

# The Patterns and Structure of Foreign Trade in North Korea(1954~1978): A Preliminary Study for the Analysis of Industries with Comparative Advantage in North and South Korea\*

Hak-Kil Pyo

Department of International Economics  
Seoul National University

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## I. Introduction

Since the division of the Korean Peninsula and the subsequent Korean War, more than three decades have passed. Over this period, while South Korea has grown to be an open economy, North Korea remained as one of the most secluded country in the world. Even foreign trade statistics which

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are usually one of the most accessible data for other countries are extremely hard to get. For example, the UN trade statistics which covers most of the countries including even Vietnam(DPR) does not have independent trade statistics for North Korea.

Even though North and South Korea had adopted completely different economic system, both went through the postwar period of reconstruction in the 1950's and the initial stage of economic planning in the 1960's. They also have gone through seemingly a second stage of economic planning during 1970's.

Aside from the difference in political ideology, a vast difference in resource endowment between northern part and southern part of the Peninsula would have produced quite different industrial structure and indeed, it did. The difference still remains and influences future prospects of their economic growth.

However, against all these odd factors, difficulty in obtaining data and striking differences in political ideology and resource endowments, there seems to have developed enough interest on studying how the economy of North Korea has changed intentionally or unintentionally.

Therefore, the prime purpose of this paper is to produce reasonable estimates of North Korea's trade statistics and study the changing economy of North Korea through an analysis on its foreign trade patterns. The study has self-imposed limitation in terms of availability of published data. In addition the weight of foreign trade in North Korean economy has been far from being significant and stable over time. But, it is also true that foreign trade is the only sector that is bound to be exposed to outside. Therefore, the focus of the paper will be upon the change of trade pattern in terms of directions of trade and commodity decomposition rather than the magnitude of foreign trade.

In what follows in Section II, an overall analysis of foreign trade in North Korea will be presented together with a brief summary of their economic development plans. Section III will analyze the change in directions

of foreign trade and commodity decomposition of the foreign trade in North Korea. In section V, the current trade policy of North Korea is discussed in terms of planning and administrative aspects which is followed by some remarks on the prospects of foreign trade in last section.

## **II. Foreign Trade of North Korea under Economic Development Planning(1954~1978)**

Foreign trade in North Korea like many other communist countries is under the state control. The Ministry of Foreign Trade has been administering external trade since 1958. Their foreign trade, therefore, was controlled to be in line with the government's overall economic planning.

The role of foreign trade in North Korea has been basically the following three. First, it serves as a sector of adjustment for the discrepancy between planning and performance and between domestic supply and demand. Second, it was a mechanism of buying advanced technology so that most of the time exports were regarded as a means of financing imports. Third, it was used as a vehicle for political propaganda and diplomatic relations. The fluctuation in their trade with U.S.S.R. and China year by year is one evidence and trade expansion with the Third World from late 1960's is another.

The economic planning of North Korea during last three decades went through the following three stages: reconstruction period(1954~1960), industrialization period(1961~1970), and modernization period(1971~1978).

### **1. Foreign Trade in Reconstruction Period(1954~1960)**

North Korea adopted Three-year Post-war Reconstruction Plan from 1954. The prime goal of the Plan was to resume production activity in all sectors to the pre-war level. According to the Plan, the total industrial output was to increase by 260% from the level of 1953(150% from the level of 1949) and a 176% increase was planned in construction sector.

The plan also stipulated a 20~30% reduction in production costs and an 11% reduction in construction costs(Institute of Far Eastern Studies [IFES], 1980:282).

In particular, the target industry for reconstruction was heavy industry such as steel, metal, chemical and coal. These industries were also emphasized for military reasons. At the same time, there was a massive socialistic economic reform by communizing private farming and nationalizing every private industrial structure. Owing to the aid during this period by the communist bloc shown in Table 1, it was reported that industrial output at the end of 1956 was 280% above the 1953 level and 180% above the 1949 level. It was also claimed that the industrial output had grown at an annual rate of 42% during the three-year plan period.

The reconstruction period was followed by the First Five-year Plan(1957~60) which was pushed for both socialistic economic reform and industrialization. According to the reports by North Korea, the industrial output increased at an annual average rate of 36.6% reaching at 3.5 times above the level of 1956.

**Table 1. Foreign Aid to North Korea**

(in billion U.S. dollars)

Country		China	U.S.S.R.	Other Communist Countries	Total
Period					
1949~60	Free	4	7	5	16
	Loan	2	—	—	2
	Sub Total	6	7	5	18
1961~70	Free	—	3	—	3
	Loan	—	—	—	—
	Sub Total	—	3	—	3
1971~78	Free	3	4	—	7
	Loan	—	—	—	—
	Sub Total	3	4	—	7
Total	Free	7	14	5	26
	Loan	2	—	—	2
	Total	9	14	5	28

Source: *A Complete Study on North Korea* (1980)

However, against their reports, the shortage of capital and skilled manpower seemed to have prevailed throughout the period and the declining foreign aid was a serious blow to the heavy-industry-oriented development plan.

The so-called 'Chonrima' movement during this period was designed to mobilize maximum labor to fulfill the development plan under the shortage of capital. It also had apparent purpose of ideological reform of the people toward socialism and, therefore, more tolerance to the shortage of food and consumer goods. In particular, the setback of agricultural output and imbalance between heavy industries and light industries forced the government to adopt 1960 as a year of adjustment.

During this seven years of post-war reconstruction and initial stage of development planning, the foreign trade in North Korea was much influenced by the foreign aid. In October 1952, the Ministry of Foreign Trade was created to deal with war-time supply of imported goods and aids (Chung, 1974:102). The Ministry controlled state-managed cooperative trading firms which specialized in particular products were also created to handle actual transactions of imports and exports.

Toward the end of this period, since the foreign aid began to be phasing out, the demand for foreign exchange to finance various development projects, was a serious problem. And it was the time when the government of North Korea put forth a combined effort to mobilize and encourage export industries. The target products were ore, metal, chemical and other industrial products. They introduced a system of export subsidies by the end of 1960 and adopted regulations to improve quality and standardizations of export products.

Even though they applied ad-valorem import taxes against imports from non-communist countries such as Japan and Hong Kong, the bulk of imports from the communist bloc under trade agreements were exempt from them (Chung, 1974:103).

Looking at trade performance during this period from Table 2, the index

**Table 2. Foreign Trade of North Korea (1949~78): Estimates<sup>1)</sup>**  
(in million U.S. dollars)

Year <sup>2)</sup>	Total Trade (X+M)	Trade Index 1949=100	Increase (%)	Exports (X)	Export Index 1949=100	Imports (M)	Import Index 1949=100	Trade Balance (X-M)
1949	182.3	100.0	—	76.3	100.0	106.0	100.0	-29.7
1953	73.0	40.0	—	31.0	40.6	42.0	39.6	-11.0
1954	68.3	37.5	-6.4	N.A	—	N.A	—	N.A
1955	102.1	56.0	49.3	45.0	59.0	57.1	53.9	-12.1
1956	163.6	89.7	60.2	65.8	86.2	97.7	92.2	-31.9
1957	243.7	133.7	49.1	100.0	131.1	143.4	135.3	-43.4
1958	290.0	159.1	19.0	135.0	176.9	155.0	146.2	-15.0
1959	348.3	191.1	20.1	113.5	148.8	234.8	221.5	-121.3
1960	323.5	177.5	-7.0	156.8	205.5	166.7	157.3	-9.9
1961	328.8	180.4	1.6	161.8	212.1	167.0	157.5	-5.2
1962	314.5	172.5	-4.3	167.6	219.7	146.9	138.6	20.7
1963	421.4	231.2	34.0	191.4	250.9	230.0	217.0	-38.6
1964	417.7	229.1	-0.9	195.1	255.7	222.6	210.0	-27.5
1965	453.5	248.8	8.6	210.1	275.4	243.4	229.6	-33.3
1966	469.3	257.4	3.5	248.4	325.6	220.9	208.4	27.5
1967	504.7	276.9	7.5	268.3	351.6	236.4	223.0	31.9
1969	703.0	385.6	39.3	297.2	389.5	405.8	382.8	-108.6
1971	933.3	512.0	32.8	325.0	425.9	595.6	561.9	-270.6
1972	1080.5	592.7	15.8	411.8	539.7	652.7	615.7	-240.9
1973	1340.8	735.5	24.1	499.2	654.2	815.8	769.6	-316.6
1974	1980.6	1086.4	47.7	658.0	862.4	1236.2	1166.3	-578.2
1975	1767.6	969.6	-10.8	717.5	940.3	1019.6	961.9	-302.2
1976	1359.0	745.4	-23.1	610.7	800.4	804.6	759.1	-193.9
1977	1357.9	744.9	-0.1	626.8	821.5	722.1	681.2	-95.3
1978	1984.8	924.2	24.1	830.4	1088.3	854.4	806.0	-24.0

Notes: 1) Owing to the lack of official trade data published by North Korea, this table should not be taken as a complete and exact presentation of North Korea's trade. These data have been compiled from various sources which include United Nations information and data published by the trading partners and official exchange rate have been applied.

2) The data are missing for the years 1968 and 1970 since some part of data, for example trade data with China, are missing.

Sources: U.N., *Year book of International Trade Statistics*.

U.N., *World Trade Annual*

IMF, *Directions of Trade*

Chung, J., *The North Korean Economy: Structure & Development*

U.S. Department of the Interior, *Minerals Yearbook*

of total trade volume reached 177.5% from the base year of 1949. In particular, it arrived at a peak in 1959 when the volume of imports was almost doubled resulting in a huge trade deficit of \$ 121.3 million (hereinafter the amount of trade is in U.S. dollars) which was financed mostly by the post-war economic aid from the communist bloc.

An interesting fact observed from the trade statistics during the period is that the volume of exports is less volatile than that of imports. It reflects that North Korea uses imports as an adjustment to unplanned short-term shortages in material under the scheduled economic plan. It is also noteworthy to point out that toward the end of the First Five-year Plan a large amount of imports of capital goods were probably necessary to complete the Plan because there was tremendous lack of equipments, technology and skilled labor during the period immediately after the war.

The year 1957 seems to be a benchmark year between the post-war reconstruction and the subsequent period of industrialization when both the index of exports and imports passed the pre-war level. As pointed out above, the year 1960 was apparently an adjustment year to reduce balance of payments deficit. By the year's end, both export and import volume became about double the size of the pre-war figure.

## **2. Foreign Trade during Industrialization Period(1961—1970)**

In 1961, North Korea announced a Seven-year Industrialization Plan (1961~67). The Plan envisioned a rapid industrial growth at the rate of 18% per year during the period. The industrial output in 1967 was supposed to reach 3.2 times above the 1960 level (IFES, 1980:284).

Reflecting the experience of the First Five-year Plan which resulted in shortage of food and light industry products, the Plan emphasized a balanced growth. The production of producer goods was to increase by 3.2 times and that of consumer goods by 3.1 times.

But, in October 1966, the Seven-year Plan was extended to 1970 making it a ten-year plan. The extension became inevitable due to North Korea's



priority changed toward more military build-up in sacrifice of industrialization as a result of Sino-Soviet conflict during 1960's. In 1966, to take seemingly neutral and independent position in the conflict between the Soviet Union and China, they announced a simultaneous build-up of both economic and military infrastructure. The government allocated more than 30% of the budget into military spending which burdened the industrialization plan. The military build-up also deepened the imbalance between heavy and light industries.

According to the reports to the 5th Labor Party Meetings in November 1970, the industrial output had grown at an annual rate of 12.8% which is far below from the target rate of the original Seven-year Plan(18%) but slightly above the modified target rate of its extended version (12.5%). While the production of producer goods achieved more than the original target increasing by 3.7 times(target:3.2 times), the production of consumer goods suffered a great deal reaching only 2.8 times increase(target: 3.1 times).

