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**Record of Conversation from Premier Zhou's
Reception of UAR Deputy Prime Minister Aziz Sedky**

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Summary:

Zhou Enlai criticises the developmental aid policies and practices of the United States and the Soviet Union. He and Sedky also discuss Chinese aid to Egypt.

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Record of Conversation from Premier Zhou's Reception of UAR Deputy Prime Minister Aziz Sedky

(Premier has not yet reviewed)

Time: 11 a.m., 19 December 1964

Location: Fujian Hall, Great Hall of the People

Our side's participants: Vice Premier Chen Yi; Vice Premier Bo Yibo; Minister Ye Jizhuang; Director Fang Yi; Vice Minister Zhang Hanfu; Vice Minister Lei Renmin; Deputy Director Yang Lin

United Arab Republic (UAR) side's participants: all the UAR industrial and economic delegation members; [Zakaria El-Adly] Imam, UAR Ambassador to China; Hosni, Commercial Counsellor, UAR Embassy to China

Interpreters: Ji Chaozhu, Qiu Yingjue

Recorders: Wang Shijie, Wen Yezhan

Premier Zhou: Welcome, gentlemen.

Sedky: Thank you. I have brought with me the best wishes of President Nasser and Prime Minister Sabry for Your Excellency.

Premier Zhou: Thank you. Marshall Chen Yi, too, on his return from Cairo brought with him regards from both of them. I heard that they are very busy. Ambassador Chen also reported on his return that His Excellency President Nasser and Excellency Prime Minister Sabry are very busy. It is not easy for you gentlemen to find the time to come here. Welcome to you all.

Sedky: We are very happy to have the opportunity to visit. We are very happy to have the opportunity to visit. We have long been looking forward to this visit.

Premier Zhou: Is this the first visit here for everyone?

Sedky: This is everyone's first time to come to China.

Premier Zhou: It is a pity that this visit is for such a short time. I hope that you all come again.

Sedky: I hope so.

Premier Zhou: On my last visit to the UAR I was unable to speak with Your Excellency.

Sedky: Your Excellency was too busy. I believe that Your Excellency saw part of our UAR and saw the love of the people of our country for Your Excellency and the people of your distinguished country.

Premier Zhou: Marshall Chen Yi and I received a warm welcome from the UAR government and the people, which left us deeply impressed.

Sedky: I hope that Your Excellency may have an opportunity to go again and see some more things.

Premier Zhou: In Moscow I had received from Vice President Amer an invitation from President Nasser to visit Cairo before the Second Asian-African Conference.

Sedky: We are honored to look forward to Your Excellency's visit. At the same time we hope that more Chinese government leaders visit the UAR and that mutual visits have a great role in promoting the development of relations between our two countries.

Premier Zhou: We are looking forward to President Nasser's visit.

Sedky: Our President truly wishes to visit here. Upon my return I will report to the President what I have seen in China. President Nasser has always had a deep impression with regard to China's work. He has often talked about China with me and has always looked forward to visiting China.

Premier Zhou: Thank you. When you return, give my regards to President Nasser and Prime Minister Sabry.

Sedky: I hope that Your Excellency Vice Premier Bo Yibo will visit the UAR.

Vice Premier Bo: I have responsibility for internal affairs.

Sedky: You should go and see the countries with which you have dealings.

Vice Premier Bo: This is a matter for the Premier to decide.

Vice Premier Chen: You should go.

Sedky: Please agree, Premier.

Vice Premier Chen: I will issue you a visa to go abroad.

(Everyone laughs.)

Sedky: On behalf of my colleagues, I thank you for your receiving us with such hospitality.

Premier Zhou: It behooves us to do so. You all have come here from so far away.

Vice Premier Chen: It is too bad that the weather has been a bit cold.

Sedky: It has not been too cold.

Premier Zhou: It is cold here, compared to Cairo. Shanghai is also cold, compared to Cairo, even though Shanghai's latitude is the same as that of Cairo.

