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Vice Premier Li Xiannian receives Vice Chairman of the Albanian Council of Ministers Abdyl Kelezi for a Discussion on Assistance Project

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Summary:

Li Xiannian and Kellezi discuss China's economic aid to Albania.

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[...]

Vice Premier Li Xiannian receives Vice Chairman of the Albanian Council of Ministers Abdyl Kellezi for a Discussion on Assistance Project
(not yet proofread)

Time: 4:30 P.M., 18 April 1961

Location: Wucheng Hall, Zhongnagai

Receiving Persons

Chinese Side: Vice Chairman of the Planning Committee Fang Yi

Albanian Side: Albanian Ambassador in China Mihal Prifti and Vice-Chairman of the Albanian State Planning Commission Pupo Shyti

Translator: Cai Zulin

Recorder: Wang [illegible]

Li [Xiannian]: Who will speak first?

[Abdy] Kellezi: Either one of us can speak first.

Li: I'll start then. After repeated consideration, we wish to discuss the following ideas.

First of all, we essentially agree to take responsibility for each of the items proposed by our Albanian comrades. Some items are now agreed upon completely by both sides. There are a few more that require further investigation. These are the nitrogen fertilizer plant (annual product: 50,000 tons), the 75,000 kilowatt power station, and a cement plant with 100,000 tons of biannual output. Aside from these four items, we are in complete agreement about the rest. We believe that we can also take on these four items — this is an idea. We will first determine the preconditions.

Second, we must clarify that we are proposing to complete these items in stages and separate batches. To do it all at once, not to say anything of your capabilities, would be impossible for us. Following exhaustive research by our departments, we believe that every aspect faces difficulties, whether it is skills, fabrication, or transportation. There will be a cumulative 130-140,000 tons of equipment and raw materials. Thus, we recommend that you first build a plant and plan to produce 250,000 tons of nitrogen. However, when making projections, you might add on another 250,000 for consideration. If all goes smoothly, you can continue by building another plant with 250,000 tons in annual product. That is a more reliable plan.

As far as the power station, we recommend that as a first step you build one capable of 50,000 kilowatts. In your projections you can add on another 25,000.

Concerning the cement plant, first build one that will make 50,000 tons in two years. Make considerations in your projections for the remaining 50,000 tons. Either that or you can build one first that will make 100,000 tons in one year, and then build a second one a little later that will 100,000. Please choose between these two options.

Both sides are in complete agreement over the rest of the items, such as the steel plant and the phosphate fertilizer plant.

Overall, I will say: 1) Your proposed items will essentially be fulfilled. 2) Be sure to build these kinds of factories in batches. As we have already put forth to Comrades [Pupo] Shyti and Kellezi, you have to centralize you energy to wage annihilating war.

This is a more reliable plan.

3) Despite our total consent to these items, we should make clear that there are some skills issues that we still have not resolved. We are lacking some of them. We still do not have the heavy oil used in nitrogen fertilizer plants, for example. It is possible that we will warehouse it. Nor do we have the eight-centimeter-thick iron panels used in cement factories. These may also need to be warehoused. It is also possible that our construction efforts will face hardships related to skills issues.

4) Concerning the question of construction time, as we have already discussed in #2, China should strive to deliver the goods on time and take responsibility for fulfilling its obligation. However, we should also clearly express the possibility that there will be some items or vehicles that will not be able to be delivered on time. This is due to difficulties that might be encountered related to skills, raw materials, or transportation. This often happens when the Soviets help complete Chinese items. In some cases, they cannot deliver goods in time; in other cases, we over-account for our own subjective abilities, and cannot reach our standards. For example, the railroad connecting Xinjiang to the USSR was scheduled for completion last year. Instead, not only was it not completed last year, but it has still not been completed this year, and it is possible that even next year it will not be completed. The primary problem is that we do not have enough tracks. There are other items for which they have not been able to provide the goods in time, meaning either that they delayed on purpose or encountered difficulties having to do with raw materials and skills.

Comrade Fang Yi spoke with you about ideas related to project time and program time. I think this is reasonable.

