

## **November 4, 1962**

# **Record of Conversation between Zhou Enlai and North Korean Government Trade Delegation**

### **Citation:**

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### **Summary:**

Premier Zhou Enlai and DPRK Government Trade Delegation discuss bilateral trade between China and North Korea. They emphasize the importance of exchanging requests for product types so as to improve quality of products produced from both sides. In addition, they are concerned about the trade imbalance between these two countries and with the Soviet Union. They emphasized the importance of self-reliance in economic development.

### **Credits:**

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### **Original Language:**

Chinese

### **Contents:**

Translation - English

Top Secret-Destroy after reading  
(Not yet proofread by the Premier)

Time: 4 November 1962, 5:45 p.m.

Location: Zhejiang Hall of the Great Hall of the People

Accompanying Personnel: He Long, Chen Yi, Li Xiannian, Vice Premier Luo Ruiqing, Ye Jizhuang (Minister of Foreign Trade), Fang Yi (Director of the Central Bureau of Foreign Economic Relations), Li Qiang (Vice Minister of Foreign Trade), Liu Mingfu (Vice Chairman of the State Planning Commission), Geng Biao (Vice Foreign Minister), Yang Lin (Deputy Director of the Central Bureau of Foreign Economic Relations), Hao Deqing (Ambassador to Korea), Zhao Jichang (Director of the Foreign Trade Ministry), Li Fanfu (Commercial Attaché at the Embassy in Korea), and Ge Buhai (Deputy Director of the Protocol Department)

[North] Korean Attendees: Vice Premier Ri Ju-yeon , Ri Il-gyeong [Ri Il Gyong] (Minister of Trade), Choe Man-Hyeon [Choe Man Hyon] (Vice Chairman of the State Planning Commission), Jeong Bong-gyu [Jong Pong Gyu] (Charge d'Affaires at the Embassy in China), Kim Il-hyeop [Kim Il Hyop], Ri Sang-bok [Ri Sang Bok], Kim Dong-chun [Kim Tong Chun], and Yang Jin-ryeol [Yang Jin Ryol]

Translator: Kang Ryong-gu [Kang Ryong Gu]

Documentation: Zhang Ruijie

(During the exchange of greetings, Vice Premier Ri [Ju-yeon] conveyed Premier Kim Il Sung's greetings to Premier Zhou [Enlai] and Premier [Zhou] expressed his thanks.)

Premier Zhou (to be abbreviated as Zhou): The signing will take place tomorrow afternoon. How are the talks this time around?

Vice Premier Ri (to be abbreviated as Ri): The talks are being held on the basis of the talks between Premier Zhou and Premier Kim. We believe that these negotiations are in line with the spirit of the talks between you two. [We] feel very satisfied.

Zhou: There still should be some dissatisfaction!

Ri: [One] cannot be completely satisfied.

Zhou: What you say is reasonable. What we cannot resolve this time around can be partially resolved in annual trade. The set amount of long-term trade [between China and Korea] is a bit less than what you had originally envisioned. If our economies develop, [if] agriculture develops, [then] after the Chinese Third Five-Year Plan, it is possible that [trade] will increase. This time the foundation for the next five-years of trade will be laid down. In the future, [it] can be developed. At the same time, [we] can come to a mutual understanding of one another's needs. [If] we mutually understand the specifications and quantities of goods, then this can be counted in production in the future. The long-term trade agreement has already been negotiated, but there are still more things to do after the signing of the agreement. The Chinese State Planning Commission wants to arrange a plan that is, on one hand, domestic production and, on the other, imports. You want China's transit products and we agreed. Some [of these items] can be purchased. Some [you] might not be able to buy because they need to be bought on the international market. The foreign exchange rates for the needed transit products have already been set. The problem is whether or not [you] will be able to purchase [the items]. The Ministry of Foreign Trade will promptly notify you. [We] have already responded about some [items]. It's not only a problem of quantity, but also of raising quantity. You should put forth the

specification requests for coal, soybeans, and cotton. Business is business-the specifications you put forward can push us forward. We are presently discussing the plan, with a particular emphasis on increasing [product] variety and quality. The issue is specifications. In recent years the quality of some of our exports has declined. This is bad for production and for [China's] international reputation. On the other hand, we will also make requests for product types and specifications in our imports from [North] Korea, so that you can appropriately satisfy our needs. We will also strive to suit your needs. This is our first time to sign a long-term trade agreement, and it is also our first with you. We see this as urging us to plan our economy well and for our two economies to do well together. [We] must earnestly make the agreement a force [for us] to do well in economic work. The Ministry of Foreign Trade, the Central Bureau of Foreign Economic Relations, and the State Planning Commission are all here. [If the agreement] is executed poorly, we will be responsible. [If] things are good, then annual trade will be an issue for the Ministry of Foreign Trade. The issue over long-term trade items and product exchanges is quantity. Does the Vice Premier [Ri Ju-yeon] have any other views?