Sedky: In Cairo now it is 15 degrees.

Premier Zhou: Last year when I went to Cairo it was not cold.

Vice Premier Chen: There was no need for an overcoat.

Sedky: We know that Your Excellency the Premier is very busy. I greatly appreciate seeing you.

Premier Zhou: Before your arrival, President Nasser and Prime Minister Sabry told our Ambassador about your mission. Vice Premier Bo has already told me the situation about your talks. To save time, there is no need to go over it again.

Sedky: In discussions with Vice Premier Bo, I mentioned that the new economic accord will become a new page in relations between our two countries and increase the opportunities to promote close cooperation between our two countries in every field.

Premier Zhou: Last year I spoke with President Nasser, this year Marshall Chen Yi spoke with President Nasser, and in Moscow I also spoke with Vice President Amer, saying that today the UAR's responsibility for Asian-African solidarity and aid to the African Revolution grows greater by the day. Your responsibility is great, your work has grown, and your burden has grown heavier. In this way, there will arise in the economy some corresponding issues. Last year when I visited Cairo, economic cooperation between our two countries had its start. Apart from trade, we are also thinking to offer some projects and develop economic cooperation between our two countries. A year has already passed. You gentlemen have been very busy and unable to come here, and economic cooperation has been unable to advance to specific steps. Originally, we expected Prime Minister Sabry himself to come. He was busy and unable to come, so Your Excellency the Deputy Prime Minister has come. It is the same. We can together concretely examine and discuss matters, enabling the implementation of economic cooperation. For issues of economic cooperation, you have your experience, we have our own experience, and we can have an exchange in this regard. You gained your experience in obtaining economic aid from the Soviet Union and from Western countries. Based on our own experience, at the time of our visit to West Africa, we put forth our country's Eight Principles for Economic Aid and Technical Assistance to Other Countries. In North Africa, we also talked a bit about it and also talked of it with President Nasser, but not concretely. With regard to the Eight Principles, Cairo newspapers may have published on them. I do not know whether Your Excellency has seen them or not.

Sedky: I have seen them.

Premier Zhou: The starting point of our Eight Principles is, we believe, the countries of Asia and Africa, and later perhaps expanding to the countries of Latin America. That is to say, economic cooperation between the newly independent countries or, as President Sukarno would say, the newly emerging countries, should be completely different from what the Western countries call economic cooperation. We have seen that the economic cooperation of the Western countries is not cooperation, their aid is not aid, and the objective of their aid is to control other countries.

Sedky: That is exactly how it is.

Premier Zhou: Politically, you cannot oppose it, or it will be difficult for you in terms of aid. Cambodia is a good example. The United States wants to control Cambodia through aid and Prince Sihanouk does not want that, resulting in a falling out.

Recently, the New Delhi talks also broke up. Economically, the Western countries give loans and construction projects designed according to their needs and equipment, not taking into consideration the recipient country's situation in regard to raw materials. It thus has to import raw materials from these countries. In addition, the construction period is long and, politically, it can create difficulties when needed. Take Burma as an example. Early in U Nu's rule, the United States helped Burma to build a textile mill. Burma would produce short pants, and the factory that the United States designed would require US long-staple cotton, so once built it would require the importing of US cotton or otherwise be unusable. It thus became a heavy burden. Later, U Nu came to see us. We helped Burma to design and build a 20,000-spindle factory in accordance with Burma's cotton. After its construction, the factory very quickly became profitable. The factory built by the United States and the one built by China are located close to each other. U Nu put the two factories under an agency to manage and used the profits from the Chinese factory to make up the losses from the US factory. After Ne Win came to power, he simply shut down the US factory.

Vice Premier Chen: The factories that they build for other people is not in line with local circumstances. They give you milk to drink, and you have to have something. You can also say that they give you opium to take, which addicts you, and then you have to have it.

