

May 22, 1965

**Report, Embassy of Hungary in North Korea to the
Hungarian Foreign Ministry**

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Summary:

Romanian diplomat discuss with a Hungarian official the state of the North Korean economy in 1965.

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Recently Comrade Ionescu, the Romanian 2nd Secretary, gave [Chargé d'Affaires ad interim of Hungary to NK] Comrade Fendler the following information about what he had learned of the economic situation of the DPRK:

In the light of the situation in Vietnam, the leadership of the country and the party gave [the Office of Statistics] instructions to gauge the economic capacity [of the DPRK] with regard to the possibility of switching over to wartime economy and [simultaneously] satisfying civilian needs. In the course of the execution of this instruction, the [Party] Center received such a material that could not be used for anything, and eventually the supreme leadership proved incapable of establishing the real economic capacity and situation of the country. Following this, a new survey took place, with the participation of the members of the Political Committee and the government, who personally examined the situation and industrial capacity of each district. Despite that, [the leadership] failed to get a reasonable general picture about the situation, capacity, etc. of the national economy. Statistical data are unreliable, the data published in the press for official use are in the main not realistic. According to certain opinions, this is partly caused by that the Office of Statistics constitutes a part of the State Planning Office, and the latter checks and modifies the former's work „as if it was its own.“ [...]

Recently Comrade Ionescu had a conversation with the officials of a competent economic office of the DPRK. On this occasion, the Koreans, on their part, stated that „we know that our living standards lag behind that of other socialist countries to a substantial extent, but there is no cause for not [making them] comparable to that of the latter. Recently we took several measures aimed at normalizing the situation of the national economy, but they did not work. The absence of adequate cadres is a serious problem, but it is our own customs that constitute the most difficult problem!“

Judging by the press as well, in the last five months several political campaigns that had been launched in order to boost production („Let us help our southern compatriots!," and so on) indeed ended in failure. According to certain indications, on a higher level it is being considered whether one should lay stress on political incentives or on material ones. For instance, recently, according to the information available for us, measures were taken to increase agricultural production by taking material interest into consideration to a certain extent. Co-op brigades were given a certain amount of land for collective cultivation, the brigade members distribute these produces among each other. For the use of the land, depending on its size, one must deliver a certain number of fowls, pigs, etc., to the state at procurement prices.

Allegedly, in recent months one-man management has been introduced in 20 enterprises and factories (according to the so-called Dae-an Method, it is the party committee that guides the factory), but it did not work, for the directors were afraid of what the future had in store.

According to all indications, the People's Army plays a substantial role in economic life. On the basis of the forced defense program of the recent years, the best technical cadres were transferred to the army, and industry produced primarily goods demanded by the defense program (varieties of steel, building materials, and so on). Presumably technologists go willingly to the army, for there they are not required to undergo political education (or at least not to the same extent as in civilian life), and they have an opportunity for further vocational training and improvement. On the other hand, a chief engineer or engineer employed in a factory works 10-12 hours every day, then attends ideological study groups, holds meetings, etc., in the evenings, gets home at midnight, and rises at dawn. [...]

According to information gained from various sources, in recent months [the KWP leaders] decided to carry out a large-scale staff reduction in order to alleviate [the situation caused by] the swollen party and state apparatus. Their idea is that the

persons affected by the reduction will be downgraded by one level or partly transferred to physical work. So far it was the Ministry of Health, the Ministry of Culture, and the institutions of higher education where they began to carry out that, this year's college admissions were already curtailed. (At present there are some 204,000 students studying at approx. 94 colleges.) According to information received by Comrade Ionescu, they plan to carry out an educational reform, which is currently being worked out, approx. two years later.

[...]

József Kovács
(Ambassador)