The volume of foreign trade during the ten-year period had been doubled. Exports increased from \$156.8 million in 1960 to \$297.2 million in 1969. On the other hand, imports have risen from \$166.7 million in 1960 to \$405.8 million in 1969 by 2.4 times. As a result, in 1969 the trade deficit reached \$108.6 million.

The characteristics of foreign trade during the industrialization period can be summarized as follows. First, there was an intensive effort to diversify export products from raw material to finished products exports. Second, they increased slowly but gradually the trade with non-communist countries, particularly with non-communist countries for both political and economic reasons. It was a reaction to the Sino-Soviet conflict at the early 1960's. Especially, the economic aid from both the Soviet Union and China was declining so that they needed more export earning to finance capital good imports necessary for the industrialization plan.



### 3. Foreign Trade in Modernization Period (1971~1978)

At the 5th Labor Party Meetings in November 1970, a six-year (1971~76) economic plan was adopted. Subsequently, in September 1975, they announced through the reports of Central Statistical Bureau that the six-year plan had achieved its goal 16 month before the target date and the following two years (1976~77) would be used for adjustment period (Japanese External Trade Organization [JETRO], 1979:1~11).

According to their reports, it was claimed that national income increased from 1970 to 1974 by 170%, that the industrial output was up by 220% from 1970 to August 1975, and that the crop production reached 7 million tons in 1974. However, because of the bottleneck in technology, transportation, and management skills etc. and the oil price increase of 1974, the economy is believed to have expanded at much slower rate than the reported rate (14.2% annual growth rate).

Foreign trade of North Korea during this period has been drastically expanded in both the volume and the number of trading partners. The period is also characterized as the period of large trade deficit reaching in 1974 as high as 578.2 million dollars (see Table 2). North Korea seemed to have realized that for modernization of their industrial structure which was particularly biased toward heavy industries, they needed better technology from the western world. Total imports from OECD increased from 51.8 million dollars in 1971 to 637.6 million dollars in 1974 even though it eventually slowed down to the level of 283 million dollars in 1978 due to the lack of foreign credits and reserves.

During the modernization plan period, North Korea imported more than 2.1 billion dollars of machinery and equipments which amounted to 60% of the total trade volume. Imports from the U.S.S.R. and from the West were .7 billion dollars and 1.4 billion dollars respectively. In an effort to finance these imports, they mounted all-out effort to promote exports and partly succeeded in doing so from the level of 325 million dollars in 1971

to the level of 830.4 million dollars in 1978.

However, it was far from being significant to finance the imports of which the result was the increased current account deficits and foreign borrowings. The total foreign borrowing during the period was 1.89 billion dollars.

The amount of foreign borrowings after 1976 now reaches 2 billion dollars level which includes unpaid balances of .6 billion dollars to the U.S.S.R. and .5 billion dollars to the West.

To settle the issue of unpaid trade balance, the following agreements were made in March 1977 after lengthy period of negotiations between North Korea and the three Western countries—France, England, and West Germany.

1) Deferring payments against 371 million Deutsch Mark bonds issued by Societe Generale as the principal bank. North Korea will make installment payments (21 time) starting April 1978 until April 1984.

2) Payments against Export credits of the amount 4828 million Swiss Franc and 323 million Deutsch Mark are deferred. North Korea will pay in 21-time installment payments during November 1978 and November 1983.

The three Swiss banks (UBS, CSB, and SBC) made an agreement in April 1977 to allow North Korea to make deferred payments within 4 years against the debt of 100 million Swiss Franc on the condition that North Korea pays interests on the deferred balance of debt. On the other hand, against Sweden and Austria, also, North Korea holds significant amount of unpaid balances.

Even though the basic trade pattern was not changed after 1975, several facts are worthwhile to be noted. First, they increased the trade volume with China and the U.S.S.R. again by 31.6% from \$753.6 million in 1974 to \$991.7 million in 1978. Second, the trade deficit has been reduced substantially as a result of cutback in imports of machinery and equipments from the West. The trade deficit of \$578.2 million in 1974 was reduced to the level of \$24 million in 1978.

The failure of export promotion around 1974 can be explained in part by the world-wide recession after the oil crisis and the resulting reduction in the Western countries' demand for non-ferrous metals from North Korea which was the prime target commodity. But more important factor behind the tremendous trade deficit was that the economy of North Korea was not structurally ready for the sudden opening to the outside. They lacked in infrastructure transportation and port facilities, as well as market information in the western countries. In addition, the heavy industries aimed at military purposes only could not generate enough secondary reproduction effects so that gains from the trade opening were not channeled into the increase in exports of other sectors.

As a result of failure in opening their economy on both political and economic grounds, the modernization plan itself seems to have achieved only a limited success. But, North Korea announced in September 1975 that since the targets of the six-year modernization plan had been already achieved, the subsequent two years of 1976 and 1977 were to be the years of adjustment for the next economic plan which turned out to be another Seven-year Plan (1978~84).

### III. Directions of Trade and Commodity Composition

#### 1. Overview

As we have seen in Table 2, the total volume of trade which started at the level of mere \$182.3 million in 1949 increased by more than ten times reaching at its peak \$1980.6 million in 1974. After a slow down since 1974, the trade volume seems to be picking up again reaching at the level of \$1684.8 million in 1978.

Its overall directions of trade as shown in Table 3 reveal two interesting facts. First, its trade volume with the communist bloc was stabler than that with the non-communist world. The decline of trade volume with the former between 1974 and 1977 was only 23 million dollars while that with

**Table 3. Directions of Trade in North Korea (1955~78); Estimates<sup>1)</sup>**  
(in million U.S. dollars)

Year <sup>2)</sup>	Communist				Non-Communist			World Total (X+M)
	USSR	China	Others	Total	OECD	Others	Total	
1955	84.9	9.5	7.7	102.1	0.01	—	0.01	102.11
1956	105.0	16.9	41.6	163.5	0.06	—	0.06	163.56
1957	122.5	85.6	35.3	243.4	0.34	—	0.34	243.7
1958	105.1	152.4	32.4	289.9	0.09	0.01	0.1	290.0
1959	125.7	149.5	64.1	339.3	8.3	0.7	8.3	348.3
1960	114.1	110.0	44.1	268.2	11.8	3.5	11.8	323.5
1961	156.1	116.7	32.4	305.2	21.3	2.4	21.3	328.8
1962	168.9	92.4	38.9	300.2	13.3	1.1	13.3	314.5
1963	170.2	185.2	39.3	394.7	25.9	0.8	25.9	421.4
1964	163.6	165.8	40.9	370.3	45.2	2.2	45.2	417.7
1965	178.1	168.4	45.6	392.1	59.4	2.0	59.4	453.5
1966	177.9	177.9	43.5	399.3	65.4	4.6	65.4	469.3
1967	218.3	168.3	44.9	431.5	68.6	2.9	68.6	504.7
1969	328.2	104.5	79.0	511.7	126.1	37.5	163.6	703.0
1971	502.6	136.1	158.0	796.7	106.6	30.0	136.6	933.3
1972	458.4	218.8	170.0	847.2	195.1	38.2	233.3	1080.5
1973	480.6	248.0	163.1	891.7	345.4	103.7	449.1	1340.8
1974	453.6	300.0	216.7	970.3	827.6	182.7	1010.3	1980.6
1975	468.5	368.7	250.0	1087.2	603.8	76.6	680.4	1767.6
1976	401.3	258.0	250.2	909.5	384.4	65.1	449.5	1359.0
1977	447.0	320.0	180.3	947.3	333.6	77.0	410.6	1357.9
1978	551.7	440.0	157.5	1149.2	449.6	86.0	535.6	1684.8

Notes: The same as Table 2.

Sources: The same as Table 2.

the latter amounted to 623 million dollars. Actually between 1974 and 1975, North Korea switched some of its trade with the West for the trade with the communist bloc. Second, the trade with non-OECD countries began to increase during 1970's but remained at only around 20% of total non-communist trade and less than 10% of total world trade.

Looking at the export side of directions of trade by Table 4, the weight of communist bloc as North Korea's export market declined steadily from almost 100% to 75% in recent years but stayed at that level for several years without a further drop. On the other hand, its exports to the non-communist countries did not improve drastically except 1974~75.

**Table 4. Directions of Trade in North Korea's Exports (1955~78): Estimates**  
(in million U.S. dollars)

Year	Communist				Non-Communist			World
	USSR	China	Others	Total	OECD	Others	Total	Total(X)
1955	40.8	4.1	0.1	45.0	—	—	—	45.0
1956	51.2	10.8	3.8	65.8	0.03	—	0.03	65.8
1957	62.5	30.2	7.3	100.0	0.04	—	0.04	100.0
1958	47.0	82.2	5.8	135.0	0.02	—	0.02	135.0
1959	51.6	42.2	15.5	109.3	3.7	0.5	4.2	113.5
1960	74.7	57.2	16.4	148.3	5.7	2.8	8.5	156.8
1961	79.1	59.4	15.1	153.6	6.4	1.8	8.2	161.8
1962	88.2	53.6	18.3	160.1	6.8	0.7	7.5	167.6
1963	88.1	70.0	20.5	178.6	12.1	0.7	12.8	191.4
1964	80.7	68.0	21.3	170.0	23.4	1.7	25.1	195.1
1965	88.3	73.7	23.6	185.6	22.7	1.8	24.5	210.1
1966	92.3	92.3	25.8	210.4	33.8	4.2	38	248.4
1967	108.0	97.6	20.7	226.3	39.4	2.6	42	268.3
1969	126.6	79.8	39.7	246.1	47.8	3.3	51.1	297.2
1971	135.8	58.3	66.2	260.3	54.8	9.9	64.7	325.0
1972	154.9	106.3	69.5	330.7	69.3	11.8	81.1	411.8
1973	179.3	112.0	75.7	367.0	116.4	15.8	132.2	499.2
1974	196.8	120.0	116.5	433.3	190.0	34.7	224.7	658.0
1975	209.7	192.2	107.7	509.6	177.4	30.5	207.9	717.5
1976	158.3	106	83.9	432.4	150.5	27.8	178.3	610.7
1977	223.0	164.0	77.6	464.6	116.2	46.0	162.2	626.8
1978	294.7	230.0	106.1	630.8	166.6	33.0	199.6	830.4

Notes: The same as Table 2.

Sources: The same as Table 2.

It reflects that North Korea's export products did not have good marketability because of different tastes and quality standards. Therefore, when the world-wide recession was followed after the 1973 oil crisis and the demand by OECD countries for North Korea's steels, non-ferrous metals, and magnesia clinkers etc. was significantly reduced, there were not enough substitute exports to finance their imports from OECD.

