

July 20, 1950 Incoming Cable No. 5773, T. Shtykov to Cde. A.A. Gromyko

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Summary:

A long report on the economic situation in Korea during the first several weeks of the war.

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USSR Embassy in Korea N 256

TO DEPUTY USSR MINISTER OF FOREIGN AFFAIRS Cde. A. A. GROMYKOV

I am sending you material from a memorandum of economic measures of the DPRK Government and government bodies in connection with the military events in Korea.

ATTACHMENT: 61 pages

[handwriting in the left margin]: "to file, 25 August"

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USSR AMBASSADOR IN KOREA

T. SHTYKOV

[Handwritten]: [Stamp]: [Faded stamp]: "read [illegible signature USSR MFA2004s follows], 29 August" SECRETARIAT 29 August 1950 of Cde. BOGOMOLOV Incoming Nº 2521-ab 16 August 1950 2 copies mp 1st to the addressee 2nd to file

Attachment to Nº 2004s of 28 August 1950

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economic measures of the DPRK government and government bodies in connection with the military events in Korea

(Memo)

In the last three weeks of military events, the DPRK Government and government bodies have taken a series of measures in connection with the war launched by the reactionary Syngman Rhee clique and the open armed aggression of American imperialists in Korea for the recovery of industrial production and to restructure the economy to provide for the needs of the front.

The adoption of these measures was primarily dictated by the situation which resulted in the country as events have developed both at the front and in the rear.

During this period, the government adopted decrees regarding the operation of industrial enterprises in the northern part of the DPRK and in the liberated areas and also relating the operation of transportation, communications, trade, and other sectors of the economy for the purpose of vigorous mobilization of all economic resources of the DPRK to satisfy the needs of the front.

I. MEASURES CONCERNING INDUSTRY AND TRANSPORTATION

Government decrees on the following issues were important economic measures in the area of industry:

1. An increase in the production and conservation of materiel and financial resources in wartime.

2. The accounting and protection of industrial enterprises, buildings, and stocks of materials in liberated areas and putting factories and plants into operation.

3. THE WORKING CONDITIONS AT ENTERPRISES AND INSTITUTIONS IN WARTIME

(The texts of the decrees are attached)

In a decree of the DPRK Military Committee on the question of increasing production and conserving materiel and financial resources, directives were given to Gosplan and ministries concerning the increase of military production at state and cooperative institutions and the involvement of private enterprises in the manufacture of output needed by the front. It was proposed that the leaders of state, cooperative, and other enterprises take urgent measures to conserve raw material, fuel, materiel, and financial resources, and not permit the accumulation of material resources at factories and plants above the permitted norm. Cease capital construction, which is not directly connected with the manufacture of output for the front; the manpower and material resources released are to be sent for repair work at facilities, which were destroyed in connection with American air raids. Any issue of food above the established rations and the production of various food products from rice have been prohibited for the sake of the strictest conservation of food.

By a decree concerning the issue of the working conditions of enterprises during wartime, an extension of the workday at the expense of overtime hours was permitted, routine leave was halted during wartime, and unexcused absences by workers and employees of enterprises were prohibited in order to prevent a drop in production in connection with the mobilization of part of the workers into the army.

The fact that the operation of a number of factories, which were bombed or which were located in cities which were bombed, were seriously disrupted in connection with the American air raids was a considerable difficulty in the operation of DPRK industry.

Many workers of such factories exhibited panic, left work, abandoned their homes, and went to the hills, and part of the workers stopped coming to work. In the initial period, many local leaders did not take vigorous steps to combat such panic. The appearance of workers [at work] during air raids fell sharply. At Pyongyang enterprises, it was 40%, at Nampo enterprises, 15-20%, and at Wonsan enterprises, 10-15%. At the present time, the appearance of workers in Pyongyang has risen to 75%, in Nampo to 60%, and in Wonsan, which is being bombed more often than other cities, 30-40% of workers came to work. At other factories and mines, which are not being bombed, the appearance of workers did not fall as a rule and at some [the number] even rose. Firefighting and security teams have been created at enterprises, blackouts instituted, slit trenches and shelters dug, and work procedures have been developed during air raid warnings and air raids.

