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**Report from the Romanian Embassy in Pyongyang to the Ministry of Foreign Affairs on the Political and Economic Situation in South Korea, November 25th 1955, 4236/1955**

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**Summary:**

A report to the Romanian Ministry of Foreign Affairs notes the growing sense of tension and division regarding Syngman Rhee's leadership while Rhee carries out "agrarian reform" by using rice needed by the workers to pay off debt and increases the size of the South Korean army.

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## The Political and Economic Situation in South Korea

The data published by the South Korean press reveals that the misery of the working masses and the financial and economic crisis have deepened in the two year period since the signing of the Armistice, due to the belligerent policy of Syngman Rhee's regime and the so-called American aid policy.

According to information published in The Dong-A Ilbo newspaper (Dong-A Daily), over 70% of industrial companies had been closed down by the end of March 1955. Out of the 9323 large and small businesses existing in South Korea in 1948, 3650 are left, and the level of production has been only at 20% as compared to the level of production during Japanese imperialism.

The South Korean Bank bulletin reveals that 75-85% of coal production in the entire South Korea is incorporated under the Korea Coal Corporation, owned by the Syngman Rhee regime. With all the measures of atrocious exploitation of the workers, the degradation of the industry is visible through the following: in 1949, the average production per month was 80,000 tons; in 1954, it dropped to 55,000 tons; whereas in January 1955, it reached 50,000 tons, i.e. at 62% capacity as compared to the monthly average in 1949. Clearly, given the situation, coal production cannot cover the needs of the masses, who are the main consumers of this fuel source.

Taking advantage of the situation, American imperialists export to South Korea, under the pretext of 'aid,' lower quality and more expensive American coal. Thus, the South Koreans allocated a sum of 21,650,000 US dollars to import the coal solely from the United States, as part of the 'aid' for 1954-1955.

According to data from the same bulletin, South Korea imported 661,000 tons of coal in 1949, reaching 901,000 tons in 1954, and in 1955 it imported 100,000 tons of coal in a single month alone.

The American 'aid' offered to South Korea up to 1954 was worth 1,173,987,000 dollars and a sum of 710 million dollars has been expected for 1955, out of which 66% is for military needs and 34% for the economy. From the 34%, only 6.03% is for restoring industrial constructions, whilst the rest is for military constructions and maintenance of the police apparatus.

According the aforementioned data, the so-called American 'aid' is directed towards arming the Syngman Rhee regime and depriving the South Korean population in the most awful manner.

In the two years that have passed since the signing of the Armistice, not only has nothing been done to restore businesses destroyed by the war, but the existing ones continue to shut down. During a period of only two months, October and November 1954, 39 plants and factories had been shut down in Yeongdeung-po, and 300 manufacturing operations ceased activity in Seoul and its surroundings. This has resulted in a continuous increase in the unemployment rate, with the number of unemployed people way surpassing two million.

In order to gain maximum profits, American imperialists have subdued the entire South Korean economy in their interests and transformed the South Korean working class into slaves.

By strengthening Syngman Rhee's armed forces on a yearly basis, the economic and financial crisis increasingly deepens. Devaluation intensifies the misery of the masses, while American imperialists and the Syngman Rhee regime profit.

The exchange rate devaluated from 0.15 hwan to the US dollar in 1945 to 500 hwan to the US dollar in 1955. South Korea's deficit increases annually; in 1945-1946 the deficit was 10 million hwan, in 1947 it increased to 162 million, in 1949 it reached 275 million and soared to 51 billion 800 million hwan in 1953.

In order to cover the budget deficit, the Syngman Rhee regime puts increasingly larger sums into circulation and deepens even more the misery of the masses through mounting price increases for commercial goods.

According to the South Korean Bank bulletin and selecting 1947 as base year with the index value being 100, prices have increased enormously; the index value was 5951 at the signing of the Armistice and increased to 15110 in June 1955, in terms of the base year.

During one of the National Assembly meetings, Minister of Finance Kim Hyeon-cheol reported that, due to price increases for the fertilizers imported from the US, peasants will have to pay 20 billion more than before.

The South Korean population experiences an acute housing shortage. Currently, South Korea is short of over 930,000 dwellings and 630,000 underground dwellings are on the verge of collapse. According to the South Korean Ministry of Health, American imperialists have occupied 1,560,000 dwellings both during and post-war.

