

REPORT BY ZHOU ENLAI: "THE ECONOMIC SITUATION IN CHINA AND THE TASKS OF THE FIVE-YEAR PLAN"

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I. General State of China's Economy

The current situation in China can be characterized as follows: the New Democratic system has been established, the leadership of the working class and its vanguard, the Communist Party of China, has been strengthened, the dictatorship of the People's Democracy has been consolidated, and the economy, which was destroyed due to the prolonged war, has been restored. All of this has been gradually achieved after the victory of the People's Liberation War on a national scale. It resulted from the unprecedented unity of the entire nation, the implementation of agrarian reform, the resistance against American aggression and assistance to Korea, the suppression of counter-revolution, and the movement against the "three evils" and "five abuses."

The remnants of imperialism, feudalism, and bureaucratic capital have been mostly eliminated, the national bourgeoisie has been weakened politically and economically, the entire economic structure of the old society has been reorganized, and the consciousness and labor activity of the broad masses of workers and peasants have significantly increased. People have united more closely. Thus, in political terms, conditions have been created in China for the future implementation of planned economic construction, with the support of the masses.

The current state of China's economy can be characterized as follows: fundamental changes have taken place in the semi-colonial and semi-feudal economy. Heavy industry, transportation and communication, foreign trade, and finance are already in the hands of the state. The socialist sector in the country's economy has significantly expanded, and the leading role of the state sector in the economy has been strengthened. The work to restore the national economy has been successfully completed. A balance has been achieved between income and expenses, and commodity prices have stabilized. The material well-being of the broad masses of workers and peasants has improved, and in varying degrees, it has exceeded the level that existed before the beginning of the anti-Japanese war. All of this is inseparably linked to the great friendly assistance of the Soviet Union to China in political and economic terms.

Over the past three years, China has implemented the following key measures on the economic front:

1. The land reform is nearing completion. Over an extensive territory with a population of over 420 million people, the principle of "land to the tiller" has been implemented, the landlord class has been eliminated, peasants have been emancipated, and agricultural productive forces have developed. All party organizations and people's government bodies at various levels effectively lead agricultural production and improve field cultivation techniques. Labor mutual aid has been organized, covering over 40% of able-bodied peasants, and work on rural cooperatives has begun.

The construction of irrigation and drainage facilities has reduced the area of arid land from 120,000,000 mu (7,500,000 hectares) in 1949 to 21,000,000 mu (1,312,500 hectares) in 1951. The area of irrigated land (including rice fields and marshy fields) has increased and reached 30.1% of the total cultivated area. In addition, agricultural credit is provided on a large scale, thus aiding the poor, as well as peasants growing cotton and tea, settled peasants, and nomads of national minorities. Thanks to this, agriculture in China is rapidly recovering and developing. Simultaneously, the dependence of agricultural production on imperialist countries, as in the past, is being eliminated. The projected collection of major agricultural products in 1952, such as grains and cotton, will exceed the gross annual collection prior to the start of the anti-Japanese war. The gross value of agricultural production in 1952 will be [unreadable]. The rapid recovery and development of agriculture has become a crucial condition for the rapid recovery and development of China's entire economy.

2. Complete expropriation of bureaucratic capital and its transfer to the state. As a result of various measures we have implemented, 65% of foreign capital from imperialist states in China is already under the control of the People's Government or in its hands. Crucial industrial enterprises, such as coal mines in Kailuan and Jiao Zuo, are managed by the People's Government. Two American companies in Shanghai (power plants and telephone exchanges) are under the control of the People's Government. An English tobacco company has been taken over and is operated by the People's Government. Two English shipbuilding yards, along with all equipment for river transportation, and four English and American oil trading companies are used by the People's Government through military control. Furthermore, it is planned to use the same method to take control of three other companies in Shanghai: the tramway, gas, and water supply, which belong to English capital.

The share of exports and imports of imperialist countries in China's foreign trade decreased to 6% in 1952 (based on statistics for the first half of 1952, primarily focused on imports to China), while it previously held a dominant position before the start of the anti-Japanese war. In the past, there were 27 foreign banks of imperialist countries in China, but at present, only 6 banks remain. Previously, these banks monopolized money transfers between China and capitalist countries, but currently, their share in money transfer operations between China and capitalist countries has decreased to 0.48% in 1952 (based on statistics for the first half of 1952). They no longer engage in deposit operations.

Regarding privately-owned trading and industrial enterprises, after reorganization, the introduction of planned procurement and sales, the establishment of order in orders and material processing, the introduction of coordinated prices, and joint management of enterprises with state and private capital, the state's control over private capital has significantly improved. The role of private capital in important trade and industrial enterprises that have significance for the country's economy and people's well-being has considerably decreased following movements against the "Five Abuses."

The ratio of industrial production between state and private enterprises (excluding handicrafts) changed from 43.8% and 52.6% in 1949 to 67.3% and 32.7% in 1952. In industries producing means of production, the production ratio of state and private enterprises changed from 68.4% and 31.6%

in 1949 to 82.8% and 17.2% in 1952. In industries producing consumer goods, the ratio changed from 32% and 68% in 1949 to 55.3% and 44.7% in 1952.

Private banks have largely ceased to exist. 99% of financial operations are carried out by state banks. Trade with the Soviet Union and people's democratic countries, which accounts for over 70% of China's total foreign trade, is entirely in the hands of the state. The share of private trade with capitalist countries has reduced to 7.5% of the total amount of trade with these countries. The share of private trade in the overall value of the country's commodity circulation has decreased from 55.6% in 1950 to 37.1% in 1952.

