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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

23 May 1980

2 JUN 1980

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director for Central Intelligence

THROUGH : Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

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FROM : [redacted]
National Intelligence Officer for
China-East Asia Pacific

SUBJECT : Warning Assessment: China-East Asia Pacific

The following items were discussed by the Community Representatives at the 19 May Warning meeting.

China

1. Analysts discussed the apparent contradictions between the recent speech of Hua Guofeng which contained criticism of material incentives, and a Peoples Daily article the following day defending such incentives in strongest terms. While Hua's speech could have represented a serious division among the leadership, most analysts considered it to be more of a personal position of Hua himself, who seems to be fighting a losing battle to stay in power. Deng Xiaoping's reported decision to step down in August probably meant that he would be taking Hua with him, too, and Hua is "going out with a whimper." The question of incentives would be addressed at the forthcoming NPC session according to Vice Premier Zhao Ziyang, but there was no reason to believe that present policy lines would be reversed even though there were clearly those at lower levels who opposed material rewards for production increases. [redacted]

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2. On Chinese foreign policy, analysts believe that the Chinese are presently quite concerned over their relations with the ASEAN countries, particularly the tendency among some of these countries -- Indonesia and Malaysia -- to seek out a negotiated settlement of the Kampuchean situation. This may be why Deng Xiaoping spoke of accepting a phased Vietnam withdrawal from Kampuchea to a German reporter. There was no question but that China is now in a more difficult situation then it was a year ago with respect to Vietnam and Kampuchea (see below).

Indochina

3. Analysts did not believe that Vietnam intended to make any serious concessions with respect to Thai and the other ASEAN countries on troop withdrawal from Vietnam -- the reported VN willingness to withdraw some troops was regarded as a token gesture and possibly could be related to the practice that Hanoi followed in last year's rainy season in withdrawing some units back to Vietnam for refitting. Vietnam Foreign Minister Thach's visit to Kuala Lumpur showed no real flexibility despite some reference to some troop withdrawals under "certain conditions." However, the Vietnamese apparently perceived the existence of differences among the ASEAN nations on negotiations and were trying to exploit these differences.

4. The purge of the Lao Dong party currently conducted by the Vietnamese was not regarded as being particularly serious; the Vietnamese were evidently attempting to weed out cadres who were "good at war but no good at managing the economy." The corrupt and inefficient were also targeted for elimination. Nevertheless, the purge (which had begun in January) could pickup steam later this year as high-ranking party members became involved. It was noted that party members of Chinese ethnic background were being removed as well.

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5. Analysts commented upon the apparent consolidation of Soviet military presence in Vietnam at Cam Ranh Bay. It appeared that air activities formerly conducted from Da Nang were being moved to Cam Ranh, where Soviet ground controllers as well as aviation fuel storage facilities were being located. A continuing Soviet naval presence at Cam Ranh Bay was reported upon.

6. Within Kampuchea, analysts commented that the DK forces under Pol Pot had evidently developed plans for military operations during the rainy season, but no real action had yet occurred. However, the rainy season had not yet fully arrived. The DK forces were evidently drawing food supply from UN stocks at the Thai border. Arms and equipment from Chinese sources appeared adequate.

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7. Analysts observed that the Vietnamese were trying hard to provide a facade of a Kampuchean governmental structure under Heng Samrin, but were still not having much success. Village committees had been set up in some areas of Kampuchea but lacked real authority and the only local governmental operations which functioned required active Vietnamese support.

8. On the food situation in Kampuchea reports of starvation in Battambang and even some of the eastern provinces adjacent to Vietnam were coming in, and the situation was regarded as likely to get worse. The Vietnamese were making some food stocks available to the populace in order to draw people to support the Heng Samrin regime, but while Vietnamese and Heng Samrin government officials received 30 kilos of rice per month, only three kilos of rice per person were going to the Kampucheans. Seed rice was coming from the west, i.e., the Thai border area and not from the east.

9. Analysts noted that increased quantities of Vietnamese supplies were being sent to Northern Laos, but no serious Chinese provocations in this region had occurred. The types of supplies being sent there could not be identified.

Thailand

10. Analysts expressed the view that Prem's government was doing about as well as could be expected -- the economy was still in serious trouble and inflation was increasing -- but there was no threat for the time being to political stability nor to the Prem government itself. People were giving him the benefit of the doubt. However, Prem would need to come to grips soon with the economic problems facing the country. Analysts called attention to the 1 October date for making annual military promotions, and speculated that Prem could encounter some problems around this time. Although he had been identified with ISOC (Internal Security Operations Command), former colleagues in the ISOC had not been taken into the government by him and were dissatisfied. There were also elements of the ISOC who would like to move further away from the Chinese who traditionally had been identified with support for the Communist-led insurgency.

South Korea

11. Analysts were not surprised by the declaration of martial law in South Korea given the failure of the government's restrained approach to student demonstrations. One analyst characterized General Chun Doo Hwan as having a seige mentality which made his strong reaction to the student's ultimatum and 22 May deadline predictable. It was generally agreed that Chun enjoyed strong support within the

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military for tougher action against the demonstrators and the establishment of martial law. [redacted] which has come to light since our meeting, appears to back up that judgment. There is probably a good deal less support among military officers for Chun's capitalizing on martial law to neutralize -- in some cases wipe out -- his political opposition. [redacted]

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North Korea

12. North Korean I&W anomalies were noted, but they were thought not to be significant, even in combination, in suggesting the North was preparing for an attack. [redacted]

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