The price increases, food and housing shortages are most acutely felt by the population. Data published by the South Korean Health Ministry reveal that the number of people suffering from tuberculosis reaches 1,300,000, over 600,000 people suffer from distoma, more than 45,000 suffer from leprosy, infant mortality reaches 22% and life expectancy in South Korea is 37, the lowest average in the world.

The policy of the American imperial circles and the Syngman Rhee regime to strengthen the military, which has increased from 15 to 31 divisions in less than two years from the signing of the Armistice, intensifies even more the burdens of the South Korean people, who must bear the continually increasing military expenses. In 1953, 61,500,000,000 hwan had been allotted from the total budget for military purposes, and a sum of 204,400,000,000 hwan has been expected for 1955.

In order to cover military expenses, railway, post office and telegraphs taxes, as well as tobacco and salt prices have been increased, whereas tuition fees have been increased six times during the 1955-1956 academic year.

South Korean agriculture is in a continuous downfall, which worsens even more workers' living conditions. Between 1940 and 1944, the surface of arable land in South Korea was of 3,300,000 tenbo, decreasing to 2,700,000 after signing the Armistice. This has been due to excessive wartime measures of the Syngman Rhee regime, which prohibit peasants to cultivate their land on an area of 40 km south from the Military Demarcation Line, whilst the numerous American military and air force bases on South Korean soil have contracted even further the surface of arable land.

It is widely acknowledged that rice is the fundamental crop in South Korea and a rich harvest requires irrigation systems. In South Korea, only 18% of the total arable land cultivated with rice is irrigated. The Syngman Rhee regime has done nothing to improve the irrigation system within agriculture.

Although the peasantry had a lot to suffer from the war unleashed by American imperialism and the Syngman Rhee regime, out of the entire annual budget for 1954, only 3.4% was allotted to agriculture, 1.75% to public health, while 95.03% of the budget is destined to military expenses and maintaining the police apparatus that defends the corrupt and deceitful Syngman Rhee regime.

With all the poverty and hunger currently existing in South Korea, the Syngman Rhee regime proposed the National Assembly to export cereal to Japan at 195 dollars per ton, a very low price compared to the global standard. This stirred the dissatisfaction of a fraction of the Syngman Rhee regime. Leader of the opposition Sin Ik-hui noted that Syngman Rhee will receive 20,350,000 dollars for 110,000 tons of rice, which he could use as he pleased.

Deputy Jo Byeong-ok stated that 'the deal with the rice export is a scheme more critical than the tungsten fraud (the South Koreans 'gained' half a billion hwan from tungsten export operations with the US in 1953).

Syngman Rhee's government squeezed out even the last grain of rice from the peasants in order to repay a debt worth 3,700,000 soci of rice (1 soc = 150 kg), representing payment for the land received by peasants during the so-called agrarian reform and for the agricultural income tax implemented by the Syngman Rhee regime in 1951.

The customs office of the Finance Ministry ordered its employees to proceed constraining the peasants for the debt and agricultural tax payment once harvest began.

Unable to withstand the plunder and misery, over one million peasants left their villages in 1954, in search of work. Only in November and December 1954, 460,000 peasants left their homes, meaning that approximately 80,000 peasant household had been abandoned.

The Hapdong News Agency recounts that Deputy Pak Don Ghir [sic], originally from South Gyeongsang, claimed about his native county: 'after threshing, 80% of peasants remained without food and 14% were compelled to abandon their villages in search for work in other areas.'

This state of affairs creates serious difficulties for Syngman Rhee; even some of his devotees are openly manifesting their dissatisfaction.

In October 1954, Syngman Rhee borrowed from the South Korean Bank, on behalf of the Liberal Party, 300 million hwan in order to pay off the deputies who will vote for the approval of the constitutional amendment proposal.

Syngman Rhee and the Liberal Party leadership announced that those who will vote for the amendment are to receive one million hwan each. In fact, the million was reduced to 500,000 hwan and the number of buyers was limited to 60 deputies. Thus, those deputies who were not included in the 60 openly expressed their disagreement.

South Korean newspaper Dong-A Ilbo reported that they began shouting 'as long as one doesn't receive money, there is no point in remaining in the Liberal Party, which everyone swears, better to switch to the opposition.'