Ri: I agree with the views of the Premier. In trade, we get coal, gypsum, rubber, and cotton from China. These are all important resources, particularly since coal makes up half of the trade value. The Seven-Year Plan requires us to reach 2.5 million tons of steel. According to basic calculations, that would require at least 4 million tons of coal. Coal imports must reach 2.5 million tons by the end of the Seven-Year Plan. That is 500,000 tons more than the 2 million tons which Premier Zhou and Premier Kim talked about. We have no other way out, so we are proposing to add 500,000 tons. Because importing a large quantity of coal is relatively difficult, therefore we further propose an increase of 500,000 tons. Since it is harder to import large amounts of coal, we are concentrating our technical forces and striving to think of ways to decrease the usage of coking coal. [We are considering using] civil anthracite and sintering to save on coking coal and producing 2.5 million tons of steel from 2.5 million tons of coal. I want to reiterate that we are completely dependent on China for coking coal.

Zhou: More than half of the coal which we provide to you is coal concentrate.

Ri: [I] would also like to say that from 1959 through 1961 we were consistently in debt to the Soviet Union and China in terms of trade. There was no debt to other countries in terms of trade. We want to balance [trade with the Soviet Union and China] and no longer be in debt. Domestically, we are using the Chollima movement to educate the people, but we cannot explain our trade debts with fraternal countries.

Zhou: We are also in debt to the Soviet Union.

Ri: Last time Premier Kim discussed our efforts to strike a balance in trade with Premier Zhou. Trade personnel from both of our countries understand what we are capable of exporting and what we need to import. [They] also understand China's demands of us. [We] hope to guarantee and realize this amount of trade. We also hope that China will tell us the requests for [product] variety and quality in advance. We are prepared to consider changing our production facilities. If China does not trade with us then it does not matter [for China], but if we do not trade with China then we cannot survive.

Zhou: Both sides have needs.

Ri: We provide China with 500,000 tons of coal and 1 million tons of iron ore. These are huge quantities. We will continue [our] efforts to improve quality. The Premier just said that business is business and we should understand each other's needs. [We] hope that China will inform us often of what it wants. This way our production can be vigorous. Of course, if the Chinese comrades feel that it is all right to not conduct

trade with us, then that is a separate matter.

Zhou: We do not have that idea. Exchanging requests for product types is very important for both sides. It can urge [us] to improve quality.

Ri: The quality of some of the items China provided to [North] Korea is not high, but, on the other hand, this problem is more serious for the items [North] Korea gave to China. We need to make improvements.

Zhou: The items which you provide to us do not have as big of an impact as the items which we provide to you. Coal, cotton, gypsum, rubber, seamless steel pipes-if they are not up to standard, then your construction will be affected.

Ri: Besides the large amount of ash in the coal, there are not many [other issues].

Zhou: That would affect your production. A high amount of ash and rocks leads to losses.

Ri: This is because we demand too much.

Zhou: You requested 2 million tons. We almost produce 200 million tons. We should pay attention to this issue. This has benefits for supervising and stimulating domestic production. It is an inspection yardstick.

Ri: The issue of using loan balances for some machine tools has not yet been negotiated in full. The Vice Chairman of the State Planning Commission will stay here to continue discussions.

Zhou: [He] can remain for a few more days.

