

Trade Relations between the DPRK and the UK, 1961–1969: The Debate in Whitehall

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Abstract

North Korea's contacts with western European countries today are minimal, not least because of increasing sanctions pressure, but they have not always been. Pyongyang maintained trade and technological exchanges with the socialist bloc, and even from the early 1960s also actively pursued trade with western European countries, continuing to do so up until its debt problems began in the late 1970s.

So far, trade between North Korea and western Europe, especially its origins, have been notably understudied. This article uses trade relations between North Korea and the United Kingdom in the 1960s as a case study. Based on evidence from the UK National Archives, it focuses on the British side of things, assessing how the British government understood and received North Korea's approaches. On the one hand, expressed by the business lobby and the Board of Trade, were economic considerations and worries about losing potentially profitable business to foreign competitors. On the other were political issues, important for the Foreign Office, most notably concerns about reactions from the United States and South Korea. This article traces the discussions leading to the decision to start trading and its medium- and long-term economic and policy implications. In conclusion, the article also considers how the economic and geopolitical situation has changed now, some sixty years later, making such a return to putting economic considerations before political ones highly unlikely.

Introduction

When most people think of North Korea they likely do not think of it as a trading nation and are even less likely to realize that it has long traded with western European countries. This is partly due to the mistaken idea that the Democratic People's Republic of Korea (DPRK) is an autarkic "hermit nation" uninterested in trade. It may also be due to the equally mistaken idea that, although self-declared socialist countries traded among themselves, they chose not to trade outside the Eastern bloc during the Cold War. In the 1960s and 1970s, however, the DPRK actively pursued trade with western European countries and continued to do so until it began to encounter serious debt problems in the mid- and late 1970s, eventually leading to a debt default in the 1980s. Is trade today with western European countries minimal, because of both that default and the ever-increasing United Nations (UN) and EU sanctions since Pyongyang restarted its nuclear program in the early 2000s. A deeper understanding of the origins of trade between North Korea and western European countries, however, will not only shed light on this little-known aspect of the country's economic history but also tell us something about the

present-day situation. The core question is how the British government understood and received North Korea's approaches to the United Kingdom. A secondary question is how the economic and geopolitical situation has changed some sixty years later and whether a rebooting of trade between the two countries would be possible.

Until now, despite broad studies of North Korea's first steps in trading with the wider world in the 1960s and 1970s, more detailed studies of trade between North Korea and individual nonsocialist countries are still few. We therefore make just such a study of the opening of trade relations between the UK and DPRK on the basis of archival sources available in the National Archives of the UK at Kew.¹ Such source materials in the British archives are voluminous and mainly consist of folders of papers from the Foreign Office, Board of Trade and the Cabinet, along with some papers from the Prime Minister's Office. We examine briefly what drove North Korea to seek trade with the United Kingdom in the early 1960s, but the main focus is the British response and how the question of trade with North Korea was debated in Whitehall. The National Archives documents allow us to examine in some detail the arguments made by those supporting trade, including lobbying organizations, interested businessmen, and the Board of Trade itself. They also offer an insight into the views of those such as the Foreign Office civil servants and diplomats who were much warier about the UK being seen to support trade with North Korea. The key issues at stake, such as the question of granting visas for North Korean trade delegations and the provision of cover for export credits, may seem relatively minor, but highly sensitive and gave rise to hundreds of pages of minutes and memos. The balance of factors ultimately persuaded the UK government to provide limited support for trade with North Korea in the mid-1960s. Behind this problem lay the more abstract question of separating economic from political considerations and thus finding a way to pursue Britain's economic interest at minimal political cost.

North Korea's foreign trade in the 1960s

At the start of the 1960s, the bulk of North Korea's foreign trade was still with the "fraternal countries"—that is, the Soviet Union, Eastern European countries, and the People's Republic of China (PRC).² This is not particularly surprising given that, only a few years previously, the

¹ This article is part of a larger research project that examines UK-DPRK trade relations from the North Korean side by examining Soviet primary sources, such as those concerning the DPRK in the Russian Foreign Ministry Archives (AVPRF), as well as openly available North Korean materials such as *Rodong Sinmun*. The article does not include that side of the story here, however, and concentrates only on the opening of trade relations from the UK government side.

² For details of North Korea's trade with the socialist world in the 1960s, see Joong-Koon Lee, "Foreign Trade of North Korea, 1955–68," *Journal of Asiatic Studies* 13, no. 4 (1970): 201–32, 203–19; Kang-taeg Lim, *North Korea's Foreign Trade, 1962-1992* (PhD diss., State University of New York at Albany, 1996), 43–44. For the overall structure of North Korea's foreign trade since the 1960s, see Ro-kyong Pak, "Bukhanui daeoe muyeok gujo bunseok: 1960–1990" [Analysis of North Korea's foreign trade structure: 1960–1990], *Journal of Northeast Asia Studies* 19 (2001): 79–100.

DPRK had effectively been at war with many of its potential Western trading partners because of their involvement on the UN side in the Korean War. Perhaps more surprising is that things began to shift in the early 1960s as North Korea increasingly turned its attention to initiating trade with a range of western European and other Western countries.³ This was in response to the Sino-Soviet split and North Korea's temporary estrangement from the Soviet Union, beginning around 1963. The cooling of relations between the two allies started around 1961 or 1962, but was reflected mostly in trade contracts for 1963. Although North Korea continued to import complete industrial plants from the Soviet Union during the 1960s, its imports of machinery and industrial equipment dropped markedly. According to Joong-Koon Lee, this was possibly related to a degree of import substitution after North Korea's high-speed industrialization drive of the late 1950s and to the country's decision to import some of its machinery from European countries.⁴