As for wholesale trade, basic consumer goods such as grain products, cotton fabric, steel, coal, timber, and animal fats, as well as major export items, are primarily under the control of the state. Regarding retail trade, the share of private trade still comprises 67% of the total volume of retail trade in 1952.

3. Mutual aid between urban and rural areas and the expansion of commodity exchange strengthened the connection between industry and agriculture.

Over the past three years, the People's Government has purchased a large quantity of agricultural products at favorable prices for the peasants, provided credit, and invested significant resources in rural areas. The People's Government rapidly restored railways, highways, water transport, junks, carts, and other modes of transportation, and constructed new mainline routes with a total length of 1,267 kilometers.

As a result, the government successfully resolved issues related to grain and industrial raw material supply (especially cotton), addressed the problem of selling agricultural products, and simultaneously resolved the matter of selling industrial products. The pricing balance between industrial and agricultural products was also appropriately regulated. The overall value of goods produced by society increased by approximately 30% annually, leading to prosperity in both urban and rural economies.

4. We implemented democratic reforms on state industrial enterprises and in the transport sector, eliminating spies, saboteurs, and profiteers. We established management committees in factories and plants, abolished the old oppressive management system, and reorganized leadership to uplift the creativity and work enthusiasm of the working masses. The effective assistance of Soviet specialists in our construction projects simultaneously contributed to our efforts in re-educating old Chinese specialists and technical workers ideologically. It also encouraged the idea among enterprise leaders of adopting the experience of advanced Soviet technology and pushed our workers to learn production organization principles in line with the planned economy. We improved enterprise management and increased the utilization of equipment, particularly in sectors such as steel, coal, electricity, machinery, railways, and others.

Before the liberation of the entire country, real wages of workers and employees had significantly fallen due to inflation and rising commodity prices during the previous regime, compared to the period before the Japanese invasion. After liberation, we took the initial steps to enhance the living standards of workers and employees. In 1952, the average wages of workers and employees in various industrial sectors and regions increased by 60% to 120% compared to 1949, and the overall average wage already reached or exceeded the pre-Japanese invasion level. These measures boosted the work productivity and labor discipline of the working class, leading to increased labor efficiency. The total value of gross industrial production in 1952 will be 226% of the overall value of industrial production in 1949. The output of each industrial sector, except for some, will exceed the highest historical production levels in China. Additionally, with the assistance of the Soviet Union, we have already commenced the reconstruction and new construction of several crucial factories and plants.

5. In March 1950, a unified state budget, unified allocation of key raw materials and products in the country, and unified management of the circulating money supply were introduced. Work began on managing state revenues, combating embezzlement and wastefulness, achieving savings in expenditures, and developing production. Thanks to this work and the assistance of the Soviet Union, which provided us with credit, the state budget for 1951 was not only balanced but also achieved a surplus, and prices of goods were stabilized. Consequently, the government was able to eliminate currency speculation and trade speculation and provide successful support to the Korean War. In 1951-1952, approximately 22-36% of the total state income was used for economic construction, the expansion of cultural and educational activities, and some improvement in the material conditions of servicemen, government employees, and education workers.

Over the past three years, we have fulfilled Comrade Mao Zedong's task of "struggling for a fundamental improvement of the country's financial and economic situation," which he set for the entire party. Now, a new task of long-term economic construction lies ahead of us. We lack experience in organizing work for grand economic construction. In the future, we must exert even greater efforts and learn from the Soviet Union.

II. The orientation for the next five years.

The upcoming five years constitute the first stage in China's long-term economic construction. The main task during this stage is to lay the foundation for the country's industrialization, develop agriculture, strengthen national defense, gradually improve the material and cultural living conditions of the people, and ensure the country's successful transition to socialism.

1. The central focus of the five-year plan is heavy industry, particularly sectors such as steel, iron, coal, electricity, oil, machinery, aircraft, tanks, tractors, shipbuilding, wagon construction, the military industry, non-ferrous metals, and key products of the chemical industry. This is aimed at transforming the country's economic structure, strengthening national defense, and establishing the material foundation for agricultural collectivization.

Taking into account financial possibilities and the availability of technical personnel, other sectors of the economy should be developed, provided that this does not hinder the development of heavy industry. In the light industry sector, textile, paper, and pharmaceutical industries should be developed to meet the material and cultural needs of the population (see Table No. 1217).

2. The pace of industrial construction. Based on the rate of three-year recovery work in China's industry, relying on the experience of industrial construction in the Soviet Union and the countries of people's democracy, we believe that an annual production growth rate of 20% in the five-year plan is not only possible but necessary. Achieving this construction pace and further increasing it depends on the combined efforts of the party, the working class, and technical personnel, provided that a unified plan is adhered to. It also depends on the assistance of the Soviet Union. We need to combat conservatism in construction planning, identify the potential of technical personnel, discover material and financial resources, and fight against organizational routine. At the same time, we must prevent adventurous tendencies.

3. Increasing the share of the socialist sector in the national economy, ensuring planned long-term economic development, and further strengthening the leading role of the socialist sector in the national economy.

We should strengthen the state sector in industry to make it the leading core of the national economy. We should bring key private-sector industrial enterprises under full state control through state capitalism. Actively organize agricultural cooperation based on labor mutual assistance, create exemplary collective farms, expand state farms to ensure the gradual transition from individual farming to collectivization. Increase crop yields per unit of arable land and expand the sown area.

Expand state and cooperative trade to control the domestic market. Ensure state monopoly in the wholesale trade of key industrial and agricultural products, and establish relative superiority of the state and cooperative sectors in retail trade. State retail trade in tools and equipment and key consumer goods should increase year by year and take a dominant position to limit the private market within the country.