The Military Committee adopted a decree affecting industrial enterprises and stocks of materials in the liberated areas of the southern part of the DPRK [SIC].

It was suggested to the military command that the local People's Committee and the corresponding ministries take stock of all enterprises and stocks of materials, organize their security, and put factories and plants into operation as soon as possible to prevent cases of pilfering and spoilage of enterprises and equipment and also so that these enterprises are put into operation as quickly as possible.

The Ministry of Industry did the following in accordance with the above government decrees:

The workday was extended at all enterprises of the Ministry, an additional four hours of overtime was instituted, and workers were prohibited from leaving enterprises without authorization.

Military orders for the army were placed at 50 enterprises of the Ministry of Industry.

Foundries in [Kenziho], [Gangseon], and [Jeysan] are producing metal needed to support the production of ammunition, weapons, [personal] equipment, military accessories, iron pontoon bridges, armored plating, and other articles for the front.

The production of ammunition has been organized at the following enterprises:

The agricultural plant in Pyongyang - mortar shells The mechanical engineering plant in Pyongyang - mortar shells The central mechanical engineering plant in - mortar shells Pyongyang The [Sunan] mechanical engineering plant - grenades The [Seopyongyang] hardware plant - grenades The Pyongyang chemical plant - grenades The Pyongyang starch hydrolysis plant - grenades

In addition, the production and the fillers of mortar shells, grenades, and mine stabilizers are being organized at the group of [Gowon] plants.

The manufacturing of iron pontoon bridges and spare trusses and assemblies to repair destroyed railroad bridges are being organized at factories. The manning of two mobile vehicle repair shops, six mobile repair shops with welding equipment, transformers, and motors, and four mobile shops to repair communications lines is being finished at factories to aid the front.

[The following] have already been manufactured at factories:

Mobile kitchens - 780 Cauldrons - 65,000 Water containers - 35,000 Cast iron cauldrons - 190

And also picks, axes, shovels, stretchers, etc.

A number of enterprises have been damaged as a result of the bombing. Restoration work is being conducted at the present time at all the destroyed facilities.

Concerning the Nonferrous Metallurgical Plant at Nampo:

The zinc electrolysis shop and electricity grid have been destroyed. Two of the four mercury rectifiers have been put out of commission. A sawmill burned down and a club was destroyed. A cadmium shop building, pumping station, sinter plant, water jacket shop, and storehouses were partially destroyed.

One water jacket furnace has been restored and is operating at the present time, and the three remaining furnaces, the zinc baths, and sinter plant will be put in operation in the near future.

THE SHIPYARD IN NAMPO:

The metal framework, mechanical shop, casting shop, offices, storehouses, and living quarters have been destroyed.

The mechanical shop has been restored and is operating at the present time, and restoration work is being conducted on the rest.

THE STARCH HYDROLYSIS PLANT IN PYONGYANG

The boiler room, the oil production shop, the starch production shop, and storehouses were destroyed.

Repair work is being done, and the plant will partially resume operation by the end of July.

THE OIL PRODUCTION PLANT AT NAMPO:

This plant was partially destroyed and, at the present time, has fully resumed operation.

THE OIL REFINERY AT WONSAN:

This plant was repeatedly bombed. The foundry was destroyed. One thousand five hundred tons of kerosene burned up.

The feed tank burned up in which 8,600 tons of Ekhabi oil had been stored.

On 19 July, the chemical plants in [Gowon] and the lead smelters in [Munpyeong] were bombed.

The Ministry of Industry has selected and sent a group of 126 workers to liberated areas to organize the stocktaking, security, and setting up of production in these areas.

According to the incomplete information available, the following enterprises are already operating in the liberated areas at the present time:

Two textile mills in Seoul with 57,000 spindles.

The Seoul thermal power station, the tobacco mill in Seoul, the vehicle repair plant in Seoul, the mechanical plant in [Yongin], and a number of small vehicle repair shops. The lead mine in [Ongjin] and a tungsten mine are being restored.