North Korea's post-Korean War trade with Japan began as early as 1956, and with European countries—including the UK, France, and Germany—in the two years that followed, although volumes of trade were likely to have been extremely small before 1963.² Trade with Japan increased greatly after 1963 and produced a big surplus for North Korea between 1963 and 1968. During those six years, North Korea's imports from Japan totaled \$65.3 million and its exports to Japan totaled \$130.7 million, a surplus of \$65.4 million.⁵ Meanwhile, during the same period, trade with Western countries other than Japan saw exports grow from \$1.3 million to \$11.1 million and imports from \$1.7 million to \$20.9 million.⁶ For the entire period, North Korea's total Western trade deficit was \$69.1 million.⁷ Clearly, then, the surplus in trade with Japan was used to over the deficit with Europe, in that they more or less canceled each other out.⁸ The structure of this trade with noncommunist countries was as follows: the DPRK imported mostly machinery (32 percent) and foodstuffs (56 percent) from western Europe, Australia, and Canada while exporting small quantities of metals to the same countries.⁹ At the same time, it exported relatively large quantities of iron ore and pig iron to Japan. Unfinished materials including iron ore made up 33 percent of North Korean exports to Japan between 1963 and 1968; "semi-finished goods" including pig iron made up 52.5 percent.¹⁰ North Korea was thus able to use its surplus from the trade with Japan to pay for imported machinery from European countries such

³ For example, in 1959 and 1963, through the North Korean Committee for the Promotion of International Trade (조선 국제 무역촉진 위원회), agreements were signed with British nongovernmental trade organizations.

⁴ Lee, "Foreign Trade of North Korea," 208.

⁵ *Ibid.*, 219.

⁶ Western countries here refer to the countries of western Europe plus Canada and Australia.

⁷ These trade figures for European countries come from Lee, "Foreign Trade of North Korea," 220–21.

⁸ This was noted in 1970 by Joong-Koon Lee: "A North Korean foreign trade strategy regarding her trade with the West may very well be to export principally to Japan and use the earning from these exports to pay for her imports of industrial hardwares and cereals from Europe and elsewhere in the West. (Lee, "Foreign Trade of North Korea," 226).

⁹ *Ibid.*, 224–25.

¹⁰ *Ibid.*, 222.

as the UK and food from Canada and Australia, thus partially replacing the Soviet Union as its main supplier of imports.

Timeline of UK-DPRK trade developments in the 1960s

A brief outline of developments in the relationship between the United Kingdom and the DPRK during the same period is useful before any examination of the key arguments around the establishment of trading relations between the two countries in the 1960s. In 1957, the UK lifted the embargo on trade with North Korea, which had been in place since 1951–1952 as part of the UN sanctions for the Korean War. However, trade initially grew very slowly after 1957. Trade records for 1961 show by this time a small volume of trade consisting mainly of North Korean imports of machinery from Britain, alongside small exports of metals, leading to a trade deficit for North Korea of £13,864.¹¹ During the following year, the DPRK began to step up its attempts to trade with UK companies and made an approach via the British embassy in Poland, seeking to buy British refrigerator ships and trawlers. The matter was discussed extensively in Whitehall, after which the UK government agreed to informally pass on information about the approach to the Shipping Conference (the UK Chamber of Shipping). However, fear of upsetting South Korea meant that it was also agreed that the UK government would not be involved. In October 1963, a group of UK businessmen visited Pyongyang as an informal trade delegation, including the dye company owner Brook Holliday. On their return from Pyongyang, the businessmen began lobbying the UK government, asking for support for trade with the DPRK. At this point, though, the UK government denied visas to a delegation of North Koreans wishing to pay a return visit and meet with firms in the UK.¹²

These lobbying efforts continued into 1964 and led to lengthy discussions within the Foreign Office about extending Export Credits Guarantee Department (ECGD) cover to trade with North Korea (as discussed later). However, any further movement by the UK government was stymied by the capture of two US helicopter pilots in North Korea (they were released in May). Another major change in 1964 was the election of Harold Wilson as the Labour prime minister of Britain in October, though this did not lead to any immediate change in UK government policy. A shift did come in 1965, however, after more lengthy discussions in Whitehall on the matter of export credit guarantees. In March of 1965, a decision was made to reverse earlier policy and grant medium-term (one to five years) ECGD cover for British companies trading with North Korea. A few major concrete projects were discussed in 1965, including a steel mill joint venture with Austrian and French companies apparently quashed by US intervention with the Austrians later in the year.¹³ A North Korean commercial delegation also visited the UK—along with Italy,

¹¹ The National Archives of the UK (TNA), FO 371/165055, “Commercial relations between the UK and North Korea, 1962.”

¹² TNA, BT 11/6173, BT 11/6174.

¹³ The discussions on this can be found in TNA, FO 371/181139, “E.C.G.D. cover for North Korea, 1965.”

France and Austria—in 1965 to discuss trade expansion and the supply of industrial equipment and cargo vessels.

In the years that followed, the policy shift toward supporting trade between the two countries bore little fruit, probably because of the worsening geopolitical situation in Northeast Asia in the late 1960s and perhaps to North Korea's return to closer relations with the Soviet Union. In 1966, the UK Board of Trade decided to permit the Confederation of British Industry to sponsor visa applications for future visits by North Korean trade officials, though with the proviso that “no reference should be made to the UK government.” In 1968, North Korea continued to push for more trade and DPRK officials approached the British ambassador to Romania to “discuss the possibility of increased trade.” Also in 1968, talks were held with the British company Simon Carves about the possibility of constructing a man-made fiber plant in the DPRK.¹⁴ However, the same year also saw increasingly unfavorable conditions for trade with European countries, among them the intensification of confrontations on the demilitarized zone (DMZ) between North and South Korea and the North Korean capture of the US reconnaissance ship the USS *Pueblo* in January. In 1969, no progress was made and such matters were decisively overshadowed by military issues around the Korean peninsula: in April a US reconnaissance plane was shot down off the North Korean coast, and in August a US helicopter was shot down over North Korea and the pilots were released in December after an official apology from UN Command.