5) As far as the estimated cost, there is a disparity between our accounting and yours. It is possible that the price quoted to you by Fang Yi was too high. However, the bill you gave us can be sorted out, as well as the bill the USSR gave us, and the one we gave to Vietnam. We are brothers—as close as brothers—and we would never cheat our Albanian comrades with prices. The bills must be settled so they are even, because this does not only connect with China and Albania, but also the complementary equipment provisions in North Korea, Mongolia, Vietnam, even nationalist states like India and Burma.

According to our initial surmises, 25 items plus supplies easily exceeds 550 million rubles in loans. However, it is not important if it exceeds that, as more loans can be added on. After all, Albania certainly ought to receive a few extra loans, since is situated on the front lines of this kind of climate and struggle. As far as the cost estimate and the issue of excessive loans, our idea is to resolve things as follows.

6) For the moment, you will not propose any further items. We will investigate Kellezi's question about the memorandum. As we see it, the responsibility entailed by Albania's 25 items is not a light one. It has been our experience, that in the past we would have had many items, now we are not so much getting going batch-by-batch, but withdrawing batch by batch.

7) Concerning the shipping vessel, Kellezi has discussed this with me personally: we agree with your suggestion, which is why we have commissioned Fang Yi to talk specifically with you. Which country we will ultimately make our order in, whether to do it in Italy or Japan, is something we can discuss for a moment. As far as we know, the Japanese's quality is somewhat higher. We will take out foreign currency.

Last time, Kellezi spoke of going to Italy for the purchase with a 12,000 ton water volume vessel, which would cost 3 million USD. Could the exchange take place over 24 months?

Kellezi: Last time we spoke of a 12,800 ton vessel. The ship has already been built. It cost 3.8 million USD. One million has been paid already; the remaining 2.8 million will be paid off over the next four years, in increments of over 200,000 USD every six months. That is one thing. Another is that if we need to order a new one, it will take 24 months to procure the materials. I hear that the ship being sold by Italy has already been ordered by a company in Greece, but that now that company is closed, which is why it is being sold. Of course, it is possible that your strategy is more appropriate, that buying the Japanese one is allowable.

Li: Whether the ship counts as yours, ours or jointly owned is irrelevant to us, but it must be your flag hanging from it. If you have sailors you can use them, if not we will solve that and consider it jointly owned. Can you hang your flag?

Kellezi: It still has yet to make ground. It is normal for our vessel to course the Adriatic, Mediterranean, and Black Seas, but it has yet to cross the Pacific Ocean. We are looking into this question.

Li: In order to get from China to Albania, you must cross the Pacific Ocean. When it was in Tirana, Comrade Xie Hu and I discussed the question of opening up a trade route. I ask that you carefully consider what you would do if the UAE or India did not let you refill your gas on their territory.

Kellezi: What if we used your flag?

Li: No. Chinese ships cannot go there. We do not yet have UN membership.

Kellezi: We are a member state, as well as a UN Coastal and Ocean Organization member. However, there are still difficulties.

Li: We ask that you think carefully about this question.

As far as hiring geologists, we agree to let a small number go over first. After they have worked for a certain length of time, then we will discuss. We believe that the laboratory test results brought over by [civil engineer Spiro] Koleka are not entirely reliable.

What about your conversation with the geologists?

Kellezi: We spoke with them one time.

Li: I cannot participate in the conversation with the geologists. Comrades Fang Yi and Xi Tizhou will take part.

That is what I have to say. Can we sign off on this discussion? What do you think?

Kellezi: First, let me thank Comrade Li Xiannian for his concern related to this topic. The comrades have already discussed 22 items; these can be signed for. I thought you would understand the three new recommendations I brought—a power station, a cement plant, etc.—since I had already laid my cards on the table at the Moscow Conference.

You have suggested the idea that we build a 50,000 kilowatt power station first and then make considerations for the construction of another 75,000 kilowatt plant later.

There was also the idea of a two-item program for building the cement plant. There is a problem with the idea that we should consider building in stages and in separate batches within our time restrictions. We have planned for a 75,000 kilowatt power station, a portion of which must begin production by August 1965.

