



Director of
Central
Intelligence

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Sino-Soviet Competition in Indochina

Interagency Intelligence Memorandum

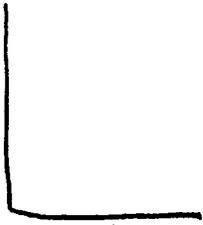
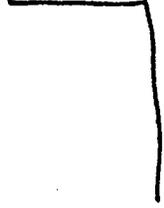
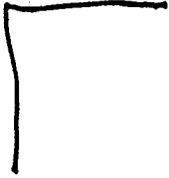
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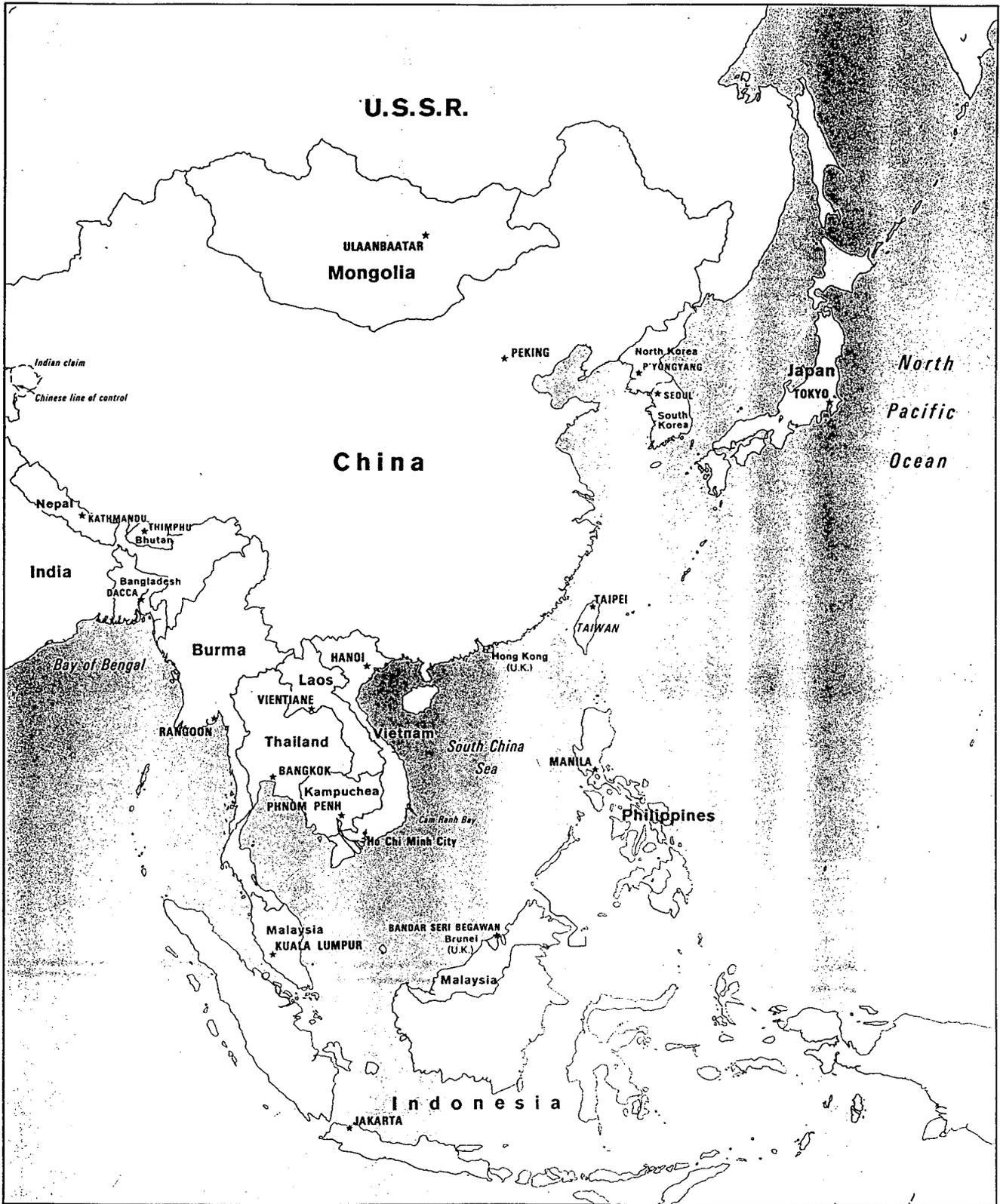
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SINO-SOVIET
COMPETITION IN INDOCHINA

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KEY JUDGMENTS

- Indochina today is divided into two camps, with the USSR backing Vietnam and Laos, and China backing Kampuchea (Cambodia). This development is largely the result of the conflicting national ambitions of China and Vietnam, each of which wishes to exercise paramount influence in the area. This competition, although muted during the Vietnam war, has deep roots and is likely to intensify.
- The immediate cause of the present Sino-Vietnamese confrontation is the escalating border war between Vietnam and Kampuchea. China believes Vietnam is determined to replace the Pol Pot government with one responsive to Hanoi's direction. Although China is unhappy with some of the policies of the present Khmer regime, it considers an independent Kampuchea allied with Peking an essential buffer against the expansion of Vietnamese, and by extension Soviet, influence in the area.
 - China hopes to thwart Vietnamese ambitions by providing strong support for Kampuchea while undertaking a diplomatic and propaganda campaign to portray Vietnam as a Soviet cat's-paw and arouse suspicions about Hanoi among non-Communist Southeast Asian states.
 - China is the principal source of military and economic aid to Kampuchea. It has several thousand advisers in Kampuchea and has increased military aid since the escalation of the Kampuchean-Vietnamese border war. China's termination of all aid to Vietnam earlier this year will trouble but not cripple the Vietnamese economy because Chinese aid had already been reduced after the end of the Indochina war. China also supplies economic aid to Laos. Northern Laos has been a Chinese sphere of influence for many years as the result of a roadbuilding project in the area.
 - China is trying to encourage the Pol Pot government to moderate its domestic and foreign policies in order to improve its international standing.
- Vietnam over the long term would like to establish a special relationship with Kampuchea similar to the one Hanoi has with Laos. Over the short term, however, Vietnam could tolerate a

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government in Phnom Penh with close ties to China so long as it ceased provocative actions along the Vietnamese border.

- Vietnam is unlikely to launch an all-out invasion of Kampuchea, although it might be tempted to move if there were an open breakdown of political order in Kampuchea. In the event of such a Vietnamese attack, China would have only limited ability to aid the Phnom Penh regime. Despite the excesses of the Pol Pot government, few Khmer would welcome Vietnamese intervention, and Vietnam would probably become bogged down in a guerrilla war.
- Vietnam is more likely to pursue its present policy of trying to secure its borders against Kampuchean attacks while seeking to raise an antigovernment insurgent movement inside Kampuchea.
- The USSR is the most likely to benefit, at least over the short term, from the developing situation in Indochina. The Soviets will take advantage of the opportunity to try to make Vietnam dependent on Moscow, thereby establishing a sphere of influence on China's southern boundary.
- Laos and Vietnam are the only countries in Southeast Asia to allow the Soviets more than a token presence. The Soviets probably hope that their position in Vietnam will aid them in extending their influence elsewhere in the area. If the Southeast Asians believe that Vietnam is acting as a Soviet stalking-horse, however, it will harm rather than help Soviet interests.
- Vietnam has already moved closer to Moscow by signing a friendship and cooperation treaty and joining the Council for Mutual Economic Assistance (CEMA). The Soviets are the major source of aid to Vietnam, but most of it is still economic. Soviet military shipments do not appear to have increased since the confrontation with China, but this may change in the near future. The Soviets will take over some of the formerly Chinese aid projects.
- The USSR may hope eventually to obtain access to Vietnamese military facilities. Vietnam is unlikely to grant the Soviets formal base rights but might permit the Soviets access to air or naval facilities under certain circumstances.
- The non-Communist states of Southeast Asia are concerned about the consequences of intensified Sino-Soviet competition in the area although they draw comfort from the prospect of Communist countries fighting among themselves. Thus far the

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main impact on the countries in the Association of Southeast Asian Nations (ASEAN) has been an intensive diplomatic campaign to court their favor by all sides. Since September a top official from each of the four major parties to the dispute has visited Southeast Asia.