Whitehall debates over UK-DPRK trade

North Korea, despite its anticapitalist rhetoric, was not opposed to the idea of trade with capitalist countries if Pyongyang could benefit.¹⁵ Moreover, since the 1940s, the Soviet Union, its main political and economic partner, had encouraged it to establish trade contacts with countries other than those in the Eastern bloc.¹⁶ For Britain's part, in the 1960s its declining heavy manufacturing industry was desperately seeking new customers for industrial equipment and full plants. North Korea was eager to buy both, to supplement supply from the socialist bloc, gain access to Western technologies, and ideally prepare ground for diplomatic relations. It was offering to buy, among other things, a power plant, refrigerator ships, a synthetic fiber plant, chemical equipment, and steel from the UK, for a prospective total sum of up to £15 million.¹⁷

¹⁴ TNA, FCO 21/322, “North Korea–UK political relations, 1967–1968.”

¹⁵ In the words of the North Korean Trade minister Ri Il-gyeon, even though it was good trading with only the socialist countries, it was not always enough, and sometimes North Korea “could not help it” and “had to trade with the capitalists.” See “Journal of Soviet Ambassador in the DPRK V.P. Moskovsky for 1963, Vol. 1,” January 8, 1963, Fond 0102, Opis 19, Papka 97, Delo 4, List 19-20, Archive of Foreign Policy of the Russian Federation (AVPRF).

¹⁶ See “Meeting between Stalin and Kim Il-sung,” March 5, 1949, Fond 059a, Opis 5a, Delo 3, Papka 11, List 10-20, AVPRF.

¹⁷ TNA, BT 11/6173, “East-West trade (North Korea)”

However, after the lifting of the ban on trade with North Korea and through the early 1960s, the actual trade volume was much lower, not surpassing £100,000 a year.¹⁸

During the Cold War, when economic matters were more often than not not just linked but also subordinated to political interests and goals, interbloc trade required strong political will to separate politics from economics. In the case of North Korea and the United Kingdom, initially North Korea was the more willing to distance ideology from practice and sacrifice rhetoric for practical benefits. Although, to be fair, North Korea had less reason to worry about its external partners' reaction to developing trade with the "enemy" than the UK did. The Soviet Union itself, as well as Eastern European fraternal countries, traded with the West, including Britain; they could hardly deny North Korea direct trade with the West that they themselves were doing. On the British side, for almost ten years after the ban was lifted, the government neither supported nor protected trade with North Korea; businesses that decided to trade with Pyongyang, did so at their own risk. In 1962, after extensive discussions in Whitehall, the point was specifically made that the government would not be involved in potential sales of British refrigerator ships and trawlers to North Korea, for fear of antagonizing South Korea and the United States.¹⁹

Change came only in the mid-1960s, when institutionalizing trade relations with North Korea emerged as a topic of serious discussion within the British government. By 1963, cooling relations between North Korea and its main trade partners the Soviet Union and Eastern European fraternal countries because of the Sino-Soviet split had led to a drop in trade almost to the point of stagnation.²⁰ North Korea now had much stronger motivation to separate economic and political considerations in the pursuit of economic benefit, in that it needed to compensate for that decline and find new avenues for getting modern technologies. It turned to western Europe, and to the UK as one of the industrially developed countries that had responded to its advances.

In October 1963, by invitation issued through the formally nongovernmental Committee for the Promotion of International Trade of the DPRK, a delegation of UK businessmen from various industries visited Pyongyang to discuss the potential development of trade. The delegation included, for instance, a representative of the mining equipment manufacturing company Holman Brothers and the dye company owner Brook Holliday, who after the visit began lobbying the UK government for more support for trade with North Korea, such as export credits guarantees like those provided for trade with other socialist countries.

¹⁸ TNA, BT 11/6173, "E.C.G.D. cover for exports to North Korea".

¹⁹ For those discussions, see TNA, FO 371/165055.

²⁰ See "The DPRK economy, 1960," Fond 0102, Opis 16, Papka 87, Delo 29, List 40, AVPRF; "The DPRK economy, 1963," Fond 0102, Opis 19, Papka 99, Delo 26, List 18, AVPRF; "Domestic and international political and economic situation of the DPRK, 1965," Fond 102, Opis 25, Papka 51, Delo 17, List 77, AVPRF.

Thus the British government had two main conflicting voices to consider. On the one side was the active lobby of the businessmen coupled with worries, acknowledged by the Board of Trade, of losing potentially profitable business in North Korea. On the other were political considerations, important for the Foreign Office, of how the United States and South Korea would react to the UK's trading with North Korea. Even though the North Korean case was not unique, and establishing trade with other socialist bloc countries evoked similar discussions, it was perhaps the most extreme, complicated by the need to reconcile such trade with continued sanctions and the fact that the UK did not officially recognize the North Korean government and did not have any representation there.

Business lobby: "If we do not take business from North Korea, our competitors definitely will"

The 1963 visit was unofficial and not supported by the government. That it was organized on the British side by the so-called 48 Group and the British Council for the Promotion of International Trade (BCPIT) was the problem. The 48 Group, which exists today, was established in 1954 initially to promote British trade with China.²¹ The BCPIT, headed at that time by Roland Berger, was oriented toward promoting trade primarily with the socialist bloc. Neither it nor the 48 Group were affiliated with the British government but apparently had "communist connections." In regard to the 48 Group, the government noted that "it is interested in trading with certain of the Communist countries, notably China and North Korea," and that its members were "well-known and reputable companies."²² The BCPIT, however, was labeled as a "Communist front" and "Communist controlled."²³ Further, its director Roland Berger was a "secret" member of the Communist Party of Great Britain.²⁴ The advice given to business firms by Her Majesty's government was that "they should consider very carefully whether to become associated, directly or indirectly, with [BCPIT]."²⁵ Thus, the reputability of the firms lobbying for trade with North Korea was weighed against the disreputability of the BCPIT, and their links to BCPIT threw shadow on them and their argument.