In order to remain in power, the Cabinet adopted a new bill regarding elections within the National Assembly. The bill stipulates that only he who has a stable residence and

has lived at the same address for a minimum of two years is eligible to vote and run in the elections. Thus, the Syngman Rhee regime eliminates the working class, which does not usually have a stable residence in South Korea, being constantly mobile in search for work. This measure aims to remove parts of the opposition that, due to the terror, were unable to maintain a stable residence, being thus deprived from the rights to vote and be elected.

The Syngman Rhee administration introduced in the new bill a 'liability system,' in concordance to which those who did not deliver a 'liability' sum of 200,000 hwan were ineligible to run in the elections, and if in the 'elections' the candidate did not gather the requested number of votes, the 'liability' sum would pass to those who have acquired the number of votes. Not to mention the working class, this system does not allow the opposition to run in the elections since, by quitting the Liberal Party, it cannot acquire such a large sum of money and cannot hope to borrow it from the banks as these are controlled by the Syngman Rhee regime.

In order to defeat the continuously increasing strength of the opposition, in only two years since the signing of the Armistice, the Syngman Rhee regime, supported by American imperialists, has disbanded 17 public organizations, suspended the publication of 23 newspapers and magazines, and closed down 85 academic institutions and 4 arts and theatre institutions considered to be hostile towards the regime.

As Seoul Shinmun noted on August 13th 1954, under the pretext of infringing the 'National Security Act,' the police arrested Guk-je(International) News Agency editor-in-chief Sin Han Thea [sic] from Seoul, Dongyang [Eastern] News Agency editor-in-chief, film director Han Chen Chi, and the editor-in-chief of the Daegu Ilbo (Daegu Daily) daily newspapers, who allegedly published an article criticizing the Syngman Rhee administration for forcibly mobilizing students into partaking at the staged 'demonstrations' against the Neutral Commission.

South Korean Hapdong News Agency announced that, based on the same allegation of infringement of the 'National Security Act,' the police arrested the Provost of the Institute in Siheung, Te En Sic [sic], whom the police consider guilty of his courses and the content of his book 'The creation of the Civilized World' not being aligned with the South Korean government's policy of educating the youth in the spirit of colonial enslavement and the necessity of a new war.

The actions of the working class, which is becoming increasingly organized, are opposed to the Syngman Rhee regime's policies of exploitation and enslavement.

During January and September 1954, over 100 strikes and demonstrations, attended by more than ten thousand workers, took place. Only at the Korea Coal Corporation over 7000 workers participated in the strike against price increases and racial discrimination, requesting salary increase.

Similar strikes took place in the ports of Busan, Gunsan and Masan, and at textile and railroad factories.

The youth, unwilling to continue acting as cannon fodder to defend the interests of American imperialists, are opposed to the measures taken by the Syngman Rhee regime to increase the number of military divisions.

Dongyang News Agency recently stated that, according to data released by the ROK Armed Forces, the South Korean police arrested in July alone 20,536 young people who disobeyed 'military laws,' of which 14,262 were conscripted as 'volunteers' and the rest were tried and convicted for sabotage of military laws.

South Korean workers see the DPRK as the bright light of a free and happy life.

The wise party and government policy of the DPRK tightened the obstinate unity between the party, government and people, whose efforts are targeted towards rebuilding the economy, strengthening the democratic base and the peaceful unification of the Country.

The DPRK's achievements constitute a great example for the South Korean population, who rises to battle against the American oppressors and the treacherous Rhee regime.

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In September 1953, Syngman Rhee dissolved all reactionary youth organizations in South Korea, their members being incorporated into 'police detachments.' Up to November 1954, 2,300,000 people aged between 17 and 38 have been enlisted in these 'police detachments,' where they receive military training.

The Syngman Rhee regime intends to add four more divisions to the army, thus reaching 1,500,000 personnel, while the military preparation and proportional division for the three military branches of the armed forces (Army, Navy and Air Forces) will be assigned to the Americans who have the task to bring them to American standards.

A special attention is awarded to enlarging the Army, with the Navy and Air Force having secondary priority. The report on enlarging the armed forces is the following:

I. Although the Army and Navy have been both organized at the end of 1945, the Navy is developing extremely slowly compared to the Army, while the Air Force was only established in 1948 and, at the beginning of the war, had only 33 L and AT6 planes and no fighter planes.