On the import side of directions of trade shown in Table 5, one can realize that North Korea's imports rely on the availability of credits from the Soviet Union and OECD. The dominance of the imports from the communist bloc started fading away near the end of 1960s and reached at the bottom

**Table 5. Directions of Trade in North Korea's Imports (1955~78): Estimates**  
(in million U.S. dollars)

Year	Communist				Non-Communist			World
	USSR	China	Others	Total	OECD	Others	Total	Total(M)
1955	44.1	5.4	7.6	57.1	0.01	—	0.01	57.1
1956	53.8	6.1	37.8	97.7	0.03	—	0.03	97.7
1957	60.0	55.4	28.0	143.4	0.3	—	0.3	143.4
1958	58.1	70.2	26.6	154.9	0.07	—	0.07	155.0
1959	74.1	107.3	48.6	230.0	4.6	0.2	4.8	234.8
1960	79.4	52.8	27.7	159.9	6.1	0.7	6.8	166.7
1961	77.0	57.3	17.3	151.6	14.9	0.5	15.4	167.0
1962	80.7	38.8	20.6	140.1	6.5	0.3	6.8	146.9
1963	82.1	115.2	18.8	216.1	13.8	0.1	13.9	230.0
1964	82.9	97.8	19.6	200.3	21.8	0.5	22.3	222.6
1965	89.8	94.7	22.0	206.5	36.7	0.2	36.9	243.4
1966	85.6	85.6	17.7	188.9	31.6	0.4	32.0	220.9
1967	110.3	70.7	24.2	205.2	29.2	0.3	31.2	236.4
1969	201.6	46.2	39.3	327.1	78.3	0.4	78.7	405.8
1971	366.8	77.8	91.8	536.4	51.8	7.4	59.2	595.6
1972	303.5	112.5	100.5	516.5	125.8	10.4	136.2	652.7
1973	301.3	136.0	87.4	524.7	229.0	62.1	291.1	815.8
1974	256.8	180.0	100.1	536.9	637.6	61.7	699.3	1236.2
1975	258.8	176.5	142.3	577.6	426.4	15.6	442.0	1019.6
1976	243.0	152.0	166.2	561.2	233.9	9.5	243.4	804.6
1977	224.0	156.0	102.7	482.7	217.4	22.0	239.4	722.1
1978	257.0	210.0	51.4	518.4	283.0	53.0	336	854.4

Notes: The same as Table 2.

Sources: The same as Table 2.

at 43% level in 1974 when some OECD countries extended credits to North Korea in order to sell their capital goods. The curtailment of OECD countries' credits and poor export performance made North Korea rely on mainly import credits by the Soviet Union after 1975. As a result, the imports from OECD countries dropped from 637.6 million dollars (51%) in 1974 to 283.0 million dollars (30%) in 1978.

There has been also a substantial change in commodity composition of the trade in North Korea. As shown in Table 6, minerals was a predominant export item occupying over 80% of the total exports before 1956. After the reconstruction period, North Korea seems to have increased

**Table 6. Exports of North Korea by Commodity in Selected Years: Estimates**  
(Unit: %)

Commodity	1953	1956	1959	1960	1963	1964	1969	1971~76 average
Machinery & equipments	0.4	0.3	0.9	5.3	4.6	3.9	5.2	5
Electric manufactures	2.2	0.1	2.4	—	2.3	1.6	3)	—
Fuels & petroleum	—	0.4	4.8	3.2	3.1	3.8	3)	—
Minerals	81.8	54.3	14.5	12.8	12.4	11.5	7.2	24
Iron & Non-ferrous metals	9.0	30.9	33.4	43.7	46.3	49.9	39.6	35
Chemical products	0.05	5.9	13.4	12.1	7.2	6.0	8.0	1
Wood manufactures	—	—	1.9	3.3	1)	2)	10.0	—
Textile fibers	0.7	0.3	—	0.6	1)	2)	3)	10
Food	3.9	3.6	13.7	10.2	8.8	11.0	12.2	14
Perishables & luxuries	0.1	1.3	12.2	6.3	1)	2)	3)	—
Fishery products	1.8	2.9	2.8	1.8	1)	2)	3)	2
Others	0.05	—	0.4	0.7	1)	2)	3)	9
Total	100	100	100	100	100	100	100	100

Notes: 1) 15.3% when lumped together

2) 12.3% when lumped together

3) 17.8% when lumped together

Sources: 1) Chung, J., *The North Korean Economy: Structure & Development* for the years 1953~19692) *Buk-Han Jun Seo (A Study on North Korea)* for 1971~76 average

its smelting capacity significantly. By the end of 1960, minerals occupied only 12.8%. Instead, iron and non-ferrous metals exports began to increase significantly reaching almost at 50% exports share by 1964. Its average export share during modernization plan period (1971~76) was about 35%.

Minerals, iron and non-ferrous metals together accounted for about 91% of total exports in 1953 but accounts for about 59% during 1971~1976. Therefore, it indicates that North Korea achieved some degree of export diversification by increasing exports of textile fibers, food, and machinery & equipments. But on the other hand, low shares of exports in items like electric manufactures, wood manufactures, and chemical products indicate well the lack of consumer-product-related investments.

On the other hand, the commodity composition of imports as shown in Table 7 has been quite stable over time. Machinery & equipments were the single largest item that has been imported throughout the post-war



**Table 7. Imports of North Korea by Commodity in Selected Years: Estimates**  
(Unit: %)

Commodity	1953	1956	1959	1960	1963	1964	1969	1971~76 average
Machinery & equipment	34.3	32.7	34.8	22.5	23.6	21.2	30.2	41
Electric manufactures	8.6	7.7	5.4	1.6	1.9	2.2	6	—
Fuels & petroleum	9.8	8.4	12.4	18.3	22.3	22.1	19.3	25
Minerals	0.2	0.5	0.8	1.0	6.0	4.6	3)	3
Iron & Non-ferrous metals	7.2	11.8	10.1	7.0	9.5	9.8	8.7	9
Chemical & rubber manufactures	9.8	7.5	6.2	6.2	11.5	11.8	8.2	9
Wood manufactures	1.4	0.02	0.1	0.1	1)	2)	3)	—
Pulp & paper	3.2	0.8	1.0	0.9	1)	2)	10.4	—
Textile fibers	3.9	13.0	5.2	2.6	1)	2)	3)	4
Cultural items and daily necessities	1.0	0.9	0.4	0.6	1)	2)	3)	—
Agricultural by products	0.2	6.3	7.7	19.9	9.1	2.1	10.0	6
Perishables & Luxuries	0.2	1.2	1.2	5.8	1)	2)	3)	—
Others	19.2	9.2	14.7	8.5	1)	2)	3)	3
Total	100	100	100	100	100	100	100	100

Notes: 1) 16.1% when lumped together

2) 26.2% when lumped together

3) 13.2% when lumped together

Sources: The same as Table 6.

period. It reflects well the fact that machinery & equipments were imported under the strict economic planning for industrialization. As seen in Table 5, fuels & petroleum were the next biggest import item. The lack of imports in electric manufactures, wood manufactures, cultural items & necessities, and agricultural by-products indicates well that North Korea did not allow importation of consumer goods. With this overall picture in mind, let us look at the pattern of trade in North Korea more specifically through by-country and by-commodity data.

## 2. Trade with the Communist Bloc

The North Korea's trade had been predominantly with the communist bloc, up until mid 1960's because of both political and economic closeness with the bloc from which all of the economic aids and credits came during the reconstruction period. In addition, there was the trade embargo imposed

during the Korean War by the United States and other western countries so that even some potential trade with the western world could not be materialized.

As was shown in Table 3, the share of the communist bloc in North Korean trade had been kept well over 90% through the mid-1960's but slowly declined reaching 72.7% in 1969. When the modernization plan was adopted and western technologies were sought after in early 1970's, the share declined dramatically to the level of 49% in 1974.

But after 1974, the total volume of North Korea's world trade itself had dropped significantly from \$1.98 billion (1974) to \$1.36 billion (1976)

**Table 8. Foreign Trade of North Korea with the Communist Bloc:**  
Estimates (1955~78) (in million U.S. dollars)

Year	Exports			Total	Imports			Total
	USSR	China	Others		USSR	China	Others	
1955	40.8	4.1	0.1	45.0	44.1	5.4	7.6	57.1
1956	51.2	10.8	3.8	65.8	53.8	6.1	37.8	97.7
1957	62.5	30.2	7.3	100.0	60.0	55.4	28.0	143.4
1958	47.0	82.2	5.8	135.0	58.1	70.2	26.6	154.9
1959	51.6	42.2	15.5	109.3	74.1	107.3	48.6	230.0
1960	74.7	57.2	16.4	148.3	76.4	52.8	27.7	159.9
1961	79.1	59.4	15.1	153.6	77.0	57.3	17.3	151.6
1962	88.2	53.6	18.3	160.1	80.7	38.8	20.6	140.1
1963	88.1	70.0	20.5	178.6	82.1	115.2	18.8	216.1
1964	80.7	68.0	21.3	170.0	82.9	97.8	19.6	200.3
1965	88.3	73.7	23.6	185.6	89.8	94.7	22.0	206.5
1966	92.3	92.3	25.8	210.4	85.6	85.6	17.7	188.9
1967	108.0	97.6	20.7	226.3	110.3	70.7	24.2	205.2
1969	126.6	79.8	39.7	246.1	201.6	46.2	39.3	327.1
1971	135.8	58.3	66.2	260.3	366.8	77.8	91.8	536.4
1972	154.9	106.3	69.5	330.7	303.5	112.5	100.5	516.5
1973	179.3	112.0	75.7	367.0	301.3	136.0	87.4	524.7
1974	196.8	120.0	116.5	433.3	256.8	180.0	100.1	536.9
1975	209.7	192.2	107.7	509.6	258.8	176.5	142.3	577.6
1976	158.3	190.2	83.9	432.4	243.0	152.0	166.2	561.2
1977	223.0	164.0	77.6	464.6	224.0	156.0	102.7	482.7
1978	294.7	230.0	106.1	630.8	257.0	210.0	51.4	518.4

Sources: The same as Table 9.

**Table 9. Foreign Trade of North Korea with the Communist Bloc by Country (1971~77): Estimates**  
(in million U.S. dollars(%))

Year		1971	1972	1973	1974	1975	1976	1977
Country								
USSR	Export	135.8 (52.2)	154.9 (46.8)	179.3 (48.9)	196.8 (45.4)	209.7 (41.2)	158.3 (36.6)	223.0 (48.0)
	Import	366.8 (68.4)	303.5 (58.8)	301.3 (57.4)	256.8 (47.8)	258.8 (44.8)	242.4 (43.2)	224.0 (46.4)
China	Export	58.3 (22.4)	106.3 (32.1)	112.0 (30.5)	120.0 (27.7)	192.2 (37.7)	190.2 (44.0)	164.0 (35.3)
	Import	77.8 (14.5)	112.5 (21.8)	136.0 (25.9)	180.0 (33.5)	176.5 (30.6)	196.1 (34.9)	156.0 (32.3)
Yugoslavia	Export	—	—	0.03 (0.0)	14.79 (3.4)	8.39 (1.6)	10.14 (2.3)	5.01 (1.1)
	Import	—	—	2.14 (0.4)	5.13 (1.0)	21.31 (3.7)	10.27 (1.8)	3.33 (0.7)
Romania	Export	10.68 (4.1)	11.29 (3.4)	15.85 (4.3)	18.99 (4.4)	15.00 (2.9)	7.90 (1.8)	7.75 (1.7)
	Import	10.97 (2.0)	15.95 (3.1)	19.21 (3.7)	31.62 (5.9)	24.45 (4.2)	25.00 (4.5)	17.95 (3.7)
Poland	Export	8.65 (3.3)	10.27 (3.1)	7.63 (2.1)	13.70 (3.2)	19.99 (3.9)	18.82 (4.4)	15.89 (3.4)
	Import	5.99 (1.1)	9.66 (1.9)	6.13 (1.2)	11.85 (2.2)	12.63 (2.2)	12.16 (2.2)	16.37 (3.4)
Bulgaria	Export	2.61 (1.0)	4.89 (1.5)	9.32 (2.5)	16.59 (3.8)	17.17 (3.4)	11.52 (2.7)	12.47 (2.7)
	Import	6.36 (1.2)	7.39 (1.4)	10.91 (2.1)	14.32 (2.7)	17.46 (3.0)	20.41 (3.6)	14.31 (3.0)
German Democratic Republic	Export	26.53 (10.2)	25.63 (7.8)	28.37 (7.7)	36.21 (8.4)	33.07 (6.5)	23.2 (5.4)	18.0 (3.9)
	Import	55.79 (10.4)	58.00 (11.2)	39.26 (7.5)	25.32 (4.7)	49.61 (8.6)	34.8 (6.2)	27.0 (5.6)
Czechoslovakia	Export	15.05 (5.8)	15.81 (4.8)	12.38 (3.4)	13.91 (3.2)	9.85 (1.9)	6.33 (1.5)	9.25 (2.0)
	Import	10.95 (2.0)	7.81 (1.5)	7.81 (1.5)	9.71 (1.8)	12.38 (2.1)	10.34 (1.8)	11.57 (2.4)
Hungary	Export	2.66 (1.0)	1.61 (0.5)	2.11 (0.6)	2.33 (0.5)	4.21 (0.8)	6.02 (1.4)	9.21 (2.0)
	Import	1.76 (0.3)	1.67 (0.3)	1.90 (0.4)	2.19 (0.4)	4.49 (0.8)	9.74 (1.7)	12.18 (2.5)
Total	Export	260.28 (100.0)	330.7 (100.0)	366.99 (100.0)	433.32 (100.0)	509.58 (100.0)	432.43 (100.0)	464.58 (100.0)
	Import	536.42 (100.0)	516.48 (100.0)	524.66 (100.0)	536.94 (100.0)	577.63 (100.0)	561.22 (100.0)	482.71 (100.0)