- Vietnam's deteriorating relations with China have increased Hanoi's interest in establishing diplomatic ties with the United States. Vietnamese leaders believe an American embassy in Hanoi would serve as a symbol of Vietnam's international acceptance. Vietnam is also seeking aid and foreign investment from the West to help balance aid from the Soviet bloc.

NOTE: This memorandum was drafted by analysts from the Office of Regional and Political Analysis and the Office of Economic Research of the Central Intelligence Agency. It was coordinated at the working level with representatives of the National Foreign Intelligence Board.

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DISCUSSION

1. Today Indochina is in effect divided into two camps, with the Soviets backing Vietnam and Laos, and the Chinese backing Kampuchea (Cambodia). The tensions that led to this development are deeply rooted and reflect historic racial antagonisms, conflicting national goals in Southeast Asia, and international great-power competition. Although triggered by a conflict between Vietnam and Kampuchea and giving rise to increased Sino-Soviet competition in the area, the driving force behind the present situation is the fundamental tension between Vietnam and China. The emergence of a political dynamic that pits the Communist governments of Indochina and their great-power backers against each other poses both new problems and new opportunities for non-Communist governments of Southeast Asia as well as for the United States and other interested outsiders.

COMPETING NATIONAL INTERESTS

2. The Chinese-Vietnamese rivalry is deeply rooted in the history of the two countries, with China seeking through the centuries to secure Vietnam as a submissive client state, while Vietnamese leaders attempted to assert their independence, often through force of arms. Even during the Indochina war, when a conscious effort was made to paper over disputes, Peking and Hanoi argued over Vietnam's military and negotiating strategies, and China sought to limit the growth of Soviet influence in Vietnam. At various times, China even delayed rail shipments of Soviet supplies to Vietnam.

3. Chinese and Vietnamese national ambitions clash dramatically over the nature and orientation of the Kampuchean Government. Vietnam's current leaders see themselves as the natural and legitimate heirs to the former French Indochina empire. The Chinese, for their part, have sought to establish a close relationship with an independent Kampuchea to limit the expansion of Vietnamese influence in Indochina.

4. The rulers of Vietnam, regardless of their ideology, have historically attempted to extend their influence over the area that is today encompassed by the states of Laos and Kampuchea. The competition

for control of the Mekong Delta and eastern Kampuchea was particularly intense. The Khmer empire, historic antecedent of present-day Kampuchea, once held sway over much of southern Vietnam but was pushed back by Vietnamese expansion southward. Khmer memories of past glory are not dead, and the racially conscious Vietnamese, for their part, have always looked down on the darker skinned Khmer as an inferior people.

5. In the 20th century, the rise of an anti-French nationalist movement served to spread Vietnamese influence in Indochina. The Vietnamese Communists were in the forefront of this movement, and the old Indochinese Communist Party was the breeding ground for the independence movements in present-day Laos and Kampuchea. Vietnamese Communists inspired, trained, and often directed the parties developing there. Although the liberation of southern Vietnam had clear priority, the insurgencies in Laos and Kampuchea were seen as integral parts of a whole concept—the parts moving in different sequence, but the finale to be a Communist Indochina guided by the Vietnamese-controlled Lao Dong Party.

6. Nonetheless, the Vietnamese Communist leaders probably realized some time before the end of the war that their ability to control the Communist movement in Kampuchea would be limited. Strong ethnic animosity provoked tension and conflict between Khmer Communist forces and their Vietnamese allies from the start. The present renewed and escalating conflict—while clearly a reflection of the excessively radical character of the present Kampuchean regime—also reflects the depth of traditional antipathy and a historic sense of outrage over the treatment of Kampuchea by its neighbor.

7. Vietnamese ambitions toward Kampuchea directly challenge China's interest in the region, although this conflict of interests was muted during the Vietnam war. After the fall of Prince Sihanouk in 1970, Peking intensified its efforts to improve ties with the Khmer Communists while providing asylum to Sihanouk in Peking. The Chinese undertook to aid the Communist war effort against the Lon Nol govern-

ment. The Khmer Communists were already involved in occasional sharp fighting with the Vietnamese Communists in eastern Kampuchea, and there were indications that Hanoi was restricting the flow of Chinese military supplies transiting Vietnam en route to the Khmer Communists. Using the leverage at its command, Peking at the same time tried both to reconcile the Khmer Communists and Sihanouk and to induce greater cooperation between the Vietnamese and the Khmer Communists in their respective war efforts. One of Peking's objectives was to patch together a new government in Phnom Penh which would meet China's need for a Kampuchea able to withstand Vietnam's attempts at domination.

8. During the late 1960s and early 1970s, China's worsening dispute with the USSR created new tensions in Chinese-Vietnamese relations. It added an extra dimension to longstanding bilateral disputes; in addition to dissension over Kampuchea and the status of the overseas Chinese in Vietnam, Hanoi and Peking also have conflicting territorial claims along their common border, in the South China Sea, and in the Gulf of Tonkin. Chinese leaders perceived a growing Soviet threat along the Sino-Soviet border and renewed Soviet attempts to encircle China at the same time that the US presence in Asia appeared to be diminishing. This led Peking to revise its list of enemies, putting the USSR at the top and demoting the United States to the number-two position. The Chinese interpreted Soviet dealing with Vietnam as inherently hostile to China's interests.

9. Although the USSR and China have competed for influence among the states and Communist parties of Southeast Asia for well over two decades, Soviet involvement generally reflects the broader Sino-Soviet rivalry and, more recently, the potential for developing a Soviet sphere of influence on China's southern periphery. Southeast Asia is geographically distant from the USSR and has never ranked very high in the Soviet scheme of things. In fact, Soviet interest probably declined somewhat once US forces were withdrawn from mainland Southeast Asia in 1975 and new, and seemingly more promising, opportunities opened up for the USSR in Africa.

10. The primary Soviet objective in Southeast Asia is to prevent China from significantly expanding its influence there and thus gaining more confidence in its capabilities to challenge the USSR. Moscow would also like to reduce Western, above all US, influence in the region, but not if this redounds to China's benefit.

At present the Soviets seem to believe that China is a far better position than the USSR to profit from any waning of Western influence in Southeast Asia.

11. Chinese and Soviet interests in aiding Vietnam during the Indochina war somewhat offset the competition between China and the USSR, as well as that between China and Vietnam. The Vietnamese Communists, moreover, skillfully played the two Communist powers against one another during the war in order to gain maximum advantage from both. After the war ended, the underlying tensions and conflicting national interests gradually sharpened. The USSR was in a better position than China to provide the economic assistance Vietnam needed to reconstruct and to unify the country. Moreover, as the more distant power, Moscow clearly represented a less direct threat to Vietnam's interests than did China.

CHINA AND THE PRESENT SITUATION

12. The most dramatic manifestation of the recent deterioration of relations between China and Vietnam has been the public confrontation over Vietnam's treatment of its overseas Chinese. In March 1978 Vietnam decided to nationalize private trade, a move that most heavily affected the overseas Chinese community in southern Vietnam. Anti-Chinese sentiment among Vietnamese officials apparently caused them to implement these orders in a particularly harsh fashion. The subsequent panic among overseas Chinese throughout Vietnam was used by China as the justification for subsequent actions against Vietnam, in particular the termination of economic assistance.

13. The decision to nationalize trade was based primarily on economic considerations. The Communist government could no longer tolerate the existence of a relatively rich, freewheeling commercial sector at a time when it sought to socialize the south and to distribute scarce goods in an orderly and equitable manner. Although Vietnamese leaders were certainly aware that taking such a move might provoke a reaction from China, particularly in view of the already poor state of Sino-Vietnamese relations, they probably did not anticipate the panic among the Chinese within Vietnam or the subsequent intensity of Peking's response. While this and other bilateral disputes, such as conflicting territorial claims on the continental shelf, are indeed sources of friction, by themselves they would probably not have brought Sino-Vietnamese relations to the current high level of tension.