There are numerous examples occurring of a patriotic upsurge among workers and employees at enterprises of the Ministry of Industry. Prime Minister Kim II Sung's Address to the people, in connection with the military events in Korea imposed on the Korean people by the Syngman Rhee clique at the behest of the American imperialists, was discussed in meetings at all enterprises.

At these meetings, the workers committed themselves to increase productivity and discipline and to produce more output to aid the front.

These commitments are being backed by deeds. The workers of the Sincheon coal mine, having committed themselves to increase the shipment of coal for rail transport, increased the daily shipments to 80 rail cars instead of the 60 shipped in prewar times.

The ratio of the use of machine tools at the Pyongyang central mechanical engineering plant was 64% in prewar times but has now risen to 84%. The appearance of workers [at work] was on average previously 90% and is now 95%.

At the [Seoheung], mine borer Hyeon Seung-mu made a commitment and began to operate two hammer drills, fulfilling 300% of the shift norm.

At the [Goksan], tungsten mine borer [Ho Yon] fulfilled 250% of the shift norm in wartime.

At the Wonsan shipyard, foreman Kim Cheon-gi organized a shock brigade, which considerably over fulfilled the production norms.

Workers and specialists of the Hwacheon power station, located in the area of the 38th parallel, installed a 38,000-watt generator in eight days instead of the assigned 15 days.

Workers and specialists working at the restored Supung-Seoul power transmission line finished work in 12 days instead of the 30 days in the planned schedule.

It ought to be pointed out that a number of industrial enterprises are experiencing interruptions in operation because of late shipments of raw materials, fuel, and materiel by rail in connection with the frequent American air raids on rail facilities and rolling stock and also in connection with the fact that rail transport is carrying first-priority military shipments.

The production of pig iron at the [Kenziho] metallurgical plant at which coke is being shipped with interruption from the [Cheongjin] plant has fallen from 800 tons a day to 500 tons. The production of their own coke has dropped because the coal has not arrived at this plant, which, in turn, has reduced the output of coke oven gas for open-hearth furnaces and lowered the production of steel from 400 tons a day to 250 tons a day.

The treatment plant at the Seongcheon lead smelter, which is not receiving the necessary amount of ore, is operating with idle capacity. The Pyongyang chemical plant is idle in connection with the fact that the main raw material, cellulose, is not being shipped in.

The shipment of production (carbide, metal, etc.) from plants for export is being delayed.

The government is taking steps at the present time to improve rail shipment of the most important freight for industry.

The Ministry of Industry has mapped out and is taking further steps to improve the production and mobilization of domestic resources to increase aid to the front.

II. MEASURES CONCERNING DPRK RAIL TRANSPORTATION

During the past period of military operations, the operation of the DPRK railroads has, on the whole, been satisfactory with the exception of insignificant interruptions in individual rail sectors as a consequence of the damage caused by American aircraft. About 10,000 rail cars of military personnel trains and military freight were delivered during this period across the 38th parallel in both directions along the Sea of Japan and the Yellow Sea without counting those made along railroads in the liberated territory of South Korea.

Passenger trains of the Pyongyang-[Rajin], Pyongyang-[Manyu], Pyongyang-[Sinmak], Pyongyang-Sinuiju, Wonsan-[Cheongjin], and Pyongyang-Wonsan sectors leave daily. Passenger train travel on the Wonsan-[Chodon] and Wonsan-[Yangyang] lines has

been irregular during periods of increased bombing.

The bombing of railroads, which began on 28 June, has somewhat complicated normal train traffic on the [Cheongjin]-Wonsan, Pyongyang-[Rehen], and Pyongyang-Sinuiju lines.

A temporary interruption of traffic on the Pyongyang-[Rehen] line occurred after bridges and the Pyongyang station were bombed on 3, 4, and 5 July. The damage was not significant and was quickly repaired (rails, bridge girders, and communications). The biggest interruption of traffic was on the [Cheongjin-Hamheung] line and lasted from 5 to 10 July as a consequence of the destruction of the large bridge across the [Cheongcheon] River. In addition, six small or medium-sized bridges were destroyed or damaged, which were quickly restored.