Premier Zhou: They do this because they want to make the recipient country dependent on them, making them easy to control. The United States does this in many places.

The issue of technology also has to be based on the conditions of the country receiving aid. There is a textile specialist among you here (pointing to UAR General Syndicate for Spinning and Weaving President Marzban). Where did you study?

Marzban: In the United States.

Premier Zhou: We have three cotton mills in Beijing. The equipment of the nation's No. 1 Cotton Mill was imported from East Germany. The equipment for No. 2 Cotton Mill and No. 3 Cotton Mill we made ourselves. You can see and compare Peking State No. 1 Cotton Mill and No. 2 Cotton Mill. We designed it to suit our own needs. The first machinery, designed by East Germany, is too high. Our workers are relatively small. Similarly, using one's hands in an agile way on high machinery is inconvenient. If you gentlemen would like us to help build a cotton mill, (1) You must consider using long-staple cotton. Of course, you can also export long-staple cotton and import short-staple cotton, or do some blend. Long-staple cotton is valuable and may be exchanged for foreign currency, and farmers need the rovings. That is to say, you need to carry out design based on your own raw materials. (2) The equipment must suit the requirements of your country. For example, you must consider whether your workers are male or female. Indian textile mill workers are all men; there are no women. In India, I toured a textile mill and was surprised to hear them say that this factory had a small nursery and that they had solved the childcare problem for the workers. Then I came to the workshop and understood that it was because the factory only had 10 or so women and only 30 or so children, so the problem of childcare was solved. In our country's textile mills there are a great many female workers, so the childcare requirements are great. In addition, you also must take into consideration the height of your workers, who are relatively tall. (3) Equipment also must be based on climate conditions. For you, there is a need for ventilation and dustproof equipment, but your plant need not be as cumbersome as ours. We have here the problem of keeping warm, so the plant's walls have to be thicker. You have less wood than us, so you can replace it with plastic or some other substitute material. In short, design and construction must be according to your conditions and requirements and must be in line with your technical level, labor habits, and mechanical force. If you can design your plants yourself, that would be better. You can plan your own design and we will supply some of the necessary equipment. It must certainly be based on

local requirements and cannot be forcibly exported. Revolution cannot be exported, nor can an economy be exported. The goal of helping you build is to develop the national economy. If not, on the one hand you will have shaken off the economic shackles of the old imperialism, while on the other hand you will still become a dependent economy and become a colony or semi-colony.

In helping others, the number of people must be small and cannot become a burden to the recipient country. Otherwise, a considerable portion of the loans will go to spending on experts and workers of the donor country.

Vice Premier Chen: We should help the recipient countries solve their employment problems, not our own employment problem.

Premier Zhou: This hits the nail on the head. The treatment of the specialists and technical personnel sent to the recipient country must be in line with the treatment of local personnel of the same level. The housing has to be the same. They cannot have anything special. Otherwise, the plant will not be built and a great amount of housing will be made for the specialists, becoming a burden for the recipient country.

Vice Premier Chen: The United States is helping Afghanistan build a reservoir, which still has not been repaired. First they built a large inn to host the specialists.

Premier Zhou: This time the King of Afghanistan came here and said that they had not built this reservoir because first they were in the wrong area. When I visited Afghanistan in 1957, I heard that they had yet to build it. It has been eight years since then, and it remains unbuilt.

Politically, specialists and technical personnel sent to the recipient country are bound by the recipient country's laws. They cannot have special treatment, cannot interfere in internal affairs, must become the employees of the recipient country, and must wholeheartedly teach the local people how to master the technology, then return home. As Marshall Chen Yi said, it cannot be for us to solve the employment problem for ourselves.