Sources: 1) United Nations, *Yearbook of International Trade Statistics*

2) JETRO, *Present State of DPRK Economy*

and the share of the communist bloc began to rise again steadily due to both political and economic reasons. Politically, they began to be concerned with too much exposure to the Western world and its by-product effects on domestic regime. Economically, the export promotion to finance increased imports demand was not materialized as much as they had hoped and, therefore, the increasing balance of payments difficulties became a serious problem.

As Tables 8 and 9 indicate, the communist bloc as North Korea's prime export market can be divided into three segments: the Soviet Union, China, and the other countries of the Eastern Europe. Even if the export share did change over time, the average share of export to each segment was around 42% for the Soviet Union, 34% for the China, and the remainder for the rest of the communist countries. As for imports, about 57% of the total imports came from the Soviet Union, 28% from China and the remainder from other communist countries.

#### *Trade with the Soviet Union*

The Soviet Union has been a dominant trade partner for North Korea throughout the post-war period. Even though the share of the Soviet Trade did fluctuate from time to time as shown in Table 10 reflecting the political atmosphere between two countries, there is no doubt that the Soviet Union has been the main source of economic aid and credit for North Korea and, therefore, its major trade partner.

The first formal trade agreement under the name of the Treaty Concerning Economic and Cultural Cooperation was signed in 1949 for the following ten-year period (IFES, 1980: 177~183). Under the agreement, the two trade partners recognized each other as most favored nation. The agreement provided for North Korea a credit of 212 million rubles during 1949~52 and subsequently a grant of one billion rubles (250 million U.S. dollars) in 1953 for reconstruction. The treaty also provided for technical assistance and exchange program for North Korean workers and students to be trained

**Table 10. Foreign Trade of North Korea with USSR (1949~78): Estimates**  
(in million U.S. dollars)

Year	Export to USSR (X)	Import from USSR (M)	Total (X+M)	Index 1949=100	Trade Balance (X-M)	Weight of Export to USSR in Total Exports (%)	Weight of Import from USSR in Total Imports (%)	Weights of Trade with USSR in Total Trade (%)
1949	—	—	85.1	100.0	—	—	—	46.7
1955	40.8	44.1	84.9	99.7	-3.3	90.7	77.2	83.2
1956	51.2	53.8	105.0	123.4	-2.6	77.8	55.1	64.2
1957	62.5	60.0	122.5	143.9	2.5	62.5	41.8	50.3
1958	47.0	58.1	105.1	123.5	-11.1	34.8	37.5	36.2
1959	51.6	74.1	125.7	147.7	-22.5	45.7	31.6	36.2
1960	74.7	39.4	114.1	134.1	35.3	48.5	23.7	40.8
1961	79.1	77.0	156.1	183.4	2.1	49.4	46.3	47.8
1962	88.2	80.7	168.9	198.5	7.5	40.6	62.8	53.9
1963	88.1	82.1	170.2	200.0	6.0	46.2	35.7	40.5
1964	80.7	82.9	163.6	192.2	-2.2	41.7	37.3	39.4
1965	88.3	89.8	178.1	209.3	-1.5	42.4	38.6	39.4
1966	92.3	85.6	177.9	209.0	6.7	37.8	39.1	38.3
1967	108.0	110.3	218.4	256.5	-2.3	40.6	47.1	43.7
1969	126.6	201.6	328.2	385.7	-75.0	41.3	46.9	48.6
1971	135.8	366.8	502.6	590.6	-231.0	45.0	64.5	57.7
1972	154.9	303.5	458.4	538.2	-148.6	38.8	48.1	44.5
1973	179.3	301.3	480.6	564.8	-121.8	36.0	46.0	42.5
1974	196.8	256.8	453.6	533.0	-60.0	29.1	20.5	23.7
1975	209.7	258.8	468.5	550.5	-49.1	25.9	23.7	24.6
1976	158.3	243.0	401.3	471.6	-84.7	24.1	29.3	24.0
1977	223.0	224.0	447.0	525.3	-1.0	32.8	27.3	29.8
1978	294.7	257.0	551.7	648.3	37.7	34.0	27.8	31.3

Sources 1) Chung J., *The North Korean Economy: Structure & Development*  
2) U.N. *Yearbook of International Trade Statics*

at Soviet factories and universities (Chung, 1974: 117~118).

The second long-term agreement was signed in December 1960 in Moscow to cover the period 1961~67 which coincides with the North Korea's seven-year plan for industrialization. The second agreement was more specific and project-oriented one by nature. The agreement stipulated Soviet assistance in iron works, power plants, petrochemical plants, and textile factories.

However, since the relationship between the two steadily deteriorated as the Sino-Soviet conflict grew, during 1961~65, various projects initially

planned were not fulfilled in full making the extension of the seven-year plan inevitable. The third treaty was signed in June 1966 to cover the extended plan period 1967~70 when the relationship began to improve.

In September 1970, another economic assistance agreement was made between the Soviet Union and North Korea to help the latter's industrial modernization plan. It was followed by the fourth treaty for commodity exchange and payments for the years 1971~75 which was signed in Pyongyang on February 3, 1971. The fifth treaty of the same kind was concluded in February 1966 in Moscow to cover the years 1976~80.

The total volume of trade with the U.S.S.R. started at 85.1 million dollars level in 1949 and came back to about the same level in 1955 after Korean War. The total volume increased steadily after 1955 and almost tripled by 1968. But the burden of extended seven-year plan fell on increased imports from the Soviet Union which pushed up the total volume substantially up until 1975 when the plan was followed by the second six-year modernization plan.

In 1975 the total volume of trade reached \$ 468.5 million which accounted for about one quarter of total North Korea's total trade. After two years of stagnation in trade during 1976~77, the trade volume picked up again in 1978 to the level of \$ 551.7 million accounting for 31.3% of the North Korea's total trade.

During the period of reconstruction and industrialization between 1955 and 1968, the trade balance between the Soviet Union and North Korea had been kept basically at tolerable level except the year 1959 when there were increased imports to finish the First Five-year Plan. But since 1968 when the First Seven-year Plan turned out to produce greater imbalance among different industrial sectors, the burden for industrialization caused accelerated demands for imports from the Soviet Union increasing trade deficit substantially. The trade deficit with the Soviet Union continued to rise because of the Six-year modernization plan during early 1970's and it reached a peak with 231 million dollars in 1971.

However, the revision of the modernization plan and export promotion efforts helped to reduce the deficit since 1974. In 1978, due to a favorable export increase, the trade balance recorded a surplus year for the first time since 1966.

Now, turning to the commodity composition of North Korea's trade with the Soviet Union, it resembles its trade with the World in general, importing mainly machinery and equipments and exporting primarily steel products and non-ferrous metals etc.. Before 1955, North Korea's main export items included minerals, carbide, and chemical fertilizers etc.. The import products included coking coal, crude oil, industrial and agricultural machinery, locomotives, rolling stock, chemicals, and daily necessities.

The predominant exports up until 1959 were metallic ores and concentrates occupying 60.7% of the total exports to the Soviet Union in 1955. But the share dramatically declined to 19.1% in 1959 and even further to mere 1% by 1965. It suggests that smelting capacities were expanded sharply around 1958 as a part of the First Five-year Plan. Instead of metallic ores and concentrates, base metals and concentrates such as steel products, non-ferrous metals, magnesia clinker, and non-metal minerals etc. became main export items. In particular, the steel exports increased from \$1.6 million (3.9% export share) in 1955 to \$35.48 million (40.2%) in 1965.

The import commodity composition was characterized by high percentage share of machinery and equipment (usually more than one-third of total imports) such as metal-cutting machines, power equipments, motor vehicles, and even complete plants. During the same period, North Korea exported rice to the Soviet Union as large as \$22 million (1961) but, because of imports of wheat and rye, it remained as a heavy net importer of food.

During 1971~75, mineral materials export ranked top with an average share of 37% as shown in Table 11. But there was a noticeable gain in the export share of manufactures for consumption (average 12.6%) and structural parts and structures (18.3%) which indicates that North Korea pursued to diversify and promote its export products. On the import side



**Table 11. Exports of North Korea to USSR by Commodity**  
(in thousand U.S. dollars(%))

Commodity	1971	1972	1973	1974	1975	Average
Machinery, equipments & transport equipment	5,439 (4.0)	13,424 (8.7)	11,372 (6.3)	19,924 (10.1)	17,005 (8.1)	(7.44)
Fuels, mineral materials, metal	47,828 (35.2)	56,386 (36.4)	65,107 (36.3)	76,023 (38.6)	80,673 (38.5)	(37.0)
Chemical manufacturers, fertilizers, rubber	1,971 (1.5)	3,498 (2.3)	3,646 (2.0)	4,537 (2.3)	4,971 (2.4)	(2.1)
Structural parts & structures	26,858 (19.8)	28,670 (18.5)	35,579 (19.8)	31,526 (19.0)	36,572 (17.4)	(18.3)
Crude materials inedible	2,571 (1.9)	4,258 (2.7)	6,303 (3.5)	5,937 (3.0)	1,935 (0.9)	(2.4)
Food	25,185 (18.5)	24,502 (15.8)	27,866 (15.5)	35,814 (18.2)	34,739 (16.6)	(16.92)
Manufactures for consumption	22,426 (16.5)	21,076 (13.6)	23,414 (13.1)	17,379 (8.8)	23,572 (11.2)	(12.64)
Total	135,776 (100.0)	154,889 (100.0)	179,289 (100.0)	196,771 (100.0)	209,719 (100.0)	

Sources: The same as Table 10

**Table 12. Imports of North Korea from USSR by Commodity**  
(in thousand U.S. dollars(%))

Commodity	1971	1972	1973	1974	1975	Average
Machinery, equipment & transport equipment	111,520 (30.4)	115,548 (38.1)	109,094 (36.2)	110,846 (43.2)	104,724 (40.5)	(37.68)
Fuels, mineral materials, metal	49,925 (13.6)	39,746 (13.1)	44,731 (14.8)	52,470 (20.4)	57,716 (22.3)	(16.84)
Chemical manufactures, fertilizers, rubber	7,724 (2.1)	8,237 (2.7)	9,458 (3.1)	7,887 (3.1)	7,490 (2.9)	(2.78)
Structural parts & structures	694 (0.2)	659 (0.2)	516 (0.2)	301 (0.1)	247 (0.1)	(0.16)
Crude materials inedible	11,605 (3.2)	9,196 (3.0)	9,202 (3.1)	9,902 (3.9)	8,156 (3.2)	(3.28)
Food	15,142 (4.1)	16,500 (5.4)	20,153 (6.7)	19,479 (7.6)	22,850 (8.8)	(6.52)
Manufactures for consumption	6,641 (1.8)	6,001 (2.0)	5,228 (1.7)	6,223 (2.4)	8,530 (3.3)	(2.24)
Total	366,774 (100.0)	303,505 (100.0)	435,780 (100.0)	256,767 (100.0)	258,755 (100.0)	(100.0)

Sources: The same as Table 10

during the period as shown in Table 12, machinery & equipments ranks top with an average import share of 37.7% which are followed by fuels, mineral materials & metal(16.8%).

