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Report, Zhou Enlai to Chairman Mao [Zedong] and the Central Committee

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Summary:

Zhou Enlai and Stalin discuss Soviet assistance for the Chinese economy and military.

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Contents:

- English Translation

To Chairman Mao [Zedong] and the Central Committee:^[1]

I. On the evening of September 3rd, Comrade Stalin received our delegation for talks. Also present were the eight comrades [Vyacheslav] Molotov, [Georgy] Malenkov, [Lavrentiy] Beria, [Anastas] Mikoyan, [Nikolai] Bulganin, [Lazar] Kaganovich, [Andrey] Vyshinsky, and [Pavel] Kummykin. A summary of the discussions follows:

[1.] On his evaluation of work done over the past three years, Stalin said: "You have given us a good impression. China is making progress and wants to make progress. China should become the armory of Asia and provide experts to other Asian countries."

[2.] On the Five-Year Plan, Stalin began by saying, "In your Five-Year Plan, you have increased the estimates for increases in industrial production. You plan to increase it every year by 20 percent. That will be difficult and you will need to keep some resources in reserve."

Zhou answered, "We are inexperienced in this area. Based on three years' experience, we made many plans. We often underestimate our potential strength. I expect that in the next Five-Year Plan, we will also be making underestimates in some areas. That is one aspect of the issue. The other aspect is that we have yet to see whether the Soviet Union will be able to provide us with so much industrial equipment."

Stalin said, "We will make a plan according to what we can certainly achieve. We need to hold some resources in reserve so that we will be able to respond to unexpected contingencies. During the next Five-Year Plan, we will over fulfill it by about one percent each year. That is higher than before."

The next point is that, in your Five-Year Plan, you still haven't combined calculations for production of industrial products for civilian use, military production and machinery production. You need to do that. Only once you have combined them will you understand the overall situation and the potential for adjustments. I haven't seen that in your materials. Therefore, you cannot say that you have arrived at your final conclusions. After doing two more months of calculations will we be able to say what we will be able to give you and what we will not be able to give you. In my experience, it takes at least a year to prepare a Five-Year Plan. Examining and checking it takes another two or three months. Even then, there could be some mistakes. There will be various situations and difficulties that you have not anticipated."

Finally, getting down to specifics, Stalin said, "I suggest reducing increases in building industry to 15 percent annually. The annual production plan should call for increases of twenty percent annually. You will need to mobilize workers to reach and exceed this plan. Unexpected situations will crop up so keeping something in reserve will always be useful."

[3.] On the publication of the Five-Year Plan, Stalin said: "Will you publish your Five-Year Plan?"

Zhou answered, "The Central Committee is discussing that now. We are preparing to publish only the overall guidelines for the Five-Year Plan but not the specifics of the Plan." Stalin said, "We published our Five-Year Plan."

[4.] On the National Defense Plan, Zhou asked, "We made a comprehensive proposal that includes the number of personnel, organization, and equipment. What does Comrade Stalin think of it?"

Stalin said, "Very good. For a large country like China, this is a very small number of personnel. China should arm itself well. Especially important is that China have an air force and a navy. You can't have seaports without having a navy." He said that the Plan which calls for 150 divisions and 13,000 airmen is insufficient and needs to be increased. But he also said that our

order of 5,500 aircraft is excessive and will be hard to supply.

Zhou asked what Stalin thought about increasing the size of the air force to 200 squadrons and 18,000 airmen. He said that 200 squadrons would fit into a superior unit has three subordinate units system of military organization and would make it possible to dispense with a headquarters.

When the topic turned to the prospects for piston-engine aircraft, Stalin said, "They will be obsolete in a year or two. Bombers too will use jet engines. The Soviet Union has spent a great deal of money to improve aircraft. We cannot allow ourselves to fall behind in this area."

[5.] On the issue of military equipment and orders, Stalin said, "In order to provide military aid and assistance on civilian construction projects, we need overall numbers from you. Once we know how much steel will be needed for military and civilian projects we will be able to make a good plan. We will need a plan that tells us how much steel will be needed to equip 60 divisions. For each year we will need to add up military and civilian requirements to determine whether we can satisfy them. Perhaps the Chinese comrades believe that our weapons are sitting in our armories just waiting. No, they need to be manufactured.

When Zhou proposed that the date of providing equipment for 60 divisions could be delayed, Stalin answered, "Perhaps a delay would be possible and perhaps not. That will depend upon the state of production and the military circumstances."

On the navy, he said, "Our past agreement is still in effect. Once we have made calculations, we will tell you how long you will have to wait for delivery. Everything we have agreed upon is fine whether it be military loans or civilian loans. They are all valid and they will be implemented. Add up all your requirements and the Soviet Union will make preparations.

As regards to this, Zhou mentioned that 7.7 billion rubles will be needed for the industrial equipment order and 4.5 billion rubles for the military equipment order. Chairman Mao asked Comrade Stalin whether that is appropriate relative to the size of China's population. Stalin answered, "The military ratio is large. When the Soviet Union was at war, we made financial calculations, and determined that military spending did not exceed 45 percent."

Then, continuing, he asked what the Chinese domestic budget ratio was.

When Zhou told him the ratio of military spending to the overall Chinese budget over the past three years, and investment the coming Five-Year Plan for the military industry (army armaments, aviation, tanks, and naval ships etc.), that the total investment was twelve or thirteen percent of the total and that military equipment orders for 60 divisions came to nearly one billion rubles, for the navy to 2.1 billion rubles, and 1.2 billion rubles for the air force for a total of 4.3 billion rubles, Stalin said that the ratio that Comrade Mao Zedong had proposed was correct.