People of recipient countries sent here to study also enjoy the same treatment as Chinese specialists and workers. There is no problem. The standard of living for China workers will lower, in comparison to the Western countries. As for Asian and African countries, with the possible exception of Japan, the standard of living for workers will be more or less the same. We advocate building the country through thrift and hard work. We must first cultivate a good habit. We must build first. On this basis, we gradually raise the standard of living. Therefore, those who come here to study will develop a good habit. If not, after they return they will be unable to work. Among those who come to China to study, there are those who study well and those who do not. Those who do not study well do not come only from democratic countries. They also come from socialist countries. Most people can instruct well. There are also those who teach poorly. They only think of enjoying themselves. We have no choice but to have them go back. From our perspective, it is sincere to help others develop their technical strength.

In the area of finance, we advocate interest-free loans. In the past there were low-interest loans. At present all of them are without interest. Because our aim is to help others develop their national economy, if the interest were to grow more and more it would become a burden on the recipient country. The Western countries have adopted the method of long-term loans, with repayment in 20 or 30 years. When the time comes that it cannot be repaid, the interest grows larger and larger. India now suffers a large financial loss, because India's finances are dependent on borrowing. First India borrowed from the United States, then from the Soviet Union. At present

India's foreign debt reaches 5 billion dollars. Now India has to use loans to pay the interest, and its burden grows heavier. At two percent, every year India must pay 100 million dollars in interest, must pay this interest to obtain new loans, and add new interest. Indian progressives joke about having a revolution and not repaying the loans. But we cannot imagine such a thing. In short, if the interest is great, then the burden is heavy, and there is no way to expand production. We do not take this approach. We advocate a method of short-term, interest-free loans. If a loan is completely used in five years, it will begin to be repaid in the sixth year and will be fully repaid in 10 years, each year repaid by 10 percent, because there is no interest and no increase in the burden. The two parties can also have a tacit understanding that if repayment is not possible in the sixth year, the loan can be extended 10 years. Why must we set it at 10 years? It is to make the recipient country have a sense of responsibility. If it can repay the debt early, it will repay it early. There is also a tacit understanding that there are some countries, small and with a weak economy, for which it is acceptable for them not to repay the debt if in reality are unable to repay it. In short, do not make loans become the recipient country's heavy burden. Mr. [Said] Hasan, vice chairman of Pakistan's Planning Commission, and I have debated this issue. He has said that whenever they borrowed money from the Western countries and World Bank, they paid the interest on time. If China's loans do not require interest, then others will be suspicious of China's motives and objectives. I said that our objectives are the Eight Principles. I asked Mr. Hasan, "When will you be able to pay off the loans from the United States? If Pakistan still does not pay off its loans, it will be unable to escape the two alignments. He has recognized this point. After Mr. Hasan returned home, he said at the Colombo economic conference that I was right in what I had said. In addition, he also raised the issue that, with China now providing few loans, there is no need for interest, but what will China do henceforth as loans become increasingly numerous? I frankly told him that our country's foreign aid funds are entered in the budget as expenditures, but whether or not we recover the foreign aid given, it is not entered in the budget as income. I tell you in all honesty, Your Excellency, we do what we are capable of doing, so it will not become a burden. Mr. Hasan said that in the future the loans will grow larger and we will have to charge interest. What he said alerted me to ponder this issue. At present I still cannot give an answer regarding this issue, and within the Party we have not yet discussed it. The question is to what extent aid may require a little interest, but there are two points that we can affirm. First, at the start we cannot require it and, should we come to require it, then it can only be very low. Second, we must help to a considerable degree before requiring it. We still have not given this issue our full consideration. At present we are not prepared to add to or modify the Eight Principles. Foreign aid remains based on these principles. The day after tomorrow, when I make a report to the National People's Congress and government, I am going to raise again these Eight Principles.