4. When determining the location of industrial enterprises, it is necessary to consider the interests of national defense, long-term economic construction, and the specific situation at the moment. In the first five years of construction, the primary focus should be on fully utilizing existing industrial enterprises in Northeast China (steel, machinery, etc.) and Shanghai (especially machinery). We need to prepare personnel, equipment, and the workforce to create conditions for future new industrial bases in Western and Northern China. In railway construction, the main task is to connect China with the Soviet Union and link the central regions with the coastal areas, Southwest, Northwest, North, Central, and South China to meet the requirements of long-term economic construction and national security interests.

5. Implement the principle of economy and strengthen capital accumulation. First and foremost, we should strengthen the management of state enterprises, save on raw materials, increase labor

productivity, reduce production costs, expand capital accumulation, identify sources of financing, and increase state revenue. All state institutions and economic organizations must reduce non-productive expenses and actively establish savings banks to utilize people's savings. Limit domestic consumption, and expand exports in all directions to ensure the import of machinery and essential industrial equipment.

6. In the field of industrial construction, we should adopt Soviet technical standards. All technical equipment should conform to advanced Soviet technical standards. We should systematically and rapidly replace non-standard, outdated American, British, German, and Japanese technical standards currently existing in our industry with Soviet technical standards. We should prepare a large number of qualified workers, technical personnel, specialist cadres, and administrative workers for enterprises, and promote efforts to raise the cultural level of workers and peasants across the country.

7. If the war in Korea continues as it is now, then we not only can but also must commence the five-year construction plan. The experience of recent years has shown that in the context of resisting American aggression and aiding Korea with support from the Soviet Union, we are capable of achieving both economic stabilization and construction during wartime. Without wasting time, we need to rapidly build and strengthen national defense.

III. Key Indicators and Major Sectors of the Five-Year Construction Plan.

The main indicators for the five-year construction plan are as follows.

1. The gross value of industrial and agricultural production in 1957 (excluding handicraft production) will amount to 181% of the gross value of production in 1952 (see table #2).

2. The gross value of industrial production in 1957 will be 256% of the gross value of industrial production in 1952, meaning an annual growth rate of 20.4%. The share of production from state-owned and joint (state and private capital) industrial enterprises will reach 302.7% by 1957 compared to 1952, which corresponds to an annual growth rate of over 24%. The gross value of production of the industrial sector producing means of production in 1957 will be 330.5% of the value of the same production in 1952. The gross value of production of the industrial sector producing consumer goods in 1957 will be 198% of the value of the same production in 1952 (see tables #3 and #4).

The percentage breakdown between the industry producing means of production and the industry producing consumer goods is as follows: in 1952 – 43.84% and 56.16%, and in 1957, it will be 56.5% and 43.5% (see table #5). The ratio of industrial production produced by state and private enterprises is as follows: in 1952 – 67.3% and 32.7%, of which production of the industrial sector producing means of production is 82.8% and 17.2%; production of the industry producing consumer goods is 55.3% and 44.7%. In 1957, it will be 79.5% and 20.5%, with the production of the industrial sector

producing means of production at 92.8% and 7.2%, and the production of the industrial sector producing consumer goods at 62.4% and 37.6% (see table #6).

Over the course of five years, it is expected that labor productivity will increase by 60-80%, and the cost of production is expected to decrease by 30-35%.

3. The gross value of agricultural production in 1957 will amount to 153% of the value of this production in 1952, resulting in an annual growth rate of 9%. The gross grain harvest is planned to reach 240 million tons in 1957 and will be 157% of the expected gross grain harvest in 1952 (152,860,000 tons). The gross cotton harvest is planned to reach 1,860,000 tons in 1957, which will be 140.7% of the expected gross cotton harvest for 1952 at 1,322,000 tons (see table #7).

1. Organize agricultural production cooperatives, the total cultivated area of which will make up 30-40% of the country's total arable land. Expand the cultivated area by 1,875,000 hectares. Expand state-owned agricultural communes with a planned cultivated area reaching 1,875,000 hectares in 1957 (in 1952, it was 437,500 hectares), which accounts for 2% of the total arable land in the country. Establish experimental collectives with a cultivated area expected to exceed 100,000 hectares in 1957, making up 0.1% of the total arable land in the country.

4. In the field of transportation, the planned freight turnover will be 164,891 million ton-kilometers, which is 227.35% of the 1952 freight turnover volume. The volume of freight turnover for railway transportation will account for 90%, and for river transportation, it will be 7%. Construct new railway lines with a total length of 12,000 kilometers, which is 50% of the existing railway lines in 1952. There will be an increase in the capacity of the state-owned fleet of water transport by 400,000 tons, which is 253% of the current state-owned fleet. The share of the state-owned fleet in the total tonnage will increase from 56.7% in 1952 to 76% in 1957. Reconstruct and build new highways with a total length of 17,900 kilometers and repair local roads ranging from 30,000 to 50,000 kilometers.

5. The total value of goods in the country in 1957 will amount to 200.89% of the value of goods in 1952, equivalent to 448,786,100 million yuan (66,447,450,000 rubles). The volume of state and cooperative wholesale trade in 1957 will account for 260% of the volume of state and cooperative wholesale trade in 1952, and its share in the total volume of wholesale trade in the country will increase from 62.9% in 1952 to 81.2% in 1957. The volume of state and cooperative retail trade in 1957 will account for 318% of the volume of state and cooperative retail trade in 1952, and its share will increase from 33% in 1952 to 62.5% in 1957. The total value of exports in 1957 is expected to be 189.3% of the value of exports in 1952, and the total value of imports in 1957 will be 142% of the value of imports in 1952.

