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CENTRAL INTELLIGENCE AGENCY

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INTELLIGENCE MEMORANDUM NO. 311

2 August 1950

SUBJECT: Northern Korea's Dependence on Outside Supplies

1. Northern Korea's Import Requirements.

Northern Korea, as an economic entity, is an area of substantial deficits in certain raw materials, producer goods, and consumer goods. Industrial and agricultural production, however, was probably sufficient during 1949 and early 1950 to provide northern Korea with a rough balance in respect to its import requirements.

Northern Korea is forced to depend on imports to maintain its economy even at minimum levels. Major raw material deficits are, in the order of their importance: crude petroleum, bituminous coal, rubber, tin, raw cotton (long staple), asbestos, gypsum, ferro-manganese, ferro-chrome, antimony, aluminum and sulphur.

Basic equipment in short supply includes: machine tools (lathes, drill presses, hydraulic presses, milling, hobbing, slotting, boring, planing and grinding machines), construction equipment (graders, dozers, etc.), textile machinery (spinning and weaving machines, and spare parts), printing presses and parts, and tobacco processing machinery.

Finished manufactures, including consumer goods, in short supply include: cotton and woolen yard and piece goods, glass, ball bearings of all sizes, V-beltting of all sizes, and electrical equipment. The variety of electrical equipment needed by northern Korea is very extensive, ranging from basic generating and transmitting equipment to instruments for measuring power loads. There is also a short supply in manila and wire rope, rubber manufactures, transportation equipment and spare parts for autos, trucks and locomotives, paper (finished printing paper, newsprint, kraft, currency and cigarette paper), pharmaceuticals, certain chemicals (principally dyes, chlorates and rubber accelerators), and petroleum products (pitch, glycerine, lubes and motor gasoline).

2. Northern Korea's non-Communist Trading Pattern.

Little is known of northern Korea's trade with non-Communist areas before 1949. From 1946 to 1949, isolated barter deals were consummated with India,

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the Philippines, and various countries in Southeast Asia. Although Hong Kong conducted some trade with Korea in this period, available statistics do not show what share of the trade was with southern Korea and what with northern Korea. Covert smuggling took place between northern Korea and Japan, but few details are known.

During 1949, increased information on northern Korean trade revealed a discernible trading pattern. Of the known non-Communist trade contacts during 1949, 85 to 90 percent were conducted through Hong Kong. Northern Korean imports from Hong Kong in this period totaled HK \$49,480,309 and exports to Hong Kong were valued at HK \$54,737,546. Commodities and items sought by northern Korea in the Hong Kong market were: basic equipment (textile machinery, printing presses, machine tools), textiles (over HK \$12,000,000 worth), chemicals and pharmaceuticals, paper, electrical equipment, transportation equipment, dyeing and tanning material, rubber and other industrial raw materials. The bulk of northern Korean exports to Hong Kong consisted of foodstuffs for human consumption, animal feeds, and fats and oils. Nitrate fertilizers (HK \$1,747,807) comprised the only significant export item of industrial manufacture.

In January 1950, northern Korean trade representatives were reportedly called back from Hong Kong. A resultant drop in Hong Kong exports to northern Korea occurred in the following two months. Exports in January were valued at HK \$3,255,750, while exports in February were HK \$525,076 and in March, HK \$217,905. There was no reduction, however, in Hong Kong imports from northern Korea during this period. Meanwhile, four Soviet-registered vessels have been under charter to MORTRANS, a joint Soviet-north Korean transportation trust. These ships customarily plied between Hong Kong, Dairen, and northern Korean ports. Since the beginning of hostilities in Korea, one of these ships, the SS AZOV, was reported to have declared for a port in North China rather than for a northern Korean port.

The remaining 10 to 15 per cent of northern Korea's non-Communist trade during 1949 was transacted with Japan, Macao, India, and Southeast Asia. Trade with Japan was entirely in the form of smuggling. Items reportedly sought in Japan by the northern Koreans are representative of their industrial requirements (i.e.: electrical equipment and replacement parts, ball bearings, V-beltting, chemical machinery replacement parts, paper, steel and manila rope and wire, copper wire, and radio equipment).

3. Northern Korea's Communist Trading Pattern.

Although the fragmentary nature of the reports covering northern Korea's trade with Communist countries prevent firm conclusions as to the amount of commodities and items involved, it is estimated that during 1949 over 85 percent

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of northern Korea's total foreign trade was conducted with the USSR or Communist China (including Manchuria).

According to northern Korean and Soviet press reports, the total value in rubles of trade between the two countries since the end of the war was 1946-74 million, 1947-143 million, 1948-265 million and 1949-337 million (the northern Korean won is valued at 20-30 won to the ruble). The chief commodities imported from the USSR include: crude and refined petroleum, bituminous coal, machine tools, transportation equipment, cotton and finished textiles. A large part of the Soviet shipments to northern Korea during 1949 are believed to have consisted of armaments and munitions, but there is no way of ascertaining the exact amounts or value. Soviet technical assistance rendered to northern Korea and the cost of training northern Korean technicians in the USSR may also have been included in the above-mentioned trade totals.

The value of northern Korean exports to the USSR was probably far in excess of the value of commodity imports received in return (excluding purely military items). The following items have been reported one or more times as having been exported to the USSR: iron and steel products (varying from pig iron to high-grade machinery steel); fertilizers; carbide; caustic soda; phosphoric, nitric and hydrochloric acid; acetylene; acetone; cement; grains (probably 20 percent rice and the balance in rough grains); potatoes; marine produce; processed foods and by-products; fruit and animal products; and a wide variety of mineral ores in raw or smelted form (gold, silver, zinc, copper, lead, nickel, magnesium, graphite, tungsten, molybdenum, titanium, and monazite).

No large-scale Manchurian-northern Korean trade is reported to have taken place before 1949. Again there is insufficient evidence (in terms of values) to indicate the quantity of trade since then. Items imported from Manchuria have been reported as: salt, textiles, fishing nets, scrap iron, foodstuffs, and bituminous coal. Northern Korean exports to Manchuria have been reported as fertilizers, carbide, anthracite coal, sheet iron and steel, and foodstuffs.

4. Transit Trade through Communist China

There is no evidence of any significant transit trade through Communist China. The report concerning the SS AZOV, noted in Section 2, above, is in fact the only evidence at hand bearing on the point. This does not preclude the possibility, however, that a considerable volume of transit trade by overland routes may be in progress.

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