 60,000 from other socialist countries. In addition, 50,000 tons of wheat were purchased from Australia for hard currency and talks are being held with Burma about the purchase of 20,000 tons of rice and corn.

In 1959 168,000 tons of grain were imported.

In the area of the development of animal husbandry some increase in the livestock population occurred:

□□□□□□□□(in thousands of head)

□□□

□□□□

1949

1958

1959

1959 as a percentage of 1958

the

1960 plan □□□

□□□□

cattle

788

667

716

107.5

857 □□□

□□□□

including milk cows

1

6.2

60.3

9.7 times

70 □□□

□□□□

sheep and goats

13

141

180

127.8

237 □□□

□□□□

pigs

659

1442

1613

112.0

2589 □□ □□

Dairy cattle husbandry is developing insufficiently in the DPRK. It is envisioned to bring the number of Korean milk cows to 300,000 head in the next two or three years in order to develop it and to get a milk yield of 1.5-2,000 liters a year from [each] cow.

The movement to increase the number of rabbits took on a mass nature in 1959. Their numbers reached 1.8 million in 1959 versus 0.8 million in 1958. The poultry population reached 6.4 million versus 4.4 million the previous year.

in accordance with a long-range plan it is planned to bring the livestock herd to one million head, pigs to four million, sheep and goats to 600-700,000 in the next two or three years.

No increase in the production of meat and eggs occurred in 1959 in spite of the growth of the livestock herd and poultry.

□□□

□□□□

1958

1959 □□□

□□□□

meat

thousands of tons

107

99 □□□

□□□□

milk

millions of liters

4

13 □□□

□□□□

eggs

millions

123

108 □□ □□

Substantial measures are being pursued to develop silkworm production and horticulture. The harvest of cocoons in 1959 was 12,300 tons, or an increase of 41.3% in a year. The area of garden plantings expanded by 20,000 jeongbo in a year and reached 44,000 jeongbo, of which 11,000 jeongbo are fruit-bearing. The gross fruit harvest in 1959 was 136,000 tons, or an increase of three percent over the previous year. It is planned to bring the area of fruit crops to 77,000 jeongbo in 1960 and the gross fruit harvest to 147,000 tons.

The fulfillment of the long-range plan for the development of agriculture which provides for bringing the annual grain harvest up to seven million tons, the cotton [harvest] up to 200,000 tons, meat [production] up to 400,000 tons, etc. requires broader introduction of the mechanization of work in all sectors of agriculture.

The need for agricultural machinery and means of transportation, of which there is an acute shortage at the present time, grew sharply in connection with the consolidation of agricultural cooperatives.

Capital construction. The amount of state capital investment was 620 million won in 1959, or 37% more than in the previous year. The annual plan was 102% fulfilled, including 107% for construction and installation work. Of the total amount of capital investment 74% were directed at the construction of production facilities. The 1960 plan provides for 711 million won for the total amount of capital construction.

The following very important facilities were built and put in operation in 1959: the Madong cement plant with a capacity of 400,000 tons of cement per year; the

plywood plant in [Kil'chu] with a capacity of 28,000 m³ of plywood; a hydroelectric power station with a total capacity of 93,000 kilowatts; an open-hearth plant with a capacity of 45,000 tons of steel a year and a long product rolling mill with a capacity of 100,000 tons of rolled products per year at the [Kansen] foundry; a long product rolling mill with a capacity of 120,000 tons of rolled products per year at the Seongjin foundry; superphosphate shops at the non-ferrous metals plants in Nampo and at the Heungnam chemical combine with a capacity of 175,000 tons per year; a weights and measures plant to produce 1000 instruments; a spinning and weaving mill at a textile combine in Sineuiju of 40,000 spindles and 800 looms; a silk-spinning and loom department in Pyongyang of 10,000 spindles and 1000 looms; and a kraft paper mill in Sineuiju with a capacity of 20,000 tons of paper.

New manufacturing capacity was created as a result of putting new and the expansion of existing enterprises into operation: 93,000 kilowatts of electrical power; 545,000 tons of steel; 220,000 tons of rolled steel; 44,000 tons of zinc; 45,000 tons of lead; 840,000 tons of cement; 175,000 tons of superphosphate; 28,000 tons of paper; 104 million meters of fabric; 8,500 tons of rayon yarn and staple fiber; and 28,000 m³ of plywood and laminated wood.