6. Over the course of five years, the currency settlements between the USSR and China will favor the Soviet Union, with a surplus of 17,792,330 thousand rubles, while China will have a deficit of 14,009,090 thousand rubles. The net balance is in the amount of 3,784,240 thousand rubles.

7. In case the Korean War ends, a monetary reform is planned for January 1954.

8. The projected state budget for five years is as follows:

- Total revenue: 1,352,554,600 million yuan (200,259,780,000 rubles).
- Total expenditure: 1,360,915,400 million yuan (201,497,690,000 rubles).
- Passive balance: 8,360,800 million yuan (1,237,910,000 rubles).

9. Increase the material standard of living for workers and civil servants. The average wage level will be 180-200% of the average wage level in 1952.

Key Industries for the Five-Year Plan

A. Industry (see table no. 8).

1. Metallurgical industry should produce 4.5 to 5 million tons of steel by 1958 and approximately 13 million tons by 1962. Within the next five years, the second and third metallurgical bases of China should be established (in Dae and Shijiazhuang), and construction should commence for the fourth and fifth metallurgical bases (in Benshi and Bastou) to gradually achieve a rational distribution of industrial centers in the country.

2. Over the course of five years, the machine tool and machinery industry should supply China with 50% of its machine tools and machinery. During the second five-year plan, the machine tool industry should provide the country with all types of machine tools, except for some large machines and high-precision tools.

During the five-year plan, the development of the machine tool industry should be based on the revitalization, refurbishment, and reconstruction of existing enterprises in Shanghai and Northeast China. These enterprises should be reorganized, and their profiles should be determined for specialization, fostering close cooperation among them. Concurrently, measures should be taken to prepare for the construction of new factories in other regions of the country.

Expand 46 plants and build 21 new ones within the next five years. This includes:

1) Expanding 13 and constructing 6 machine tool plants with a production capacity of 33,000 machine tools per year by the end of 1957, with a total weight of 129,000 tons.

2) Expanding 2 and building 3 plants producing heavy-duty machines with a production capacity of 150,000 tons per year by the end of 1957.

3) Expanding 9 and constructing 4 plants producing engines and equipment, reaching a combined capacity of 1,000,000 horsepower and a total weight of 78,000 tons by the end of 1957.

4) Expanding 21 and constructing 7 plants producing mining equipment (including equipment for mines, the chemical industry, hoisting cranes, machines for earthworks and construction, tools, and measuring instruments) with a production capacity of 175,000 tons per year by the end of 1957.

5) Expanding 1 and constructing 1 ball bearing plant with a production capacity of 18 million ball bearings per year by the end of 1957.

To meet the requirements of the second five-year plan, construction of the following 9 plants is planned during the first five years: one machine tool plant each in North China, Chengdu, and Xi'an; one heavy-duty machine tool plant each in North China and Central China; one mining equipment plant each in North China, Central China, and Xi'an; and a plant for the production of high-pressure boilers in North China.

3. Automotive, tractor, and tank manufacturing industry. Preliminary plans aim to achieve annual production of 120,000-160,000 automobiles, 40,000 tractors, and 2,000 tanks by 1962. The primary construction projects over the next five years will include: an automobile plant in Changchun and an automobile assembly plant in Beijing, a tractor plant in Northern Manchuria, and a tank plant in Northwest China. Construction of an automobile plant in North China is slated to begin in 1958. Questions regarding the types of machines produced, the locations of the mentioned plants, the scale of construction, and the distribution of production in peacetime and wartime will be resolved with the assistance of the Soviet government.

4. In the next five years, the aviation industry must transition from repair to production. This includes:

1) Transforming the existing 6 major aviation repair plants into aircraft manufacturing plants: a) A plant in Dalian (Mukden) with an annual production capacity of 3,000 jet engines; b) A plant in Beilin (Mukden) with an annual production capacity of 1,500 jet aircraft; c) A plant in Zhuzhou (Hunan province) with an annual production capacity of 1,200 aircraft engines and repairs for 600 engines for training aircraft per year; d) A plant in Nanchang (Jiangxi province) with an annual production capacity of 600 and repairs for 400 training aircraft per year; e) A plant in Pingfan (Harbin) with an estimated production capacity of 1,500 AIII type aircraft engines per year; f) A second plant in Pingfan (Harbin) with a production capacity of approximately 450 bombers per year. (The mentioned production will be carried out with a two-shift workday and three shifts during wartime.)

2) Plans to build one or two aircraft plants for jet aircraft production with a capacity of 3,000 aircraft per year within the next five years. Additionally, one or two jet engine manufacturing plants with a capacity of 6,000 engines per year.

3) Simultaneously with the construction of the six major repair plants, it is proposed to reconstruct construction plants and build five aviation repair plants anew.

4) For a combination of repair and production, it is planned to build and reconstruct 7 plants serving aircraft engine manufacturing. Among these, five plants for the production of engine components, propellers, spark plugs for aircraft engines, landing gear, and electrical instruments. Two plants for the production of aviation instruments and equipment.

5. Military industry. In addition to merging the existing 41 plants into 38 plants to increase their production capacity, the creation of 12-15 new military plants is envisaged, including: one or two artillery plants in Northwest China, one or two artillery shell plants, one plant for the production of remote tubes in Northwest China, two plants for the production of BB218 (one in Northwest China and one in North China), three plants for smokeless powder production (one in Northwest China, one in Southwest China, one in Northeast or North China), one or two cartridge plants in Northwest China, an optical instrument plant, a gunpowder production plant, a plant for the production of tungsten products (this plant falls under the jurisdiction of the non-ferrous metallurgy administration). In addition, plans are in place to build plants for the production of aviation bombs, gas masks, aerial armaments, torpedo and mine production plants, naval munitions plants, and searchlight plants. The scales of these plants will be developed and their designs will be carried out with the assistance of Soviet specialists.