Complications in train traffic were caused by the frequent damage to telephone communications at stations and in sectors as a result of bombing. The greatest damage to communications laid on a bridge occurred across the the River Daedong (Pyongyang-Seoul), the the river Cheongcheon, and at the Wonsan station. A shortage of cable and insulated wire was encountered during the restoration. As of 20 July, direct communications with Wonsan had not been restored. A total of 25,000 meters of communications lines were damaged.

The bombing also damaged the route at 35 places in sectors and at stations. A railroad repair regiment of 3,500 men and 2 MPS [Ministry of Railways] repair brigades of 600 men are working on the repair of the tracks and bridges.

Beginning 10 July, a second railroad repair regiment was organized by the MPS, and repair trains were created equipped with machinery (tractors, hoisting cranes, and jacks). The manufacture of components and structures to repair bridges is being organized at industrial enterprises.

The locomotive stock of DPRK railroads has suffered great losses from American air raids. During the period between 28 June and 20 July, 58 locomotives, including 14 which have been rendered completely useless, were put out of commission through damage from bombing and especially machinegun fire. The damaged locomotives are being repaired at the [Soginyan], [Cheongjin], and Wonsan locomotive repair yards.

Losses to the rail car fleet on DPRK railroads to the 38th parallel from the operations of American aircraft are insignificant and constitute a little more than 100 rail cars.

The presence of a large number of tunnels allows rail cars with ammunition, tanks, and artillery to be successfully hidden in them in the daytime, as a result of which military shipments are made without loss.

A new Air Defense Instruction based on the Soviet model has been put into effect on the railroads taking local conditions into consideration.

On the whole, DPRK railroad personnel have risen to the occasion and are working selflessly, supplying the front with everything necessary and successfully repairing the damage caused by American aircraft. It needs to be noted that there have been no crashes or accidents on DPRK railroads during the entire period since the beginning of the war.

A Seoul Directorate of Railroads has been created in the liberated part of the South Korean railroads for which the Ministry of Railways sent an operations group of senior officials (in all specialties) headed by Deputy Minister of Railways Kim Hwa-il [Hwa II].

During this period, five electric locomotives and a small number of freight cars were sent across the 38th parallel from the liberated railroads of South Korea to regulate the rolling stock fleet. The Seoul railroad is experiencing a shortage of locomotives, as a consequence of which it needs to be helped by directing [komanduya] locomotives there from the Pyongyang and Hamheung railroads.

The following measures are being taken in order to ensure the normal operation of the railroads:

1. The production of bridge spare parts, which will be transported to the field for the purpose of rapid repair of bridges if they are destroyed by air raids, is being organized at factories of the Ministry of Industry.

2. The production of armor plating to protect boilers and locomotive barrels from aircraft fire is being organized.

3. The staffing of the second railroad repair regiment is being concluded.

4. Measures and a draft Cabinet of Ministers Decree have been developed concerning the shipment of the most important economic freight.

5. Large groups of machinists, railway workers, signalmen, and transport workers have been submitted for orders and medals for excellent work in supporting military shipments and for the rapid repair of damaged rail facilities.

III. MEASURES CONCERNING TRADE AND LOCAL INDUSTRY

The Ministry of Trade has carried out and is carrying out the following measures in accordance with directives of the Military Committee:

1. Measures have been drafted and are being carried out to improve the operation of the Ministry's commercial and industrial enterprises and staff.

2. An order for the Ministry of Trade has been drafted and issued concerning the issue of purchasing and procurement of food, raw material, and materiel for the needs of the front.

A group of 60 officials has been selected and sent to organize procurement work in the liberated areas of the southern part of the DPRK.

3. Measures are being taken to improve the work of the procurement organizations, which procure and process vegetables to support the army and the urban population.

4. The operation of the following 46 enterprises has been switched to the fulfillment of military orders to satisfy the needs of the army:

Sewing shops - 17 Shoe enterprises - 11 Bakeries - 8 Furniture enterprises - 4 Food enterprises - 5 Metalware factory - 1

[The following] have been produced in 20 days:

Hardtack - 1,050 tons Soy sauce - 106 tons Clothing for the army - 11,000 uniforms Underwear - 16,000 pair Assorted shoes - 83,000 pair Field bags - 6,300

Other enterprises are also being converted to fulfilling military orders as necessary.