"You need to equipment your navy and air force. We will start by giving your 10 four-engine planes to fly to Tibet. Those planes have a range of 5000 kilometers."

[6.] As to design projects and experts, Stalin said, "That is something the Chinese comrades should decide for themselves. We used to have many old factories so we mostly expanded them and didn't build many new factories. You don't have many old factories so you will need to build new factories. Automobile factories can become tank factories during wartime but you can't make any if you don't have a factory.

You will need to build a factory for tank production only and more automobile factories. We can give you ahead of time blueprints for three kinds of artillery (123 Gun-howitzer, 120 mortar and 762 field guns).

You will also need a mine factory. (We had already proposed this project.) If you don't

have mines, it will be difficult to secure your seacoast.”

[7.] As to the deficit in foreign exchange with respect to the Soviet Union, Zhou proposed three ways to address the problem:

First, increase exports further, in addition to the 13 billion rubles in already-anticipated exports to the Soviet Union;

Second, transfer foreign exchange. If UK pounds, Hong Kong dollars and Swiss francs are transferred, the total would come to 1.6 billion rubles within five years;

Third, another loan, in addition to the 1.2 ruble loan and the 1.1 billion in military assistance to Korea already agreed upon, which would come to 4.1 billion rubles for four projects (that is 1 billion rubles for the 60 divisions already discussed, 100 million for the rubber loan, and 800 million for a new loan for additional industrial projects).

Stalin responded, “Perhaps we could use all three methods. We need minerals you produce such as tungsten, antimony, tin, molybdenum, lead, and zinc. You should expand your production. We also need tea leaves, fruit and white rice. We don’t have much use for UK pounds and we will study whether we need Hong Kong dollars. Swiss francs and US dollars are fine. We can give you an additional loan. We’ll tell you how much we will be able to provide after making calculations. But the issue is not the number of loans but what we will be able to deliver. We’ll need two months to make our calculations. We’ll also need to study the experts’ issue before discussing it with you.

[8.] As for the issue of the four documents,^[2] Stalin said, “We have already agreed on the Lüshun Port extension and the China Changchun railway. If you have some disagreement, you should bring them up. These two documents can be published after they are signed. As for buying rubber on your behalf, you are not in full agreement. But we are asking for your help. The size of the order can be cut to 10,000 or 15,000 tons.”

Zhou said, “The size of the order need not be reduced. We are prepared to do everything we can to buy it but we do want to raise some practical difficulties beforehand.”

Stalin said, “Good, we won’t change the amount. In the agreement the tone of the language of the agreement can be adjusted to make it looser. We hope that it can be done, but if it can’t be done, let us know, and when the time comes we should reduce the number of heavy automobiles that we supply to you. As regards to the China – Mongolia railway, we are in agreement. The Mongolian Premier has also arrived. However, we will not publish the agreement for the time being. We’ll publish it once it has been built.

[9.] As for the movements of the delegation, Stalin asked, “We’ll need two months and I am afraid that you won’t be able to wait here so long.”

Zhou answered, “When we came, we anticipated that Comrade Chen Yun and myself would go back in mid-September and that Comrade Li Fuchun and some other comrades would stay behind.

II. Conclusions from the evening’s conversations. We will discuss it further upon our return. We believe that Comrade Stalin and the Central Committee of the Communist Party of the Soviet Union are satisfied with the work we have done over the past three years. They also have a positive attitude towards the assistance in planning, equipment, experts, and loans for the future Five-Year Plan. The only issue is that they definitely need to make overall calculations in order to ascertain the numbers they will include in their response. This is because without precise calculations, the Soviet Union will be unable to tell us whether or not it will be able to furnish the many products made from steel that we have ordered. They need two months to make their

calculations. In recent days, the Ministry of Foreign Trade, the Ministry of Foreign Affairs and the principal Soviet advisers have already gotten busy calculating these projects.

The advice that we received to reduce our pace of construction to fifteen percent annually and to set industrial production increases at an annual rate of 20 percent or more in order to keep some resources in reserve is most important. We plan to ask Comrade Molotov and others for a more detailed explanation of that when we have other meetings with them so that we will understand it better. We will today send along all the documents (plans for construction during the Five-Year Plan, experts and the aviation industry, military industry, tank industry, and the telecommunications industry; orders for combat equipment for Korea; equipment orders for the air force, navy, artillery, air defense, combat engineers, communications troops in the National Defense Five-Year Plan along with the names of military experts.) We expect that we will have another discussion with the Soviet delegation on September 8th. We will decide then what day we will be able to sign the four documents and which comrades we should leave behind to assist Comrade Li Fuchun in his work. We will inform you later by telegram.

Zhou Enlai

September 6, 1952

^[1] The editors of *Jianguo yilai Zhou Enlai wengao* (Zhou Enlai's Manuscripts since the Founding of the PRC) included several footnotes in this document that provided biographical information on the individuals mentioned. These footnotes have not been translated into English. – Charles Kraus.

^[2] The four documents refers to the Sino-Soviet “Agreement on Cooperation in Plastics Technology”, “Exchange of Texts on Extension of Joint Use of the Chinese Naval Base at Lüshun Port”, “Notice on the Handover of the China Changchun Railroad to the People's Republic of China”, and the “Agreement on Organization of Rail Transportation” among China, Mongolia and the Soviet Union.