6. The shipbuilding industry primarily serves the naval fleet while also supporting the civilian fleet. The main construction projects over the next five years will include the naval shipyard in Qinghuandao and the Jiangnan Shipyard. Expansion plans involve the Dalian Chinese-Soviet Shipbuilding Joint Stock Company, the Jiangnan Shipyard, the East Shanghai Shipyard, a shipyard formerly owned by an English company, and the Zhonghua Shipyard, all located in Shanghai, as well as the Jiangnan Steamship Company in Wuhan. The goal is to build military ships with a displacement of 60,000 tons or commercial ships with a displacement of 300,000 tons annually and to repair ships with a displacement of 700,000 tons. A comprehensive development plan for the shipbuilding industry can be created by Soviet specialists after being dispatched by the Soviet government to China.

7. Locomotive and railway car manufacturing. All issues related to locomotive and railcar construction for the railway industry will be resolved within five years using our own resources. However, we need to request assistance from Soviet design organizations to help with the design of the reconstruction of the following facilities: Shahekou Factory in Dalian, Shunfan Factory in Shandong Province, Uchan Factory, the 20th Factory in Dalian, Huangutun Factory in Mukden, Zizikar Factory, and Tangshan Metallurgical Factory. After reconstruction, these facilities should produce 370 locomotives, 540 passenger cars, and 9,500 freight cars per year by 1957.

8. Electrical machinery manufacturing. The goal is to reach a point by 1962 where China can mainly provide its own electrical machinery products. The most important construction projects for the next five years will include:

1) Construction of a turbo-generator plant in Harbin, the reconstruction of the Shanghai Electric Motor Plant, and the Harbin plant for the production of powerful electric motors, along with a workshop for manufacturing hydro turbines. These plants should have a production capacity of 935,000 kilowatts by 1957.

2) Reconstruction of electric motor plants in Shanghai and Xiantan, the construction of an electric motor manufacturing plant in Beijing, and the expansion of plants in Northeast and Southwest China, with the aim of achieving a total electric motor production capacity of 2,570,000 kilowatts by the end of 1957.

3) Expansion of the transformer plant in Mukden, the Shanghai switchgear factory, and the establishment of a new switchgear plant in Xiani. These facilities should manufacture transformers with a total capacity of 5,630,000 kilovolt-amperes and produce complete electrical equipment and switches by 1957.

4) Restoration of the Mukden cable factory, expansion of the Shanghai cable factory, construction of an electronics plant, a plant for producing parts for radio equipment, a telephone switchboard plant, an electric furnace plant, and a mercury rectifier plant.

5) Commence the construction of a high-capacity turbo-generator plant and a hydro turbine manufacturing plant in Northern China in 1957. The combined output of turbo-generators and hydro turbines produced by these plants per year should reach 1,200,000 kilowatts. In total, 22 plants will be built, 14 will be reconstructed, and production processes at 10 facilities will be organized. To meet the needs of the second five-year plan and the subsequent period, five new plants will be designed within the first five years.

9. In the coal industry, in addition to the construction of nine vertical shafts, eight mines, and three open-pit mines initiated before 1952, it is necessary to begin the construction of 107 vertical shafts, rebuild 65 mines, and restore 21 mines in various regions of the country. The total coal production is expected to reach 93,810,000 tons in 1957 and 160,180,000 tons in 1962.

10. In the oil industry, the focus is on developing the production of natural oil in Northwest China and restoring the production of synthetic and shale oil in Northeast China. Enhanced exploration of oil sources in Southwest China and an aim to achieve an annual crude oil production of 4,500,000 tons in 1959 and 7-10 million tons in 1962, including oil extracted in Xinjiang.

11. In the electric power industry, increase the total capacity of power stations nationwide to 4,455,000 kilowatts by the end of 1957 and to 9,300,000 kilowatts by 1962, with hydroelectric power

stations constituting approximately 35% of this capacity. The key construction projects in the electric power industry over the next five years are as follows:

1) For thermal power stations: construct and reconstruct 52 thermal power stations, including 37 new constructions and 25 expansions. Pay special attention to creating significant electricity reserves in the Northwest of the country.

2) For hydroelectric power stations: add 6 turbines with a combined capacity of 435,000 kilowatts to the Fynman hydroelectric power station. In case of an end to hostilities in Korea, collaborate with the Korean People's Democratic Republic to restore the existing four turbines of the Shuiyun hydroelectric power station on the Yalu River and install two new turbines with a combined capacity of 190,000 kilowatts. Simultaneously, start the construction of four additional hydroelectric power stations.

3) Begin the construction of a reservoir in the lower reaches of the Huanghe River and a hydroelectric power station with a capacity of 800,000 to 1,400,000 kilowatts on it. For this, complete exploratory and project work by 1957 and start construction. In connection with this, request the Soviet government to discuss the dispatch of a group of specialists to study and develop a comprehensive plan for harnessing the water resources of the Huanghe River, which includes the Lanjzhou, Lyuzhasya, and Sanminsha hydroelectric power stations in the lower reaches of the Huanghe.

4) In the longer-term plan, it is envisaged to completely reconstruct the high-voltage network in the Northeast, as well as create ten high-voltage networks (110,000 volts) in the following regions: Northeast Manchuria; Beijing - Tianjin - Tangshan - Zhangjiakou (Kalgan); Taiyuan - Shijiazhuang; Zhengzhou - Jiaozuo - Luoyang - Kaifeng; Southern Jiangsu; Central Shandong; Fuzhou; Central Hunan; Chongqing and Eastern Yunnan.