14. In retrospect, it is plain that the catalyst for the public falling out between Hanoi and Peking was the outbreak of serious fighting between Kampuchea and Vietnam in December 1977. For several months Kampuchean troops had been staging raids across the border against Vietnamese villages and military installations. Vietnam, already resentful of China's deep involvement in Kampuchea, believed that China's position as the major source of military and economic support for Kampuchea gave Peking leverage to moderate Kampuchean policies toward Vietnam. China's apparent unwillingness to use this presumed influence to end hostilities was seen in Hanoi as evidence of Peking's fundamental hostility toward Vietnam.

15. Peking had in fact initially urged a negotiated solution to the border problems, but this hope was dashed when Kampuchea showed no interest. Hanoi, frustrated in its attempts to negotiate with Phnom Penh, settled on a two-part policy—to secure its border by establishing a series of salients within Kampuchea and to try to topple the Pol Pot government by combining military pressure with support for an insurgent movement. Peking concluded that a peaceful solution was unlikely and that Hanoi was determined to replace the current Kampuchean regime with one responsive to Vietnamese direction. By early 1978, Chinese leaders had evidently decided to sacrifice bilateral relations with Vietnam in order to prevent the establishment of a Vietnamese-dominated, Soviet-backed "Indochina Federation" on China's southern flank.

16. China publicly linked its termination of aid to Hanoi with Vietnam's "mistreatment" of its overseas Chinese, but Peking's real intent probably was to exert pressure on Hanoi to cease acts considered hostile to Chinese interests, particularly the conflict with Kampuchea. At the time the dispute over the ethnic Chinese broke out, Vice Premier Teng Hsiao-p'ing said the Vietnamese had already taken "10 steps" against China; when Hanoi took the "11th," that is, "expelling" ethnic Chinese, Peking took its "first," namely cutting off aid programs to Vietnam and dispatching ships to pick up overseas Chinese refugees.

17. Peking appears determined to make Hanoi and Moscow pay dearly for any "partnership." To this end, Peking has embarked on its own two-pronged strategy of open political and economic pressures against Hanoi coupled with increased backing for Kampuchea in its border war with Vietnam. China believes these actions

also would increase the "burden" on the USSR. These efforts, along with China's attempt in its diplomatic and propaganda campaigns to portray Vietnam as the "Cuba of the East," suggest that Peking also hopes to reinforce Southeast Asian suspicions about the degree of Soviet influence in Vietnam, to undermine Soviet initiatives elsewhere in the region, and perhaps even to cause some top-level dissension in Hanoi.

18. As for Kampuchea, Peking has been providing increasingly vocal political support for Phnom Penh's cause since the Sino-Vietnamese dispute became public in late May. The first known postwar visit to China by a Kampuchean military delegation occurred in late July, about the same time that a large shipment of Chinese arms arrived in Kampuchea. This may have signaled a moderate expansion of China's military support for Phnom Penh.

19. Despite its strong show of support for Phnom Penh and its private assurances to foreigners that the Kampucheans are able to withstand the continued fighting, China undoubtedly is uneasy about the effect of a prolonged border war on the ability of the present Kampuchean regime to survive. Although continued hostilities would drain Vietnamese resources, China must calculate that Kampuchea would probably be dangerously weakened long before the strains on Vietnam reached unacceptable levels for Hanoi. Peking is even more concerned about the possibility of an escalation of the border war or the toppling of the Pol Pot government by a Vietnamese-sponsored insurgent force inside Kampuchea.

20. Increased Chinese support for Phnom Penh is probably intended primarily to enable the Kampuchians to hold their own against the Vietnamese. Peking appears to have ruled out the possibility of a negotiated settlement for the time being. Whatever the degree of Chinese influence over the Kampuchean leadership—and this is an area about which we know little—Peking probably seeks to sustain the regime and maintain China's influence as a dependable ally without emboldening Kampuchea to take even more provocative actions against the Vietnamese.

21. Chinese diplomatic activity in support of the Phnom Penh regime has been made difficult by the Kampuchians' own reluctance to broaden their international ties. Peking facilitated the first, hesitant contacts between the Kampuchean leaders and some of their neighbors. From 1976 to 1978, China was unwilling to press the Kampuchians to settle their border dispute with the Thai Government, but the

urgency of the fighting with Vietnam this year apparently persuaded China to urge Kampuchea more strongly to seek some sort of diplomatic arrangement with Bangkok. Peking also appears to have been instrumental in preparing the way for improved ties between Phnom Penh and other capitals.

22. Chinese efforts on behalf of the Kampuchians, however, are constrained in part by the regime's miserable human rights record. Public and private Chinese commentary refrain from praising the Kampuchean style of rule. Occasionally Chinese officials offer halfhearted excuses suggesting the problem is one of the consequences of the threat Hanoi poses to Phnom Penh. Peking, nonetheless, is clearly willing to raise the issue privately with Kampuchians, if only to encourage token gestures such as occasional references to the well-being of Prince Sihanouk and their publicity about his recent public appearance.

23. Peking is probably reluctant to apply direct military pressure on Vietnam either by sending Chinese combat troops to Kampuchea or by making a major show of force along the Sino-Vietnamese border. Despite Vice Premier Teng Hsiao-p'ing's recent assertion that a large-scale military move against Kampuchea by Hanoi could lead to war between Vietnam and China and despite the occasional shallow intrusions by Chinese military aircraft into Vietnamese airspace, China clearly does not want to make Vietnam feel so threatened that Hanoi invites a major expansion of Soviet military presence in Vietnam. Nor does China want to risk possible Soviet counterpressures along the Sino-Soviet border.

Chinese Economic and Military Aid

24. The deterioration of Sino-Vietnamese relations is reflected in changes in the amount and type of Chinese aid to, as well as the nature of China's involvement with, the three Indochina states.

25. Since 1975 China has been less forthcoming with assistance for Vietnam than the USSR and East European countries, and its recent suspension of economic aid will not cripple Vietnam's languishing economy. China began reducing its aid to Vietnam as soon as the war ended. It needed money for its own modernization program, and Chinese leaders believed that Vietnam should become more self-reliant. Chinese aid was estimated to be \$420-435 million in 1974, but diplomatic sources in Hanoi think that postwar aid fell to about \$300 million annually. Repayment terms

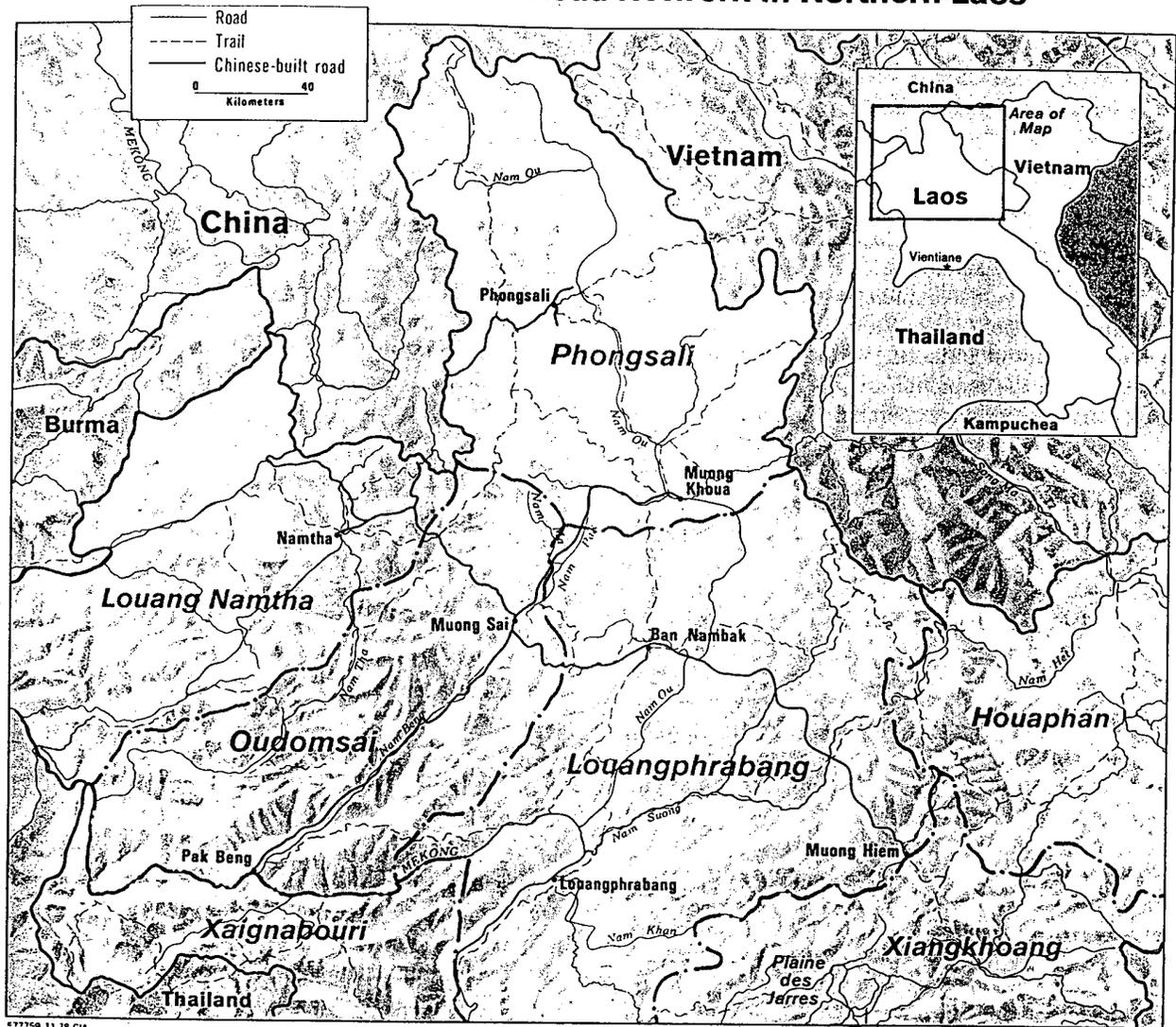
were also less favorable. China's estimated \$20-60 million in annual trade with Vietnam probably has been reduced by more than half.

