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Summary of Trade Negotiations with Korea and Vietnam for 1963

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Summary:

A Chinese report regarding its successful conclusion and prompt signing of two trade agreements with North Korea and Vietnam in 1963.

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(1)

The trade negotiations with [North] Korea and Vietnam for 1963 were conducted earlier than in previous years. In early September, we began to exchange views with the [North] Korean delegation on long-term trade and annual trade invoices. At the end of October, when Vice Premier Ri Ju-yeon [Ri Ju Yon] arrived in Beijing, an agreement was quickly reached after a few discussions. On 5 November, both sides signed the Sino-Korean Commerce and Navigation Treaty, the Agreement for the Mutual Supply of Main Cargo from 1963 through 1967, and the Protocol for the Mutual Supply of Goods in 1963.

After the conclusion of the Sino-Korean negotiations, we immediately took the initiative and suggested to the Vietnamese that its delegation come to Beijing as soon as possible. At the end of November, when the Vietnamese delegation arrived in Beijing, the two sides talked only several times before basically reaching an agreement for trade in 1963. In early December, once Minister Phan Anh had arrived in Beijing, the two sides reached exact consensus on all issues. On 5 December, the two sides signed the Sino-Vietnamese Commerce and Navigation Treaty and the Protocol for the Mutual Supply of Goods in 1963.

Thus, in 1962, [China] completed trade negotiations for 1963 with [North] Korea and Vietnam. This is appropriate for the needs of the current international struggle.

The long-term trade agreement signed with [North] Korea is the first long-term trade agreement to be signed with a fraternal country during China's Third Five-Year Plan.

(2)

We conducted both negotiations according to the established principles of the Central Committee and the instructions from the Premier [Zhou Enlai]. Specifically, [the negotiations] were based on the following principles:

(1) For all goods that they need and we are able to supply, or for goods that we cannot supply right now but because of efforts during the Third Five-Year Plan will be able to supply, we will act in accordance with [our] actual capabilities and include [these goods] in the long-term trade agreement or the annual trade protocol to ensure supply;

(2) We will supply the key materials needed for them to develop their national economics (such as coal) as much as possible;

(3) We will supply as usual the goods which they need and which we have historically transited to them from other countries;

(4) If they have a domestic need, we will supply as much as possible of the raw materials and materials they need, even if we have supply problems. However if [these resources] are intended for the manufacture of products for transit, we will squeeze out some supply under the possible conditions. If these resources are intended for the manufacture of products to be exported to us and we can also produce the same products for ourselves, [we will] provide little or no resources after explaining the situation;

(5) For products which we need to import and they are able to supply, [but] because

of high demand from the Soviet Union and Eastern Europe they do not supply very much to us, we will push for them to have plans to increase production or somehow give more to us;

(6) We will explain to them that we cannot accept imported products from them if the specifications or quality are poor or if the product type is not suitable for our needs. Alternatively, during the first one or two years [of the long-term trade agreement], [we] will continue to accept some [of these products], so that they can restructure production during this period, or [we] will recommend that they, as long as it is possible, have separate production for the products which we require;

(7) We really cannot supply more or accept more goods. The quantities we can supply are listed only in the long-term trade agreements or the annual [trade] protocol. [We] will explain to them that in the future, when possible, we will increase our supply or the amount which we can accept.

The outcome of the negotiations: [we] satisfied most of the requests put forward by the [North] Koreans and the Vietnamese. After we sincerely explained the situation, [we] earned their understanding for the individual [requests] which we could not fully satisfy. Based on the response of the [North] Koreans and the Vietnamese, they are satisfied with the negotiations. For example, the [North] Korean Vice Premier Ri Ju-yeon said that "although China has had severe difficulties in recent years, [China] still provided enormous assistance to [North] Korea through trade. Our comrades involved in trade are forever indebted [to China] and will never forget this." He also said that "it is not about resolving all the issues, but rather about having a brotherly and friendly atmosphere." After the [North] Korean Minister of Trade Ri Il-gyeong [Ri Il Gyong] returned to Pyongyang, he said that "[we] reported the outcome of the negotiations to Premier Kim [Il Sung] and Premier Kim is very satisfied." The Vietnamese Minister for Foreign Trade Phan Anh said that "we were able to receive assistance and resolve some of our problems. We were able to obtain these great results because they are built upon a foundation of fraternal friendship."

The successful conclusion and the prompt signing of these two agreements further strengthened the friendship and unity between our country and [North] Korea and Vietnam. Particularly in the current situation, the signing and announcement of the long-term trade agreement between China and [North] Korea is undoubtedly a blow to revisionism and an inspiration for countries that adhere to Marxism-Leninism and for all revolutionary forces.