The reinforced concrete plants in Pyongyang and Hamheung built with the technical assistance of the USSR and GDR and the reinforced concrete pipe plant in Pyongyang built with Chinese aid played a great role in carrying out industrial construction.

The growth of the material and cultural level of the people's lives. National income rose 20% in 1959 and was 2.3 times the 1956 level.

There have been four increases in manual laborers' and office workers' wages in the postwar period; wages have risen 165% compared to 1949. The number of manual laborers and office workers increased by 40% during this same period and is 1,514,000. The total wages and salaries fund was increased for 1959 from 367 million won to 734 million won, or almost double. Prices for goods have been lowered seven times since the war. Real wages have doubled compared to the prewar period. Great attention is being devoted to housing construction. In the postwar period (1954 to 1959 inclusively) housing with an area of 19.6 million m² has been built at state expense alone. Another 3.3 million m² will be added in 1960.

The real income of the peasants rose thanks to a reduction of the rate of the agricultural tax in kind and an increase in the purchase prices.

The growth of payments in kind and monetary payments in agricultural cooperatives was (average per farm):

□□□

□□□□

1956

1957

1958

1958 as a percentage of 1956 □□□

□□□□

grain - kg

1616

1742

1826

113 □□□

□□□□

potatoes and sweet potatoes - kg

357
434
501
140.5 □□□
□□□□
monetary payment in won
95.4
137
203
212.3 □□ □□

During these years the peasants received 685,000 tons of grain and 404,000 tons of potatoes just from lowering the tax in kind.

In 1959 the volume of trade turnover of state and cooperative trade was 1,756,000,000 won, or 36% more than the previous year, including 28% for foodstuffs and 40% for consumer goods, of which 10% was cotton fabric, silk was double, ready-made apparel was 73%, underwear by 23%, socks by 29%, shoes by 26%, etc. The supply of the population with primary foodstuffs [was]: [the supply of] grain is so far by ration card. Cotton fabric is also sold by special coupons at a rate of seven meters per person per year. Other fabrics (silk, staple fiber, and wool) are sold freely.

Appropriations for sociocultural measures were 362 million won in 1959, an increase of 58.7% against the previous year and 10 times the prewar year of 1949.

A system of universal seven-year education was introduced in 1958. By the end of 1959 there were more than 7,000 primary, seven-year, and secondary schools with more than 2 million students. There are 37 higher educational institutions (there were none before liberation), and 178 specialized secondary schools and secondary technical schools with 148,000 students. Beginning 1 April 1959 payment was eliminated for study in all educational institutions without exception.

Great attention is being paid to protecting workers' health. There are four medical institutes and seven schools in the country. In 1959 500 treatment facilities were opened and the number of beds increased by 5,560 beds, and were 30,000 by the end of the year (about 14 times that of 1944, or 32 beds per 10,000 population). The number of doctors was 2,559 by the end of 1959, or 3.7 times more than in 1944 (one doctor per 3,900 people) and 160,000 paramedical personnel.

The network of childcare institutions is rapidly growing in connection with the involvement of an ever-increasing number of women in production.

By the start of 1960 there were 3,400 day nurseries with 125,000 spaces and 3,400 kindergartens. Sixteen thousand six hundred permanent and seasonal childcare institutions with 540,000 spaces operated in agricultural cooperatives.

There are 177 sanatoria and rest homes in the country. Three hundred and thirty thousand rested in them in 1959 against 95,000 in the previous year. As a result of all these measures the birthrate rose and mortality declined. The net population growth in 1959 was 23 people per 1000. The average lifespan of Koreans during Japanese rule did not exceed 37 years, but at the present time it is about 60.

Thanks to the rapid development of the economy in the production of the most important types of industrial production per capita the DPRK rose into the most industrially developed countries of the world:

□□□
□□□□

DPRK
Japan
Italy □□□
□□□□

1956
1959
the 1960 plan

1958
1958 □□□
□□□□

electrical power in kilowatts

590
820
915
816
893 □□□

□□□□
coal in kg

450
927
1090
543
14.2 □□□

□□□□
steel in kg

22
47
66
131
127 □□□

□□□□
cast iron in kg

22
73
85
76
42.3 □□□

□□□□
rolled products in kg

15
34
49
100
35 □□□

□□□□

cement in kg

69

202

235

141

255 □□ □□

Foreign economic relations. In 1959 the DPRK conducted foreign trade with all the socialist countries, which was 98.2% of trade turnover, and also individual Japanese, West German, Indian, and British firms, the UAR and Burma.

[Translator's note: the available text ends at this point]