26. The largest Chinese aid project was construction of a 5,500-meter rail, vehicle, and pedestrian bridge to supplement present inadequate bridge and ferry service across the Red River near Hanoi. China also was helping to improve rail and road systems in northern Vietnam, to construct or to expand power plants, and to develop coal mines. Most of these projects, however, could be completed by other aid donors or by the Vietnamese themselves. The suspension of Chinese aid may ultimately affect more heavily the consumer goods industries, which Hanoi was expanding using Chinese help. Switching to non-Chinese equipment and processes will be time consuming and expensive. Small but needed manufacturing projects that used Chinese advisers or equipment included textiles, food products, pottery, medical supplies, stationery, and bicycle chains. China also gave limited assistance to the agricultural sector, consisting of the development of a dozen state farms and some small irrigation projects in the north.

27. Chinese roadbuilding teams have been active in northern Laos for the past 15 years. (See map, page 9.) Although the major construction effort apparently was sharply reduced in late May 1978, the Chinese have not withdrawn entirely from the area. China has in effect created a sphere of influence in the provinces of Oudomsai, Phongsali, Louang Namtha, and the northern part of Louangphrabang. Although the extent of Chinese influence over local Laotian authorities is unclear, to abandon the area would create a vacuum into which the Vietnamese could expand their own influence. Peking had two consulates, in Oudomsai and Phongsali, which it used to increase its political and economic influence in the area. The Chinese Ambassador to Laos said in February that China had closed the consulate in Phongsali.

28. The Chinese-built roads improved communications within the northern provinces and between them and China's Yunnan Province. Although these roads connect with a Laotian road to the east, it will take at least a year to upgrade them to all-weather roads. Although Chinese roadbuilding crews apparently have been significantly reduced, [] they are still working on an all-weather segment from Ban Nambak to Louangphrabang that would also link the system to the rest of Laos. []

Chinese-Constructed Road Network in Northern Laos



[] said in October that about 400 to 500 Chinese "aid technicians" remain in northern Laos; some of these probably are working on this link.

29. The slowdown in roadbuilding coincided with the deterioration in Sino-Vietnamese relations, although other Chinese economic aid to Laos apparently continues. Laos is using a \$25 million loan granted in March 1976 and a \$2.2 million loan granted in July 1977 to purchase Chinese consumer goods. Part of the first loan is also being used to finance development projects.

30. It is unclear whether the Chinese reduced their construction activity in response to a Laotian request or because they wanted to avoid potential tensions with pro-Hanoi Laotian leaders. The Chinese may also be in no hurry to complete a road link that might eventually benefit the Vietnamese by connecting China's sphere of influence with the Vietnamese one. Reports that the reduction in activity was in response to Vietnamese military operations against insurgents in the northern provinces cannot be confirmed and appear unfounded. Although the Chinese are unhappy about the degree of Vietnamese influence over Laotian leaders, they have generally taken a cautious and restrained approach and have avoided harsh polemics. Peking apparently believes that little can be gained from putting pressure on the Laotian Government because it has little freedom of action vis-a-vis Vietnam.

31. Laotian leaders, although publicly siding with Hanoi in its dispute with Peking, have similarly sought to play down differences with China and to maintain correct relations. Although Laotian Communist officials charged in seminars held earlier this fall that the Chinese were supporting antiregime insurgents, Laotian leaders more recently backed away from these charges and continue to avoid confrontations with Peking. Should China perceive a serious threat to its interests in Laos, it could support insurgents in northern Laos or even send military units into the area.

32. Vientiane, however, may feel little pressure from Hanoi to take a stronger stand in the current Sino-Vietnamese dispute. Even though the Vietnamese regularly emphasize the "special relationship" between Laos and Vietnam, they probably want to maintain some semblance of Laotian independence. Moreover, Hanoi has never challenged China's special interests in northern Laos and may see little advantage

in further escalating its dispute with Peking by doing so now.

33. China is the principal source of foreign aid to Kampuchea, although token amounts are received from North Korea, Romania, and Yugoslavia. Despite a profound concern for economic self-sufficiency, Kampuchea still depends on foreign assistance to develop the modern sector of its economy. In 1975, Kampuchea and China signed an economic and technical agreement for about \$25-30 million of grant aid and technical assistance, including both commodity and project aid. In 1976, Chinese aid commitments to Kampuchea totaled about \$90 million, much of it in commodity imports such as fuel, medicine, railroad equipment, and agricultural tools. Another aid agreement reportedly was signed in October 1977. The amount was not specified, but it probably was a continuation of the 1976 level, again with emphasis on commodity aid and small industry rehabilitation. Chinese commodity aid, although highly concessionary, is to be repaid in the form of raw material exports, notably rubber and wood. In addition to economic aid, China furnishes a sizable number of technical advisers, who serve throughout the country in small factories and in agricultural projects.

34. By design and circumstances, Kampuchea's primitive agrarian economy with its limited small-scale industry has maintained only minimal economic relations with the outside world. The present government has been content to maintain foreign economic contacts mainly with China and, to a much lesser extent, with Hong Kong, Singapore, and Japan. Some trade also takes place with Yugoslavia, North Korea, and Romania.

35. It is impossible to estimate with any confidence the size of the Chinese presence in Kampuchea. [] alleged that China has 30,000 troops in Kampuchea, [] claims there are 16,000. [] said in October that 20,000 Chinese "experts" are in Kampuchea, a term that would also include construction workers. []

[] was told [] that there were 3,000 military and civilian advisers. All of these estimates are subject to bias, and we have no reliable means of checking them. We believe that the higher estimates for advisers are less likely, if only because of the difficulty of using so many advisers effectively in present-day Kampuchea.

36. Chinese military advisers provide technical assistance and training, including instruction in small-unit tactics and flight training, but there is no evidence that they fight alongside Kampuchean troops. Chinese military assistance has apparently increased in recent months. In addition to earlier deliveries of small arms, ammunition, patrol boats, radars, and artillery, including 130-mm guns, the Chinese this summer apparently sent light tanks, jet trainers, and possibly jet fighters. A major factor affecting the amount and type of Chinese military aid is the limited ability of Kampuchea's ground and air forces to absorb it.