It should be noted that very little consumer goods (only 2.24%) were imported from the Soviet Union despite claimed economic development in two decades after the reconstruction period. It is a good indication of the nature of the state-controlled trade of which the prime target is not to provide consumers with materials from abroad but to fulfill the goals of the state's economic planning.

#### *Trade with China and Other Communist Countries*

North Korea's trade with China took the form of barter agreements. After the first barter agreement was signed by the two in August 1950 just after the breakout of Korean War, they held commodity exchange agreements since then.

The size of trade with China was as large as the trade with the Soviet Union up until 1966 accounting for about 38% of the total trade. But after 1966, the share of the trade with China started to decline until early 1970's due to deteriorating political relationship reaching as low as 15.6% in 1971. But the share started to gain in recent years due to the crude-oil imports. Actually the share of the Soviet Union declined from 57.7% in 1971 to 31.1% in 1978 while that of China increased from 15.6% in 1971 to 26% in 1978.

Exports of North Korea used to be iron ore, fertilizer, tools and machinery, magnesia clinker, carbide, silk products and some agricultural products. From 1963, various steel products and cement were added and metals in 1964, electric motors in 1967, and anthracite coal and glass plates were added subsequently.

The major products imported from China in early 1960's include cokes, raw cotton, tungsten ore, manganese, tire, machinery equipments, silver metal, tin, and rubber etc.. Later items like steel bar, automobiles, corn, sugar, and salt were added during 1960's and crude oil too in 1970's.

North Korea's trade with other eastern bloc communist countries has been relatively small in size fluctuating at around 10% of total trade and

around 20% of the trade with communist bloc as was shown in Table 4. The main trading countries were East Germany, Poland, and Czechoslovakia. North Korean exports to these countries include steel, machinery, tools, semi-finished products such as ferrous and non-ferrous metal, and chemical products. She imported coke, machinery and transport equipment from Poland and some engineering products from Czechoslovakia and East Germany.

North Korea has maintained relatively small amount of trade with other communist countries such as Cuba which is the only communist nation in the Western Hemisphere, Burma, Mongolia and North Vietnam. In most cases, North Korea exported its semi-finished or finished industrial products in exchange for primary commodities such as sugar (Cuba), chrome ore and some agricultural products (North Vietnam), tungsten, zinc, and rice (Burma), and wool, furs, and leather (Mongolia).

### **3. Trade with the Non-communist Countries**

North Korea's trade with non-communist countries was almost negligible (less than 2% of total trade) during 1950's mainly because all economic aids came from the Communist Bloc while the trade embargo was imposed by the western countries. The volume of trade increased during 1960's very slowly but steadily to reach 13.7% in 1967. However, toward the end of Industrialization Plan period in late 1960's, the trade with OECD picked up momentum. It was also accentuated during early 1970's when some of the OECD countries provided North Korea with credits to finance their exports.

On the other hand, North Korea tried to increase the trade with non-aligned developing countries to help with their political position. But the volume of trade with developing countries has been quite limited (less than 10% of total trade). The share of non-communist trade total increased rapidly to 31.9% in 1973 and to 53% in 1974. After 1974, the share slowed down and remained at the level of 31.8% in 1978.

The commodity composition of the trade with non-communist world does not have any unique pattern since North Korea imports capital goods mainly from OECD countries while it exports semi- and finished manufactures to the developing countries.

### *Trade with OECD Countries*

Among OECD countries, Japan has been the biggest trade partner for North Korea accounting for about half of the total trade with OECD since 1961 as shown in Table 13. Other major trade partners include West Germany, France, Sweden and Italy.

Between years 1971~1978, North Korea's exports to OECD have been tripled while its imports from OECD have increased by almost five times. In 1974 which was the peak year of trade with OECD, the export amount reached \$ 190 million and the import amount reached \$ 637.6 million. In 1978, the export amount stands at \$ 166.6 million and the import amount stands at \$ 283 million.

In terms of trade balance, North Korea experienced fluctuating trade balance with OECD during 1960's; they ran trade deficits in years 1962, 1966 and 1967 but trade surpluses in the rest of years. However, since 1971, they ran trade deficits consistently throughout the modernization period. The magnitude of trade deficit reached as high as 447.6 million dollars in 1974 because of almost tripled import amount between 1973 and 1974.

Table 13 indicates also that North Korea's trade balance with other OECD countries. For example in 1974 when Japan's trade accounted for 43.6% of total OECD trade, the trade deficit with Japan accounted for only 32% of total deficit with OECD. In fact, they had run trade surplus in most of years during 1960's except small deficits in years 1961, 1962 and 1965.

The more unfavorable trade balance with other OECD countries indicates that there was a certain limit on the exportability of North Korean products into Western European countries.

**Tale 13. Foreign Trade of North Korea with OECD(1954~78): Estimates**  
(in thousand U.S. dollars (%))

Year	Exports		Imports		Total Trade		Trade Balance	
	Japan	OECD	Japan	OECD	Japan	OECD	Japan	OECD
1954	76 (100.0)	76	0	0	76 (100.0)	0	76	76
1955	0(0.0)	2	0(0.0)	6	0(0.0)	8	0	-4
1956	0.2(0.6)	31	—	27	—	58	—	4
1957	—	41	—	278	—	319	—	-237
1958	0.9(4.5)	20	0.1(0.2)	65	1(1.2)	85	0.8	-45
1959	16 (0.4)	3,732	192 (4.2)	4,605	208 (2.5)	8,337	-176	-878
1960	8 (0.1)	5,721	1,138 (18.6)	6,127	1,146 (9.7)	11,848	-1,130	-406
1961	3,976 (53.9)	6,426	4,938 (33.2)	14,877	8,914 (41.8)	21,303	-962	-8,451
1962	4,553 (66.6)	6,840	4,781 (73.2)	6,535	9,334 (69.8)	13,375	-228	305
1963	9,430 (78.0)	12,090	5,347 (38.7)	13,822	14,777 (57.0)	25,912	4,083	-1,732
1964	20,231 (86.6)	23,352	11,284 (51.8)	21,766	31,515 (69.9)	45,766	8,947	-1,586
1965	14,723 (65.0)	22,666	16,505 (45.0)	36,684	31,228 (52.6)	59,259	-1,782	-14,018
1966	22,692 (67.2)	33,768	5,014 (15.9)	31,579	27,706 (42.4)	65,347	17,678	2,189
1967	29,606 (75.2)	39,367	6,370 (21.9)	29,194	35,976 (52.5)	68,501	23,236	10,233
1968	34,032 (75.4)	45,163	20,748 (41.1)	50,526	54,780 (57.2)	95,689	13,284	-5,363
1969	32,188 (67.3)	47,816	24,161 (30.9)	78,269	56,356 (44.7)	126,085	8,027	-35,816
1970	34,417 (62.8)	54,804	23,346 (49.6)	47,049	57,763 (56.7)	101,853	11,071	7,755
1971	30,075 (54.9)	54,802	28,691 (55.4)	51,765	58,766 (55.1)	106,567	1,384	3,037
1972	38,311 (55.3)	69,285	93,429 (74.3)	125,818	131,740 (67.5)	195,103	-55,118	-56,533
1973	72,202 (62.0)	116,380	99,671 (43.5)	228,990	171,873 (49.8)	345,370	-27,469	-112,610
1974	108,700 (57.2)	189,970	251,700 (39.5)	637,580	360,400 (43.6)	827,550	-143,000	-447,610
1975	64,800 (36.5)	177,420	181,100 (42.5)	426,350	245,900 (40.7)	603,770	-116,300	-248,930
1976	71,900 (47.8)	150,460	96,400 (41.2)	233,900	168,300 (43.8)	384,360	-24,500	-83,440
1977	66,618 (57.3)	116,229	125,097 (57.6)	217,369	191,715 (49.7)	385,598	-58,479	-184,580
1978	107,000 (64.2)	166,597	183,000 (64.7)	283,000	290,000 (64.5)	449,598	-76,000	-116,403

Sources: U.N., *World Trade Annual*

When the European countries were hit by quadrupled oil price and the world-wide recession after 1974, the demand for North Korea's major export products such as ferrous and non-ferrous metals declined significantly. Without substitutable products that can be exported, it left a huge trade deficit because they had already committed themselves to the imports of capital goods from the West through the credits of the West.

The fore-mentioned payments difficulty as a result of huge trade deficits forced North Korea to cut back trade with OECD significantly after 1974.

The Oilver company of France, one of the few Western companies which opened an office in 1968, closed its office in Pyongyang. The Italian trade office which was supposed to open according to the trade promotion agreement made between North Korea and Italy in July 1977, has not been opened yet. And Italian trade delegation which were scheduled to visit North Korea in 1978 and 1979 cancelled its trip (JETRO, 1979:57).

Looking at the commodity composition through Tables 14 and 15, we find that the composition is quite similar to the one with the Soviet Union. Based upon one-digit classification, we find the largest export share in 1978 is occupied by basic manufactures (43%) being followed by food and live animals (28%) and crude materials except fuels (24%). It is interesting to note that food and live animals used to account for only about 7% of the total exports to OECD before 1977 but now occupied 28% at the level of \$47 million.