II. From December 1949 to December 1954, the Navy (except for the Marines) increased 4 times, the Air Forces increased 3.3 times, and the Army increased 7.5 times. In December 1949, the composition of the armed forces was the following: Army 91.1%, Navy 6.3%, Air Force 1.4%; whereas at the end of August 1954, the Army reached 92.3%, the Navy decreased to 3.2% and the Air Force to 0.5%, and the Marines, established on April 15th 1949 with 83 people, had 1200 personnel at the end of December 1949 and increased to 31,800 by the end of August 1954, i.e. it saw an increase of 26.6 times since the end of 1949, representing 3.9% of the South Korean armed forces.

Particular attention is awarded to increasing (the number of) artilleries and engineer groups who require special equipment.

At the end of 1949, the different types of units in the Army were as follows: artillery 6%, engineer groups 3.1%, tank units 0.5%. By the end of 1954, the effective of these units were: artillery 8.1%, engineer groups 6.6%, tank units 6.6%.

A comparison between the internal structures of the Korean and American armed forces, respectively, reveals that at the beginning of August 1954 the South Korean Army represented 92.3% of the entire armed forces compared to the American

Army's 42.3%; the South Korean Navy and Air Force represented 3.2% and 0.5%, respectively, whereas the American Navy and Air Force represented 22.2% and 28.7%, respectively.

Therefore, it is clear that Syngman Rhee is counting on US support for the development of the Navy and Air Force, whilst targeting all efforts towards increasing the Army. Currently, the South Korean Army has become a typical colonial army, whilst concurrently being seen as cannon fodder by the American occupiers.

The plan of increasing the South Korean Army has been reviewed by the American imperialists and the Syngman Rhee administration during the talks at Jinhae (February 6th 1954) and, subsequently, during talks with Van Fleet in May-June 1954.

The concrete plan to build the naval and air forces was established then. The content of this plan reveals that a sum of 17,360,000,000 hwan had been allotted for a period of three years (1954-1956) for the purposes of enlarging the Navy (1954 - 5,730,000,000 hwan; 1955 - 6,880,000,000 hwan; 1956 - 4,740,000,000 hwan). The construction of military vessels of 3,000 tons was stipulated. The Syngman Rhee regime is relentlessly requesting the US leadership to receive torpedoes and submarines to block the Korean coast.

Last year, the Syngman Rhee government finalized setting up a naval infantry division and announced its intentions to enlarge the Navy to twice its size in the future. Currently, the Navy has 82 small-sized vessels at its disposals (28 drogues, torpedoes, dinghies, ships).

At the end of February 1955, the Navy had 84,000 personnel, including the Marines, and since March 5th this year, the Navy went from UN command to South Korean leadership.

In regards to building the Air Force, the American imperialists and the Syngman Rhee regime are expecting to enlarge their effective up to 1000 planes within a period of 4-5 years (beginning with July 1954).

At the end of April this year, the South Korean Air Force had 344 planes of various types, including 25 Z aircrafts, 85 fighter planes and 20 carriers. The US Air Force provided the South Korean Air Force with 5 F-86 Sabre jets on April 20th this year, and with 10 T-33A trainer aircrafts. Thus, the Air Force currently has 40 Z aircrafts.

According to Stassen (Director of the US Foreign Operations Administration), the plan for summer training is currently under revision in order to provide the Air Force with jet planes, which are to be received during 1955. (According to Seoul Radio, September 29th 1954)

350 pilots from the South Korean Air Force will follow a special training on Gimpo Airport in order to become accustomed to piloting jets. The first jet was piloted at the Osan Air Base on December 17th 1954.

Regarding military training, over 20 military specialists with a high degree of military training are currently activating in South Korea, in charge of training on different types of weapons.

The seventh class graduated from the Korea Military Academy on June 16th this year. Thus, efforts are also being made to train military personnel, concomitant with building the armed forces.

Recently, the number of officers grew by 162.3% and that of sub-officers increased by 99.8%. Young people make up 80% of the army. The composition of the armed forces according to social strata is as follows: 61.8% impoverished peasants, 18% workers, 11% students, 9.2% others.

According to a study of 2000 soldiers, the following have been determined:

54% are illiterate or semi-illiterate

40.4% have completed primary education

5.6% have completed secondary or higher education.

Regarding combat experience:

28% have combat experience, 20% have a mediocre experience

51% have no type of military training or experience

Out of the 38 soldiers asked 'what do you consider to be the most difficult aspect of military life,' 11 answered combat (30%), 11 answered hunger (30%), 7% answered military training, and 7 answered freedom of speech.

Soldiers have a fixed portion of 0.9 kg of rice, however they are practically receiving only 0.52-0.6 kg.