THE USSR AND THE PRESENT SITUATION

37. Vietnam and its Laotian client are the only countries in Southeast Asia willing to accept more than a token Soviet involvement in their countries. The Soviet-Vietnamese relationship, however, has long been a difficult one, based more on expediency than closeness or identity of views. The Vietnamese list of grievances against the USSR goes back several decades and includes:

- Continual pressure on Hanoi to line up on Moscow's side in the Sino-Soviet dispute.
- Repeated subordination of Vietnamese Communist concerns to the larger interests of the USSR vis-a-vis the West—graphically demonstrated when the Soviets received President Nixon in the immediate aftermath of the mining of North Vietnam's harbors in 1972.
- Failure to provide the Vietnamese with the quality of equipment being provided to the Soviets' non-Communist friends in the Middle East and South Asia.

38. Moscow, for its part, has long privately complained of Vietnam's reluctance to accept Soviet advice and its ingratitude for past Soviet economic and military assistance. Soviet leaders are also very mindful of the fact that Vietnam cannot with impunity ignore the wishes of its powerful neighbor to the north.

39. Nonetheless, the Vietnamese Communists are the USSR's only real assets in the region, and the Soviets hope that over time historic Sino-Vietnamese animosity will eventually turn Vietnam into a regional bulwark against the expansion of Chinese influence, and perhaps even a base for expanding Soviet influence in Southeast Asia.

40. [

] suggest that Moscow neither instigated nor had any real forewarning of the trouble that erupted first between Kampuchea and Vietnam and then between China and Vietnam. The Soviets initially avoided comment when the fighting between Vietnam and Kampuchea became public last fall. Moscow may still have hoped to establish diplomatic relations with the Communist government in Phnom Penh. The Soviets began openly siding with the Vietnamese as the conflict widened and became increasingly a Sino-Vietnamese dispute. Soviet media, however, have been careful to stay in step with Hanoi in the intensity of attacks on China.

41. Moscow now is clearly trying to exploit the situation to its own advantage. Soviet propagandists make every effort to play up Chinese "aggressiveness" toward Vietnam in the obvious hope of undercutting Chinese efforts to improve relations with non-Communist states in the region. The Soviets are also testing the receptivity of non-Communist Southeast Asian states to a greater Soviet presence, as witnessed by recent aid offers to Manila and Jakarta and the recent trip of Deputy Foreign Minister Firubin to the region. Finally, they are supporting current Vietnamese diplomatic efforts in the region. Moscow believed that Vietnam's immediate postwar stance vis-a-vis its neighbors and the United States was unrealistic. [during one of Firubin's earlier trips, he spent a great deal of time trying to explain away, and to apologize for, Vietnam's heavyhanded approach to its neighbors.

42. As China appears more threatening to Vietnam, the Soviets obviously see possibilities for drawing Vietnam into a more dependent relationship and securing greater Vietnamese support for Soviet regional and global objectives as a quid pro quo. The Soviets undoubtedly see Vietnam's willingness to sign a treaty of friendship and cooperation in early November as a major victory in the longstanding Sino-Soviet competition for influence in Vietnam. There are indications that the Soviets have been pressing Vietnam to conclude such a treaty for some time. Although the treaty is sure to complicate Vietnamese relations with non-Communist Southeast Asian states, which were already suspicious of Hanoi's close relations with Moscow, Hanoi evidently concluded that the deteriorating relationship with China and the need for aid must take priority. The treaty calls for mutual consultations in the event of a threat to the security of either side. Vietnam probably hopes that

this will give China pause before taking strong measures against Vietnam, even though the treaty does not require Soviet military intervention.

43. The Soviets may now believe they have a better chance of obtaining naval access to Vietnamese port facilities. This would permit limited support for the operations of their Indian Ocean squadron, and perhaps eventually even permit the establishment of a small naval presence in Southeast Asia. The Soviets would derive practical benefits from access to a port on the South China Sea, in addition to whatever intangible psychological advantage might accrue. Depending on the level of access, a facility in Vietnam could increase the effectiveness of Pacific Fleet operations by shortening supply lines, enabling decentralized maintenance facilities, and reducing the vulnerability imposed by geographic constraints. In addition it would place Soviet naval forces on the strategic sea lanes between the Indian Ocean and Western Pacific Ocean and much closer to American bases in the Philippines and Guam. Access to facilities could also permit naval air reconnaissance of the Pacific Ocean and provide an expanded Soviet intelligence collection capability for monitoring China, particularly Chinese naval activity. Against the potential military advantages, however, the Soviets must also calculate the negative impact on relations with non-Communist Southeast Asian states and the United States.

44. Cam Ranh Bay was used as a supply and communications base during the Vietnam War, but substantial construction work would be needed to convert it into a significant, permanent naval facility. The Soviets could upgrade the facilities more quickly by using a floating drydock as they did in Somalia. [

]re-ported that, some time prior to November 1976, Moscow offered to help rebuild the naval facilities at Cam Ranh Bay. Despite refugee reports that Soviet technicians are present at Cam Ranh Bay and other Vietnamese ports, [

]no evidence of new construction [the Vietnamese are dismantling much of the warehouse and other storage facilities that remained in 1975.

45. We have no evidence that the Soviets have been granted any merchant or naval privileges in Vietnam. Indeed, no Soviet warship has ever called at any Vietnamese port. There have been some recent indications that Moscow is pressing for a naval visit.

The Soviets recently approached several non-Communist countries in Southeast Asia about accepting naval visits, perhaps in an effort to minimize the impact of a first Soviet naval visit to Vietnam by portraying it as but one of a larger series of visits.

46. The Soviets are also concerned, however, that an escalating Sino-Vietnamese confrontation could create problems for the USSR, especially as Soviet ability to influence events in Indochina is limited at best. In particular, Moscow would not want Sino-Vietnamese problems to reach the point of bringing Sino-Soviet tension to an unacceptable level. Sino-Soviet competition for influence in Southeast Asia has increased as a result of the situation in Indochina. Thus far this rivalry does not appear to have had much impact on Sino-Soviet relations otherwise; state-to-state relations, trade, and ongoing bilateral negotiations continue as before.

47. The Soviets are also concerned that Vietnam not act in such a way that other Southeast Asian countries feel threatened and as a result move closer to Peking or strengthen security relationships with one another or the West. Soviet propaganda vociferously supports Vietnam's efforts to improve relations with its non-Communist neighbors and to open consultations with China and Kampuchea. The Soviets probably approve Vietnam's current political and military tactics for trying to bring the Kampucheans to heel, but Moscow almost certainly would advise against an all-out invasion of Kampuchea. The Soviets obviously would prefer a Kampuchean regime influenced by Vietnam to one influenced by China, but they probably hope that this could be accomplished in such a way that it appeared to be the result of internal Kampuchean forces. Nevertheless, the Soviets probably will endorse whatever Vietnam does to resolve its problems with Kampuchea.

Soviet Military and Economic Aid

48. The Soviets have a substantial number of people in Vietnam, but most are involved in economic assistance. We estimate that approximately 3,000 to 4,000 Soviet personnel are currently there, including some embassy personnel, economic and military advisers, technicians, and dependents.

49. Soviet aid to Vietnam since the end of the war in 1975 has been overwhelmingly economic. Immediately after the war the Soviets are believed to have promised some \$250 million in grant aid and \$2.2

billion in credits for Vietnam's 1976-80 Five-Year Plan. Most of this aid has been allocated to specific projects, such as a 1.7-million-kilowatt hydroelectric project in northern Vietnam. The Soviets continue to provide commodity assistance in the form of wheat shipments; they also supply the bulk of Vietnam's petroleum imports.

50. The USSR and its East European allies will provide some additional economic assistance to compensate for the curtailment of Chinese aid. In early November, the USSR signed several economic agreements with Vietnam. The Soviets specifically agreed to help complete the large, Chinese-sponsored bridge over the Red River near Hanoi. In addition, the USSR will help make much-needed improvements to Vietnam's inadequate local and long-distance rail system, and increase the training of Vietnamese technicians and skilled workers.

51. An important factor in Vietnam's decision to become a full-fledged member of CEMA undoubtedly was a belief that this would bring increased assistance. Hanoi had been an observer at CEMA since 1958, but, as late as February 1977, Hanoi was still resisting Soviet urging to join CEMA, according to the Soviet Ambassador in Hanoi. Vietnam believed membership would implicitly—if not actually—compromise its sovereignty and hard-won independence and might adversely affect relations with China.

