

Soviet contribution towards industrial reconstruction of North Korea (1945 - 1948)

The middle 1940s was the time of high hopes for many nations affected by the World War II including Koreans. An independent state should have been created following the liberation from Japanese occupation despite the idea of an allied trusteeship over Korea. However, with the beginning of the Cold War, it became clear that prospects for unification of two occupation zones was delaying further and further. In this situation the Soviet government acquired the most important task to legitimize pro-Soviet system of People's Committees headed by Provisional People's Committee of North Korea created since August 1945. Along with political questions Soviet Civil Administration in North Korea was supposed to address the economic issues to provide daily functioning of the economy. It has received considerable attention, which is not surprising. Economic assistance including industry restoration improved the perception of the USSR's image in North Korea and attitude towards the Soviet Civil Administration and facilitated the adoption of a pro-Soviet Provisional People's Committee which performed governmental functions.

In Soviet historiography, the issue of economic relations between the two countries was not often addressed by researchers. There were a few major specialized works on economic relations between the two countries. In the works of Soviet historians, the theme of the economic recovery of North Korea after World War II is mainly concerned as a brief prehistory for the formation of economic relations between the USSR and the DPRK¹.

In the post-Soviet period, the economic relations between two countries have been studied much more intensively, but there are still few works devoted to the development of the North Korean economy and the role of the USSR in this process. The first of these was the monograph by N.E. Bazhanova². The author focuses on the Soviet role in restoration of the DPRK's economy after the Korean War of 1950-1953, but the formation of economic relations between two countries in the second half of the 1940s also was described by the author. Since most contemporary works on the history of North Korea's economic relations are devoted to the period of the 1990s – 2010s, research of N.E. Bazhanova remains the most complete coverage of the history of the development

¹ See for example: Андреев В.И., Осипов В.И. *СССР - КНДР: курсом взаимовыгодного сотрудничества* // Проблемы Дальнего Востока. №3. 1983. С. 8 – 22; Глебова М.Е. *Развитие экономики Корейской Народно-Демократической республики*. Москва, Государственный научно-технический комитет Совета Министров СССР. Всесоюзный институт научной и технической информации. Академия наук СССР. Институт экономики. 1959; Грязнов Г.В. *Социалистическая индустриализация в КНДР (1945–1960)*. Москва, Наука. 1966; Грязнов Г.В., Королев П.Г. *Изменение общественно-экономического строя в Северной Корее после освобождения (1945–1948 гг.)* // Очерки социалистического строительства в Корейской Народно-Демократической Республике. Москва, Издательство восточной литературы. 1963. С. 82–137; Каршинов Л. *Экономика и внешняя торговля КНДР на подъеме* // Внешняя торговля. №7. 1957. С. 10 – 22; *Корейская Народно-Демократическая Республика* / отв. ред. Тригубенко М.Е. Москва, Наука. 1985; Семенова Н.П. *Внутренняя и внешняя торговля Корейской Народно-Демократической Республики*. Москва, Наука. 1961; Суслина С.С. *Некоторые вопросы развития экономического сотрудничества между СССР и КНДР* / Дальний Восток. История. Экономика. М., 1974. С. 110 – 123; Тригубенко М.Е. *20 лет экономического и культурного сотрудничества между СССР и КНДР* // Международная жизнь. №3. 1969. С. 134 – 146.

² Бажанова Н.Е. *Внешнеэкономические связи КНДР. В поисках выхода из тупика*. Москва, Наука. 1993.

of North Korean economy from the formation of a new state to the collapse of the USSR. Another research devoted to the period 1945 – 1948 in the bilateral relations of the USSR and North Korea is the monograph by Yuri Vanin “USSR and North Korea. 1945 – 1948”³, in which the author, among other things, analyzes the Soviet-North Korean economic and cultural ties based on the materials of the Foreign Policy Archive of the Russian Federation.

The question of North Korea’s economic development remains insufficiently studied, especially in comparison with the works on the Republic of Korea. Most of the work on the Korean economy affected only the South, which is in the American sphere of influence, due to objective reasons - the lack of a proper number of sources (official records, statistics, etc.). Among the studies devoted to the North as well, one can name the work of B. Cummings⁴ about the origins of the Korean war, which explores the process of formation of the pro-Soviet and pro-American regimes in Korea, including affecting the economic aspects of the occupation of the peninsula. Among researchers directly occupied by this question the South Korean researcher Jeong Hyun Soo⁵. There are still many dispute questions. Thus, whether the USSR used North Korea as the raw material base, was that policy completely contrary to the interests of Korea, have the USSR major interest in military industry objects in the North only?