Li: By that time there will certainly be a crew participating in production, whether at 50,000 kilowatts or 25,000.

Kellezi: We have planned for a 25,000 kilowatt power station to provide electricity for a phosphorous fertilizer plant, and another to be provided for the people, and another to provide for the next five year plan.

In addition, as concerns the cement plant issue, our Comrades recommend that it be completed by the end of 1965; we consider that it should be completed by July 1964. At that time we will be using 200,000 tons of cement to build another factory.

Concerning the nitrogen fertilizer plant, I wish to make an announcement in our country, since it has already been allotted for in our plan. There is yet another issue concerning the cement plant: if the construction of a 200,000 ton cement plant gets pushed back, we will have to import a portion of our cement.

Construction issues have to be treated cautiously. We have already calculated for labor, skill, and material force: it is obvious that difficulties will arise.

We agree with what Comrade Li Xiannian has said about the possibility of engendering hardships. It is possible that there are areas in which accuracy has not been fully considered. However, everyone can abide by their duties and resolve the difficulties like brothers.

As far as the estimates, we are fraternal states, and we have never conceived that China would take advantage of us, but instead that it would only be positive toward us. And in fact, China is helping Albania to the best of its ability. We stand in the same position in our defense of Marxist-Leninism; intellectual unity binds us together; this is foundational. Therefore, we beg our Comrades not to ruminate over this question. If we raise new demands, it is because we have new considerations, besides those stemming from the Moscow Conference. Of course, it is possible that our estimate is incorrect. We can both run our numbers again.

Li: If you are interested, you can go and see the Jilin chemical plant. We only built one of these first-five-year-plan factories. The plant is huge and takes a long time to get to by car. It cost 220 million rubles. Building this type of plant is extremely complicated. It took an all-out effort to build. We built a factory in Sichuan: from the first five year plan until now it has still not been completed. Moreover, the most important machinery in these two plants was given to us by the USSR. The majority of raw steel and engineering comes from us. You could say that it was built by human wave attack. So I feel that constructing in stages is more appropriate for you.

Because building these plants is not the same as building a foodstuff factory! This is the highest category; this is real heavy industry. Other types of factories, like metal accessory plants or even cotton plants—if you came to us with those we would agree. Crucial cannot be built impatiently.

Our Comrades know that Wuhan Iron and Steel opened in 1954. After seven years, the first phase of its program is only halfway to completion. So I must be clear. I hope you will go see the Jilin chemical plant. The scale of that factory is equal to what you are proposing.

Kellezi: We agree to go. We can go by plane.

Li: The difference between that factory and what you are proposing is that it uses coal.

Kellezi: Possibly it is different from using oil in that it has somewhat less equipment for producing gas.

Li: It doesn't matter if coal or gas is used: the gas-making component is in very small proportion.

Kellezi: I think that if the difference in our estimates were smaller, I would be able to agree. However, now that number is huge, almost 300 million rubles. This makes me very unsettled.

Li: I have consented, but the goods cannot be delivered. I am also unsettled.

Kellezi: Your solution (listing the money above quota as a new loan) is a very good idea. Our accounting only shows 300 million. The issue of a disparity in our estimates can be taken up with another one of our comrades. This problem can be solved in accordance with the spirit of our Party lines.

Fang Yi: When tallying the price, the primary investment has to be included. If you are building a nitrogen fertilizer plant, there needs to be 60 m tall cement tower. I have discussed these matters with Comrade Shyti.

Kellezi: When we built plants in the past, the primary investment always came from the USSR.

Li: These problems can be solved. As our Premier explained to Koleka, our estimate is lower than that of the USSR or anybody else.

Fang Yi: The scale of a nitrogen fertilizer plant with annual yields of 50,000 tons is immense. To build this kind of factory with 84 million rubles would come as a big surprise to our chemical industry.

Kellezi: We have investigative materials as well. As far as building the phosphate fertilizer plant, we have already talked this over with Czechoslovakia. In order to build an integrated factory with 170,000 tons of annual phosphate fertilizer yields, 70,000 tons of sulfate, and 2,000 tons of copper monosulfide, the Czechs say it would cost between 5.5 and 6 million rubles. We say it can be done with 5.5 million.