During the visit to North Korea, the BCPIT signed a trade agreement with the Committee for the Promotion of International Trade of the DPRK, negotiated by Berger. Even though no government body on either side was part of it, the agreement was celebrated in North Korea as an achievement. The North Korean press reported that the sides had agreed to develop bilateral trade and that the UK (*sic*) had promised to supply industrial equipment, ships, synthetic fibers,

²¹ See 48 Group Club website (<https://www.the48groupclub.com/>).

²² TNA, BT 11/6173, "Letter from James Ramsden, M.P., to the Board of Trade."

²³ *Ibid.*

²⁴ Roland Berger's secret service personal file is available at the National Archive, but the authors have yet to access it.

²⁵ House of Commons, Hansard, "Volume 685: Debated on Thursday 5 December 1963" (London: UK Parliament, 1963). <https://hansard.parliament.uk/Commons/1963-12-05/debates/ad56ce59-13f7-4162-9bf6-f520340f98/BritishCouncilForThePromotionOfInternationalTrade>.

and other goods to North Korea.²⁶ A return visit was scheduled, organized by the BCPIT and supported by a number of British firms interested in doing business with the DPRK.

The British government did not recognize the agreement. Its continued lack of involvement meant that companies wishing to trade with North Korea could do so, but at their own risk. Politics, however, intervened. The North Korean return delegation was denied UK visas because of the US pressure on North Korea to release two American helicopter pilots captured in May 1963. Because the North Koreans' visit was intended for technical discussions, further negotiations, and demonstration of plants in operation and things that "could not be bought off the shelf," the denial of visas was seen in business circles as a major obstacle. As one of the firms concerned pointed out to the Board of Trade, "unless visas are granted, British manufacturers cannot *begin* to compete for this business [emphasis in the original]" and would lose it to other competitors, such as the Dutch.²⁷ For that reason, the main focus of the business lobby was initially the visas for the North Korean delegation, rather than government support for trade such as extension of export credit guarantee cover to North Korea.

Backing their argument of North Korea's trade viability, the firms affiliated with the 48 Group stated that "as regards the general perspective, North Korea is a country very rich in mineral resources and with a healthy agriculture." They quoted "firm enquiries" that they had had from North Koreans for a power plant worth £6 million, a 10,000-ton acryl nitrite plant (£3 million), 5,000-ton ship (£0.5–1 million), tinsplate and electrolytic cold rolled sheet (£1 million a year), a urea plant (£1.5 million) and other plants, goods, and equipment with a total worth of over £14 million.²⁸ Acknowledging that not all of that business would go to the UK, they pressed that the government's inflexible position and inability to separate politics from economic considerations meant that none of it would go to British firms, losing them and the UK economy in general millions of pounds.

In retrospect, it is clear enough that, in their desire to trade with North Korea, the business lobby, supported by the 48 Group and the BCPIT, were not being objective. They were overestimating North Korea's potential for trade based on DPRK claims and propaganda and what little

²⁶ See, for example, "Joseon gukje muyeok chokjin wiwonhoewa Yeongguk gukje muyeok chokjin risahoe gane muyeok hyeopjeong mit gongdong kommyunike join" [Trade agreement and joint communique signed between the North Korean Committee for the Promotion of International Trade and the British Council for the Promotion of International Trade], *Rodong Sinmun*, October 9, 1963; "Joseon gukje muyeok chokjin wiwonhoewa Yeongguk gukje muyeok chokjin risahoe gane muyeok hyeopjeong mit gongdong kommyunike join" [Trade agreement and joint communique signed between the North Korean Committee for the Promotion of International Trade and the British Council for the Promotion of International Trade], *Minju Joseon*, October 9, 1963; "Joseon gukje muyeok chokjin wiwonhoewa Yeongguk gukje muyeok chokjin risahoe gane muyeok hyeopjeong mit gongdong kommyunike join" [Trade agreement and joint communique signed between the North Korean Committee for the Promotion of International Trade and the British Council for the Promotion of International Trade], *Rodongja Sinmun*, October 9, 1963.

²⁷ TNA, BT 11/6173, "North Korea: estimate of trade possibilities."

²⁸ TNA, BT 11/6173, "Board of Trade – Note of meeting with representatives of Companies interested in trading with North Korea."

information could be found. Even the government bodies acknowledged that their information on the subject of North Korea's economic development was "necessarily limited" because of the lack of official diplomatic relations,²⁹ although the government was more skeptical about North Korea's capacity to pay for all the listed items than the business circles were. Still, the Board of Trade had reasons to speak for developing trade with North Korea.

Board of Trade: "There is not a sufficient case for refusing ECGD cover for exports to North Korea"

The Board of Trade, the UK department directly concerned with matters of international trade, was more conflicted about trade with North Korea than the businessmen of the 48 Group were. On one hand, dangers were inherent in trade with a country with which the UK did not have diplomatic relations, such as inability to protect British citizens and their interests in North Korea without a formal presence there.