52. CEMA members are expected to fill only part of the economic gap left by the Chinese. Membership should facilitate the flow of bilateral aid and trade to Vietnam but probably will not immediately bring substantial loans under CEMA auspices. Aid and trade may also take place on more favorable terms, somewhat easing Vietnam's foreign exchange problems. Expert technical support from CEMA for Vietnam's economic plans should improve its long-term investment prospects, and the institutionalized backing of the Soviet bloc could improve Vietnam's creditworthiness among Western banks that have been concerned that Hanoi would have difficulty servicing the large credits it has tried to raise internationally.

53. [] claims that the USSR has offered to replace most, if not all, of the 1,000 economic aid technicians withdrawn by China. Vietnamese nationalism and concern about China's reaction will probably cause Hanoi to try to limit the number of Soviet personnel it accepts. []

[] Some of the estimated 15,000 Vietnamese vocational, technical, and academic students in the USSR are also returning home, apparently to replace departing Chinese. During August, Soviet passenger planes may have carried as many as 1,280 Vietnamese back to Hanoi. Vietnam is also actively searching for additional assistance from non-Communist states—though not with much success—to help complete some abandoned Chinese projects.

54. After the Indochina war, Vietnam had nearly \$5 billion in captured US equipment and had scant need of foreign military assistance—either Soviet or Chinese. The Soviets sharply curtailed their military aid. Most aid since April 1975 has been ordnance, spare parts, and support to maintain previously supplied equipment.

55. We estimate that the USSR has delivered \$10-17 million worth of military equipment to Vietnam thus far in 1978, including radars and a large quantity of military-related ground forces equipment. Most of the equipment probably was replacement items for worn-out or obsolete equipment, and it probably was on order before last fall when the border war with Kampuchea erupted. Although there are some signs of new commitments, recent reports of a large increase in Soviet military aid deliveries cannot be confirmed. A Western diplomat in Moscow reported that a high-ranking Vietnamese military delegation visited the USSR in late July, and there is some evidence that the Soviets recently raised the level of representation of their military mission in Hanoi, which may presage greater Soviet involvement in Vietnam. Soviet seaborne shipments of military aid to Vietnam, however, are not appreciably higher at present than the level of Soviet shipments over the past three years.

56. Soviet economic assistance to Laos has been in the form of project aid for industry, transportation, medical facilities, and agriculture, as well as commodity aid comprising largely foodstuffs, cloth, and other consumer goods. After the Communist takeover of Laos, the Soviets were asked to staff and maintain the Laotian civil aviation system. The Soviets still play a significant role, although Laotians are being trained in the USSR as pilots, navigators, and maintenance technicians. Recent aid commitments include geological prospecting operations, high-voltage electricity transmission lines, and brick and cement factories. The Soviets have also provided the funds to train large

numbers of Laotians in the USSR; some 600 are there now.

57. In addition to the approximately \$42 million in economic aid committed to Laos by the Soviets in 1976, a \$65 million agreement, including aviation supplies and training, was apparently negotiated in late 1976. Totals for Soviet economic and military aid in 1977 are not known, but at least \$75 million in economic loans and grants was provided last year. Estimates of the number of Soviet advisers vary widely, but there probably are about 500 to 600.

58. The USSR has also become a major supplier of military and technical assistance to Laos. The most significant shipment of Soviet equipment was the September 1977 delivery of 10 MIG-21s. Four more MIG-21s and a number of MI-8 helicopters delivered to Vietnam this year apparently are ultimately destined for Laos. [

] Although Laotian pilots are now flying the MIG-21s in Laos, Soviet personnel there are expected to play a major role in operation and maintenance for some time to come. The Soviets have also helped upgrade the Laotian Army. They have provided trucks and small arms; have helped organize the Laotian intelligence and security services; and are helping to establish communications and radar systems.

59. Recognizing that Vietnam exercises preeminent influence over Laos, the Soviets have generally worked through the Vietnamese in dealing with Vientiane, and Soviet aid was largely channeled through Vietnam. During 1977, however, increased amounts were apparently flown directly to Laos, perhaps in response to complaints by Laotian officials of shortages in shipments that transited Vietnam. Aeroflot recently inaugurated a cargo flight to Vientiane via Bangkok that could deliver up to 10 tons of cargo each week.

PROSPECTS

60. The high level of tension that has developed between Peking and Hanoi over the past year will not die quickly and relations may deteriorate further. Although little is known about the debate that may have occurred within the Chinese and Vietnamese Politburos as relations deteriorated, presumably some leaders in both capitals preferred reconciliation to confrontation. It is conceivable that in the future more moderate voices may carry the day. Until then, China will probably continue to pursue its two-pronged

strategy of open political and economic pressure against Hanoi coupled with strong support for Kampuchea in the border war with Vietnam.

61. As part of this strategy, Peking can and probably will resort to a number of measures to remind Hanoi of China's influence and capabilities in the region. China is unlikely to initiate large-scale armed conflict, although some localized skirmishing may occur. More likely measures include further reduction, and possibly termination, of trade; other economic sanctions, such as denying Vietnam the use of Chinese facilities for international communications and air service; increased political pressure, including diplomatic attempts to convince other countries, especially in Southeast Asia, to reduce their dealings with Vietnam; and perhaps a more aggressive assertion of Chinese claims to islands in the South China Sea and parts of the continental shelf disputed by Vietnam.

62. The continuing deterioration in Sino-Vietnamese relations, coupled with increased Chinese support for Phnom Penh, presents Hanoi with a series of interrelated policy problems. At the Fourth Party Congress in December 1976, Vietnamese leaders set national integration and reconstruction along socialist lines as the primary national objectives. The military was to play a key role in economic development, particularly in heavy construction and clearing land for new farms. According to Vietnamese officials, however, the conflict with Kampuchea has diverted men and resources from these tasks and the economy is suffering. We cannot quantify the impact, but in September the National Assembly Standing Committee revised the economic plan and budget for 1978 "on the basis of the new situation." The most direct effect will probably be on plans to increase food production through creation of new agricultural settlements, but overall economic growth may also be slightly retarded.

63. Vietnam had initially sought to negotiate its border differences with Kampuchea, but the Phnom Penh regime showed no interest. Subsequently, a senior Vietnamese official went to Peking apparently to try to resolve Hanoi's problems with Kampuchea and China, again with no success. With both of these avenues blocked and with China and Vietnam arguing bitterly over other issues, Hanoi now seems to have abandoned all hope of reaching an acceptable compromise with the present Kampuchean leadership and probably is embarked on a long-term effort to bring a more malleable regime to power in Phnom Penh.

Vietnam-Kampuchea

64. Vietnam faces a hard choice in dealing with the problem presented by Kampuchea. If Hanoi launches a military drive on Phnom Penh, it runs the risk of greater Chinese retaliation, possibly including the use of force. Moreover, such action would revive fears of Vietnamese expansionism elsewhere in the region, jeopardizing the diplomatic gains Hanoi has made in Southeast Asia in the last year and perhaps potential aid from non-Communist states as well. To do less, however, means a prolonged continuation of the present situation—a bitter border war that drains Vietnam's already stretched resources and slows economic reconstruction.

65. Hanoi's present strategy is to conduct limited military operations to destroy Kampuchean main force units in the border area while supporting a Khmer irregular force to subvert the Phnom Penh regime. Vietnam is recruiting and training as an antigovernment force some of the more than 100,000 refugees, prisoners of war, and other Khmer now in Vietnam. Although Hanoi played the key role from 1970 to 1973 in developing the ragtag Communist insurgent movement in Kampuchea into an effective organization, it is by no means certain that a Vietnamese-instigated resistance movement could develop much support within Kampuchea, especially if it were perceived as a creature of Hanoi.

66. Our knowledge of political and security conditions in Kampuchea is extremely limited, but we have no evidence that the Pol Pot regime's control of the country has weakened. Nevertheless, we cannot completely rule out that dramatic destabilizing developments could occur. For example, a major Vietnamese offensive, much larger than any so far, could cause a rout of Kampuchean military units and pave the way for a change of government in Phnom Penh. It is difficult to forecast the political complexion of a government that attained power under such circumstances, but it would not necessarily be a Vietnamese puppet. It is likely, however, that it would adopt a less belligerent attitude toward Vietnam. Vietnam almost certainly would hope eventually to establish a "special relationship" with the new regime, but Vietnam could tolerate a Kampuchean regime with close ties to China as long as it ceased provocative actions along the border. China's reaction to the installation of a new regime would depend upon how it came to power and its orientation. Peking would continue close relations with a government that desired to quiet the dispute

with Hanoi if it were clearly an independent-minded regime.

