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Washington, D.C. 20505

REF

DIRECTORATE OF INTELLIGENCE

May 27, 1987

A New Look at Prospects for Negotiations on Cambodia [REDACTED]

SUMMARY

For the first time in eight and a half years, we see signs of a gradual movement toward negotiations by most of the major players in the Cambodian conflict. Vietnam, in particular, appears eager to resolve the issue--albeit still on its terms--so it can direct full energy to implementing sweeping economic reforms at home. At the same time, we believe the Vietnamese leadership has implicitly acknowledged that the military victory over the Cambodian resistance it thought attainable as recently as 1985 is, in fact, beyond reach. Although Vietnam's strategic superiority in Cambodia is not seriously challenged, an increase in Khmer Rouge guerrilla operations in most provinces has apparently dispelled any illusions that a military victory is possible anytime soon. These military realities, combined with the urgency to get on with economic reforms, have, in our view, impelled Hanoi to seek a diplomatic solution and to try to meet its 1990 timetable for withdrawing its forces.

Various ASEAN observers, though initially skeptical of Hanoi's trial balloons, believe that progress may indeed be possible, and Prince Sihanouk's recently announced sabbatical as head of the Coalition Government of Democratic Kampuchea offers intriguing new prospects for negotiations. Developments to date, however, have only been to set the stage, and the major players have not altered their fundamental objectives. Thus, even if negotiations were to get under way soon, progress is likely to be slow and subject to sudden reversals. We expect Hanoi to

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[REDACTED]

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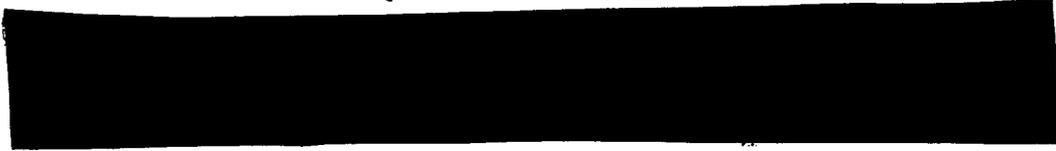
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unveil formal proposals as early as the end of June at a meeting of the Indochina Foreign Ministers. [REDACTED]

Winds of Change in Hanoi

Vietnam, with a major assist from the Soviet Union, is providing the primary impetus toward a Cambodian settlement by launching trial balloons to test and improve the diplomatic atmosphere in Southeast Asia. Since August 1986, Hanoi has:

- Encouraged Laos to improve relations with Thailand and China, although little headway has been made.
- Approached Prince Sihanouk through several intermediaries with proposals for talks between the Prince and Heng Samrin officials.



- Made repeated appeals for negotiations with China to improve relations.
- Encouraged various Western Communist parties and governments to assist in bringing about negotiations.
- Emphatically declared that it will withdraw all its forces from Cambodia by 1990, or sooner if a negotiated settlement is reached. [REDACTED]

We believe Hanoi has adjusted its longer term policy on Cambodia in the past two years to devote increased attention to implementing sweeping reforms aimed at rejuvenating its flagging economy. In our view, the Vietnamese have drawn heavily from the Soviets under Gorbachev, both in assigning priority to economic affairs and in seeking to remove external obstacles that block full attention to reform measures. [REDACTED] the new Vietnamese leadership under party chief Nguyen Van Linh is attempting to resolve the Cambodia problem because it is an unneeded distraction to economic reform efforts, and keeps Vietnam isolated from economic relations with Western countries that are seen as essential to economic progress. [REDACTED]

Although Vietnam has not made formal the apparent softening of its stance on Cambodia, we believe it is moving in that direction. As late as 1985, Vietnamese press [REDACTED] suggested that Hanoi believed the Cambodia situation was "irreversible" and that the resistance and its supporters would eventually give up. Now its message is that national reconciliation, including Khmer Rouge elements, is necessary and, in Nguyen Van Linh's words, Vietnam is willing "to turn over a new leaf" in its dealings with China and ASEAN in the interest of regional stability. [REDACTED]

Over the near term, we believe Hanoi's goal is to get negotiations under way. Given its record of tenacity, we do not expect it to make dramatic concessions before an agreement to negotiate. What we expect instead is a package of largely recycled proposals, updated and attractively presented, designed to induce ASEAN, China, and resistance elements to enter formal talks. [REDACTED] such a package might feature national reconciliation among the Cambodian parties, including rank-and-file Khmer Rouge, but predicated on the legitimacy of the Heng Samrin regime. Hanoi may also believe that its overall military position will allow for a genuine withdrawal of a sizable number of its [REDACTED] troops this year. [REDACTED]

In our view, Hanoi is earnest about meeting its August 1985 pledge to withdraw its troops fully by 1990, although it is likely to maintain a security presence under other guises beyond that date. Its original plans were predicated largely on assumptions that the People's Republic of Kampuchea would be able to defend itself by then; Vietnamese planners probably realize, however, that the regime will remain weak.