Another concern was South Korea. However, whereas the Foreign Office worried about South Korea's negative reaction to expanding trade with the North, the Board of Trade weighed whether it was "a much more promising market" and whether potential trade volume with North Korea was worth alienating the South for, given the apparent "considerable scope for useful business in the South with much less risk."³⁰ At the same time, the Board of Trade considered that British exports to South Korea were already "at their maximum" around 1964, whereas trade with North Korea had the potential to be greater than that with the South.³¹

In addition was the belief within the UK government that Britain was historically a trading nation that could, and had the right to, trade with the communist countries if doing so benefited it. Moreover, its policy of nondiscrimination in trade matters should apply to North Korea as it did to any other country.³² In fact, given that Britain was already trading with the Soviet Union and Eastern Europe, and the PRC in Asia, then why not North Korea too? As had been argued back in 1962, even before the main discussions about export credit guarantees, if the UK encouraged trade with China, "it will not be all that easy to make a case for denying to a minor

²⁹ TNA, BT 11/6173, "Letter from the Office of the British Charge d'Affaires in Peking to E.D. Taylor of English Steel Export Corporation, Ltd."

³⁰ TNA, FCO 21/335, "Telegram #221 From Foreign Office to Embassy in Seoul."

³¹ TNA, BT 11/6173, "E.C.G.D. cover for exports to North Korea." On this point, even though macroeconomic comparison between socialist and capitalist economies is no easy task, scholars estimate that in the late 1950s and early 1960s, before the start of South Korea's rapid development, North Korea's GDP was indeed either on a par with, or just slightly less than that of the South. See Gerhard Breidenstein and W. Rosenberg, "Economic Comparison of North and South Korea," *Journal of Contemporary Asia* 5, no. 2 (1975): 165–204. In the 1950s, the North also showed much higher growth rates, reaching higher than 20 percent a year relative to South Korea's 4 to 5 percent. Moreover, the North was also richer in natural resources.

³² See TNA, BT 11/6173, "E.C.G.D. cover for exports to North Korea."

Communist country business which [it] should welcome with a major one.”³³ The positive experience of trading with China and the rest of the socialist bloc countries played in favor of expanding contact with North Korea. As the Board of Trade argued to the Treasury and the Foreign Office, “experience with other Bloc countries suggests that North Korea should be a fair risk.”³⁴ Although time showed that they were seriously mistaken in approaching North Korea as they would any other socialist bloc country and expecting it to follow general conventions, in the 1960s the West had little knowledge of North Korea and had to extrapolate from bloc countries.

Whereas the business circles concentrated on immediate issues such as the denial of visas to North Koreans, the Board of Trade looked further and was more concerned with the matter of extending export credit guarantees to North Korea, such as the ones in place for the rest of the socialist bloc, including Cuba, North Vietnam, and the PRC. Presenting its case to the government, the Board of Trade referenced the Chinese case:

We have in the past had inadequate or unreliable information about other Bloc countries, such as China herself, where we have been willing to extend cover. It is true that the economic situation in North Korea is if anything more obscure, and we cannot enforce any guarantee of repayment extended by the North Korean authorities. But our experience with Communist countries generally has been good. Moreover, if, as we understand, the Bank of China is prepared to stand behind contracts, the risk would of course be converted into a risk on China, for business with which country cover is already available.³⁵

Moreover, when debating the extension of credit cover, the Board of Trade supported the business lobby’s argument about not missing out on potential economic gains. British industries, such as shipbuilding, were going “through a very lean time,” and “there would have to be cogent political objections” to justify ignoring possible contracts.³⁶

The Board of Trade was less optimistic in its estimation of prospects than the companies were, assessing potential exports to North Korea at £4 to £7 million, rather than £15 million. Nevertheless, it supported their desire to secure business with North Korea, agreeing that the North Koreans would easily turn to other western European countries if they could not get contracts from the UK. And the competitors, namely the Dutch and the West Germans, “would not be slow to take advantage” of lack of interest on the part of the British.³⁷

³³ TNA, FO 371/165055, “Confidential letter from A.J. de la Mare to W. Godfrey.”

³⁴ TNA, BT 11/6173, “North Korea: note by officials.”

³⁵ TNA, BT 11/6173, “E.C.G.D. cover for exports to North Korea.”

³⁶ TNA, FO 371/165055, “Confidential letter from A.J. de la Mare to W. Godfrey.”

³⁷ Ibid.

Overall, the Board of Trade and the Export Credits Guarantee Department, “while acknowledging . . . considerable difficulties,” considered that “on balance there is not a sufficient case for refusing ECGD cover for exports to [North Korean] market.”³⁸

Foreign Office: “The question of ECGD cover for trade with North Korea raises more problems than that of cover for trade with any other country”

The Foreign Office was on the opposite side of the spectrum, maintaining that for political reasons the government should not be involved and the ECGD should not cover trade with North Korea. It had several key objections.

For one, Britain had no representation in North Korea. The Board of Trade also acknowledged that issue but did not see it as a major obstacle. The Foreign Office pointed out that, apart from North Korea, all socialist bloc countries had some sort of British diplomatic representation: embassies in the Soviet Union and Eastern Europe, an ambassador in Cuba, a chargé d’affaires in Beijing, and consular representation in North Vietnam.³⁹ The absence of formal representation in itself, the Foreign Office noted, did not necessarily preclude the ECGD cover. However, in the North Korean case, its similar lack of relations with other Western countries meant that the UK not only could not intervene directly on behalf of ECGD and British firms, but also could not ask “one of its friends” to do so.⁴⁰

The second Foreign Office objection was related to the lack of official UK and UN recognition of North Korea. According to the Foreign Office’s official statement on the status of North Korea, “Her Majesty’s Government’s policy (which is in line with that of our allies and the United Nations) has been not to recognise North Korea as a state, or the regime there as a government . . . The North Korean government is a body set up by procedures of doubtful legality which has defied the authority of the United Nations.” However, it had to admit that “[the North Korean government] must be considered to be the *de facto* Government of a *de facto* State, exercising control over the area of Korea North of the 38th parallel [emphasis in the original],”⁴¹ thus giving leeway for a possibility of trade with it.