In regard to the economic sphere, I also must add the point that help given to newly emerging countries to build must be rapid and the investment should not be overly large. One must implement projects that yield rapid results, thereby recovering the investment, accumulating funds, and expanding production. Otherwise, the engineering projects will be large, the investment will be large, the loans will be large, there will be no results for a long time, and funds and such will be frozen. In addition, one also must consider that in the case of a large project, auxiliary project investment will be more or less the same as that in the main engineering project. I will give two examples. One is a dam. We have built a great many dams, not counting the small ones. Since 1958, we have built more than 200 dams. The dams to which I am referring here are those with over 100 million cubic meters of capacity, those with several hundred million or over a billion. After building such a dam in a pivotal engineering project, it is necessary to construct many irrigation channels. After drainage, if there is much sediment upstream, then downstream one must have an engineering project for sediment release. If not, after a few decades the reservoir will be silted up, making irrigation and power generation impossible. To make a reservoir requires flooding some fields and moving people. (Vice Premier Chen added: It also requires water pumps.) These engineering projects require a great amount of investment. Therefore, after the completion of the main dam, the investment in the

auxiliary engineering projects is often equivalent to that in the main dam. If the main dam's terrain is poorly surveyed, then one must make modifications, which are going to exceed the investment. Because you come from a friendly country, I can talk about the Sanmenxia Dam, which was built with the help of the Soviet Union. Because the Soviet Union has no experience dealing with sediment - the terrain of river basins in the Soviet Union is flat, there are many forests, and there is little sediment - so there was insufficient consideration given to it when designing the dam. At present we are running into the problem of upstream sediment. At the time we thought of this problem but did not have practical experience of it and did not know that it would be this serious. For this problem we cannot blame our Soviet friends, as we ourselves should have had a better understanding of the situation. At present this engineering project has been revised without cease and remains uncompleted to this day. Since becoming involved in construction work, I feel that the longest time for an engineering project is for this one. In these past few years, as the Soviet Union has torn up many contracts. We have made adjustments and resolved many problems. Only the problem of the Sanmenxia Dam has not been resolved, and this will take some time. The other example is that of the large project in heavy industry. Take metallurgy, for example. If one's own raw materials are ample, then it is fine to build some large factories. But by comparison, even if one has iron, coal, and other materials, it would be better to go from small to large, because in doing so the results are more rapid, relatively economical, and one can temper one's technical strength.

Sedky: This is correct.

Premier Zhou: Setting forth from this point, it is better first to build small and medium factories and to engage in some light industry. First, the returns are rapid. Second, it can meet the daily needs of the people. Third, one can use recovered funds for expansion and further production. Our country in the 15 years since its founding, with a recovery period of three years and building for 12 years, has finally begun to acquire a little experience. Our Vice Premier Bo has all along been managing the economy.

Vice Premier Bo: Managing it poorly.

Premier Zhou: We have also gained some experience.

Sedky: You have done very well.

Premier Zhou: We cannot say so. There has been good and there has been bad. We hope that there has been a bit more of the good. If so, we will consider that there has been progress and when we think it not enough, then we can move forward.

Our experience is that in the arranging of the national economy -- agriculture, light industry, and heavy industry - one cannot give unequal emphasis to one aspect but must engage in all at the same time. The focal point is agriculture, followed by light industry. With raw materials one must also engage in heavy industry. One engages in heavy industry to support equipment for agriculture and light industry. Thus, first of all one ensures that market supply is basically self-sufficient. Also, that is not to say that one imports nothing at all from the outside. Thus one has currency withdrawn from circulation, and one can reduce the deficit and ultimately eliminate it. Increasing production in agriculture and light industry is also very important. We believe that agriculture is the foundation and that industry is the leading factor. Developing agriculture requires the support of industry, such as machinery and chemical fertilizer. Engaging in agriculture requires mobilizing the peasants to do it themselves. Production's development is beneficial to the peasants themselves, and the country also can purchase much of it. Socialist countries have done well in construction and, economically, have a certain strength. But they have a weak point in that they have not done well in agriculture. There is no need to hide it: one of the