Station Names and Locations:

1. Lunkou (in Suiyuan Province)
2. Liujiaxia (in Lanzhou on the Huanghe River)
3. Huanzhen (Northeast China on the Huanghe River)
4. Tosi (on the Zishui River)

Power Capacity (kilowatts):

- 800,000 - 1,000,000
- 800,000 - 1,000,000
- 280,000

- 280,000

Commencement of Construction:

- 1955
- 1955
- 1954
- 1955

Commencement of Power Generation:

- 1959
- 1959
- 1959
- 1959. In the non-ferrous metals industry:

- Strengthen exploration of copper ore deposits based on the existing copper mines and aim to achieve an annual production of 76,000 tons of pure copper by 1957 and 150,000 tons by 1962.

- Increase aluminum production to 30,000 tons per year by 1957 and initiate the construction of a second aluminum production base in the vicinity of Xuyuan in Guizhou Province or in the Gushan County of Henan Province.

- Launch comprehensive exploration for tungsten, lead, zinc, and tin ores, improve ore smelting methods, and increase ore extraction. By 1957, target the following annual smelting capacities:

- Tungsten: 35,000 tons
- Zinc: 35,000 tons
- Tin: 33,000 tons
- Molybdenum: 10,000 tons
- Lead: 35,000 tons

- Construct an electrode plant in Jilin Province.

13. In the chemical industry, the main goal is to meet the needs of the defense industry while also satisfying agricultural requirements and providing chemical products for civilian use. Over the next five years, the following construction plans are to be implemented:

1) Build three new fertilizer production plants – in Jilin, Taiyuan, and Lanzhou – in 1957-1958. These plants will produce nitric acid, ammonium nitrate, and methyl alcohol. The annual capacity of each

plant in terms of nitric acid is 90,000 tons. Restore the Dalian chemical fertilizer plant, increasing its annual production of ammonium nitrate to 90,000 tons and ammonium sulfate to 60,000 tons. Build a plant for ammonium nitrate production in Wutunziao in Southwest China, with an annual capacity of 30,000 tons.

2) Construct two new dye production plants in Jilin and Taiyuan. Increase the combined annual production of these plants for average dyes to 5,670 tons and high-quality dyes to 5,625 tons by 1957. During wartime, these plants may partially shift to the production of explosives.

3) Expand the Dalian soda plant. Double the production capacity of both plants to 370,000 tons of calcined soda.

4) Build two new synthetic rubber plants – in Jilin and Sichuan. Construction should commence around 1955-1957.

14. In the cement industry, within five years, restore five cement plants, increasing their total production capacity to 504,000 tons per year. Construct five new cement plants in Baoji, Lanzhou, Ningxia, Xinjian, and Luoyang, with a combined production capacity of 700,000 tons of cement per year. These new plants will be fully equipped with domestic machinery. By 1957, raise the total cement production to 5,480,000 tons per year.

15. Geological survey works: Over the next five years, carry out exploratory activities to determine the locations of various ore deposits that can meet the construction needs for the next ten years. Within this period, conduct surveys on the following:

- Coal deposits of 8,800,000,000 tons
- Iron ore deposits (containing 50% iron) of 3,700,000,000 tons
- Copper ore deposits (containing 1% copper) of 487,000,000 tons
- Oil deposits of 1,100,000,000 tons

16. In the textile industry, in line with the need to meet the population's requirements, it is planned to construct 43 new textile factories with a total capacity of 2,150,000 spindles and 43,000 weaving looms within five years. By 1957, the aim is to bring the equipment capacity of all textile enterprises in the country to 7,650,000 spindles and 116,000 weaving looms.

17. In the paper industry, construct a paper mill in Yakeshi (Inner Mongolia), Jiamusi (Northeast), and Hankou with a total capacity of 65,400 tons of cellulose production, 57,000 tons of industrial paper production, and 40,000 tons of cultural paper production. By 1957, reach an annual production in the country of 737,000 tons of cellulose and 693,000 tons of paper.

18. In pharmaceutical production, prioritize the production of the most effective medicines, such as sulfadiazine, penicillin, streptomycin, and others. Additionally, address the production of medical instruments and equipment accordingly. Build 13 new plants and expand 15 existing ones.

19. Over the course of five years, construct factory and communal buildings with a total area of 130,000,000 square meters. This includes brick-and-wood and brick-wood-cement construction totaling 110,000,000 square meters, and steel and reinforced concrete construction amounting to 20,000,000 square meters.

20. In the forestry industry, it is expected to harvest 22 million cubic meters of timber by 1957 to support the key construction sectors.

B. Construction of Irrigation Facilities:

1) Complete the regulation of the water regime and utilization of water resources of the Yellow River (Huanghe). By 1957, finish the development of a comprehensive plan and commence work on taming the Yellow River.

2) Prepare for or initiate work to regulate the Yangtze River (Yangzijiāng) and the Pearl River (Zhujiāng), as well as efforts to prevent flooding and siltation on these rivers.

3) Continue work to fully regulate the water regime of the Huang River (Huaihe). Strive to complete these tasks by 1955.

4) Regulate the water regime of medium and small rivers throughout the country.

5) Within five years, construct the following hydroengineering facilities: 44 reservoirs, 30 navigation locks, 185 dams, and levees, 85 irrigation systems, and expand the irrigated area by 6,043,750 hectares.

B. Railroad Construction:

Over the course of five years, the following railway mainlines are to be built:

1) Jinin to Erlian, to be completed in 1954.

