Report addressed to Mao Zedong and CC
submitted by Chen Yun and Li Fuchun
February 10, 1952

To the Central Committee of the Communist Party of my country:
The following is a report regarding the status of and observations on design projects for the restoration, reconstruction, and construction of new factories over the past two years. We request your instructions.
I. The scale of industrial restoration in our country over the past two years has been based on the equipment remaining in factories following our victory in the War of Liberation. During the period from August 15, 1945, to the nationwide liberation, the equipment in factories within the Northeast remained largely intact, whereas a significant amount of equipment in factories elsewhere (inside the Great Wall) was lost or scattered. Although great efforts have been made toward industrial restoration over the past two years—achieving considerable success—the level of equipment restoration has yet to reach that of the period under Japanese occupation.
Over the past two years, we have engaged Soviet experts for 42 design projects. Of these, 30 are for the Northeast, 6 for areas inside the Great Wall, 5 for Xinjiang, and 1 for Inner Mongolia.
Regarding the timeline: the first group of 60 design projects was initiated following arrangements made by the Chairman and the Premier in 1950; the second group of 3 projects was initiated after the outbreak of the Korean War, with the aim of establishing a base in the Northeast; and the third group of 23 design projects was initiated in 1951.
The specific design projects include: four power plants (in Taiyuan, Chongqing, Xi'an, and Lanzhou), as well as a fertilizer and explosives plant and a dye plant—all located inside the Great Wall—along with several power plants and hospitals in Xinjiang.
Of the 30 design projects, 20 are in the power, coal, and coal-processing sectors, while the remaining 10 are in machinery and chemicals. Although there are more design projects in the Northeast than in the regions within the Great Wall, some involve new factories, while others consist of existing plants that are being restored and expanded. In large part, however, these efforts are focused on restoring the industrial base that was dispersed or lost in the Northeast following August 15, 1945.

Among the 42 design projects, only 15 have reached the stage where preliminary designs have been completed and approved. Of these 15, only a portion have had formal procurement contracts signed. For other key factories undergoing restoration or reconstruction, preliminary designs have been approved, but procurement has yet to take place—a process currently underway. While it is difficult to determine the exact total cost, a rough estimate is as follows: for the 12 projects located within the Great Wall, the investment is 40 million yuan; for the 30 projects in the Northeast, the total investment required to complete the restoration, reconstruction, and new construction—including the expansion of the Benxi plant (which, due to labor shortages, will be expanded concurrently with the Anshan plant during the First Five-Year Plan)—is 300 million yuan. This brings the combined investment for both regions to 340 million yuan. Foreign procurement is expected to account for less than 30 percent of this total.

II. Given that a greater number of design projects are concentrated in the Northeast compared to the regions within the Great Wall, it is logical that procurement over the next two to three years will also be more heavily weighted toward the Northeast. My reasoning is as follows:

A. Although the original heavy industrial equipment in the Northeast was dispersed or lost after August 15, 1945, the foundational infrastructure of these factories remains intact. Restoring and expanding these existing facilities—as opposed to establishing entirely new plants elsewhere—requires less investment, yields results more quickly, and allows for an earlier start to production. B. Reasons for the limited number of engagements within China proper: First, in many areas, resource

surveys have not been sufficiently thorough; consequently, it is not possible to proceed with design work (as a rule, design work is declined whenever resource surveys remain incomplete). Second, new industrial bases within China proper cannot be situated along the coast.
Regarding the reasons for the limited number of design projects commissioned for regions within the Great Wall (referred to here as "within the Pass"), the primary factor is that resource exploration in these areas remains incomplete; design work cannot be undertaken until such resources are clearly identified. Furthermore, new industrial bases cannot be established along the coast. Additionally, there is a lack of large-scale iron and steel industries—essential for modern industrial needs—as well as a shortage of power infrastructure. In the Northwest and Southwest, beyond other deficiencies, there is also a lack of railways. Consequently, while there was an initial intention to locate the automobile manufacturing industry in Xi'an or Taiyuan, studies indicated that to accelerate production, the project had to be relocated to Changchun.

Given these circumstances, the most rational approach is to prioritize the restoration and enhancement of industrial capacity in the Northeast, enabling it to subsequently support development within the Pass. During this period, efforts within the Pass should focus on railway construction, the establishment of power stations, and resource exploration to facilitate the future development of key industrial facilities. By conducting railway, power, and resource surveys in parallel with design work, construction can commence as soon as transport infrastructure is in place. This division of labor between the Northeast and the regions within the Pass aligns with the industrial realities of both areas, the nation’s financial capacity over the next two years, and the availability of qualified personnel. Currently, exploration for major industrial projects—such as petroleum in the Northwest, the Daye iron and steel complex, and hydroelectric power stations (with thermal power equipment already on order)—has reached a stage where design work can begin. This will allow for the commencement of construction on these key facilities and others within two years.

Experience over the past two years has demonstrated that for any planned industrial project—particularly those of significant scale or involving products not previously manufactured domestically—it is necessary to engage Soviet experts for design work. The reasons for this are as follows:

Historically, large-scale industrial facilities in China were designed by the Japanese, British, or Americans; consequently, China’s own industrial sector has not yet developed a sufficient pool of high-level technical design talent.
B. For our new, large-scale factories, the equipment cannot be sourced from capitalist countries; it must come from [other sources]. However, Chinese technical personnel are familiar only with the specifications of equipment from capitalist countries—not with the specifications of equipment from [these other sources]—which has resulted in designs that are ill-suited [to the actual equipment].
IV. Regarding the preliminary designs for the twelve projects—excluding those already approved last year—these are being submitted successively to the Central Government for review and formal approval. To avoid missing any opportunities, it is necessary to sign procurement agreements with foreign trade entities promptly. Therefore, we request that the Central Committee conduct a comprehensive review of these twelve projects. If these designs are deemed appropriate, we ask that the Central Committee designate the specific authority responsible for reviewing and approving these preliminary designs. Once the preliminary designs have been approved (or rejected), the main details of each design shall be reported to the Central Committee. Upon approval by the Central Committee, the procurement process with foreign parties may proceed. Please advise whether this approach is appropriate.
— Chen Yun, Li Fuchun, Bo Yibo (sent to Tianjin)
February 9

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Notes:

[1] This is a report addressed to Mao Zedong and the Central Committee of the Communist Party of China (CPC), jointly submitted by Chen Yun and Li Fuchun. On February 10, 1952, the CPC Central Committee approved the report and authorized the Party Committee of the Committee of Finance and Economics under the Government Administration Council to be the authority responsible for reviewing and approving the preliminary designs mentioned therein.

[2] During the Second World War, Japan announced its unconditional surrender on August 15, 1945—a date often referred to as "August 15th."

[3] "The North" (Bei) refers to regions including Harbin, Mudanjiang, Jiamusi, and Bei'an.

[4] The "Ping-Han Railway" refers to the railway line connecting Beiping (present-day Beijing) and Hankou; it now constitutes a section of the Beijing-Guangzhou Railway.

[5] "Chen" refers to Chen Yun. "Li" refers to Li Fuchun, who at the time served as Vice Chairman of the Committee of Finance and Economics under the Government Administration Council and as Minister of Heavy Industry.

[6] "Bo" refers to Bo Yibo, who at the time served as Vice Chairman of the Committee of Finance and Economics under the Government Administration Council and as Minister of Finance.