causes of Khrushchev's fall from power is that he did not do well in agriculture. Here we will not speak of the other reasons. The Soviet press was highly critical of Khrushchev's agriculture policy, not naming him but in reality pointing to him. Last year Soviet agriculture was in a state of chaos. This year they bragged that agriculture is good and organized reporters to go see Kazakhstan. This is deceptive. There is a basis to what I say, because Kosygin in a report to the Supreme Soviet acknowledged that agriculture is in difficulty. Socialist countries cannot keep secret their weak point. In no socialist country has agriculture yet passed the test. US agriculture has certainly passed the test, but even though there is surplus food, there are many poor people with nothing to eat. It is facing another problem. As far as production goes, US agriculture has certainly passed the test.

Vice Premier Chen: US agriculture is in crisis.

Premier Zhou: The crisis is made by the system. Production has passed the test. If the system changes, there will be no crisis. We all must attach importance to agriculture. After three years of natural disasters and the Soviet Union suddenly cutting off aid, we had carried out adjustments in the national economy, make agriculture the focal point, then light industry. At present one can say that the economic situation has completely taken a turn for the better and will further develop. Grain and cotton have greatly increased compared to last year. You can see that market goods are abundant and that exports have also increased. We first of all pay special attention to agriculture, light industry, and heavy industry. We do not pay special attention to quantity, but to quality and variety. Even more important is that we must raise the level of technology. Detonating our first atomic bomb proved a point. A Western journalist asked me what level we had reached. I said do not ask me, as US specialists have already drawn their conclusions. They collected numerous materials, took photographs at high altitude above 20, 000 meters, collected dust falling from high altitude, and concluded that the level of the first atomic bomb that China detonated was at a higher level than that of the first atomic tests of the United States, Britain, and France. I said that their conclusion was relatively correct, because specialists comprehend more than reporters and comprehend more than I do. This shows that what we make our focal point at any one time has great relevance to the national economy. Of course, it must be based on one's own situation. After 1960, we emphasized regeneration through our own efforts. On this point we have to thank Khrushchev, because he tore up the contracts and withdrew the specialists, forcing us to undertake regeneration through our own efforts. In the past every industrial sector made telephone calls, asking that our Ministry of Foreign Trade import equipment and spare parts from the Soviet Union. At present they resolve the issue themselves.

Vice Premier Chen: In the past they wanted the Foreign Ministry to invite specialists. After the specialists were invited, they did not seriously teach.

Premier Zhou: If you did not check the warehouse, then you had to ask Vice Premier Bo to approve imports. After the cut-off in Soviet aid, this was out of the question, which forced us to do it ourselves. Checking the warehouse, we have found that there are many things. There are also many problems that our specialists and workers have solved themselves. You are engaged in industry and understand that detonating an atomic bomb is no simple matter. It requires the development of every level of industry. Our detonating an atomic bomb has two objectives: (1) to break the nuclear monopoly of the United States and (2) to raise the level of technology. It is by no means what some people have said, that we want to threaten people with the atomic bomb. Our policy is built not on the foundation of the atomic bomb but on the foundation of relying on the Chinese people's own efforts. We have been repaying our foreign debt in these past few years of greatest difficulty and will completely pay it back in full by the first quarter of next year. We mainly obtained loans from the Soviet Union, all together 5.6 billion old rubles. At present there remains something over 10 million new rubles. This year we have a trade surplus with the Soviet Union. We originally wanted to pay it off this year, but they did not approve. They want us to pay

it off next year, and we have agreed to it. We will pay it back in full in the first quarter of next year. It will be on 1 January next year, which is the first quarter. We have also repaid the money owed in trade to the Soviet Union and the countries of Eastern Europe. They cut off aid and may have had us pay off our debts and do more things. You must wonder how we accumulated funds. It has been by adjusting the economy and putting the focal point on agriculture and light industry. Heavy industry also requires adjustment and balance. In the past the focal point was iron and coal. Having paid attention to coal, petroleum production was low. Later, we lowered production of coal and raised petroleum production. At present petroleum production is nearing 10 million tons, basically meeting requirements. Quantity, quality, and variety all can be basically met.