67. An open breakdown of political unity in Phnom Penh and/or large-scale uprisings in the countryside, however, might tempt Hanoi to move with whatever force necessary to install a friendly regime. Vietnam would have to consider the risk posed by China's reaction to an all-out invasion and the possibility of becoming bogged down in a long and costly guerrilla war inside Kampuchea. The capture of Phnom Penh could well leave government leaders and much of the armed forces at large in the jungle to continue guerrilla warfare against long, exposed Vietnamese supply lines. Despite the excesses of the Pol Pot government, the depth of Khmer racial animosity toward the Vietnamese and the tenacity of Kampuchean forces during the current fighting demonstrate that Vietnam would incur considerable cost from any attempt to occupy Kampuchea.

68. Peking would support Kampuchean Communist guerrillas in opposition to a Vietnamese puppet government, and some Chinese officials have already discussed the possibility that the Pol Pot regime might be forced to return to the jungle if Phnom Penh fell to the Vietnamese. If this happened, however, China's support would be largely verbal. China has no direct land route along which to ship supplies to Kampuchea, and use of air or sea routes would pose unacceptable risks of direct Chinese involvement in the fighting.

China-Kampuchea

69. China also faces a dilemma about the best course for dealing with the Kampuchean-Vietnamese conflict, which even at its present level is likely to be more damaging to Kampuchea in the end than to Vietnam. Because China's primary objective is to prevent Vietnamese domination of Indochina, Peking is saddled with support for a Kampuchean regime that is a public relations disaster. Moreover, China's ability to exert significant influence on the regime to moderate its policies or to seek a negotiated settlement with Vietnam is probably very limited. Although China might prefer a less belligerent leadership in Phnom Penh, the chances that Peking could cultivate such a faction and engineer its succession to power are very slim, and China is well aware that the instability thus engendered could lead to unknown consequences potentially more adverse to China's interests. As a result, China will probably continue its present course of active support for the Pol Pot government vis-a-vis

Hanoi while encouraging Phnom Penh to improve its international image. To a great degree, however, China's policy will have to be reactive, a captive of decisions made in Phnom Penh and Hanoi.

70. If the Vietnamese-Kampuchean situation worsened to a point which seemed to threaten the independence and stability of Phnom Penh, China would have no real satisfactory course of action. Kampuchea's limited ability to absorb additional aid would mean that China could markedly increase Kampuchean effectiveness vis-a-vis Vietnam only by increasing the number and involvement of its own personnel. We do not believe, however, that China would send combat troops to Kampuchea under any circumstances. China is left, therefore, with essentially three courses of action.

71. China could greatly increase aid to Phnom Penh, despite the attendant problems of its effective use. This also poses the risk, however, of emboldening the Kampuchean leadership to provoke Hanoi even further. It could also lead to greater Vietnamese dependence on the USSR for political and military support and therefore to greater Soviet involvement in Vietnam.

72. China could try to distract Vietnamese attention from Kampuchea by a show of force along the Chinese border with Vietnam. While this would certainly affect the pace of fighting along the Vietnamese-Kampuchean border, it would also pose the kind of security threat to Vietnam that could lead Hanoi to permit a marked increase of the Soviet military presence in Vietnam and might also lead to a Soviet counter show of force along the Sino-Soviet border. China nonetheless might consider such a move if it concluded that Vietnam had already passed the point of no return in forging a close military relationship with the USSR.

73. China's third option would be to continue support at about the same level, letting the chips fall where they might and hoping to capitalize politically and diplomatically in the long run. Should Vietnam then overthrow the Pol Pot government, Peking could use the event as a warning to other Southeast Asian leaders about Vietnamese "regional hegemonism" and the potential for increased Soviet inroads in the area. China would hope to draw some of the other Southeast Asian states closer to Peking or at least to heighten their concern about Soviet designs. China, on the other hand, would lose credibility, and some states might

conclude that China was impotent to support its claims to influence in the region.

USSR-Vietnam

74. The most likely beneficiary of the current situation in Indochina, at least over the short term, is the USSR. It will certainly increase its influence in Vietnam, giving Moscow a toehold in Southeast Asia, where its presence is otherwise weak to nonexistent. Moreover, the Soviets will have as a partner the state that is potentially one of the strongest and most important in the region. To the extent the Soviets gain in Vietnam, however, they may lose elsewhere in the region.

75. Moscow undoubtedly will seek political and perhaps military concessions from Hanoi in return for political support, military aid, and picking up China's portion of Hanoi's foreign aid needs. It is unlikely, however, that Moscow will succeed in turning Hanoi into the "Cuba of the East" as China claims. Vietnamese officials [] do not want to become overly dependent on the Soviets. To this end, Vietnam is already actively seeking aid from non-Communist sources. While the Vietnamese have had only limited success so far, the history of their 30-year revolution strongly suggests that Vietnam would tighten its belt before acceding to Soviet demands it found excessive.

76. At this point, the Vietnamese-Soviet relationship is based largely on their mutual opposition to China and on Vietnam's need for aid. From past experience, Moscow probably realizes that increased aid does not mean unlimited influence, and Hanoi can have few illusions about its relative priority among Soviet global foreign policy interests. Despite the large amounts of Soviet aid already supplied or promised to Hanoi, Soviet diplomats [] are no better informed about Vietnam's relations with China and Kampuchea than anyone else in Hanoi. Vietnam is very willing to support Soviet foreign policy goals in areas where Hanoi has little interest, such as Africa and the Middle East, and Hanoi can be expected to become an even more vocal supporter of Moscow in the Sino-Soviet dispute and of compatible Soviet foreign policy objectives.

77. There are circumstances in which Hanoi might permit a limited military presence or Soviet access to air or naval facilities. A serious escalation of pressure by China or greater requirements for foreign aid for Vietnam might cause Hanoi to allow Soviet naval

warships to visit Vietnamese ports. Depending on the reactions of concerned countries and Hanoi's perceptions of its interests, this could be expanded to include access to limited replenishment and repair facilities and perhaps permission to stage naval reconnaissance aircraft. The Vietnamese are unlikely to grant the Soviets any formal base rights, and, indeed, party members have been told that Hanoi turned down a Soviet request in late 1976 to establish a naval base at Cam Ranh Bay.

78. It is already clear to Vietnam that its close relations with the USSR are a liability in pursuing its own foreign policy goals, particularly improved ties with the non-Communist Southeast Asian states. Some of them already see Hanoi as a stalking-horse for Moscow, and Vietnam's willingness to sign a friendship and cooperation treaty with Moscow reinforced these suspicions. During Vietnamese Premier Pham Van Dong's visit to Southeast Asian capitals this fall, he sought to counter such fears and to stress the independence of Vietnamese foreign policy. He was only partly successful, and Soviet Deputy Foreign Minister Firyubin's visit to Southeast Asia so soon afterward could undercut any success Pham Van Dong achieved.

ASEAN

79. Each of the parties to the Indochina dispute is now engaged in a diplomatic campaign to court the non-Communist states of Southeast Asia, particularly the members of the Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, Singapore, Thailand, and the Philippines. Hanoi, which had once denounced ASEAN as an allegedly anti-Vietnamese security arrangement, has begun cautiously praising the group and suggesting that Hanoi is interested in a dialogue with it. Premier Pham Van Dong's swing through non-Communist Southeast Asia in September and October 1978 underscores Vietnam's change of policy. On his best behavior at each stop, Dong pressed for expanded bilateral relations while trying to reassure his hosts that Vietnam has no aggressive intentions toward other states in the area.

80. Soviet Deputy Foreign Minister Firyubin recently completed his second trip to Southeast Asia in less than a year, evidence of Moscow's hope that it can profit from the changing situation. The Soviets are also seeking expanded bilateral ties with Southeast Asian states; the Thai Prime Minister was recently invited to visit Moscow, and other Southeast Asian leaders may

also soon receive invitations. Firyubin emphasized Moscow's desire for closer relations and followed up on Soviet proposals for economic and military assistance, expanded commercial, cultural, and educational exchanges, and naval visits. Although the Southeast Asians are interested in expanded commercial ties with the USSR, they responded negatively to Firyubin's proposals for Soviet naval port visits and closer cultural and economic cooperation.