In this paper I will concentrate on Soviet economic influence in the North Korea right after the end of World War II to the DPRK’s creation. The analysis of participation of the Soviet experts in recovery of the Korean economy, identification of mechanisms of her adaptation to the planned system of managing, studying of structure of trade communications between the USSR and North Korea will allow to characterize more deeply degree of the involvement of the Soviet government into formation process socialist system.

The territory of North Korea has been freed from Japanese occupation by the 25th army of the Far East front under command of the colonel-general I.M. Chistyakov during the Soviet-Japanese war in 1945. Within two weeks after beginning of hostilities on the 24 of August Soviet troops have arrived in Korea. By August 26 the headquarters of the 25th army were posted in Pyongyang. Releasing the Koreans who was under the Japanese occupation since 1910, Soviet troops have faced need to organize supply of their units and to adjust management of the territory. All these issues needed to be resolved quickly, considering in what deplorable state there was an economy of North Korea after capitulation of Japanese. By the end of World War II North Korea was, certainly, the region which was more developed economically, than Southern. But when the Soviet troops have occupied the territory of North Korea inspection revealed large economic losses. According these records the most part from 1034 industrial enterprises couldn't be put into operation as, receding, the Japanese troops have taken out or have destroyed the necessary equipment, and 53 enterprises have been destroyed completely⁶.

³ Ванин Ю.В. *СССР и Северная Корея. 1945 – 1948*. Москва, ИВ РАН. 2016.

⁴ Cumings, Bruce. *The origins of the Korean war. Liberation and the emergence of separate regimes. 1945 – 1947*. Princeton. 1989.

⁵ Чжон Хюн Су. Социально-экономические преобразования в Северной Корее в первые годы после освобождения (1945 – 1948 гг.). Москва, МГУ им. М.В. Ломоносова. 1997.

⁶ Чистяков И.М. *Служим Отчизне*. Москва: Воениздат, 1985. С. 284.

The economic relations of the USSR and North Korea at the initial stages of cooperation leave a lot more questions for the researchers demanding impartial studying of the big massif archival declassified in the last decades in the Foreign Policy Archive of Russian Federation (AVP RF) and the Russian State Archive of Economy (RGAE).

The question of economic recovery has arisen before the Soviet troops right after the occupation. Major General N.G. Lebedev, the member of military council of the 25th army, and Colonel General I.M. Chistyakov, the army commander, remembered in the memoirs problems of post-war restoration of Korean economy. The first meeting of the Soviet militaries with People's Committees representatives was held on August 29. It revealed that there were practically no staff to perform economic tasks in North Korea⁷. During the colonial period Koreans couldn't hold administrative posts at the plants and factories, the Japanese administration only allowed them to work which not demand high qualification. Therefore, Koreans have been interested in the Soviet experts for management of the industry and training of own staff. So one of the major steps toward the solution of this problem was The Management of the Soviet Civil Administration headed by the member of the Council of the 35th army Major General A.A. Romanenko who has arrived in Pyongyang in September 1945. With him from the headquarters of the 1st Far East front the first Soviet experts have arrived. They had to deal with issues of communication adjustment, restoration of a financial system, railroads, industrial enterprises, agriculture⁸. For the first time they make their offers at a meeting of the Soviet command and representatives of People's Committees of Korea which has taken place from October 7 to October 11, 1945 in Pyongyang including 170 people (20 of them represented the Soviet military command, 51 – the Korean communists)⁹. Discussion of economic problems took place in several sections (the industry, agriculture, finance and railway transport), in each of which the Soviet experts imparting the Soviet experience with Koreans presided. Decisions that have been made there were designed by the Soviet officers as follows from N.G. Lebedev's memoirs¹⁰. The most important determined terms of restoration of infrastructure (mails, telegraph, railway communication – by November 1, bridges and roads – by December 15), creation of the Soviet-Korean coal trust which had to restore 24 mines by November 1, recommendations about firm prices of agricultural production and trade regulations in general. Also, participants of the meeting have stated additionally a request to send more Soviet experts to Korea¹¹. As Y.V. Vanin noticed in his new monograph these decisions constructed a basis for plans of recovery of the Korean economy which were developed and carried out by the Soviet civil authorities and People's Committees of North Korea in 1946 - 1948¹².