Ri: I want to discuss a few more points on this issue. We have about forty small machine tool factories. In addition to precision [machine tools], domestically we can resolve our own [demands] for general mining, irrigation and some chemical industry machinery. We have an established foundation in technique and experience. But the scale of the factories is small and there are few large machines. During the Seven-Year Plan, we will import some from the Soviet Union and China. For example, thermal power generators of 1 million kilowatts; 400,000 will be imported while [we] will provide 600,000. We can resolve 1 million kilowatts of hydroelectric power equipment by ourselves. This requires a lot of large machinery, and China can produce the large machines which we need. We have already reached an agreement for 500 to 600 large machines. It would be good if we can receive them early, between 1963 and 1965, so that from 1965 through 1967 we should be able to generally resolve our demands by ourselves. There are still some differences between the two sides in calculating the loan balance. We calculate that there are still tens of millions of rubles. If there is not enough remaining loan balance in this agreement, we would like to trade. Premier Kim told Premier [Zhou] that we are in great need of oxygen generators. The Vice Chairman of the State Planning Commission is staying to discuss machine tools and oxygen equipment. (Premier Zhou asked Vice Minister Li Qiang how production is for our oxygen equipment. Li Qiang replied that they have not yet reached the standard, but they might next year.)

Ri: Next year will not do. But providing [oxygen generators] from 1964 through 1966 will be good. 3,500 cubes [of oxygen generators] will be good, 5,000 would be better, but if this is not possible then 3,500 is fine. There are still a few difficult questions I would like to discuss. One is that we hope to shorten the wait time for the machine tools. The delivery is set for 1966 and 1967, but we hope to receive them early, in

1963, 1964 and 1965. Another problem is that we have resolved the mercury issue and we are very thankful. We have negotiated the delivery [of mercury] in stages of 30 tons, 40 tons and 50 tons. We hope to receive more this year. Our caustic soda plant cannot operate because it does not have any mercury. I have told Vice Minister Li Qiang that we hope to receive 50 tons this year.

Zhou: The long-term trade agreement is tentatively like this. We will sign it tomorrow. We have also resolved trade and loan disbursements for 1963. What Vice Premier [Ri Ju-yeon] mentioned are core issues in economic development. First of all, China's coal exports will be limited during the Third Five-Year Plan. We are striving to reduce the ash and stones [in coal] and you are thinking of ways to improve smelting technology and reduce the consumption of coking coal. The use of smelting coal in western countries and Japan has been reduced by a lot. We also want to reduce the consumption of coal. If we have new discoveries in the midst of technological change, [we] will tell you and share experience. [We] can study the issue about 500 lathes again. If [we] can give you some of them early, this will be very important for your construction. There are problems in giving all of them [to you] during the first three years, but as much as possible [we] can give you a portion. This is important to you, especially [because you] really need to manufacture equipment for power plants.

Ri: What is being said now is that it is possible to supply more before 1966 and 1967. Originally it was not that all of [the equipment] would be [delivered] in 1966 and 1967.

Zhou: You want [us] to provide more during the first three years.

Ri: Yes.

Zhou: The oxygen equipment is used in steel making. Technically, we still have not yet matured. We still need to work harder, because we also need this kind of equipment for steel making. As for the mercury problem, [we] will check the reserves and, if possible, will consider providing more this year. Of course it would be good to balance trade. If not, it can be the same as last year—using loans to pay and waiting until the following year, these two approaches. Both sides can re-calculate the loan balance. I have discussed this issue with Premier Kim Il Sung that you do not have to mind the issue of repaying loans. If [you] have problems repaying loans on time, they can be extended. Because there is always an account in state relations, I told Premier Kim that, in reality, we did not include [North] Korea and Vietnam's repayment of loans in [our] budget revenues. On the contrary, [we] listed the debts in [our] expenditures. In construction projects, if the loans are insufficient then we can expand [the loans]. The point is to finish the project.

Ri: Last time when Premier Zhou talked with Premier Kim, I was present as well. We are very thankful. We also understand what the Premier means.

Zhou: We have to put our common causes [first]. Accounting is a secondary matter.

Ri: I discussed the trade balance. Mainly [we] want to educate our staff not to believe that, [because] the Soviet Union and China are fraternal countries, then debt does not matter. [We] fear that they will develop this habit, because it is contrary to the spirit of self-reliance. Premier Kim emphasized this point. We fully understand the ideas of the Chinese comrades.

Zhou: Your thinking is correct. It takes time to gradually establish an independent economy. Therefore, in terms of trade, we cannot let you carry an excessive burden. If you are able to establish an independent economy, then it will provide great benefits for us as well.

Ri: Our strength is very small.

Zhou: Do not underestimate [your strength]. As the outpost of the East, you are holding back one of the claws of American imperialism. American imperialism has ten claws, and [North] Korea is holding one of them. That is one-tenth. You have ten million people. In the socialist camp of one billion people, that is only one-hundredth. But you are holding back one-tenth of the enemy's strength. Your burden is the greatest!