Imports of North Korea from OECD in 1978 are made up by machines & transport equipments (30.4%), basic manufactures (23.7%), and chemicals (18.4%) etc.. Between 1964 and 1978, the share of machines & transport equipments plus basic manufactures together declined from 80% level to 54% while that of chemicals plus crude materials except fuels increased from 16.5% to 24%. It indicates that as the result of North Korea's industrialization, the demand for intermediate inputs started to increase significantly. It is also interesting to note that North Korea has been always net importer of food from OECD but changed to be net exporter of \$26

Table 14. Exports of North Korea to OECD by Commodity (1964~1978): Estimates (in thousand U.S. dollars(%))

SITC	0	1	2	3	4	5	6	7	8	9	
	Total	Food and live animals	Beverages and tobacco	Crude materials except fuels	Mineral fuels etc.	Animal, vegetable oil, fat	Chemicals	Basic Manufactures	Machines, transport equipment	Miscellaneous manufactured goods	Goods not classified by kind
1964	20,915 (100.0)	1,938 (9)	—	6,771 (32)	486 (2)	—	—	11,658 (56)	—	—	—
1965	20,275 (100.0)	1,066 (5)	—	8,589 (42)	199 (1)	—	—	10,244 (51)	33 (0.2)	63 (0.3)	—
1966	26,719 (100.0)	1,936 (7)	34 (0.1)	9,945 (37)	944 (4)	—	43 (0.2)	13,601 (51)	62 (0.2)	134 (0.5)	—
1968	45,163 (100.0)	1,485 (3)	33 (0.1)	11,602 (26)	1,490 (3)	—	372 (1)	30,076 (67)	—	88 (0.2)	—
1969	47,816 (100.0)	1,956 (4)	41 (0.1)	19,743 (41)	825 (2)	—	139 (0.3)	24,936 (52)	—	135 (0.3)	—
1970	54,804 (100.0)	3,072 (6)	191 (0.3)	24,836 (45)	1,384 (3)	—	106 (0.2)	24,551 (45)	64 (0.1)	469 (1)	150 (0.3)
1971	54,749 (100.0)	3,348 (6.1)	352 (0.6)	23,718 (43)	1,187 (2.2)	—	361 (0.7)	25,303 (46.2)	29 (0.1)	323 (0.6)	128 (0.2)
1972	69,285 (100.0)	6,388 (9.2)	291 (0.4)	23,757 (34)	938 (1.4)	—	1,339 (1.9)	35,864 (52)	52 (0.1)	610 (0.9)	46 (0.1)
1973	116,809 (100.0)	9,906 (8)	589 (1)	29,773 (25)	987 (1)	—	138 (0.1)	72,011 (62)	326 (0.3)	495 (1)	461 (0.4)
1974	171,342 (100.0)	15,100 (9)	687 (0.4)	44,609 (26)	8,311 (5)	—	1,478 (1)	98,965 (57)	795 (5)	461 (0.4)	149 (0.1)
1975	153,628 (100.0)	8,153 (5)	969 (1)	37,085 (24)	1,195 (1)	—	1,666 (1)	100,937 (66)	962 (1)	2,481 (2)	203 (0.1)
1976	130,542 (100.0)	10,753 (8)	440 (0.3)	28,423 (22)	2,204 (2)	—	925 (1)	82,318 (63)	954 (1)	3,553 (3)	1,114 (1)
1977	116,229 (100.0)	8,176 (7)	607 (1)	34,370 (30)	1,866 (2)	808 (1)	1,557 (1)	63,591 (55)	1,196 (1)	3,283 (3)	559 (0.3)
1978	166,597 (100.0)	47,167 (28)	760 (0.5)	39,740 (24)	1,413 (0.8)	—	1,747 (1)	71,466 (43)	573 (0.3)	3,120 (2)	612 (0.4)

Sources: U.N., *World Trade Annual*



Table 15. Imports of North Korea from OECD by Commodity (1964~1978): Estimates (in thousand U.S. dollars(%))

SITC	0	1	2	3	4	5	6	7	8	9
	Food and live animals	Beverages and tobacco	Crude materials except fuels	Mineral fuels etc.	Animal, vegetable oil, fat	Chemicals	Basic manufactures	Machines, transport equipment	Miscellaneous manufactured goods	Goods not classified by kind
Year	Total									
1964	18,017 (100.0)	—	78 (0.4)	72 (0.4)	348 (1.9)	2,904 (16.1)	7,838 (43.5)	6,302 (35.0)	344 (1.9)	123 (0.7)
1965	35,318 (100.0)	11,445 (32.4)	194 (0.5)	—	490 (1.4)	3,165 (9.0)	9,999 (28.3)	9,356 (26.5)	526 (1.5)	122 (0.3)
1966	23,261 (100.0)	12,051 (51.8)	416 (1.9)	—	157 (0.7)	1,512 (6.5)	2,755 (11.9)	5,712 (24.6)	518 (2.2)	98 (0.4)
1968	41,691 (100.0)	7,528 (18.1)	2,416 (5.8)	171 (0.4)	282 (0.7)	5,153 (12.4)	7,031 (16.9)	16,517 (39.6)	2,078 (5.0)	503 (2.2)
1969	78,269 (100.0)	1,669 (2.1)	1,291 (1.6)	52 (1.6)	163 (0.2)	5,132 (6.6)	8,517 (10.9)	58,831 (75.2)	1,624 (2.1)	380 (6.3)
1970	47,049 (100.0)	6,240 (13.3)	1,207 (2.6)	69 (0.1)	194 (0.4)	4,421 (9.4)	6,694 (14.2)	25,027 (53.2)	2,033 (4.3)	1,158 (2.5)
1971	51,725 (100.0)	7,462 (14.4)	418 (0.8)	—	255 (0.5)	6,394 (12.4)	7,235 (14.0)	27,166 (53.5)	1,283 (2.5)	1,318 (2.5)
1972	125,818 (100.0)	17,396 (13.8)	1,213 (0.9)	—	352 (0.3)	8,906 (7.1)	35,694 (28.4)	56,326 (44.8)	5,157 (4.1)	763 (0.6)
1973	228,258 (100.0)	59,982 (26.3)	2,622 (1.2)	238 (0.1)	2,224 (0.9)	17,443 (7.6)	74,016 (32.4)	60,065 (26.3)	7,784 (3.4)	3,786 (1.7)
1974	634,767 (100.0)	141,363 (22.3)	4,507 (0.7)	648 (0.1)	5,896 (0.9)	22,040 (3.5)	155,100 (24.4)	283,175 (44.6)	18,196 (2.9)	3,741 (0.6)
1975	430,276 (100.0)	8,775 (2.0)	1,684 (3.9)	913 (0.2)	361 (0.1)	28,082 (6.5)	68,925 (16.0)	297,431 (69.1)	14,463 (3.4)	8,911 (2.1)
1976	259,746 (100.0)	33,094 (12.7)	3,926 (1.5)	414 (0.2)	664 (0.3)	25,081 (9.7)	37,077 (14.3)	143,062 (55.1)	11,686 (4.5)	3,831 (1.5)
1977	217,369 (100.0)	32,364 (14.9)	9,519 (4.4)	3,049 (1.4)	75 (0.03)	31,285 (14.4)	44,494 (20.5)	80,835 (37.2)	13,739 (6.3)	2,015 (0.9)
1978	283,000 (100.0)	21,170 (7.5)	15,859 (5.6)	3,119 (1.1)	1,533 (0.5)	52,205 (18.4)	67,177 (23.7)	86,067 (30.4)	12,644 (4.5)	23,134 (8.2)

Sources: U.N., *World Trade Annual*

million in 1978.

When we decompose North Korea's trade with OECD by commodity use, we get Tables 16. As shown in Table 16, the commodity use of export products shows that most of exports were materials.

However, the share of materials declined from 92.3% in 1971 to 70.5% in 1978 while that of consumption goods increased from 6.9% to 28.8% during the period. It indicates that some of the North Korea's basic manufactures industry has become competitive during 1970's. But almost

**Table 16. Foreign Trade of North Korea with OECD by Commodity Use**  
(1964~1978): Estimates (in thousand U.S. dollars (%))

Year	Consumption Goods		Materials		Capital Goods		Total	
	Export	Import	Export	Import	Export	Import	Export	Import
1964	1,938 (8.3)	—	18,915 (81.0)	11,584 (53.2)	—	6,302 (29.0)	23,352 (100.0)	21,766 (100.0)
1965	1,066 (4.7)	11,445 (31.2)	19,095 (84.2)	14,374 (39.2)	33 (0.1)	9,356 (25.5)	22,666 (100.0)	36,684 (100.0)
1966	1,970 (5.8)	12,051 (38.2)	24,667 (73.0)	5,378 (17.0)	62 (0.2)	731 (2.3)	33,768 (100.0)	31,579 (100.0)
1967	—	—	—	—	—	—	39,367 (100.0)	29,194 (100.0)
1968	1,518 (3.3)	7,528 (14.9)	43,628 (96.6)	17,131 (33.9)	—	16,517 (32.7)	45,163 (100.0)	50,526 (100.0)
1969	1,997 (4.2)	1,669 (2.1)	45,778 (95.7)	16,779 (21.4)	—	58,831 (75.2)	47,816 (100.0)	78,269 (100.0)
1970	3,263 (6.0)	6,240 (13.3)	51,286 (93.6)	14,618 (31.1)	64 (0.1)	25,077 (53.3)	54,804 (100.0)	47,049 (100.0)
1971	3,754 (6.9)	8,008 (15.5)	50,525 (92.3)	12,053 (23.3)	—	27,865 (53.9)	54,749 (100.0)	51,725 (100.0)
1972	6,992 (10.1)	22,638 (18.0)	61,655 (89.0)	44,595 (35.5)	75 (0.1)	57,257 (45.5)	69,283 (100.0)	125,818 (100.0)
1973	10,756 (9.3)	70,238 (30.8)	103,625 (89.3)	91,239 (40.3)	236 (0.2)	61,263 (26.8)	116,050 (100.0)	228,258 (100.0)
1974	16,520 (9.6)	155,909 (25.2)	152,275 (88.9)	175,769 (27.3)	826 (0.5)	291,017 (45.9)	176,316 (100.0)	634,767 (100.0)
1975	9,122 (5.1)	8,856 (2.1)	143,364 (80.8)	114,428 (26.8)	962 (0.5)	297,431 (69.8)	177,420 (100.0)	426,350 (100.0)
1976	11,193 (7.4)	33,198 (14.2)	101,025 (67.1)	78,848 (33.7)	888 (0.6)	143,062 (61.2)	150,460 (100.0)	233,900 (100.0)
1977	8,783 (7.6)	32,364 (14.9)	105,707 (90.9)	102,161 (47.0)	1,196 (1.0)	80,835 (37.2)	116,229 (100.0)	217,369 (100.0)
1978	47,945 (28.8)	21,265 (7.5)	117,486 (70.5)	152,537 (57.9)	537 (0.3)	86,067 (30.4)	166,597 (100.0)	283,000 (100.0)

Notes: Excluding miscellaneous commodities; Sources: U.N., *World Trade Annual*

negligible portion of capital goods exports indicates that North Korea still remains to be capital goods importer from OECD.

On the import side, the break-down of North Korea's trade with OECD by commodity use shows that the share of capital goods declined from 53.9% in 1971 to 30.4% in 1978 while that of materials increased from 23.3% to 53.9% in 1978. It is consistent with the change in commodity use of exports to OECD in that as the industrial structure becomes more modernized in North Korea, the demand for intermediate imports increased more rapidly than that for capital goods. As for consumption goods, it reached once a peak level of 30.8% share in total imports in 1978 but declined immediately to the level of only 7.5% in 1979.

The commodity composition of North Korea's trade with Japan is not much different from that with entire OECD. The average of one-digit break-down during 1964~78 is presented in Table 17. On the export side, the basic manufactures are the top category (45.9%) being followed by crude materials except fuels (36.4%) and food and live animals (12.8%). On the import side, machines & transport equipments, basic manufactures accounted for 40.5% and 35.7% respectively.

**Table 17. Foreign Trade of North Korea with Japan by Commodity**  
(1964~1978 Average) (in thousand U.S. dollars)

SITC Code	Commodity	Trade Total	Average	%	Trade Total	Average	%
0	Food and live animals	96,830	6,052	12.8	1,972	123	0.2
1.	Beverages and tobacco	1,862	116	0.2	3	—	—
2.	Crude materials except fuels.	274,784	17,174	36.4	36,437	2,277	3.2
3.	Mineral fuels etc.	24,309	1,519	3.2	7,727	483	0.7
4.	Animal, vegetable oil, fat	32	2	—	2,640	165	0.2
5.	Chemicals	7,699	481	0.1	125,924	7,870	11
6.	Basic manufactures	346,813	21,676	45.9	409,259	25,579	35.7
7.	Machines, transport equipment	301	19	—	464,888	29,056	40.5
8.	Miscellaneous manufactured goods	967	60	0.1	61,993	3,875	5.4
9.	Goods not classified by kind	2,226	139	0.3	36,075	2,255	3.1

Sources: U.N., *World Trade Annual*

*Trade with Developing Countries*

North Korea's trade with developing countries has kept a low percentage share during the post-war period. In 1971 when North Korea started trade with developing countries more seriously, the share of the trade with developing countries was only 5.5%. And the figure did not improve at all after 8 years occupying 5.1% of the total trade in 1978(See Table 3).