The question of restoration of the industrial enterprises was especially acute. First, Major General A.A. Romanenko and his subordinates have focused on problems of the heavy industry. On November 27, Command of the Soviet troops in North Korea has issued the order on start-up the first stage of the enterprises of the heavy industry. It was prepared by the specialist from Department of Industry of the Soviet Civil Administration Zheleznov and the Chief of logistics of

⁷ Лебедев Н.Г. *Заря свободы над Кореей* // Во имя дружбы с народом Кореи. Воспоминания и статьи. Москва, Наука. 1965. С. 32; Чистяков И.М. Указ. соч. С. 281 – 282.

⁸ Лебедев Н.Г. Ibid. P. 36.

⁹ Чистяков И.М. Ibid. P. 285.

¹⁰ Лебедев Н.Г. Ibid. P. 39.

¹¹ Ibid. P. 40.

¹² Ванин Ю.В. *СССР и Северная Корея. 1945 – 1948*. Москва, Институт востоковедения РАН. 2016. С. 235.

the 25th army Major General Cherenkov. The army undertook not only preparation of the plan, but also his financing and implementation¹³. By June 1, 1946, 288 industrial enterprises have been started. But among them there were no the largest plants which interested the Soviet experts basically (as ironworks in Kimchaek (Sŏngjin) and Chŏngjin which were giving 90% of all production of industry)¹⁴.

Restoration of the industrial enterprises demanded many experts whom neither Koreans, nor the Soviet civil authorities didn't have. From the materials which are contained in fund of the Ministry of Foreign Trade of the USSR in the Russian State Archive of Economy (RGAE) it became clear that the need for staff in the summer of 1946 was acute extremely. So, from the material prepared by the adviser for the industry Colonel Korkulenko we can see that the staff was covered only for 25%, and the greatest lack was observed among the translators from Korean that considerably complicated work of the Soviet experts. Besides, also the shortage of representatives of many engineering professions was shown: electricians, oil industry workers and even mining engineers on coal mining. At the same time, it is necessary to consider that restoration of coal mines was one of the most important tasks of the Soviet administration according to the plan developed in October 1945.

At all importance of this point of the program of restoration, work on restoration of mines went very slowly because of the absence of experts: the group of the Soviet geologists which has arrived in Korea in 1946 was engaged in search of ores of non-ferrous, rare metals, iron. There were 96 from 155 coal mines suitable for work. However, there were catastrophic shortage of personnel and not only at coal mining. According to the report of the Soviet geologists, the number of miners couldn't provide even 20% of development in times of Japanese occupation. Iron mines were even worse: 4 main mines providing more than 90% of metal weren't operated at all within September 1945 – May 1946, the number of workers at the metallurgical plants has fallen from 56 500 to 10 800¹⁵. At the same time from inspection reports of the Soviet experts it turns out that “There are no safety measures, workers have no coveralls” at the working plants, “the Russian advisers understand abnormality of such situation. According to them at the Soviet plants they wouldn't allow it”¹⁶.

Summary table of staff requirements for the Office of Heavy Industry of North Korea¹⁷.

№	Qualification	General need	Presence for 1.06.46.	Required additionally
1	Engineers-chemists:			
	A) Analysts	2	1	1
	B) by explosion. substances	2	1	1
	C) in basic chemistry	5	2	3

¹³ *Отношения Советского Союза с народной Кореей. 1945 – 1980. Документы и материалы.* Москва, Наука. 1981. С. 17.

¹⁴ Russian State Archive of Economy (RGAE). F. 413. Op. 13. D. 5467. L. 92.

¹⁵ RGAE. F. 413. Op. 13. D. 5465. L. 94

¹⁶ Russian State Archive of Socio-Political History (RGASPI). F. 82. Op. 2. D. 1265. L. 14.

¹⁷ RGAE. F. 413. Op. 13. D. 5466. L. 23.