At the same time, in addition to not officially recognizing North Korea, Britain also upheld the UN position denouncing North Korea as an aggressor, and for several years had co-sponsored resolutions in the UN condemning its behavior. Thus, expanding trade ties with the “aggressor”

³⁸ TNA, BT 11/6173, “Confidential report – North Korea.”

³⁹ East Germany being the only other exception, both because of its “economic importance” and because West Germany was itself trading relatively freely with it and the two Germanies had in general less tense relations than the two Koreas. TNA, FO 371/181139, “Foreign Office – Submission to Ministers on extension of E.C.G.D. cover to North Korea.”

⁴⁰ Ibid.

⁴¹ TNA, FCO 21/328, “Foreign Office’s formal statement on the status of North Korea for use in the High Court.”

could be seen as duplicity both within the country and, more important, by its external partners, the United States and South Korea, whose reaction the Foreign Office had to consider.

At the time in its competition with North Korea for international recognition, South Korea would have seen expansion of Britain's trade with North Korea as providing it a degree of acknowledgment and recognition and as a threat to South Korea's own position and would have reacted strongly. The Board of Trade was also considering this and balancing potential gains from trade with North Korea against possible loss in trade with the South and even damage to British property there, given that the South Koreans were "a volatile and unpredictable people."⁴² Politically, the Foreign Office stressed the necessity of emphasizing to South Korea the distinction between the extension of ECGD cover to North Korea and the UK government's recognition of the DPRK, which, they promised, would not happen. However, British diplomatic circles acknowledged that this distinction would likely not be understood in Seoul, and would be further blurred by inevitable North Korean propaganda in the case of extension of cover.⁴³

The United States was an even more difficult case. It had armed forces stationed in South Korea and occasional casualties there, such as the capture by North Koreans of two American helicopter pilots. In that situation, the UK, on America's request, pressured North Korea by refusing visas to a North Korean trade delegation. This was done in return for US assistance with releasing British citizens in Yemen and Indonesia yet caused a headache for Foreign Office officials.⁴⁴ After half a year, the pressure from the business lobby to grant visas contributed to growing doubts about whether that was even working and worth the potential loss in trade and economic benefits. At the same time, the UK still wanted to avoid a confrontation with the United States were the UK to grant official support to trade with North Korea. The British Embassy in Washington even suggested not informing the Americans of the changes in the UK government's official stance on that issue, though they admitted that it was scarcely possible to keep them in the dark for long.⁴⁵

Overall, the Foreign Office as the body concerned with international relations was the least inclined to separate economic matters from political considerations, and its position was that it would be "most unwise" on political and commercial grounds to expand government support to trade with North Korea.⁴⁶

Cabinet and prime minister

⁴² TNA, FO 371/176071, "Foreign Office – Draft submission to Ministers on extension of E.C.G.D. cover to North Korea."

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ TNA, FO 371/181139, "E.C.G.D. cover for North Korea: note on the present position."

⁴⁶ TNA, FO 371/181139, "Foreign Office – Submission to Ministers on extension of E.C.G.D. cover to North Korea."

The UK government was therefore presented with three contrasting opinions on the institutionalization and expansion of trade with North Korea. The firms interested in North Korean contracts were pushing, through their local MPs, for immediate measures, whereas the Foreign Office, on political grounds, opposed government involvement for fear of the Americans' and South Koreans' reaction. The Board of Trade, acknowledging both arguments, still leaned toward expanding trade and extending the ECGD cover to North Korea so as not to miss out on economic gains.

In May 1964, the American helicopter pilots were released and the UK resumed issuing visas to North Koreans. That obstacle removed, the main point of discussion became the ECGD cover. In the October general election, the Labour Party returned to government with a slight majority and with Harold Wilson as prime minister. Wilson's government was confronted immediately with the problem of balance of payments and the continued downturn in the economy.⁴⁷ In these circumstances, the government did not want its manufacturing and export companies disadvantaged, and the continued refusal of cover meant that British firms were less able to compete for any export opportunities in North Korea that might come forward than their western European competitors who were granting similar cover.⁴⁸

Wilson's background as former Secretary for Overseas Trade and president of the Board of Trade (1947–1951) likely contributed to the change in approach. In March 1965, after more lengthy discussions in Whitehall, a decision was made to reverse earlier policies on ECGD cover for North Korea. Political objections, which had been the main stumbling block, were reconsidered in light of other European countries' interest in North Korea and of diplomatic reports from Washington and Seoul that, though unwelcome, the decision was unlikely to become a major issue.⁴⁹ Nevertheless, effort was made to avoid publicity. Wilson personally signed off on the government's decision to authorize the ECGD to approve short- and medium-term (one to five years) cover for trade with North Korea with the limit of £2 million per annum for medium-term maturities.⁵⁰ Applications were to be judged on "purely actuarial basis and without regard for political considerations,"⁵¹ seemingly meaning the separation of economics from politics.

At the time, it must have seemed that the official government acknowledgment of trade with North Korea and extension of ECGD cover to it would bring a rapid expansion of trade between the two countries. The same year, a North Korean commercial delegation finally came to the UK to discuss trade expansion and the supply of industrial equipment and cargo vessels. However,

⁴⁷ See Jonathan Colman, *A 'Special Relationship'? Harold Wilson, Lyndon B. Johnson and Anglo-American Relations 'at the Summit', 1964–68* (Manchester: Manchester University Press, 2018), 23.

⁴⁸ TNA, PREM 13/634, "Foreign Secretary's note to Prime Minister on E.C.G.D. cover to North Korea." According to the UK government sources, France, the Netherlands, and Austria were providing cover for their exporters.

⁴⁹ *Ibid.*

⁵⁰ Wilson's handwritten approval in red ink—"I agree, HW"—appears on page 3 of the document PREM 13/634.