And you are offering a lower-production phosphate fertilizer plant that would cost over 30 million rubles. It is possible that your experts have made a mistake in their accounting.

Li: This does happen occasionally. The USSR and other Eastern European countries quote us a low price, and then when it comes time to build we see a 40% increase.

Kellezi: We also encounter this.

Li: Every year that we make trade plans with them, the original accounting is fair to begin with, but when it comes time to close the account, we receive complementary

equipment fees in excess 300 or 400 million. And there is more and more each year. When we complete a project and settle accounts, it is always over budget by 30-40%.

Fang Yi: Last year, with no explanation, it was over 200 million.

Kellezi: We have prices for 20 individual items with the USSR. The cumulative loan was set be 300 million rubles. Then, experts began to say this was not enough. We think it will be at least 5-10% over... (He did not continue with this example.)

Li: If the experts say 80 million on one side and 200 million on the other (the estimate for the nitrogen fertilizer plant), this can be cleared up by a verification of accounting records.

Fang Yi: We can start our accounting from the beginning of the first project.

Kellezi: How many tons of materials are needed to build a factory?

Fang Yi: Different kinds of factories require different amounts. The standard for a nitrogen fertilizer plant is 50,000 rubles per ton.

Li: Are there any further opinions?

Kellezi: The rest are related to the question of the cement plant and the power station.

Li: As Fang just explained to you, we will certainly build according to quality and volume. We have already consented to completing these to the best of our abilities and as soon as possible.

Kellezi: Also, as far as not suggesting any more items, perhaps we will not send you the memorandum we were considering.

Li: You can give it to us and we will study it.

Kellezi: We are considering how not to let them (referring to the USSR and Eastern Europe) find an excuse. We will struggle to trade with them, and if there are difficulties later on we will consult with you.

Li: You can think about our suggestion. We can speak next year or the year after. For instance, you can look into the question of an aluminum factory.

Kellezi: I assume you have an aluminum plant [sic] already?

Li: We do. Look into it.

Kellezi: I will do some more research on the question of the shipping vessel.

Li: We are in agreement. We ask that you have faith in Marxist-Leninism. You were correct at the Moscow Conference, the others were wrong. However, when it comes to economic problems, we do have some divergent opinions. You speak of big things, I speak of small things. You say faster, I say slower, more reliable. It is good to have differences of opinion like these. We have to take account for possible difficulties in

the future.

Kellezi: I still have to make an announcement to the CCP Central Committee. First we will prepare the document for signing.

Li: I have already made an announcement to the Premier; he is preparing to see you. If what you are referring to is a public announcement, we can agree to that. Let us do the signatures quickly. Whatever we cannot discuss completely now will be discussed further either in August, November or even next year.

When do you think we can sign the document?

Kellezi: I will think about it today and tomorrow. I have to consult my supervisors.

Li: I urge you to stay on a few more days. Go have a look, or go to Jilin when North Korea has returned.

Kellezi: Our North Korean comrades are also letting me look around, and I have never been to North Korea. So I must go back soon, there is nothing I can do.

Li: You might also go to Shandong to see the aluminum factory. Whatever we can do, we will do. We cannot touch on everything now. We will talk about it next time. We are old friends by now.

Please give careful consideration to the ship question. We have a ship flying the flag of Poland that is jointly owned with Poland. Poland keeps this secret and nobody knows it, since it is illegal for us to do this.

Kellezi: That's according to them (the West).

Li: As long as you agree, think about finding a way to buy the ship either from Italy or Japan.

Kellezi: We have ordered the 5,000 ton ship from Poland. We will see if it can cross the Pacific Ocean, if the shipping lane is too far away this may not be worthwhile.

Li: Just now you said that the Italian ship was 12,800 tons, is that its displacement tonnage or its shipping capacity?

Kellezi: I believe that is its shipping capacity. The manifest has not been translated yet, that is just what I have heard.

Li: I would guess that 3 million USD is not enough for a 12,000 ton capacity vessel, but it would be enough for a one that displaces that amount.