2) Weihai to Weihaiwei; Hangzhou to Ningbo; Litan to Hai'an; Gaolimyun to Xinshuten; Intan to Guantou, with a total length of 1,380 km. All of these railways, except the Intan to Guantou line, should be constructed by the end of 1954.

3) Tianshui (or Baozi) to Chengdu; Chengdu to Kunming; Chongqing to Guiyan; Xiantan to Guiyan, with a total length of 3,640 km. Construction is to be completed between 1953 and 1957.

4) Lanzhou to Hami (to connect with the USSR railway); Lanzhou to Baotou with a total length of 2,260 km. Completion is scheduled for 1957-1958.

5) Construct railways for timber development - 14,400 km, industrial railways - 2,500 km, and other railway lines - 790 km.

6) Build six major railway bridges: across the Huanghe River in Lanzhou, across the Huanghe River in Sanshengun (Ningxia Province), across the Huanghe River in Shizuishan (Ningxia Province), across the Yangziji River on the Chengdu to Kunming railway, across the Yangziji River in Wuhan, and on the Luanhe River.

G. Forestry:

Plant rubber trees on an area of 625,000 hectares. Establish 500 rubber plantations. Plant forests on a total area of 9,937,000 hectares, using both state and private resources.

Direction of Capital Investment in the National Economy:

Capital investment in the national economy over the five-year period will account for 44.3% of the total state budget. The total amount of capital investment will be 602,262,200,000 yuan (89,171,187,000 rubles). This includes 49% in heavy industry, 6.2% in light industry (including working capital), 16.1% in communication construction (including 12.1% for railway construction), 5.6% in agriculture, forestry, and irrigation, 3.3% in urban communal construction, 3.3% in capital construction and working capital for state trade, 2.1% in housing construction for workers and employees of existing enterprises, and the construction of state warehouses, and 6.9% for creating state reserves and capital investment in other economic sectors.

Industrial Placement:

Heavy industry enterprises that will be expanded or newly constructed over the next ten years will be located in eight regions: the Beijing area, Wuhan-Dae and Baotou for steel and machinery, Jilin for heavy machinery, and Sichuan for machinery and electrical equipment, Datong for coal and mining equipment. It is planned to transform Datong into the center of machinery manufacturing. In the first five years, it is necessary to develop master plans for the construction of these new industrial regions, urban construction plans, and undertake the construction of necessary residential and communal facilities.

IV. Preparatory Work for the Implementation of Long-Term Construction:

In order to implement planned economic development on a national scale, the following preparatory measures are being taken.

1. Party leadership and all party work must be primarily directed towards economic construction, especially industrial construction. The creation of a State Planning Committee is envisaged. This year, we have already dispatched a large number of workers to strengthen the central financial and economic authorities. Over 10,000 cadre workers from various regions of the country have been reassigned to work in institutions and organizations responsible for industry, as well as at factories, plants, mines, and mines. In the future, this work will be conducted systematically. Comrade Mao Zedong pointed out that while the Communist Party of China has no experience in the extensive field of economic construction, the experience of the Soviet Union serves as the best example for us. We are confident that by using the experience of the Soviet Union and the concrete assistance provided

to us by the Soviet Union, the Communist Party of China, under the leadership of Comrade Mao Zedong, will be able to learn to manage economic construction in a short period.

2. As for the question of funding for construction, China has vast economic potential. If we can practice strict economy and concentrate funds in the most important sectors of construction, then, according to our calculations, China's domestic financial capabilities will fully support the extensive construction outlined above. However, it should be noted that our foreign currency payment capacity is insufficient.

Sources of funds: firstly, accumulations from state industrial and commercial enterprises, obtained as a result of planned production increases and cost reduction; secondly, taxes, which are one of the important sources of income and accumulation for construction, as there is still a private capitalist sector in China; thirdly, an increase in revenue from agricultural taxes due to the growth in agricultural production; fourthly, corresponding savings from reducing administrative expenses.

3. Geological exploration work: China possesses rich mineral resources, but there are almost no systematized materials on geological surveys of the country left by the old administration of China. Currently, there are very few geologists in China (slightly more than 500 people), and their level of qualification is low. If urgent measures are not taken to rectify the existing situation, this will impede China's economic construction. We have planned to explore the deposits of minerals needed for construction over the five-year plan, which will be required for construction over the next ten years. We have established the Ministry of Geology of the Central People's Government and hope to activate geological exploration work immediately with the assistance of Soviet geologists in the major areas of mineral deposits. Over the next five years, we plan to train 10,500 geologists.

4. Design work: Due to China's very low level of technology, we request the Soviet Union to carry out design work for the construction of major plants and mines over the next five years. The design of other enterprises will be carried out jointly with Soviet design organizations. It is necessary to learn from Soviet specialists so that powerful design groups can be established from Chinese workers who will be able to independently carry out the design of important facilities in the future. Over the next five years, create design groups in the following industrial sectors: steel, non-ferrous metals, coal, power plants, petroleum, military, aviation, chemical, building materials, machinery, electrical equipment, communications, automotive and tractor, textiles, paper, as well as design groups for irrigation, railway, construction, road, agricultural construction, with a total of 20,000 people.

5. Construction industry: To carry out large-scale capital construction, it is necessary to supplement and strengthen existing construction organizations and create new construction organizations. The Ministry of Construction has been established under the Central People's Government. In addition, construction organizations have been established within various ministries for different industrial sectors. These organizations, following the Soviet experience, are implementing strict cost accounting and striving to reduce the cost of construction, improve the quality of work, and systematically mechanize construction work.

