

July 1, 1964

**Record of Zhou Enlai's Reception and Conversation
with Workers Party of Vietnam Central Committee
Cadres Delegation**

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Summary:

Zhou Enlai and Nguyen Con discuss economic conditions in North Vietnam and China, as well as Chinese economic aid to the DRV.

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People's Republic of China Commission for Economic Relations with Foreign Countries

Record of Zhou Enlai's Reception and Conversation with Workers Party of Vietnam
Central Committee Cadres Delegation
(Premier has not yet reviewed)

(64) Commission for Economic Relations with Foreign Countries 1 [illegible] No. 657

Time: 4 p.m., 1 July 1964

Location: Fujian Hall, Great Hall of the People

Participants:

Vietnamese side:

Nguyen Con, Delegation Leader, Member of the Workers Party of Vietnam Central
Committee, Deputy Chairman of the Vietnam State Planning Commission

Tran Diep, Deputy Delegation Leader, Member of the Workers Party of Vietnam
Central Committee, and Deputy Minister of Industry

[Illegible] Van [illegible], Delegation Member, Member of the Vietnam State Planning
Commission

Nguyen Quan, Delegation Member, Commercial Counsellor at the Embassy of
Vietnam in China

Hoang Trinh, Delegation Member, Director, Heavy Industry Planning Department,
Vietnam State Planning Commission

Hoang Bac, Charge d'Affaires ad interim at the Embassy of Vietnam in China

Chinese side's accompanying persons: Commission for Economic Relations with
Foreign Countries Yang Lin, Li Yingji, [illegible] Wei, Qiao Guiyuan (deputy
representative, Economic Office in Vietnam)

Interpreter: Wang [Illegible character]lun

Recorder: Ye Yuange

Premier Zhou (hereafter abbreviated as Zhou): You came in May, so you have been
here nearly two months, right?

Comrade Nguyen Con (hereafter abbreviated as Nguyen): It has been nearly two
months.

Zhou: Where are you staying?

Nguyen: The Peking Hotel.

Zhou: How many of you are there all together?

Nguyen: 14 persons.

Zhou: Are you (points to other delegation members) also leaving, or not?

Nguyen: They still have to remain here.

Zhou: Comrade Fang Yi is accompanying a minister from Mali to Shanghai. He has already told me about what he discussed with you. The time the new projects are still under discussion, and nothing has been finally determined. The construction projects all require construction. The question is what to construct.

At the end of last year (1963) , there were 112 original projects in all, with 72 or 73 completed, 16 or 17 under construction, and another 20 some not yet started (The Premier asked Comrade Qiao Guiyuan: The projects now under construction occupy how much labor? Qiao replied: Approximately 30,000 people.). In the latter half of this year, some of the projects will be completed and some of the projects will require construction. When the labor force of 30,000 completes the projects on this side, we must then transfer them to that side. They will not be idle. This time we have discussed 33 projects, many of them large in scale and not a few of them projects in heavy industry, such as shipyards and chemical fertilizer factories. So the Vietnamese comrades are facing the following situations:

1. At this time North and South Vietnam are still not united, there is the struggle in South Vietnam, and besides that there is the issue of old [illegible]. Therefore, starting from the situations at hand, one cannot but prepare for both situations. That is, one must fight well and fight for an objective environment that can allow us to build. But one must also prepare for the other situation; if the flames of war reach or threaten North Vietnam, one must be prepared at any time to deal with an imperialist war of aggression. From this starting point, one must build for both the situation of adapting and that of struggling. One cannot simply prepare for one of them.

2. Vietnam at present has already had a great change from the situation at the time 10 years ago when it signed the Geneva Armistice Agreement, with agriculture having greatly developed and industry now undergoing construction. But Vietnam's original industrial foundation actually was very weak. French imperialism did not leave for you a sound industrial foundation, and agriculture is also very underdeveloped. They took your raw materials, processed them, and then sold them back to Vietnam. Therefore, at present the foremost task for Vietnam's economic construction is solving the problems of food, clothing, and daily necessities. One must first develop agriculture, light industry, and handicrafts, then gradually develop heavy industry. Doing it this way is suitable for a policy of war and peace at the same time. One can only use war materiel to fight. One cannot eat it, wear it, or use it. As we are your great rear area, you do not have materiel and we have the duty to supply you.