(3)

Through these two negotiations, we learned the following:

(1) Excellent political results can only be obtained in negotiation work through the correct appreciation of the spirit of Central Committee policies and the leadership's instructions and through the implementation [of these] in practical work. [Our] experience in this regard was profound during the two negotiations this year, particularly during the negotiations with [North] Korea. In June 1962, when [North] Korea proposed to sign a long-term trade agreement with us, the Premier [Zhou Enlai] instructed that it would be bad to refuse to discuss long-term trade agreements with [North] Korea and Vietnam. When [North] Korea put forward the invoices for long-term trade, the Premier once again [provided] detailed instructions and stipulated several principles in detail. During the negotiations with [North] Korea and Vietnam, [we] seriously implemented relevant policies of the Central Committee and the principles of the Premier's instructions. The most obvious example is that [North] Korea requested a large supply of some export commodities, such as gypsum and sulfur, over the next five-years. However, based on the costs, [if we] export one ton, we would lose four-fifths and three-quarters [of the value]. [Our] production is also

unstable because of labor shortages. Therefore, from the perspective of both economic accounting and management, or based on the production situation, these two commodities should not be exported nor should the exports be increased. But these two commodities are important raw materials necessary for [North] Korea's industrial production. If we do not supply [them], it would affect [North] Korea's production and development. [We] have also supplied [North] Korea [with these two products] in the past. So we completely satisfied [North] Korea's requests for these two items in the long-term trade agreement as well as Vietnam's requests for gypsum in 1963. [We] have obtained satisfactory solutions with the goods we provide to [North] Korea and Vietnam and the goods we receive from them, as well as other relevant bilateral trade issues, through careful study and a frank exchange of views based on the Central Committee's policies to these two countries and the current international situation.

(2) In general, the economy must be subservient to politics, but in specific businesses, economic account books must be calculated and the principles of needs and possibilities must be carried out. For example, the specifications and quality of some of the goods provided to us by [North] Korea are not suitable for our needs. We made it clear to [North] Korea and asked them to improve [the products] or separately produce the products we need. We also explained to [North] Korea that we have a major backlog of some [products]. Taking into account that they need a certain amount of time to change their production, [we] will continue to accept [these goods] for one or two years, but not afterwards. [Because] of the particularly difficult circumstances of China's cotton supply, we will supply all of the cotton requested by [North] Korea and Vietnam but not all of the cotton yarn. Once [North] Korea supplies us with some rayon, accordingly, we will not reduce the supply of cotton yarn. [North] Korea wants us to supply a great quantity of [illegible], but this is in short supply. At the same time, [North] Korea wants to market [illegible] in China. From an economic perspective, this is unreasonable. Therefore, we have only provided an appropriate amount and did not completely satisfy [their request].

(3) In terms of trade, we want to actively support [North] Korea and Vietnam while gradually reaching a [trade] balance and promoting their self-reliance. In recent years, we have vigorously supported the materials needed for economic development of [North] Korea and Vietnam. When [trade] has become unbalanced, [we] have agreed with them to use loans to balance out trade. This year we once again agreed with [North] Korea and Vietnam to use loans of 10 million rubles to balance trade (the difference between the balance of two years). Under the circumstances in which [North] Korea and Vietnam must import a lot but are only able to export a little, such an approach is necessary. But in terms of long-term planning, bilateral trade should gradually move towards a balance of imports and exports. The leadership of the Korean [Workers'] Party have already noticed this and during the negotiations repeatedly stressed its efforts to complete export deliveries and achieve a balance in trade. The Vietnamese have many difficulties right now, but [they] also have this desire. To this end, in the future we should be at their request and actively help them to develop and improve export commodities. [This will] enable [us] to gradually increase imports from [North] Korea and Vietnam, meet the needs of their imports from China and gradually move toward a [trade] balance or a more-or-less balanced [trade].

(4) The key to taking the initiative is to work hard. Trade negotiations are the same way. The negotiations with [North] Korea and Vietnam, generally speaking, were carried out on the principle of gaining the initiative. But during the first phase of talks with [North] Korea, [we] did not quite gain the initiative and the talks with the advanced delegation from [North] Korea dragged on. Of course, this had to do with the many requests that [North] Korea raised and that these involved a lot of things. In the negotiations with Vietnam, we paid attention to gaining the initiative. At the end of the negotiations with [North] Korea, we immediately seized the initiative and suggested that the Vietnamese delegation come to Beijing early. [This] changed the usual approach of discussions on bilateral export invoices in Beijing and Hanoi and

caused the signing [of the agreement] to take place well in advance. [This] played a good role which was in line with the international struggle. Because Vietnam's requirements are more or less than the same as last years', [we] only discussed annual trade and the problems were simple. We also [acted] in accordance with the characteristics of the Vietnamese comrades, [who] do not easily emphasize their own difficulties or stick to their own views. As long as we were able to meet the Vietnamese demands, we quickly agreed to them. This led the negotiations to end within five or six days. Full agreement was obtained quickly.

In addition, all preparatory work must be completed prior to the negotiations. For example, [we] should prepare in advance as much as possible any required documents which need to be signed, negotiation proposals that need to be approved, requests for instructions, talking points, and communiqués. Files should be approved as early as possible. Generally speaking, [we] have been relatively prompt on this matter this year. But due to our lack of experience, the level [of work] is not high and the quality is even worse. In the future, the competent bureaus still need to make greater efforts to learn and consistently improve quality. At the same time, in this regard [we] must take action early and quickly.