81. Kampuchea and China have launched diplomatic campaigns of their own designed to woo the ASEAN states. Kampuchean Vice Premier for Foreign Affairs Ieng Sary visited the Philippines and Indonesia in October; he presented Phnom Penh's version of its dispute with Vietnam and charged Hanoi with intervention in Kampuchean internal affairs. Kampuchea is also trying to ease tensions with Thailand and expand ties with other states in the region as well as improve its international image generally. Chinese Vice Premier Teng Hsiao-p'ing toured Thailand, Malaysia, and Singapore in early November to present China's case for an independent Kampuchea and to warn against the alleged double threat Vietnam poses as an expansionist regional power and a stalking-horse for the USSR. He also tried to arouse suspicions about Pham Van Dong's promise that Vietnam will not support insurgencies in Southeast Asia. Teng probably also hoped to repair any damage to China's image that may have resulted from its confrontation with Vietnam, particularly over the sensitive issue of overseas Chinese.

82. Despite the fact that, thus far, all sides are trying to win their favor, the non-Communist states of Southeast Asia view the unfolding events in Indochina with mixed emotions. Regional hopes to keep the lid on great-power maneuvering and rivalry in Southeast Asia over the longer run have been set back by the open confrontation between China and Vietnam. The Southeast Asians worry, not without some justification, that as China and the USSR play for influence in the region, the various states will come under greater pressure to take sides. Such pressures might be manifested only in diplomatic and political channels, such as strong pressure from each side to accept tokens of friendship. Thailand, Malaysia, and the Philippines, which have active Communist insurgencies open to outside support, fear that Sino-Soviet rivalry could be manifested in more concrete terms through competition to control these movements. Although this might be more damaging to the insurgent movements themselves over the short term, it could also lead to

greater violence and instability in the areas in which the insurgencies operate.

83. China's strident support for Vietnam's overseas Chinese community during the recent confrontation certainly aroused latent fears about China's intentions in other Southeast Asian states which also have large overseas Chinese communities. During his visit, Teng no doubt tried to reassure them that the Vietnam case does not presage intervention by Peking in their own communal problems, but this may be difficult to do. Indonesia, Singapore, and Malaysia, in particular, have always harbored doubts about China's professions of noninterference in the internal affairs of other states when the ethnic Chinese in those states are concerned. These states have always considered local Chinese communities to be potential fifth columns. [

] Other Southeast Asians have a certain sympathy for Vietnam's actions against its Chinese residents. States such as Malaysia, which have permitted Chinese embassies, suspect that these embassies serve as focal points for subversion. Indonesia and Singapore, which have resisted Chinese blandishments to normalize diplomatic relations, are probably reconfirmed in their wariness.

84. Although China represents the closest and therefore most immediate security concern, Southeast Asian states do not want to see the present situation deteriorate to the point that Vietnam becomes a Soviet agent of influence in the region. In particular, they are concerned about the prospects for a Soviet military presence in Vietnam. The recently signed treaty of friendship and cooperation between the USSR and Vietnam is certain to intensify these concerns. In the immediate aftermath of the Indochina war, some ASEAN states hoped to close the area to great-power rivalry by obtaining an international declaration of the area as a Zone of Peace, Freedom, and Neutrality to be guaranteed by the great powers themselves. Other states, however, believed that, as the local states were too weak to enforce such a zone, they should not pursue a course that would require withdrawal of US bases from the area and open the way for unchecked Soviet military influence.

85. Aside from the implications for great-power rivalry in the area, the Southeast Asian states draw comfort from seeing the Communist states of Indochina fighting among themselves. In 1975, Southeast Asian leaders worried about the prospects that the momentum of a victorious Hanoi might translate into

support for insurgencies elsewhere in Southeast Asia. These immediate concerns faded as it became clear that Vietnam was preoccupied with domestic matters and was neither expanding its support for Communist insurgents in Thailand nor seeking to establish ties to other insurgent groups in Southeast Asia. Southeast Asian leaders estimated that they would have five years to put their own houses in order before they would have to deal with a new, strong Vietnam desiring to spread its influence in the area. These leaders now believe that the conflicts with Kampuchea and China will further retard Vietnam's ability to become a regional power by setting back its economic and political reconstruction programs.

86. On the other hand, if the present regime in Kampuchea were replaced with one subservient to Hanoi, and particularly if this happened through obvious Vietnamese intervention, the impact on the Southeast Asian leaders would be far reaching. These leaders regard a Vietnamese-controlled Indochina as a threat to the stability of the area. Vietnam's effort to nurture an image of restraint would be undermined and Southeast Asian fears of 1975 that Vietnam sought to dominate the whole region would be sharply revived. Their reaction would probably be similar to that in 1975. Some states, such as Malaysia, might renew the campaign to declare the area a neutral zone, hoping thereby to contain the threatened spread of Communist influence. Others, such as Indonesia, would probably press for greater joint security arrangements among the ASEAN states and also for a renewed commitment that the United States would maintain its military presence in the area. All Southeast Asian leaders would probably seek reassurance that the United States and other Western powers would maintain a strong interest in the area politically and economically in order to help the local states maintain their independence in the face of a potentially more aggressive Vietnam sponsored by the USSR.

87. For the Southeast Asians, the situation in Indochina has the potential to disrupt the stability of the whole region with possibly far-reaching consequences for every state, and there is little they can do directly to influence the situation. They will continue to try to strengthen their own domestic positions economically and politically and improve cooperation among themselves in the hope they will not present opportunities for outside meddling in their affairs. At the same time, they will try to maintain evenhanded relations with all parties to the dispute.

United States-Vietnam

88. As relations with China deteriorated, Hanoi has expressed increased interest in establishing diplomatic ties with the United States. Hanoi has dropped its formal demand for war reparations, further evidence of the importance it now attaches to diplomatic relations. Economic benefit—a major consideration from the beginning in Hanoi's desire for diplomatic relations with the United States—undoubtedly is also an increasingly important consideration, given the termination of Chinese aid and increased dependence on the USSR. Beyond these immediate objectives, the Vietnamese would probably regard the establishment of an American embassy in Hanoi as evidence of the regime's international acceptance.

89. One interpretation of the Vietnamese desire for normalization is that such a development would help to offset pressures from both China and the USSR. This is a point that Vietnamese officials have made in discussions with foreign visitors, stressing that the involvement of the United States in Indochina would create an essentially "tripolar world" and enhance Hanoi's freedom of action.

90. The Chinese have clearly indicated that they would prefer that the United States not recognize Vietnam at present. Chinese leaders have asserted [] that normalization would only serve Soviet interests by diluting the image of Vietnam's political and military dependence on the USSR. In particular, the Chinese argue that if American recognition brought Vietnam economic benefit, this would play into Soviet hands by lessening the "burden" on the USSR. Nevertheless, the Chinese have avoided directly asking the United States not to

recognize Vietnam; they have not linked the issue of recognition to any bilateral aspect of Sino-US relations; and they have not portrayed the matter as a test of American sincerity. Although the Chinese might register their displeasure over US recognition of Vietnam, we believe such action would not interfere seriously with the evolution of the Sino-US relationship.

91. The Soviets for their part have said they favor the establishment of relations between Vietnam and the United States. The Soviets may believe that postwar American involvement in Indochina would help limit the extension of Chinese influence in the area. They probably also hope that US-Vietnamese normalization in the present circumstances will create problems for US-Chinese relations. Moscow apparently does not believe that an American presence in Hanoi will significantly reduce whatever influence it may have in Vietnam. The Soviets probably believe that even though the normalization of US-Vietnamese relations might facilitate economic assistance and investment from the West, Vietnam would still depend on the USSR for the bulk of its economic and all of its military assistance. The deterioration of Sino-Vietnamese relations, moreover, will only increase that dependence.

92. The establishment of diplomatic relations between Washington and Hanoi would probably not adversely affect US relations with other states in the region. Southeast Asian leaders have indicated that they favor a US diplomatic presence in Hanoi. They believe it would act as a stabilizing influence and a symbolic counterweight to increased Soviet involvement.

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