6. Machinery industry: The equipment needed for the projects of the five-year plan is primarily provided by the Soviet Union. However, besides this, China should organize and restructure existing

plants, prepare the construction of necessary new plants so that China can gradually produce such equipment on its own.

7. Technical personnel: Geological exploration work, design work, the construction industry, machinery, the introduction of new plants, all require a large number of technical personnel, engineers, and skilled workers. In addition to ideological re-education of the old engineering and technical workers (their numbers are insufficient, and their technical level is low), it is necessary to establish new educational institutions, reorganize existing ones, revamp educational programs, and train more specialists in universities and technical schools. Currently, 174,000 students are enrolled in the country's universities, and 68,000 will be admitted in 1952 (including 31,000 to industrial faculties). Over five years, approximately 492,400 students will graduate from the country's universities, including about 160,000 from industrial faculties. In addition, industrial departments of technical colleges will graduate about 230,000 students. All of these graduates will need to enhance their knowledge with the help of Soviet specialists. A plan for training technical personnel from workers is being developed.

V. Matters Requiring Assistance to China from the Soviet Union

The experience of the Soviet Union, technical and financial assistance provided by the Soviet Union, are decisive factors in the successful implementation of prospective construction in China. We request the Soviet Union to provide us with the following assistance:

1. Please consider the concepts, tasks, and main indicators of the five-year plan project we have developed. Can China cope with such construction, combining construction in China with construction plans in the USSR and in countries of the new democracy? Furthermore, we request the Soviet government to instruct the relevant Soviet authorities to assist us in reviewing the scales, timelines, and other issues related to our construction.

2. In addition, we request the Soviet government to provide us with the following technical assistance:

Design work: In the past three years, China had to design 49 construction projects. The Soviet government has agreed to provide assistance, and work on the design of these enterprises is already underway. In addition, our request for assistance in the design of 24 projects is under consideration by the Soviet government. The design of these enterprises will be of great importance to industrial construction in China and to raising the country's technical level, both at present and in the future. The absence of a long-term construction plan in China, the lack of experience, and frequent changes made to projects that have already been agreed upon by both countries create many additional difficulties for the Soviet Union. However, we are confident that after discussing the long-term plan of China with the Soviet government and receiving its approval, the situation will improve.

From the above, it follows that, considering China's current technical level, we are not yet capable of independently carrying out the design of large-scale enterprises. Therefore, we request the Soviet

government to undertake the design of the 58 planned factories, mines, and laboratories, 40 coal mines, and 28 power plants, transformer substations, and power lines. Over the course of the five-year plan, the design work for these should be completed. Also, a plan for aerial photography of forested areas should be developed. If we add the previously requested 24 projects, we have a total of 151 projects. To successfully implement the construction plan for the first five-year plan, design work for 114 projects (excluding arsenals, aviation construction, and aircraft repair plants, for which we plan to request design assistance from the Soviet government) must begin from the fourth quarter of 1952 until the end of 1953.

Additionally, we request the Soviet government to send 5 mixed groups of specialists to China in the second half of this year to work on planning, placement, and designing of enterprises on a national scale. The tasks of these five groups will include:

- a) Developing a plan for electrification of the entire country (including hydro and thermal power plants and power transmission lines).
- b) Determining the prospects for the development of the metallurgical industry in the country (including high-quality steel) and developing a range of products.
- c) Developing a general plan for the reorganization of existing and the construction of new machinery plants (including tool-making, mining equipment, metallurgical equipment, engines, etc.).
- d) Developing a plan for the reorganization, expansion, and reconstruction of shipbuilding plants.
- e) Developing a plan for the reorganization, expansion, and construction of locomotive and railcar factories.

Among the projects whose designs are being undertaken by the Soviet Union, nine are part of the second phase of construction. Furthermore, during the implementation of the five-year plan, there may be a need to request the Soviet Union to undertake the design of some other enterprises. We will approach the Soviet government at the appropriate time for this.

Simultaneously, we request the Soviet government to conduct exploration work for six projects from among those for which we request design assistance from the Soviet Union.

2) Regarding industrial equipment: It is intended to obtain complete sets of equipment for all enterprises designed by Soviet specialists based on our request. According to the technical equipment standards specified in the Soviet project, the specific issue of which equipment will be supplied from the Soviet Union and what should be manufactured at Chinese plants and what will be produced at Chinese plants based on Soviet drawings will be decided.

Due to the weakness of our machinery industry, it cannot produce large and complex equipment. Therefore, over the course of five years, it is planned to receive approximately one million tons of industrial equipment from the Soviet Union (including complete and incomplete equipment). Part of

the structural steel needed in the first five-year plan is also planned to be imported from the Soviet Union.

3) Assistance with specialists: Currently, 457 Soviet specialists are working in various enterprises, financial and economic organizations, and cultural and educational institutions in China. These specialists have made a significant contribution to the construction of China.

In addition to the 457 specialists currently working in China, we intend to employ 89 more specialists in 1952, for whom the Soviet government has given consent to be sent to China. In 1953, we plan to invite an additional 418 specialists to work in financial and economic organizations and enterprises (a separate request for specialists for work in the aviation industry and government bodies will be submitted separately).

4) Technical documentation issues: To rapidly raise the technical level of production in China and to standardize Chinese standards with Soviet standards in construction, we request the Soviet government to systematically provide China with the following technical documentation:

- a) Technical standards (applied on an all-union scale and used at model enterprises).
- b) Some standard projects.
- c) Some operating instructions.
- d) Some drawings in the fields of machine building, mechanical engineering, and electromechanical engineering.
- e) Some modern technical and economic indicators.