The share of North Korea's exports to developing countries in total exports has been around 4% as was shown in Table 4 through 1970's while the share of its imports has increased from 3% in 1971 to 6% in 1978(See Table 5.).

The major trade partner has been Hong Kong since early 1960's. India, Pakistan, Singapore and Malaysia in Asia and Egypt and Iraq from the Middle East and Brazil in Latin America as indicated in Table 16 and 17. Since 1974, more than dozen countries in Africa and Latin America with small volume of trade were added to the list.

In recent years, North Korea increased the number of developing countries as trade partners. The countries with which North Korea made trade agreements in 1978 are India (February), Ghana (April), Central Africa, Mozambique, Congo (all in May), Algeria (September), Afghanistan (November) and Thailand (December) (JETRO, 1979:58).

Therefore, one can conjecture that North Korea's trade with developing countries was more politically motivated. There are two reasons why they have run trade deficits with the developing countries as shown in Table 18. First, because the volume is so low, it was tolerable for North Korea to run deficit with them hoping that diplomatic advantage and future potential as export market would outweigh the small deficit. Second, their semi-manufacture exports were not simply popular enough to attract the consumers of developing countries which have been usually well exposed to the Western and Japanese products. In addition, the North Korea's major exports such as basic metals are not needed by most of developing

countries because they do not have well-developed heavy industries which would use them. In short, North Korea does not seem to have enough products which can be sold in developing countries.

**Table 18. North Korea's Trade with Developing Countries (1971~1978):  
Estimates**

Year	Exports	Imports	Total Trade	Trade Balances
1972	12.7	17.3	30.0	-4.6
1973	16.0	22.2	38.2	-6.2
1974	25.8	77.9	103.7	-52.1
1975	86.3	96.4	182.7	-10.1
1976	30.5	46.1	76.6	-15.6
1977	27.8	37.3	65.1	-9.5
1978	46.0	31.0	77.0	15.0
	33.0	53.0	86.0	-20.0

Sources: 1) U.N., *Yearbook of International Trade Statistics*

2) *A Complete Study on North Korea*

**Table 19. North Korea's Exports to Developing Countries (1971~1978):  
Estimates**  
(in thousand U.S. dollars)

Nation	1971	1972	1973	1974	1975	1976	1977	1978
Export to Developing Countries	9,860	11,780	15,780	34,657	30,524	27,766	46,000	33,000
ASIA	8,330	8,550	13,150	24,371	26,162	25,931	42,000 <sub>1)</sub>	33,000 <sub>2)</sub>
Hong Kong	3,380	2,570	4,770	6,660	6,900	14,800	17,000	16,000
India	1,220	2,450	830	1,640	—	—	6,000	8,000
Pakistan	1,160	1,440	670	6,140	2,570	—	—	—
Singapore	2,570	1,630	6,620	7,400	11,980	—	7,000	5,000
Malaysia	—	—	—	420	2,100	6,300	3,000	1,000
Philippines	—	—	—	1,100	1,400	4,600	—	—
MIDDLE EAST	1,530	3,110	2,530	9,590	1,400	80	—	—
Egypt	1,380	990	630	550	—	—	4,000	—
Lebanon	70	40	610	1,180	—	—	—	—
Iran	—	—	—	100	800	—	—	—
Iraq	80	1,580	290	1,160	600	—	—	—
Saudi Arabia	—	500	1,000	5,500	—	—	—	—
AFRICA	—	—	—	549	2,421	1,755	—	—
LATIN AMERICA	—	4,100	42,820	147	541	—	—	—

Notes: 1) Including Thailand (9,000)

2) Including Thailand (3,000)

Sources: The same as Table 18

**Table 20. North Korea's Imports from Developing Countries (1971~1978):**  
**Estimates** (in thousand U.S. dollars)

Nation	1971	1972	1973	1974	1975	1976	1977	1978
Imports from Developing Countries	7,400	10,410	62,140	61,716	15,570	9,531	22,000	53,000
ASIA	4,900	3,390	13,530	36,180	15,520	9,520	17,000 <sup>1)</sup>	53,000 <sup>2)</sup>
Hong Kong	180	360	790	4,020	1,700	2,400	9,000	14,000
India	1,730	1,290	3,740	5,250	4,800	—	7,000	10,000
Pakistan	900	490	1,020	300	1,070	—	—	—
Singapore	2,140	1,240	7,980	26,440	7,950	—	—	27,000
MIDDLE EAST	2,450	2,920	5,790	11,900	—	—	5,000	—
Egypt	2,450	1,300	2,550	3,800	—	—	5,000	—
Iran	—	—	—	—	—	—	—	—
Iraq	—	1,620	3,240	8,100	—	—	—	—
AFRICA	—	120	—	26	—	31	—	—
LATIN AMERICA	—	—	100	13,610	50	—	—	—

Notes: 1) Including Malaysia (200) and Thailand (800)

2) Including Malaysia (2000)

Sources: The same as table 18

The above argument is evidenced by looking at North Korea's trade with Hong Kong. Hong Kong has been an important export market for North Korea occupying 34.3% of total exports to all developing countries in 1971 and 48% in 1978. But its share in total imports from developing countries remained at 2% in 1971 and 26.4% in 1978. As a result, North Korea has run consistently trade surplus with Hong Kong because North Korea did not have to bother with diplomatic and other political concerns. In fact, Hong Kong has served as a window for North Korea's trade with other non-communist countries.

The commodity composition of the trade with developing countries covers a wide range of products with insignificant amount of trade. In general, however, North Korea exported industrial products to and imported raw materials and food and grains from the developing countries of Asia, Africa, and Latin America.

#### 4. A Comparison with Foreign Trade of South Korea

The foreign trade in the Republic of Korea (hereinafter called South Korea)

during last two decades has played quite an instrumental role in its impressive economic growth. The share of foreign trade total in GNP in 1978 is about 70% while the share of North Korea is estimated to be only around 14.5%.

The total trade volume of South Korea in 1978 was \$ 27.7 billion which is about 16.4 times bigger than that of North Korea's \$ 1.68 billion (see Table 21). Because of the vast difference in both absolute and relative magnitude of trade volume, there is no reason to compare one's trade pattern to the other's.

However, there has been emerging convergence in the patterns of trade of South and North Korea in terms of both directions of trade and commodity composition. First, in terms of directions of trade, both of South and North Korea tried to diversify trading partners especially since early 1970's. For example, both of them increased the share of the trade with the Western Europe. Second, even though the commodity composition of exports are still heavy-manufactures-oriented for North Korea and light-

**Table 21. Foreign Trade of South and North Korea (1971~1978)**  
(in million U.S. dollars)

Year	Exports		Imports		Total Trade		Trade Balance	
	South Korea	North Korea	South Korea	North Korea	South Korea	North Korea	South Korea	North Korea
1971	1,067.6 (27.8)	325.0	2,394.3 (20.7)	595.6	3,461.9 (22.8)	933.3	-1,326.7	-270.6
1972	1,624.1 (52.1)	411.8 (26.7)	2,522.0 (5.3)	652.7 (9.6)	4,146.1 (19.8)	1,080.5 (15.8)	-897.9	-240.9
1973	3,225.0 (98.1)	499.2 (21.2)	4,240.3 (68.1)	815.8 (25.0)	7,465.3 (80.1)	1,340.8 (24.1)	-1,015.3	-316.6
1974	4,460.4 (38.3)	658.0 (31.8)	6,851.8 (61.6)	1,236.2 (51.5)	11,312.2 (51.5)	1,980.6 (47.7)	-2,391.4	-578.2
1975	5,081.0 (13.9)	717.5 (9.0)	7,274.4 (6.2)	1,019.6 (-17.5)	12,355.4 (9.2)	1,767.6 (-10.8)	-2,193.4	-302.2
1976	7,715.1 (51.8)	610.7 (-14.9)	8,773.6 (20.6)	804.6 (-21.1)	16,488.7 (33.5)	1,359.0 (-23.1)	-1,058.5	-193.9
1977	10,046.5 (26.5)	626.8 (32.5)	10,810.5 (38.5)	722.1 (-10.2)	20,857.0 (26.5)	1,357.9 (24.1)	-764.0	-95.3
1978	12,710.6 (26.5)	830.4 (32.5)	14,971.9 (38.5)	854.4 (18.3)	27,682.5 (32.7)	1,684.8 (24.1)	-2,261.3	-24.0
Average Growth Rate	42.3	17.7	30.5	9.6	34.5	12.6		

Note: Figures in parentheses are the increasing rate.

Sources: 1) For South Korea, The Bank of Korea, *Economics Statistics Yearbook*  
2) For North Korea, from Table 2.



**Table 22. The Commodity Composition of Exports by South and North Korea (1971 and 1978)** (unit: %)

SITE Number	South Korea		North Korea	
	1971	1978	1971	1978
0	6.5	7.3	6.1	28.0
1	1.4	1.0	0.6	0.5
2	8.9	2.6	43.0	24.0
3	1.1	0.3	2.2	0.8
4	—	—	—	—
5	1.4	2.7	0.7	1.0
6	30.8	29.8	46.2	43.0
7	8.2	22.5	0.1	0.3
8	41.7	35.7	0.6	2.0
9	—	0.2	0.2	0.4

Sources: 1) For South Korea, The Bank of Korea, *Economic Statistics Yearbook*  
 2) For North Korea, from Tables 6 and 7.

manufactures-oriented for South Korea, the gap seems to have narrowed down in recent years. For example, the South Korea's share of basic manufactures (SITC code 6) and machinery & transport equipment (SITC code 7) in its total exports is 52% exceeding that of North Korea's 43% in 1978 as indicated in Table 22.

#### IV. Foreign Trade Policy: Planning and Administration

The prime institution responsible for the formulation of trade policy in North Korea is the National Planning Committee under Prime Minister. The Committee drafts overall economic plans according to the guidelines passed by the Party's Central People's Committee and directs them to each ministry after acquiring approval of the Cabinet (IFES, 1980:116-117).

Therefore, the Committee plays the role of an ultimate planning and coordination for all other activities except in the area of foreign relations, security, and defense.

Within the Committee, there is Foreign Trade Planning Bureau which has direct responsibility of planning foreign trade. The Bureau maintains

close contacts with both the Ministry of External Economic Activities and the Ministry of Foreign Trade.