I do not understand your situation and cannot speak carelessly, but I will introduce some of our own experience for your reference. Based on this understanding, therefore, our aid -- whether trade, loans or construction projects -- must be of benefit to your economy's independent development, be of benefit in resolving your present economic difficulties, and withdraw currency from circulation.

As for your African burden, President Nasser, Vice President Amer, and I have all had discussions. We can share some of it, for example, the issue of weapons and ammunition, without going into details here, because this is our Asian-African anti-imperialist revolution's joint undertaking.

Now, then, you will separate into two groups. Our trade group will be led by Minister Ye, and economic aid by Director Fang Yi. In regard to touring, there is not much time. In Beijing you can divide into groups and tour the cotton mills and steel factory. I hear that you want to go for a day to Shanghai, but there is not much time. I recommend that you see two places: the first is the Industrial Exhibition, to see the level of industrial production; the second could be to see the No. 1 Machine Tool Factory. This factory has some new machines. If there is time, you can go see a commune. If there is no time, you do not have to see one.

Now, I will again listen to your views. As for the loan issue, after we have our meal a few of us will talk about it.

Sedky: I thank you for introducing each aspect of policy and raising many interesting issues. I would like to speak of my point of view. Just now Your Excellency referred to the issue that Mr. Hasan raised. I believe that one can give a very clear answer to it. First of all one can compare the World Bank's conditions and your Eight Principles. The intent of the two is not at all the same. What they want is to make investments and recover high profits. Second, they want to control the recipient country through aid. What China's aid wants, first of all, is to have the recipient country stand up, not to make profits.

Premier Zhou: We should respect the recipient country's sovereignty and independence and act so that both sides are independent.

Vice Premier Chen: This is its great meaning. In this way the world becomes peaceful.

Premier Zhou: Aid is mutual. We help you to build, your strength grows, and the forces of anti-imperialism and Asian-African solidarity grow, which is good for us. We, who obtained independence first, have the duty to help and in the future will help more. We must develop together.

Sedky: China's aid truly benefits the recipient country and is good for the development of the national economy, but the World Bank has no interest in this. Rather, it intentionally extends aid to be able for a longer time to control the recipient

country. Therefore, there is nothing to discuss in regard to Mr. Hasan's issue.

We have always believed that freedom and independence cannot be separated. If other peoples do not have freedom and independence, we will not have freedom and independence either. Therefore, even if we have to make sacrifices, we have a duty to help others. But we are a small country and cannot compare with you.

Premier Zhou: You are not a small country, but a great country.

Sedky: Cooperation between us can strengthen our own economies, weaken imperialism, and be of benefit in eliminating imperialism in Africa and other places. When Vice Premier Bo Yibo and I discussed trade issues, we spoke of our desire to import from your country things that we have been importing from the Western countries in order to strengthen our own economy and weaken imperialism's economy. We certainly must strengthen our force. There is a great difference. Imperialism relies on exploitation to make itself strong. We must recover what has been stripped away from us, develop the economy, and strengthen ourselves. We believe that your Eight Principles are entirely correct. Speaking of interest, we also have had this experience. Loans from the World Bank and certain Western countries, due to compound interest, were equivalent to three times the original by the time of final repayment. Such aid is not beneficial, but harmful. Your aid has established a new and unparalleled model of international relations. All countries will appreciate and understand your good intentions. We guarantee that we will examine well how to use China's loans, or this aid cannot work.