	D) for chlorine	2	1	1
	E) special chemistry	1	-	1
2	Engineers of ferrous metallurgy:			
	A) blast-furnace operator	1	-	1
	B) open hearth furnace operator	1	1	-
	C) specialist for metal rolling	2	1	1
	D) coke oven operator	2	1	1
	E) coke oven chemist	1	-	1
	F) electrometallurgist	3	3	-
	G) specialist for ferroalloys	1	-	1
	H) agglomerants	1	-	1
	I) refractories engineer	1	-	1
3	Engineers of non-ferrous metallurgy:			
	A) for polymetals	5	2	3
	B) for electrodes	3	1	2
4	Mining engineers:			
	A) for the development of ores of non-ferrous and rare metals	8	3	5
	B) for the development of graphite	2	-	2
	C) for the development of iron ore	2	1	1
	D) for the development of coal	9	-	9
	E) for the development of nonmetallic minerals	2	-	2
	F) geologists on non-ferrous and rare metals	4	1	3
	G) geologists on coal	2	-	2
	H) geologists on graphs	1	-	1
	I) mine surveyors	4	-	4
5	Engineers-mechanics:	14	6	8
6	Enriching engineers:			
	A) for non-ferrous and rare metals	4	1	3
	B) graphite	2	-	2
	C) for iron ore	1	-	1
7	Electrical Engineers:			
	A) for hydroelectric power stations	6	-	6
	B) for hydraulic engineering structures	2	-	2
	C) for high-voltage networks and substations	3	-	3
8	Cement Engineers:	6	-	6
9	Petroleum engineers for oil refining:	3	-	3
10	Economists:	4	1	3
11	Accountants:	3	-	3
12	Economists-financiers:	6	-	6
13	Suppliers:	6	3	3

14	Stenographers:	1	-	1
15	Typists:	3	1	2
16	Secretaries-consultants:	4	-	4
17	Translators of Russian-Korean:	30	12	18
	Russian-Japanese translators:	3	-	3
	Russian-English translators:	2	-	2
	Total:	170	43	127

Nevertheless, despite great difficulties, at the large plants and factories it was succeeded to organize in-service training for Koreans. By the end of 1946 more than 511 masters and foremen and about 5 000 workers had passed the exams. The next year the number of the workers involved in process of in-service training was slightly less than 10 000 people, and masters and foremen - 1252¹⁸.

Gradual growth of trained workers didn't reduce problems in industry, especially it concerned metallurgy. Manufacturing output wasn't sufficient for domestic demand. The Soviet Civil Administration had to supply the industrial enterprises with coal and ore by deliveries from Sakhalin. However, as the Soviet experts from Korea reported, these supplies covered only about 25% of necessary level (by 1947 requirements for coal amounted to 213 thousand tons, and the actual deliveries consists of 54,6 thousand tons)¹⁹, and the imported coal had extremely inferior quality and mostly didn't correspond to appointment. Only about 10% of coal was appropriate to be used in the industrial purposes. That has led to frustration of the plan of industry recovery for 1947²⁰. Coal mines of Sakhalin in 1945 – 1946 objectively couldn't provide the North Korean industry completely as at that time shipment of coal happened only in three ports of Sakhalin. Local organizations didn't manage to deliver coal even to the territory of the Soviet Primorye, and storage in inadequate conditions at the Sakhalin ports led to damage for the coal and frequent self-ignitions²¹.

The Soviet experts represented 18 Departments. The Ministries of armament, communications, power stations, non-ferrous and ferrous metallurgy, aviation, automotive, shipbuilding, oil, paper, rubber, food, textile industries, transport and agricultural machinery were among the agencies that allocated field money for their specialists. Here the Soviet Civil Administration didn't meet such difficulties, as providing industry with coal²². Chief of the Primorsky military district K.A. Meretskov noted in the letter to the Minister of Foreign Trade A.I. Mikoyan in the summer of 1946 the need of additional financing Soviet experts for the industry as “the total spending on management and the enterprises is 24 500 thousand military-Korean yens until the end of the year or 3 500 thousand yens monthly”²³ that approximately corresponded 6 125 000 rubles for half a

¹⁸ Ibid. L. 45.

¹⁹ RGAE. F. 413. Op. 13. D. 5464. L. 42.

²⁰ Ibid. L. 44 – 45.

²¹ Ibid. L. 126.

²² RGAE. F. 413. Op. 13. D. 5466. L. 21.

²³ Ibid. L. 22.

year and 875 000 rubles monthly²⁴. About a half of all expenditures had been met from within deliveries of Korean goods to the USSR in the sum of 11 200 thousand yens (about 2 800 000 rub) until the end of 1946 or 1 600 thousand yens (about 400 000 rub) monthly. Due to the acute shortage of specialists the Soviet Civil Administration made numerous requests to Soviet Ministries to provide special allocations in the sum of 13 300 thousand military-Korean yens (about 3 325 000 rubles) until the end of the year or 1 900 thousand yens (about 475 000 rubles) monthly²⁵. The money received by the Soviet Civil Administration in the end of 1946 covered about 75% of the required sum.