⁵¹ TNA, FO 371/181139, "Telegram #1873 from Foreign Office to Washington."

the itinerary of the delegation also included Italy, France, and Austria. The North Koreans' visas were sponsored by two private firms rather than by any official body. The Board of Trade recommended that the next time it should be done by the Confederation of British Industry, to give more firms an opportunity to meet the North Koreans. At the same time, a stipulation was made to the North Koreans that "no reference should be made to the United Kingdom Government,"⁵² indicating that political considerations were still valid for the British side.

In 1967, according to Foreign Office data, the number of merchant ships with "free world" flags calling at North Korean ports surpassed those from Communist countries (160 versus 138). Among the free world countries, Japan had the most arrivals at ninety-nine, followed by the UK with twenty-three. Among the Communist countries, the Soviet Union had ninety-six, followed by Poland with twenty-four.⁵³ However, the actual volume of trade between North Korea and the UK does not seem to have increased much after 1965.⁵⁴

By the end of the 1960s, although talks of economic contracts continued, political matters returned to the forefront with the intensification of confrontations on the DMZ, the USS *Pueblo* incident of 1968, the shooting down of an American reconnaissance plane and the capture of a helicopter crew over North Korea in 1969, for which the United States demanded retaliation. The North Koreans for their part demonstrated that they also did not wish to divorce economics from politics, showing a desire to use trade as a stepping stone toward more official contacts with the West and ideally the establishment of diplomatic relations. To that end, and seeking to expand their influence and whittle away support for South Korea in the UN, in 1967 and 1968 they approached Western countries, including the UK, through their embassies in Eastern Europe. The British wanted no part in it, but the North Koreans did open a trading office in Paris.⁵⁵

Conclusion

Contrary to the popular assessment of North Korea as a hermit kingdom, then, in the 1960s Pyongyang was actively attempting to expand trade with western European countries, including the United Kingdom. The documents from the National Archives of the UK show how those attempts were seen by the British government and what considerations they evoked among British civil servants and politicians.

When the matter of extending official support to trade with North Korea emerged as a point of serious consideration and discussion in the UK government and cabinet, and even the office of

⁵² TNA, FO 371/187170, "Letter from S.P. Guy (Board of Trade) to J.G. Clifford (Confederation of British Industry)."

⁵³ TNA, FCO 21/334, "Arrivals of Free World merchant ships at North Korean ports during 1967."

⁵⁴ The authors are still in the process of piecing together UK-DPRK trade figures for the 1960s.

⁵⁵ TNA, FCO 21/322, "Confidential letter from Foreign Office Far Eastern Department to U.K. delegation to N.A.T.O."

the prime minister, differences between interest groups and government branches were marked. Representatives of the business community, supported by pro-China and pro-Communist groups such as the BCPIT and the 48 Group, lobbied for trade restrictions to be lifted immediately, for fear of losing business to competitors from other European countries. Foreign Office diplomats opposed it primarily for political reasons and fear of upsetting Washington and Seoul. The Board of Trade and the Export Credit Guarantee Department, acknowledging the Foreign Office's objections, nevertheless leaned toward opening trade with North Korea and treating it like any other country, their primary objective being to support struggling British industries.

It took the personal involvement of the prime minister in early 1965 to separate economic interest from political considerations and rule in favor of extending government support to trade with North Korea. At the time, although contact was initiated by North Korea, the UK saw benefits for its economy in expanding trade with North Korea, motivated it to find a way to overcome remaining political obstacles.

In the 1960s, North Korea fulfilled its obligations in trade with the UK and repaid its loans, partly because of the low volume of trade. Yet the growing structural issues within the North Korean economy, exacerbated by external factors such as the oil shocks of the 1970s, along with initial British overestimates of its strength and trading capabilities meant that as the volume of trade rose in the 1970s and the loans approached maturity Pyongyang was less able to repay its debts to the UK.⁵⁶ In 1984, it stopped repaying interest to its European creditors and in 1987 was declared in formal loan default, reportedly the first country to be declared such since the start of the international debt crisis in 1982.⁵⁷ British banks, including Morgan Grenfell, were among the creditors. Although North Korea's total long-term debt to the OECD countries is reported at \$650 million, the actual sum owed to UK banks was relatively small, about \$770,000.⁵⁸ Nevertheless, action against North Korea was taken so as not to set a precedent and let other, more significant debtors, such as the Latin American countries, get away with not repaying their debts.⁵⁹ This essentially put a stop to North Korea's attempts to carry out substantial trade with western European countries, including the UK, for many years.⁶⁰

⁵⁶ North Korea's overall trade with the West increased from \$101.5 million in 1970 to \$633.3 million in 1980. Natalia Bazhanova, *Vneshneekonomicheskie svyazi KNDR: V poiskah vyhoda iz tupika* [Foreign Economic Relations of the DPRK: in Search of a Solution] (Moscow: Nauka, 1993), 152.

⁵⁷ Nicolas D. Kristof, "North Korea Is Told of Loan Default," *New York Times*, August 23, 1987, <https://www.nytimes.com/1987/08/23/world/north-korea-is-told-of-loan-default.html>

⁵⁸ Marcus Noland, "North Korea's External Economic Relations" (Washington, DC: Peterson Institute of International Economics, 2001), <https://www.piie.com/commentary/speeches-papers/north-koreas-external-economic-relations-paper>.

⁵⁹ Kristof, "North Korea Is Told of Loan Default."