3. As for Vietnam's underground resources, French imperialism has not left you any resources. In the past several years, you have carried out survey work, but the situation is still not entirely clear. The construction industry first of all requires one to consider the problem of raw materials. Commonly, for raw materials and production one either has domestic demand or one can export them. One masters the equipment, and then builds in advance. One is able to recover the funds, accumulate funds, and carry out an expansion of production. Conversely, if resources and markets are not good and one has not mastered equipment and [illegible], do not be busy with determining the project and do not start construction.

We in the past few years surveyed, designed, and built at the same time. We often reached the halfway mark only to discover that the resources were not good, the raw materials were not there, and that it would be best to [illegible]. At present this way of doing things has been rejected. In the period of the previous war, we made use of this way of doing things to produce some homemade iron to make grenades and weapons, but we had no other choice to meet an emergency, when building factories

in the regular way would not do. At present you can see along the railway such a situation: there are not a few sites where there are walls without a roof and smokestacks that discharge no smoke, having entirely ceased production. Our desire at the time was good; we wished for more. The result was the opposite of what we desired, producing waste, neither good nor economical, and so incapable of producing in large quantities or rapidly.

4. Vietnam's population is not too large. The North has approximately 17 million plus persons. Your agriculture also lacks mechanization and electrification. Agriculture does not pass the test, requiring a large labor force. Nor is it possible to throw too much labor into industry. Too many projects will occupy too much of the building force and concentrate too much of the population in the cities, which will then produce shortages to the detriment of war and peace at the same time.

Our China's population is very large. At the time of the Great Leap Forward, we were doing construction projects in too concentrated a way. The numbers of staff and workers grew too large. On top of that, with the natural disasters and the Soviet Union's withdrawing their experts and tearing up the contracts, we ran into great difficulty and then had to carry out adjustments. At the time the number of staff and workers grew to over 51 million persons. It has now decreased to around 33 million persons. When staff and workers in a brief period of time rose to account for 20 percent of the entire population, there were major food shortages. Later, when staff and workers fell to 17 percent of the population, the situation took a turn for the better. Korea for a time also felt that they were engaged in too many projects and that the urban population was too large, which was creating difficulties. Their agriculture is better than ours, but the scale of their construction is not as large as ours. For a time there were shortages, and then they pulled back. Algeria, with a population of 1.7 million, also has a large scale of construction and in 1964 felt shortages. When I was in Algeria, I asked that they take care but did not arouse in them sufficient attention. I would also like to ask the Vietnamese comrades to consider this experience.

The above points in summary are as follows: 1) the problem of war and peace, 2) the problem of order (priority); 3) the problem of raw materials, resources, markets, equipment, and technology; 4) the problem of labor force. Of course, there is also a fifth problem, which is that of funds. Even though the major equipment is sent from China, Vietnam must pay for all local labor, civil engineering, and such materials as sand and stones. This part of the cost accounts for approximately 40 to 50 percent of the total.

On the basis of the above situation, I will now discuss the following problems:

1. The problem of the distribution of industry: From the viewpoint of war, one has to envisage a first, second, and third line. If the projects all are put in the Red River delta, in the event that war broke out, it would be disadvantageous. One must not place them only on a plain, but in areas of hills, areas of mountains, and in the rear.

2. The problem of concentration and dispersion: If industry is too concentrated, in the event that war broke out it would be disadvantageous. That is to say, put it in the rear. Also, it is inadvisable to concentrate industry excessively. Dispersion would be better. Of course, one must place production sites near raw materials. One can also disperse these. Let us take a sugar mill as an example. Its raw material (sugar cane) is dispersed, so one can in a dispersed way build some easily shifted small sugar mills.

3. The problem of scale: Speaking in regard to your country, it would be a little better if the scale were small. If you need something large in scale, you can divide it into several stages of construction, or divide it into several factories built in several

places. Of course, building large factories would be relatively economical, but building large ones takes longer and recovering the investment thus takes time. In your country, you would build factories that are a bit smaller, build them quickly and recover the investment rapidly. In the event that war broke out, you would have already resolved some part of the needs in advance. Building on a large scale would require doing it in phases and building in a dispersed way.

4. The problem of order: It would be relatively advantageous to start with the means of production that would help the development of agriculture, such as chemical fertilizer and small-scale water resource projects. One must resolve the problems of food, clothing (such as [illegible], [illegible], and small-scale vinylon factories), and daily necessities. I am not saying not to develop heavy industry, as chemical fertilizers and vinylon are heavy industry. The issue is when ranking things one must first pay attention to agriculture and solve the problems of food, clothing, and daily necessities.