The ministry has made an inventory of and put into operation the following enterprises in liberated areas:

Salt businesses with a daily output of 3,000 tons of salt A tobacco plant A brewery A paint factory A garment factory Rubber shoes factory - 4 A distillery A ginseng production factory Stores - 32 Hotels - 4.

A group of 260 officials has left to organize trade and production, procurement, and food work in the liberated areas.

IV. MEASURES CONCERNING FINANCIAL AND BANKING OPERATIONS

Government decrees on the following issues were the most important economic measures in the financial and banking sectors:

1. The circulation of currency, the exchange rate between the two currencies, and the protection of banks in liberated territory.

2. The organization of banks and banking operations in liberated territory.

3. The elimination of the Syngman Rhee tax system and the extension of the tax system of the northern part of the DPRK to the southern areas.

4. The procedure for providing the troops of the People's Army with monetary allowances on territory south of the 38th parallel.

(The texts of the decrees are attached)

These decrees and orders of the DPRK Military Committee prohibited the circulation of banknotes of the Joseon [Chosun] Bank on the territory of the northern part of the DPRK and prohibited private trade between the northern and southern parts of Korea. The responsibility was imposed on military commanders to organize the protection of banks and captured financial resources and to hand them over to representatives of the DPRK Ministry of Finance. The Ministry of Finance was charged with the responsibility of providing the troops with the necessary financial resources.

A directive of the Military Committee established that a Central Branch of the Main Bank of North Korea be opened in Seoul and branches of the Main Bank of North Korea in provincial capitals and large cities, subordinating the latter to the Central Branch in Seoul. The existing eight commercial banks in Seoul and their branches in the provinces have been subordinated to existing branches of the Main Bank of North Korea.

The main task of the branches of the Main Bank of North Korea in liberated territory at the present time are the mobilization of available cash and providing for the army's needs in banknotes.

The Ministry of Finance has selected, instructed, and sent a group of 121 officials to the southern part of the DPRK to organize financial and banking operations.

The Central Branch of the Main Bank of North Korea, having 3 billion won seized by the troops during the capture of Seoul, was opened in Seoul on 4 July 1950.

According to preliminary information, there is about 70 billion won of the Joseon [Chosun] Bank in circulation in the south of Korea of which the Syngman Rhee clique took six or seven billion won when fleeing Seoul.

Several other branches of the Main Bank, besides the central branch, have opened and begun operation in liberated areas.

The balance sheets of the banks, the budget of South Korea, and other important documents have been delivered to the Ministry of Finance from Seoul.

The Ministry of Finance has issued an order about wartime operating procedures for financial bodies and banks, the operation of financial bodies in the South is being organized, and the procedure for financing the repair work for sites destroyed during military operations and a number of other measures are being drafted.

A draft decree of the Presidium of the DPRK Supreme People's Assembly is being drafted about the introduction of a wartime tax.

V. MEASURES CONCERNING COMMUNICATIONS

In connection with military operations, the DPRK Ministry of Communications handed over operational wires to the People's Army to organize communications through army, navy, air force, and air defense channels. The Ministry of Communications took over the operation of the wires it had handed over to assist the operational units of the army.

Four repair columns, at the disposition of the Ministry of Communications, were deployed to signals construction companies in accordance with an Order of the Military Committee. The companies were formed and began work on 28 June 1950. The mission of these companies is the repair of aerial communications lines on the

four axial links to the south behind the movement of military units.

An important circumstance in the matter of organizing communications in liberated areas was the repair of the underground cable between Pyongyang and Seoul as a result of which five telephone channels were gained. The Pyongyang-Seoul and Wonsan-Seoul aerial arterial lines were also repaired.

The aerial communications lines and communications centers are being subjected to frequent bombing, especially in the [Cheolwon]-Seoul, Hyesan-Seoul sectors, and the Wonsan, Pyongyang, and [Anju] regions. [The following] have been destroyed by bombing: a telephone exchange and postal telegraph office in Wonsan, and the post office and telephone exchange in Nampo.

Communications facilities, which have been destroyed, are being immediately repaired, and emergency teams are working satisfactorily and are not displaying cowardice.