Of course, spending of the Soviet Government for recovery of the industry in North Korea can seem modest in comparison with the amount of the help to the East European countries, so the credits of the USSR for development of the industry of Yugoslavia have made 179 million rubles for 1945 – 1948. However, the allocated funds remained the only opportunity to restart industrial production in North Korea.

North Koreans had no other sources of financing for quite clear reasons. From the beginning of Soviet-American occupation Korea became the area of generating conflict between superpowers. Restoration of industrial potential of the North was the matter of the great politics for the USSR. To the USA the Soviet zone of occupation was of particular interest to supply the South of Korea. At the Moscow conference of Foreign Ministers in December 1945 every discussion of future reunification of Korea began with projects of economic integration of the North and South which had problems with electrical supplies²⁶. Within preparation for a meeting on November 8, 1945 the ambassador of the USA in the USSR A. Harriman has transferred to the Ministry of Foreign Affairs of the USSR the letter with offers of the American Government concerning Korea in which all attention has been concentrated on economy questions – opening of trade between the North and the South of Korea, renewal of transport connection and ordering of finance²⁷. And as the Moscow meeting have shown, the U.S. Department of State not only had no concrete plans of political reunification of Korea, but also desire to discuss them after economic problems. At one of meetings on December 16, 1945 this question has been directly raised by V.M. Molotov: “As in the letter it was told absolutely nothing about creation of the joint administration and about creation of the Korean government, then could Mr. Byrnes explain what views on this matter the American Government have”? But American delegation insisted on the discussion on the economy issues, trade and finance primarily, which have been listed in the letter of November 8. Considering that the USSR was determined to secure a guarantee of representation of the pro-Soviet forces in future government of Korea, for V.M. Molotov the question of formation of authorities in a new integrated state came first. Negotiations on the Korean question had quickly come to a standstill and the decision of the Moscow conference was the half measure which had not satisfied neither Koreans, nor the Soviet and American sides. The decision on association was postponed until completion of work of the Joint commission, joint trusteeship had to last 5 years, economically two zones of Korea remained isolated.

²⁴ RGAE. F. 413. Op. 13. D. 5062. L. 21. In a certificate prepared by the Office of the Soviet Civil Administration in Korea, it is indicated that for one military-Korean yen (printed by the Japanese during the World War II), they give about 4 rubles.

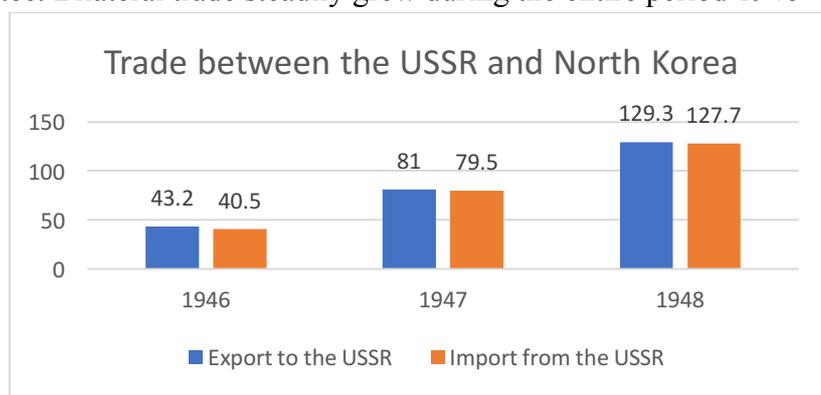
²⁵ Ibid. L. 22.

²⁶ The Foreign Policy Archive of Russian Federation (AVP RF) F. 07. Op. 10. P. 6. D. 65. L. 16.

²⁷ AVP RF. F. 129. Op. 29. P. 168. D. 18. L. 17.

Furthermore, it is significant that after a failure of the first session of meetings of the Joint commission (on March 20 – on May 8, 1946), in summer of 1946 the major political and economic decisions were made: nationalization of the industry in North Korea on August 10, 1946 and then creation of the Workers' Party of North Korea under the leadership of Kym Tu-bong. Therefore, the political and economic foundation of future socialist Korea had been laid, the USSR has openly shown that this territory has passed into his sphere of influence. Further search of a compromise for association of the North and the South of the peninsula became much more difficult.