⁶⁰ Recently, when relations briefly warmed between the United States and North Korea during the Donald Trump administration in 2018, some discussion was held on how North Korea might become creditworthy again if a deal on nuclear weapons were successful and diplomatic relations were normalized. A report concludes that membership of the IMF would be key, alongside economic reform and opening, great transparency, and restructured external debt. However, in 2023 all these things seem only distant possibilities for North Korea. See Tom Byrne and Jonathan

North Korea today is still interested in trading with the West, including the UK. It still offers the same kind of trade it did in the 1960s, wishing to import technologies and industrial equipment in exchange for raw materials, precious and rare-earth metals. However, much has changed for the western countries since then. For one, the economies of most developed countries, and particularly the United Kingdom, underwent major structural transformations in the second half of the twentieth century. The industrial and manufacturing sectors, once the backbones of those economies, have shrunk both in size and economic significance, and the service sector has to a large extent taken over as the primary engine of economic growth. In the 1960s, the manufacturing industry constituted more than 33 percent of Britain's gross domestic product (GDP). Today it accounts for less than 10 percent and services for more than 80.⁶¹ The transition to a service economy and subsequent deindustrialization mean that the manufacturing sector and its needs are less of a motivation for trade than they were and Britain is less interested in what North Korea has to offer in terms of exports and imports.⁶²

Some of the arguments and motivations valid in the 1960s debate have therefore lost their weight. At the same time, new political and economic concerns have emerged, such as North Korea's debt default and economic collapse after the end of the Cold War, its isolation and nuclear weapons program, and the increasing importance of human rights as an issue in international relations.⁶³ A further seismic shift in the global economy also affects North Korea's trade profoundly: the rise of China. North Korea now has the world's most important manufacturing powerhouse right on its doorstep and thus also a ready market for its mineral resources (mainly coal and iron ore) as well as a largely willing supplier of manufactured goods, from electric vehicles to machinery.⁶⁴

In summary, any attempts by North Korea to expand its trade with western European countries, including the UK, face two major obstacles today that either did not exist or were far less formidable in the early 1960s. The first is that, somewhat contrary to initial expectations, relations between North Korea and the Euro-American world have worsened significantly since in the early 1990s and the end of the Cold War. The geopolitical circumstances are thus now less

Corrado, *Making North Korea Creditworthy: What Will It Take to Finance Its Post-Nuclear Development?* (New York: The Korea Society, 2019), <https://koreasociety.org/images/pdf/Making.North.Korea.Creditworthy-Final.Report-Korea.Society.pdf>.

⁶¹ See Lorna Booth, "Components of GDP: Key Economic Indicators" (London: UK Parliament, House of Commons, 2023).

⁶² For the service economy and transition to it, see Anne Wren, ed., *The Political Economy of the Service Transition* (Oxford: Oxford University Press, 2013).

⁶³ In the many pages of UK government documents from the National Archives relating to North Korean trade in the 1960s, human rights are never mentioned, thus highlighting a change in international relations in recent decades.

⁶⁴ In 2018, bilateral trade between China and the DPRK is thought to have reached \$2.7 billion and was possibly higher in 2019, before the COVID-19 pandemic brought trade between the countries almost to a halt. See Elizabeth Shim, "North Korea, China Trade Surpasses \$1B in 2019," United Press International, July 25, 2019, https://www.upi.com/Top_News/World-News/2019/07/25/North-Korea-China-trade-surpasses-1B-in-2019/4451564062578/.

favorable to trade between the DPRK and UK than they were even in the aftermath of the Korean War, when the UK was the second largest UN force ~~the UN side~~. This general worsening of relations is compounded by ‘facts on the ground’ such as extensive UN sanctions against North Korea, which, though not excluding all trade, make many forms of trade very difficult. The latest and most stringent round of sanctions, which began in 2016, have had a significant impact on DPRK-UK trade.⁶⁵ This is clear in that before 2016 trade in goods between North Korea and the UK surpassed \$1 million per year, amounting to \$1.122 million in 2014. In subsequent years, it dropped rapidly, to \$373,000 in 2017, and continued to decrease, amounting to only \$175,000 in 2019, the last pre-COVID year.⁶⁶ Added to this is the general image of North Korea, which has transitioned from being a more or less ordinary, if somewhat obscure, member of the communist bloc to being an international pariah and a byword for state repression, belligerence, and untrustworthiness in the international media.

The second obstacle is economic and derives from the changing structures of many European economies and from the huge shifts in the structure of the global economic system. The fundamental issue is that although North Korea still wants to sell to the UK, the UK does not want to buy goods from North Korea and does not have manufactured goods for which it is seeking new markets. Taken together, these factors mean that even though North Korea may still be keen to trade with European countries such as the UK, these countries are not particularly keen to trade with it. In such circumstances, the likelihood of a UK government—or even individual UK companies—separating economics and politics in order to seek trading relations with North Korea is decidedly low. Some adventurous companies prepared to take the risk are very much the exception.⁶⁷ It is thus difficult to draw explicit lessons for the present from the history of North Korea–UK trade in the 1960s. However, scope for further research on this topic that could shed more light on the issue remains. For example, a comparative study of trade with the UK and a number of other western European countries would be particularly interesting given that, in some cases, the trade with other countries seems to have borne substantial fruit in the mid-1960s.

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⁶⁵ A series of sanctions in 2016 and 2017, in response to North Korea’s fourth and fifth nuclear tests, placed severe restrictions on the country’s exports and imports (UN resolutions 2270, 2321, 2371, 2375, and 2397).

⁶⁶ See KOTRA, “Trends in North Korea’s Foreign Trade,” 2020, https://dream.kotra.or.kr/kotranews/cms/com/index.do?MENU_ID=530.

⁶⁷ An example would be the London Stock Exchange–listed Anglo-Irish oil exploration firm Aminex, which signed an exploration joint venture with North Korea in 2010. See Christian Oliver and Kevin Brown, “Anglo-Irish Group Seeks North Korean Oil,” *Financial Times*, June 1, 2010, <https://www.ft.com/content/03026d26-6d05-11df-921a-00144feab49a>.

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