Two reserve communications centers for communications in the direction of Seoul are being provided with underwater cable laid across a river away from bridges to increase the reliability of communications in the area of Pyongyang when it is subjected to air raids.

In connection with the frequent damage to main communications arteries from air raids, six mobile emergency repair teams in vehicles are being created to repair communications lines on the main arteries going to the south.

The Ministry of Communications has selected 300 communications specialists and sent them to the army to create new signals units. Four hundred men are being selected for courses at communications enterprises for accelerated training of communications workers, which the army needs.

The Ministry of Communications has sent 223 specialists and administrative personnel to organize the operation of the communications enterprises in Seoul and the liberated areas.

The headquarters of the DPRK Ministry of Communications' authorized representative is being organized in Seoul and provincial offices are being created in liberated areas.

A significant shortcoming in the operation of the Ministry in wartime is the frequent disruption of communications between industrial centers of the northern part of Korea, which creates additional difficulties in the operation of enterprises. The Ministry is taking steps to eliminate these shortcomings.

VI. MEASURES CONCERNING AGRICULTURE AND LAND REFORM FOR THE LIBERATED AREAS OF THE SOUTHERN PART OF THE DPRK

At the present time, the Ministry of Land and Forests is devoting special attention to carrying out all the necessary measures connected with sowing and harvesting of crops in a timely fashion, intending that a reduction in the quality of the field work in connection with the departure of part of the rural male population to the People's Army is to be prevented.

By a special order of the Minister of Land and Forests, all the workers of local land organizations have been mobilized to handle this task. A group of Ministry officials

has been sent to rural areas to help.

The Ministry has sent 220 tractor drivers, 56 tractors, 15 vehicles, 10 mobile vehicle repair shops, and five fuel tankers for the needs of the army.

At the present time, the Ministry has organized the training of 500 tractor drivers for their subsequent transfer to the army.

A group of 30 Ministry officials has been sent to liberated areas of the South.

According to information coming from the South, the peasants of liberated areas are giving considerable assistance to the People's Army in the construction of roads, bridges, and transporting materials and military cargo with their own means of transportation.

The preparation and carrying out of land reform in southern areas of the DPRK, which have been and are being liberated, is the main and most important economic and political measure.

On 4 July 1950, the Presidium of the Supreme People's Assembly of the Koran People's Democratic Republic adopted a law on carrying out land reform in the southern part of the DPRK.

On 10 July 1950, the DPRK Cabinet of Ministers approved a regulation for carrying out land reform. A group of 511 officials, who had been trained and had attended a seminar, left Pyongyang to carry out land reform.

Rallies and meetings of peasants devoted to the historic law on land reform, adopted by the Presidium of the DPRK Supreme People's Assembly, are being held in villages, districts, and cities of the liberated territory of the southern part of Korea.

Beginning on 9 July, many rallies and meetings of peasants devoted to land reform are being held in many districts in the province of Hwanghae.

Peasants are holding rallies at their own initiative in a number of villages in the district of Chuncheon in connection with the law on land reform. On 14 July, a rally of peasants was held in the city of [Yeonbaek] at which more than 35,000 people were present.

In their speeches at rallies and meetings, the peasants say that their long-awaited dream is being realized, and now they will get land. They say that their actions and uprisings against the Syngman Rhee clique, which oppressed them and took away their harvest, were brutally repressed and unsuccessful, and only the People's Army had liberated them, and now they will get land.

In resolutions adopted at rallies and meetings, the peasants thank the People's Army and People's Power for their liberation and land reform, and they promise to correctly carry out the land law, work well, and help the People's Army achieve final victory over the enemy of the Korean people.

One hundred and sixty-seven peasant committees have already been created in the province of Hwanghae, which have already begun preparations to distribute land.

At the present time, officials who have come from Pyongyang to carry out land reform

along with the officials who were recruited locally have begun mass explanatory and practical work in districts and villages to make the historical land law a reality for the peasants of the southern part of the Korean People's Democratic Republic.

COUNSELOR OF THE USSR EMBASSY IN KOREA

/signature/

(V. PELISHENKO)

3 copies lb/ls 20 July 1950