

[The Soviets] are still expecting to discuss primarily economic issues during the visit of Pak Seong-cheol [Pak Song Chol] here [...]

It causes great difficulty that

1) The DPRK intends to relieve its serious economic situation by not fulfilling its obligations, which were set down in the long-term trade agreement and in the agreement on the exchange of goods this year, with regard to the export of goods that are saleable on non-socialist markets as well, and at the same time it constantly insists on the uninterrupted and punctual fulfillment of Soviet export obligations. By the way, in 1976 the Soviet Union also fulfilled its export obligations, whereas Korean exports, in contrast to an obligation of 216 million rubles, were only 90 million. Since a substantial part of Korean exports is used for provisioning the Soviet Far East, failures in their delivery always cause considerable difficulties, mainly in production (cement, fire-resistant bricks, etc.), because [such goods] cannot be supplied from other sources without substantial delays. The Korean side will probably attempt to convert the deficit resulting from [the under-fulfillments of] 1976 into a Soviet credit.

2) The Korean side is strongly opposed to the application of the price policy that is in operation in the COMECON, including the raising of the price of any Soviet export article. In 1976 the Soviet side did not manage to achieve the COMECON price level in its relations with Korea, nor do they expect [to achieve it] in 1977.

3) The Korean side constantly announces new demands (in addition to the agreements), and impatiently presses for their fulfillment. They repeatedly and very emphatically urge, at every level, that Soviet shipments of crude oil be increased to two million metric tons per annum (the Soviets suppose that they intend to sell the processed petroleum derivatives in capitalist markets). For reasons of prestige, they ask the Soviet Union to build a nuclear power plant for them (the five-year agreement did not include this either). They disregard the Soviet replies, according to which they [the Soviets] are unable to deliver loss-making articles over the quantity specified in the plan.

According to the information available to the Soviets, in [North Korean] domestic propaganda these problems are presented as the causes of the [DPRK's] economic difficulties (the Soviet Union exploits Korea by raising prices, it refuses to deliver the goods needed for economic development, because it prefers to sell them to the capitalists, etc.).

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