

June 2, 1961

**Vice Premier Li Xiannian Meets Czechoslovak
Ambassador to China Josef Sedivy to Discuss the
Issue of This Years' Sino-Czechoslovak Trade
Negotiations**

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Summary:

Li Xiannian describes the difficulties facing China in the wake of the "disaster" and its inability to meet trade obligations with other socialist countries.

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Vice Premier Li Xiannian Meets Czechoslovak Ambassador to China Josef Sedivy to Discuss the Issue of This Years' Sino-Czechoslovak Trade Negotiations

(not yet approved)

Time: 10:00 a.m., 2 June 1961

Place: Wu Cheng Hall, State Council

Attending: Deputy Director Xu Ming

Translator: Zhang Zhendi

Record: Li Guangsheng

On invitation, Vice Premier Li Xiannian met Czechoslovak Ambassador [Josef] Sedivy at 10:00 a.m. on 2 June 1961 (a courtesy call). After exchanging mutual pleasantries, [they] then discussed the general situation of industry and agriculture in China and Czechoslovakia and some existing problems in agriculture. Then the Ambassador took the initiative to put forth the issue of this years' Sino-Czechoslovak trade negotiations. The recorded dialogue between Vice Premier Li and the Ambassador on the trade issue is offered below; the other [dialogue] is being omitted.

Ambassador: The results of the cooperation between our two countries is good and satisfactory right now. [I] hope the temporary problems [we] are facing in economic cooperation right now can be resolved.

Vice Premier Li: [I] hope for this as well.

Ambassador: [I] hope that [we] can reach an agreement very quickly in the trade negotiations in Prague.

Li: We already explained our situation, and you also already explained your situation. The Ambassador also knows that Premier Zhou [Enlai] already told our situation to the ambassadors of fraternal countries in China. We also expressed our views [and] gave answers during the negotiations in Prague, [but] the Czechoslovak comrades have not yet responded. We believe that [because of] the spirit of mutual assistance and mutual understanding between fraternal countries, the problem can be resolved.

Ambassador: The negotiations in Prague are being carried out in an atmosphere of understanding. We are doing our utmost to understand China's difficulties. China's unrealized obligations from last year can be moved into the next several years and resolved. We will also not demand that China supply something which it cannot in this year's trade. Nonetheless, this change has had a large influence on Czechoslovakia's economy and foreign trade. (The Ambassador used the Czech word *Zasash*. This word can be translated as interference or influence. In the talks with the Czechoslovak Minister of Foreign Trade it was translated as interference; here [I] am considering whether it should be the former or the latter. At the same it was translated as 'influence.' - Translator). This is not to blame China, only to have you understand this situation. What is complicated is the issue of loans for heavy industrial equipment. Right now [we] are searching for a method to resolve [this issue] which is acceptable to both sides.

Li: Not long ago Premier Zhou talked about our country's situation with the ambassadors of socialist countries. Because of the disaster, the speed of our country's industrial development has slowed. The Premier also discussed the acceleration of agricultural development. On the issue of last year's non-payment, you expressed that it can be pushed up over the next several years to be resolved [and] we are thankful [for this]. On the adjustments in industry and the slowdown, it is inevitable that [we] will have to make changes to the loans for equipment. This may have an influence on Czechoslovakia, but it will have an even bigger influence on us. We believe that, on the basis of friendly consultations, an agreement can be reached in the trade negotiations between the two countries.

This year our country will import 5 million tons of grain, but since liberation our country has consistently exported grain. This is because in 1958-1949 and 1960 grain exports rose slightly, but the main reason is because of the disasters [we] met. It is not alright that a country this big has to rely on importing grain in order to build socialism. Based on the climate conditions right now, next year [we] may still need to import some [grain], therefore in industry [we] must make a big adjustment. We have achieved great victories. According to the regulations of the Second Five-Year Plan, by 1962 [we] will produce 10 to 12 million tons of steel, but last year [we] already produced 18 million tons. Because agriculture met with disaster, as well as some shortcomings in our work, we must make adjustments to industry. This year steel output cannot increase, [we] may even have to produce less than last year. This will influence our imports and exports in foreign trade and the loans for equipment. Please understand this point. But [I] hope, in the spirit of mutual understanding, [we] can reach an agreement in the economic relationship between [our] two countries. My country's delegation already expressed our views to the Czechoslovak government.

Ambassador: Between fraternal countries, there are only consultations; there is no other way to resolve problems. Because this problem involves two sides, and especially because the equipment issue bears on several years, and although my country has not suffered a disaster like China has, this does have a large influence on Czechoslovakia. The Czechoslovak side is prepared to welcome and study proposals and ways to solve the problem put forth by the Chinese side. Not long ago the Czechoslovak Minister of Foreign Trade put forth this view.

Li: My country's delegation also put forth our proposal [that we] hope we can reach an agreement through mutual understanding. We are both socialist countries, [we are] both building socialism; in the course of [our] work, some views cannot be resolved through consultations.