5. The problem of machine repair: Vietnam has very little industry, and transport equipment and military equipment require repair and replacement. It would be relatively beneficial to start on a small to medium scale. Do not build everything together. You should build many and build them small. A large scale [illegible]. There are some large things (such as heavy tanks) that, when they break, you can send to China, and we can help with the repair. Motor vehicles are also this way. First do small, medium, and large repair plants, and then in fact you can equip motor vehicles. In short, machine repair starts from small and medium repairs, and one can leave major repairs for a little later.

6. The problem of technology: In new projects one should try to apply new technology. We are helping you use some new technology. China already has new technology, so we are using new technology, such as textiles and vinylon, and we have already mastered new technology. But China still greatly lags in many technologies, some of which are those of the 1940s and 1950s, and now the world is at the technologies of the 1960s. If you can do it, or you want, new technology, even if it takes a little longer you should wait a little bit. What I am saying is that you can wait for heavy industry. As for light industry, there is no need to wait. You can use current technology to produce daily necessities. You can apply new technology, the useful application of which can save on investment, labor, space, and material.

I have mentioned six problems: 1) distribution, 2) dispersion, 3) scale, 4) order, 5) repair, and 6) technology. Other than those there are also such problems as labor, funds, transport, electric power, and power. Simply calculating them requires total weighing and consideration, comprehensive ordering. Only then can one distinguish clearly among priorities and commit whether or not to do something.

For some things there is little volume of use. China can supply them. To build factories would not be worthwhile. There is producing alloy steel, for example. For certain special steels, Vietnam's conditions are lacking and the demand is not great. We can supply them, so it is not necessary to build factories.

These thoughts came to me after reading Comrade Fang Yi's report. They may not be suitable. When you go back please inform Comrade Pham Van Dong of my view regarding the report and ask him to please consider it. When I later have the opportunity to see him, at that time I will exchange views with him.

What I am saying in no way will effect or shake our helping you. The issue is how to help you well and what to do to be more beneficial for you. This is what I want to discuss.

Nguyen: Comrade Premier, we are very happy to have seen you today. When I return, I will report your valuable view to Comrade Pham Van Dong and our Party's other leading comrades. At present we are summarizing our experience since the recovery of peace in order to guide future work. At the same time we are compiling the Second Five-Year Plan. I think that your view regarding our summarizing work will be of great help.

Zhou: My view is simply for your reference. Only experience or relying on one's own conclusion is reliable.

Nguyen: At present our objective is that we must establish an independent and autonomous economy.

Zhou: Right. I am of the same view. You must establish an independent and autonomous economy, but you must also have steps and must have priorities.

Nguyen: We are seeking to establish an independent and autonomous economy on the basis of our country's conditions. In the process of building it, we have China's help.

Zhou: I am also thinking how to help well. There is no need for help that would, instead, place a heavy burden on you. Please go back and discuss my view with Comrade Pham Van Dong and other comrades. When I have the opportunity to see him, I will discuss it with him then.

Nguyen: We wish the Premier good health.

Zhou: Good health to you all.

6 July 1964

File: Chairman Liu [Shaoqi], Premier Zhou [Enlai], [Deng] Xiaoping, Peng Zhen; Chen Yi, [Li] Fuchu, [Li] Xiannian, [Bo] Yibo, Cheng Zihua, Song Shaowen, An Zhiwen, Office of Foreign Affairs, International Liaison Department (2), Ministry of Foreign Affairs; Ministry of Foreign Trade, Ministry of Metallurgical Industry, Ministry of Chemical Industry, Ministry of Water Resources and Electric Power, Ministry of Construction and Engineering, Ministry of Textile Industry, Ministry of Forestry, First Ministry of Machine Industry, Fourth Ministry of Machine Industry, Fifth Ministry of Machine Industry, Sixth Ministry of Machine Industry, Ministry of Railways, Ministry of Coal Industry Party Group

Commission for Economic Relations with Foreign Countries: Fang, [illegible], Chang, Du, Li, General Office (2), Bureau of Planning and Finance, Corporation Wang, Manager Ji, First Bureau (5), Communications Office, Economic Representative's Office of the Embassy to Vietnam, file.