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**Telegram to the Minister of Foreign Affairs from the
Director of the Korean Central Intelligence Agency,
“Document regarding Forecasts on the North
Korean Puppets' Foreign Loans from Western
Countries and Its Redemption”**

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<https://wilson-center-digital-archive.dvincitest.com/document/118392>

Summary:

An analysis on North Korea's foreign loan situation in the 1970, including the scale of foreign loans, causes of debt accumulation, and forecasts on North Korea's redemption policy.

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The Korean Central Intelligence Agency

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To : Minister of Foreign Affairs

From : Director of the Korean Central Intelligence Agency

Title : Document regarding Forecasts on the North Korean Puppets' Foreign Loans from Western Countries and Its Redemption

1. Enclosed is the document that was requested at the overseas mission meeting in the European countries. Please be advised to use it as relevant to each Ambassador's duties in the respective host country.

a. Title: Forecasts on the North Korean Puppets' Foreign Loan from Western Countries and Its Redemption

b. Recipients: Ambassadors in Belgium, The Netherlands, Spain, The Holy See, Portugal, Turkey, and Greece

Enclosure: 7 copies of the document "Forecasts on the North Korean Puppets' Foreign Loan from Western Countries and Its Redemption"

Forecasts on the North Korean Puppets' Foreign Loans from Western Countries and Its Redemption

1. Scale of foreign loan

The North Korean puppets' foreign loan from Western countries is mainly machinery and equipment loan on a deferred payment. It is estimated to be \$1.3 billion including \$730 million overdue balance as of the end of 1977, which mainly come from Japan, France, West Germany, Sweden, etc., reaching up to \$1 billion. (table 1 - 2)

2. Causes of Debt Accumulation

a. Because communist countries including the Soviet Union have reduced their assistance for the production facilities and technology of the North Korean puppets since the 1970s, the North Korean puppets have consequently lagged behind its schedule for economic development.

b. Also, the North Korean puppets' economic development centered raw materials, engineers and production facilities, has ran its course, which jeopardized the fulfillment of the Six-Year Economic Development Plan from 1971 to 1976; thus, it is inevitable for the North Korean puppets to introduce advanced technology and facilities from Western countries.

c. Therefore, the North Korea puppet regime has introduced considerable facilities from Western countries to implement the Six-Year Economic Development plan.

i. However, its absolute shortage of cash income and inexperience in international financial transaction has weakened its flexibility and adaptability in the international

balance of payments.

ii. In particular, as global economy has depressed due to natural resources shock since the end of 1973, the North Korean puppets' export markets for mineral resources including its major export items such as lead, zinc, iron ore, etc. as well as metal goods have decreased, and as a result, their prices have fallen; this has presented problems for the North Korean puppets' export plans.

iii. The North Korean puppets' foreign debt incurred on loans from Western countries increased due to additional pressures stemming from the difficulties in overseas transportation (ships and seaports) as well as rising charterage fees and import prices.

3. Attempts to Defer Foreign Loan Payment

a. When the capability of the North Korean puppets for loan repayment came to its limit by the end of 1974, twelve Western creditor countries including Japan, West Germany, and England gathered three times in [illegible], Paris, discussed how to collect loan, and decided to "take joint steps in order to collect bonds of North Korea." (table 3)

b. In line with them, Western creditor banks gathered in Paris in March 1977 and agreed on postponing some of the North Korean puppets' loan repayment for seven years (1978 - 1984) as financing loan (table 4), equivalent to \$478 million.

c. From June 1975 through February 1978, the North Korean puppets separately contacted nine creditor countries including England, France, Japan, and Sweden, negotiated with them the deferred payment, and succeeded in agreeing on it for 1 - 4 years with them. (table 5)

d. The following is the amount of the North Korean puppets' payment estimated by the Korean Central Intelligence Agency, based on the North Korean puppets' agreement of deferred payment with Western countries:

Estimated Payment of the North Korean puppets' foreign loan from Western countries

(unit: million dollars) □□□

□□□□	□□□□
Year	
Principal	
Interest	
Total □□□	□□□□
1978	144
	101
	245 □□□
1979	189
	89
	278 □□□
	□□□□

1980
 235
 75
 310 □□□
 □□□□
 1981
 279
 57
 336 □□□
 □□□□
 1982
 226
 35
 261 □□□
 □□□□
 1983
 226
 17
 243 □□□
 □□□□
 Total
 1,299
 374
 1,673 □□ □□

4. The North Korean puppet regime's movement to negotiate the postponement of overdue payment

a. The North Korean puppet regime has been unable to meet the payment schedule previously agreed upon with creditor countries and they, in turn, have frequently pressed for principal payment.

b. Therefore, the North Korean puppet regime has actively pursued negotiations with Sweden, Italy, Switzerland, England, Japan, and the Netherland for the postponement of overdue payment since the beginning of the year 1978; however, no common ground has been reached except for the negotiations with the Netherlands (table 6).

5. Forecasts on the Redemption of Foreign Loans

a. The North Korean puppet regime cannot but adopt advanced technology and equipment from Western countries in order to fulfill the 2nd Seven-Year Economic Development Plan (1978 - 1984); however, its inability to redeem foreign loans has been the biggest stumbling block.

b. Therefore, Kim Il Sung, in an unprecedented move, proposed a trade expansion policy that is primarily aimed at boosting credit in his 1979 New Year Address. In this connection, the North Korean puppets have made the following efforts:

i. Intensively promoting the production of its six major export items-lead, zinc, iron ore, cement, magnesium clinker, and anthracite.

ii. Making a departure from trading mainly with communist countries and Japan to

diversifying export/import markets to include countries in Southeast Asia, the Middle East, Africa, and Central and South America in order to acquire more foreign currency.

iii. Focusing on attracting "oil dollars" from oil-producing countries in the Middle East, particularly, from Iraq, Libya, and Kuwait.

c. Because the North Korean puppets, however, cannot expect drastic increase in export at this moment, they are expected to:

i. strengthen economic cooperation with the Soviet Union and Communist China as well as Western countries

ii. pay some of the urgent principals in order to bring in advanced equipment from Western countries and recover its credit.

iii. and try to postpone its large overdue repayment once again. In this connection, the North Korean puppet's move towards cooperation with the West require special attention.