The administration of foreign trade policy is carried out by the two

**Table 23. Selected State-run Trading Companies of North Korea**

Name of Traveling Companies	Remarks
Korea First Equipment Import Corp.	Equipment for mining iron and steel, nonferrous and cement industries.
Korea Second Equipment Import Corp.	Equipment for chemical industries, textile, pharmaceutical, and light industries
Korea Third Equipment Import Corp.	Equipment for chemical industries, textile, pharmaceutical, and light industries
Korea First Equipment Export Corp.	Economic and technological cooperation
The Second Equipment Export Corp.	Economic and technological cooperation
The Third Equipment Export Corp.	Equipment for a variety of industries
Korea Minerals Exports and Imports Corp.	Exports and imports of mineral products
Korea Machinery Export Corp.	Exports of machinery products
Korea Machinery Import Corp.	Imports of machinery products
Korea Ferrous Metals Exports and Imports Corp.	Imports of ferrous metal products
Korea Chemicals Exports and Imports Corp.	Imports of chemical products
Korea Building Material Exports and Imports Corp.	Imports of building materials
Korea Light Industries Goods Exports and Imports Corp.	Imports of light manufactures.
Korea Foods Textiles Products Export and Import Corp.	Imports of food products.
Korea Daesung Trading Corp.	Metallic and non metal minerals and ores; ferrous and non ferrous metal products; gold and silver
Korea Pyongang Trading Corp.	Metallic and nonmetallic materials and ores; ferrous and nonferrous metal ingots; metal manufactures, magnesite
Korea Ponghwa Trading Corp.	Minerals and metal products.
Korea Maebong Trading Corp.	Nonmetallic minerals: nonferrous metal ingots; jewelry; gold and silver; and ferrous manufactures
Korea Manpoong Trading Corp.	Equipment and raw materials for the chemical industry
Korea Sunbong Trading Corp.	Metallic manufactures
Korea Industrial Technology Corp.	Exports and imports of know-how
Korea Scientific and Technical Interchange Corp.	Exchange of scientific technology

Sources: 1) "The Mineral Industry of North Korea"

2) *A Complete Study on North Korea*

3) JETRO, *The Current State of DPRK Economy*

ministries. The Ministry of External Economic Activities replaced the former External Economic Commission (established in 1967) in 1972 and became an independent ministry as a part of export drive when the fifth cabinet was formed. It distinguishes itself from the Ministry of Foreign Trade in that it deals with pre-trade negotiations, market study and development, inducement of foreign capitals and technology, and economic assistance to the Third World. In this respect, it deals with more planning and coordinating aspects of foreign trade than the Ministry of Foreign Trade and therefore keeps closer contact with the Ministry of Foreign Relations.

Actual administration of foreign trade with foreign companies, however, are carried out by about 50 state-run trading corporations under the two ministries. As listed in Table 23, the first six companies specialize in exporting or importing plant equipments and are controlled by the Ministry of External Economic Activities. It is because plant equipment imports and exports require in-depth planning and coordination with the Ministry of Foreign Relations.

All other trading corporations in the Table are supposed to be monitored by the Ministry of Foreign Trade. However, they are usually given fiscal autonomy and specific target assignments for export promotion. They are specialized by products but some of them look like general trading companies holding more than dozen product lines for exports and imports.

Other support agencies for foreign trade include Korea Foreign Insurance Company which deals with marine insurance and reinsurance, Korea Commodity Inspection Bureau, and several shipping companies. There is also Korea International Exhibition Corp. which deals with international exhibition business.

## V. Prospects of Foreign Trade during the Second Seven-year Plan

According to the reports by North Korea, the Six-year Plan seems to

have achieved a part of the original goals. The annual growth rate of the industrial output was around 16.3% exceeding the target rate of 14% while the agricultural output in the terminal year 1976 was 8 million tons which is above the target output level of 7~7.5 million tons. However, as discussed earlier, the excessive imports of plant and equipments from the West coupled with sluggish exports after the oil shock in 1974 resulted in the balance of payments difficulty and ultimately deferred payments of foreign credits. As a consequence, there has been no definite official reports for new economic plan which is to succeed the Six-year plan even until the end of 1976.

In the meantime, however, North Korea announced 10 prospective goals of economic development at the National Industrial Meetings held in March 1974. The goals announced were too ambitious to be realistic: it stipulated a 1.2 million tons of steel production, for example, and predicted the goals can be achieved within four years after early completion of the Six-year Plan (JETRO, 1978:1-2). But, the factors mentioned above forced North Korea to adopt two years 1976 and 1977, as years of adjustment to be prepared for the next economic plan.

The plan evolved at the end of 1977 was the Second Seven-year Plan which is named to distinguish it from the Seven-year Plan of the 1960's.

**Table 24. The Growth Rate of Industrial Output Economic Plans of North Korea<sup>1)</sup>** (unit: %)

Economic Plan	Period	Annual Growth Rate of Industrial Output	Increase from the Base Year		
			Total Production	Producer Goods	Consumer Goods
War Reconstruction 3-year Plan Record	1954-56	41.7	280	410	210
Five-year Plan Record	1957-60	36.6	350	350	330
Seven-year Plan Record	1961-70	12.8	330	370	280
Six-year Plan Record	1971-76	16.3	250	260	240
Second Seven-year Plan Target	1978-84	12.1	220	220	210

Notes: 1) These are official figures claimed by North Korea

Sources: JETRO, *The Current State of DPRK Economy*

The Plan aims at increasing national income by 1.9 times by increasing industrial output by 2.2 times at an annual growth rate of 12.1% as shown in the following Table 24. The producers goods production is to increase 2.2 times while consumer goods productions is to increase by 2.1 times.

The target figures are lower than the target rate of increase in earlier periods. The central issue in industrial sector during the Plan Period is the stable supply of energy and raw materials, products diversification of exports, and export promotion. The plan's more detailed target production is listed in Table 25.

**Table 25. Major Production Target of the Second Seven-Year Plan in Industrial Sector**

	Unit	Performance of the 6-year plan	Target of the second 7-year plan
Electricity	hundred million KWH	280(1975 year)	560~600
Coal	ten thousand ton	5,000(1975.8)	7,000~80,000
Iron ore	"	(Target 1.8 times)	1,600
Non-ferrous Metal	"	—	100
Pig Steel	"	—	640~700
Steel	"	400(capacity)	740~800
Steel for Rolling	"	Target(280~300)	560~600
Copper Pipe	Multiple	—	2.6
Wire Pipe	Multiple	—	1.4
Machine Products	ten thousand ton	—	500
Metal-Working Machinery	ten thousand pieces	3	5
Tractor	"	More than 3 (production capacity)	4.5
Chemical Fertilizer	ten thousand ton	300(1975)	500(1.6 times)
Agricultural Chemicals	Multiple	—	2
(Weed Killers)	"	2.4(supply 1977)	9
Chemical Textile	"	Target 1.9	1.8
Artificial Resins	"	Target 3	2
(Vinyl Chloride)	ten thousand ton	5 (capacity)	10 (capacity)
Carbide	Multiple	—	1.6
Sulphuric Acid	Multiple	Target 1.3	1.9
Sodium Hydroxide	"	Target 1.8	1.8
Soda Ash	"	Target 2.7	3.4
Medical & Pharmaceutical Products	"	2.3	2.1
Medical Instrument	"	7.2	2

Cement	ten thousand ton	800 (capacity)	1, 200~1, 300
Textile	hundred million meter	more than 6	8
(Knitted Textile)	Multiple	—	1.7
Domestic Sugar	ten thousand ton	—	30
Shoes	ten thousand shoes	8050 (1975.8)	10, 000
Paper	Multiple	Target 1.8	1.8
Local Industry	Multiple	Target 2.6	2.4
Fish & Fish preparation (Fish)	ten thousand ton	160 (1975.5)	350
(Frozen Fish)	"	Target 130	270
(Processed Fish)	Multiple	Target 3.4	1.8
	"	(processing Target 29)	3.1
(Dried Fish)	"	—	1.9
(Salted Products)	"	—	2.1

Sources: JETRO, *The Current State of DPRK Economy*

According to the Plan, agricultural output is also to increase to the level of 10 million tons through the use of more agricultural machinery and equipments as well as fertilizers. Among the service sectors, the primary emphasis was placed upon transportation. The volume of railroad transportation is to increase by 1.7 times and the volume of car and marine transportation by 4 and 4.4 times respectively.

Even though the Plan's targets became much more realistic than before reflecting their experience during 1970's and especially so compared to the 1974's announced goals as shown in Table 26, there are potential problems for the Plan to be successfully implemented. First of all, they will find the Plan's mottos of economic independence, modernization, and scientific advancement, self-conflicting. For modernization and scientific advancement, they may have to open their economy more than before, which is in direct contradiction to their sense of economic independence. The current shortage of foreign reserves simply does not seem to allow them to pursue for all of these goals simultaneously. Second, the shortage of technology and skilled manpower will continue to plague their modernization plan and the bottleneck in transportation and other infrastructures will become more serious problems. Third, the imbalance between producer goods and consumer goods

Table 26. Comparison Between Targets by Sector

Sector	Units	First Seven-Year Plan(1970)	Six-Year Plan	10 Prospective Goals Target	Second Seven-Year Plan(1984)
Electricity	100 Million KWH	165	280(1975)	500	500~600
Coal	10, 000Tons	2, 750	5, 000 (Aug. 1975)	10, 000	7, 000~8, 000
Non-Ferrous Metals	1, 000Tons	—	—	100	100
Steel	1, 000Tons	220	Capacity 400 (1976)	1, 200	740~800
Machinery	1, 000Tons	—	—	500	500
Chemical Fertilizer	1, 000Tons	150	300(1975)	500	500
Cement	1, 000Tons	400	Capacity 800 (1976)	2, 000	1, 200~1, 300
Fishery	1, 000Tons	—	160(May, 1975)	500	350
Crops	1, 000Tons	—	Above 800 (1976)	1, 000	1, 000
Land Reclamation	10, 000(SF)	—	—	30, 000	30, 000

Sources: JETRO, *The Current State of DPRK Economy*

production and between heavy-manufacture and light-manufacture industries will make it difficult to achieve balanced goals. Fourth, the economic assistance from both Soviet Union and China would be far from being significant and so would be the credits from the West against which North Korea still owes some debts.

In 1978 which is the first year of the Second Seven-year Plan, North Korea pushed for early implementation of the year's target. In the first year, the Plan's focus was mainly placed upon the following five elements (JETRO, 1979:12):

- 1) The first priority is given to the increased production in coal and mining;
- 2) Investments in transportation;
- 3) Development of Machinery Industry which is the heart of the industrial sector and the main source of technological advancement;
- 4) Maximum capacity utilization in all industrial sectors;



5) Agricultural output increase.

Since the growth rate of industrial output in 1976 and 1977 had dropped from 20% rate in 1975 to 9.6% and -4% respectively, the 17% growth record of 1978 after all-out efforts is not that much impressive but certainly it is a sign of recovery in industrial outputs of North Korea. However, the agricultural output does not seem to have achieved the year's target.

It is interesting to note that, in the first two years of the Plan, North Korea reiterated the importance of foreign trade for their economic development plan. To keep North Korean products' reputation, they urged that production for exports be given priority and that all export products should keep quality standards and shipment requirements. However, differently from 1974 when they officially announced the trade with capitalistic countries, there are no such direct expression of their intention to promote the trade with the West. Therefore, it can be conjectured that North Korea wants to avoid the experience of over expansion of foreign trade in early 1970's and keep the trade balance under control.

In this regard, they would rely on export earnings from traditional export products such as ferrous and non-ferrous metals rather than import credits from the West. It is evidenced by looking at the table 27 which has the production records and trade statistics of key mineral products during the first two years of the current economic plan. Both the production and the export volume of various mineral products have increased and the trading countries have been more diversified.

These recent patterns of production and exports with particular emphasis on mineral products seems to indicate the prospects of North Korea's foreign trade during 1980's indirectly. The trade with the West will not be grown as fast as we observed in early 1970's because the West would not extend credits further and North Korea would not repeat the experience of the payment crunch. On the other hand, the demand for Western technologies would grow more than ever so that, within the limit of successful export performance, they will try to increase the trade with the West at the

manageable level.

As a conclusion, the trade prospects with the West will depend on their export performance in the years to come. There would not be a drastic change in the trade relationship with Soviet Union and China, too. In May 1978 when Chairman Hwa of China visited North Korea, he promised the supply of Chinese crude oil at concessionary prices. But from China which is already busy with its own modernization plan, North Korea cannot expect significant assistance and the same is true with the Soviet Union. Moreover, unless they avoid the policy of continuous military build-up and strict isolation from the world in not only economic but also cultural matters, the limited trade volume with limited number of products would continue to remain in the future.

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