Restoration of North Korean economy under such circumstances became the main issue of Soviet Administration. Economic served to strengthen relation between the USSR and North Korea. So, trade was regulated by agreements of the Red Army command and the Provisional People's Committee. Bilateral trade steadily grew during the entire period 1946 – 1948²⁸:



The structure of the import and export of the USSR and North Korea by 1947 shows that despite all problems with deliveries, coal was the main article of the Soviet import to North Korea. Fabrics and paper which production after 1945 was practically absent in the country were other goods important for Koreans. A basis of the Korean deliveries to the USSR is raw materials (chemicals, metal) which the plants of North Korea could deliver in small volume. Nevertheless, for the Soviet Primorye it was very important as Soviet resources had been insufficiently developed for the industry in this region. The full-scale investigation of natural resources in the south of the Far East will start only in 1946 with formation of the Far East Geological Department, and the initial stage of geological exploration proceeded till 1960s.

Besides, small vessels (fishing schooners, boats and kungasa) which construction was controlled by representatives of the Soviet fleet and Ministry of Fishing Industry became one more article of favorable trade between the USSR and North Korea²⁹: they were in demand among the Soviet fishermen and artels as the transport problem was acute for the ports of Sakhalin and Primorye, causing interruptions in deliveries not only large cargo to North Korea, but also interruptions in supply of the population on Sakhalin.

Export to the USSR		
1	Non-ferrous metals	5 253 t
2	Rolled ferrous metals	37 300 t

²⁸ RGAE. F. 413. Op. 13. D. 5467. L. 48.

²⁹ RGAE. F. 413. Op. 13. D. 5466. L. 11.

3	Ferroalloys	20 305 t
4	Products of the chemical industry	for 3,7 mln. rubles
5	Minerals	4 415 t
6	Explosives	for 426 000 rubles
7	Building materials	for 677 000 rubles
8	Boats (schooners)	for 1,4 mln. rubles
Import from the USSR		
1	Cotton fabrics	for 2,1 mln. rubles
2	Coal	for 5,6 mln. rubles
3	Petroleum products	for 341 000 rubles
4	Automobiles	for 613 700 rubles
5	Machine tools	for 183 000 rubles
6	Medical equipment and medicines	for 840 000 rubles
7	Paper	for 1 mln. rubles

Proceeding from data of the Soviet Civil Administration in North Korea for 1946 – 1948³⁰, it is possible to speak about the balanced trade of two countries during formation of North Korean economy, at the same time it is necessary to consider that the Soviet import in fact was the driving force of recovery of the industry of North Korea, providing it the most necessary goods.

Period of 1945 – 1948 became decisive in the fate of post-war Korea. The policy of the USA and the USSR in these years had led to split of the peninsula, Koreans have been involved in emerging Cold War. And therefore, recovery of national economy became important part of North Korea's sovietization as at other countries, included in Soviet sphere of influence.

Thanks to activity of the Soviet Union North Koreans had an opportunity to prepare own qualified personnel for the industrial enterprises. The Soviet experts working in Civil Administration managed by Major General A.A. Romanenko, and since fall of 1947 – Major General N.G. Lebedev, were directly involved in development of plans for recovery of the North Korean industry, trained Koreans. By October 1947, preparing for a withdrawal of Soviet troops from the territory of North Korea, military command had transferred to Provisional People's Committee of North Korea the property which was under control of the Soviet Civil Administration. It included 81 operating industry enterprises, 243 completely restored mines, nearly 4 thousand km of the restored railroads, 19 hydroelectric power stations, etc. Total amount had been estimated at 4,7 billion Korean yens. During 1948, while withdrawal of troops was conducted, the Soviet Civil Administration had been continuing its work. Also with formation of DPRK on September 9, 1948 many Soviet civil experts had continued the work as advisers at newly created ministries of DPRK.

The USSR has played a great role not only in political, but also in economic development of North Korea, but whether this participation has given to the Soviet Union so much? If we look at economic indicators, there is an impression of small relevancy Soviet-Korean relations for the USSR. However, in the conditions of the beginning of the Cold War when both the USSR and the

³⁰ RGAE. F. 413. Op. 13. D. 5467. L. 52 – 113.

USA refused to compromise and have initiated the formation of their own political camps, creation of the unions, it was necessary to support them by economic measures. Each of the countries tried to show the power, whether it be Marshall plan or the help of the USSR to countries of Eastern Europe. In this context the economic relations of the USSR and North Korea are quite natural.