I agree with what Your Excellency has said, that any aid plan should suit the recipient country economic plan, resource potential, and level of technology. I also agree completely with what is the focal point of economic development and what are the priorities. We believe that in general developing countries should first develop consumer goods that often required importation. If one cannot produce these items, the burden will be too great. Therefore the focal point of the UAR First Five-Year Plan is to produce consumer goods required locally and no longer import them. After first meeting local market needs, one can develop heavy industry on this foundation. If first one builds a large textile mill, there is then a requirement for textiles machinery, so providing a market for heavy industry. One can gradually further develop heavy industry according to regeneration through one's own efforts. Yugoslavia is first of all developing heavy industry. It does not have its own market, its product costs are high, and it is unable to export. Federal Assembly President [Edvard] Kardelj, after hearing our introduction of the UAR Five-Year Plan, said to President Nasser that Yugoslavia, if it were again to draft plans, would first develop light industry as the UAR was doing. This, too, shows that Your Excellency the Premier is right in what you say. We should first engage in light industry, then heavy industry, and engaging in heavy industry depends on the presence or absence of raw materials. Agriculture is very important, enabling one to meet food requirements and provide raw materials for light industry. Developing heavy industry requires first of all developing mineral raw materials. If one has iron, one is then able to develop a steel industry. Therefore, the UAR First Five-Year Plan's focal point is the production of domestic market supplies. We are now producing most daily necessities and are no longer importing them. The Second Five-Year Plan's focal point is the development of heavy industry. At present our foreign trade's structure has changed from importing daily consumer goods to importing production materials. To engage in textiles, we must engage in dyes. To engage in steel, we must develop coke. These are our preparations in the Second Five-Year Plan. In the Second Five-Year Plan we must also develop basic industry, develop steel and truck and train sheet production. We realize that technology is very important. We congratulate your success in cutting-edge technology. It requires effort and the training of skilled workers and managers. We are doing this. You are a large country. In comparison, we are much smaller. Only in developing the economy can we build our country and only then can we assume our international obligations.

We were late in coming here due to discussions in our country some days ago on the Second Five-Year Plan. We want to use your loans for the Second Five-Year Plan and put forward now a list to see if you can give us some help with it. We cannot regard your aid as much or a little. We mainly regard the spirit of your aid, whether much or a little, and whatever its type. We certainly will make full use of it. This aid of yours has set a model of international cooperation and shows how two friendly countries truly cooperate. In addition to building our own two countries, we must aid other countries. This requires that we ourselves make efforts. China is a large country. We are a small country, and so we must make greater efforts.

Our task is that, wherever there is imperialism, there we fight. So long as Arab and African imperialism is not eliminated, we will not rest. In supporting the African and Arab people in the struggle against imperialism, we are willing to carry out cooperation and advance hand in hand. The people of Africa are winning the victory.

Premier Zhou: Thank you for your kind words and for explaining your economic policy. Our power at present is limited. We have a certain level of technology but, in comparison to the advanced countries, there is still some distance. We are determined to overtake them and use a period of several decades to surpass them. Supporting the newly emerging countries is also good for us. Having grasped new technology, we will not hide or monopolize it but will contribute to it and seek common development. At present our power is limited and our contribution is small. In the future there may be a larger contribution. More important is that this type of contribution is also something that drives us. Not only does it provide mutual help in terms of politics, but in terms of economics and technology drives us further. Because we want to help you, we cannot shut ourselves in and design. Rather we must design according to your situation. Therefore, Director Fang Yi's burden is heavier than mine. He must take responsibility in helping all the Asian and African countries and must learn about other countries. He must first learn about you and understand you. If not, it would be subjectivist help. Director Fang Yi went before me to North Africa and West Africa to understand the situation, returned to offer me good suggestions, and inspired me to put forth the Eight Principles. There are good prospects in starting help small and later hoping that it may become larger. We must have mutual understanding and understand you. We then can know what to offer. In understanding us, you can discover what is appropriate.

I have said this because you have already said it. Our economic cooperation is based on common political objectives, that is, to weaken imperialism without cease, strengthen our economic cooperation, develop national independence movements, and strengthen Asian-African solidarity so as to finally eliminate imperialism. We must not only cooperate in this generation, but in the next one as well, and we must cooperate better.

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