[REDACTED]

#### Overcoming the "Pol Pot Obstacle"

Aside from Hanoi's intimations of greater flexibility toward the Khmer Rouge, we have observed apparent movement on that most contentious issue by other major players. Soviet Foreign Minister Shevardnadze stated during his Southeast Asian trip in March that the group--minus the "Pol Pot clique"--has a right to participate in a Cambodian settlement.

[REDACTED]

China, without budging from its public hardline stance toward Vietnam, has with some success exerted considerable pressure on the Khmer Rouge in the past two years to moderate its unsavory image and to further submerge Pol Pot's visibility.

[REDACTED]

#### Impact of Sihanouk's Gambit

Prince Sihanouk's recently announced sabbatical from the resistance coalition, in our view, enhances the prospects for negotiations on Cambodia. Although his move weakens the coalition's leverage and will damage its support in the UN, he gains greater maneuverability in dealing with Vietnam without being hampered by Khmer Rouge and Chinese concerns. Hanoi is almost certain to move quickly to establish contact.

[REDACTED]

Sihanouk's leave of absence from the resistance coalition also may help resolve the Khmer Rouge issue. By distancing himself from the Khmer Rouge, we believe the Prince deprives the group of a large portion of its limited political credibility, thus isolating it and weakening its bargaining power. Even China, the group's only supporter, would find it awkward to press the Khmer Rouge's case too hard for fear of arousing longstanding suspicions in ASEAN over Beijing's intentions in Cambodia.

[REDACTED]

#### ASEAN

After an extended period of limited diplomatic activity on Cambodia, ASEAN has begun to take interest in Vietnam's maneuvering.

[REDACTED]

[REDACTED]

Mochtar has revived Prince Sihanouk's idea for a "cocktail party," in this case a two-tiered affair in which the four Cambodian parties would meet informally at the same time Sihanouk would be meeting with Vietnamese officials. The Prince's newly asserted independence may breathe new life into this format, which never gained much momentum before. [REDACTED]

In our judgment, ASEAN may in part be motivated to consider negotiations out of concern that economic forces in the region threaten to undermine its policy of keeping Vietnam isolated until a Cambodian settlement. It has been particularly critical of the growth in Japanese private sector involvement in Vietnam over the past four years and recently lodged a demarche with Tokyo on the issue. However, ASEAN itself is vulnerable to charges of a double standard because the value of its aggregate trade with Vietnam is roughly equal to Japan's. [REDACTED]

[REDACTED] there appears to be a growing sense in international business circles that prospects for new business in Vietnam are not as remote as once assumed. In our view, this perception could well undermine efforts to sustain economic pressure on Vietnam as various companies jockey for possible business opportunities there that would follow a settlement. Although this would not be a welcome development from ASEAN's standpoint, the weakening of its leverage to sustain Vietnam's economic isolation could coincidentally improve the negotiating climate. [REDACTED]

#### The Down Side

Despite the encouraging signals over the past few months, progress toward a diplomatic solution is, at best, in its preliminary stages. None of the principal players has fundamentally altered its objectives, and the same modest initiatives that have generated hope have also increased suspicions in some quarters. For example, Hanoi's overtures to Prince Sihanouk have been dismissed by various Chinese, ASEAN, and resistance officials as ploys to split the resistance coalition. [REDACTED]

Hanoi's room for compromise, in any case, is quite limited, in our view. Although we believe Hanoi has lowered its long-term expectations for settling the Cambodia issue, its concern over Chinese intentions limits its willingness to leave Cambodia strictly to the Cambodians. [REDACTED]

Hanoi, [REDACTED] sees China as the key to any durable settlement. But even if Hanoi were able to isolate Beijing--a possibility it has suggested--a settlement without China's approval or acquiescence would leave major issues unresolved and probably create new forms of tension between China and Southeast Asian countries. [REDACTED]

The Thai will remain wary of Vietnam's maneuvering and are likely to expect what Hanoi would consider unrealistic demonstrations of sincerity as the price for diplomatic headway. [REDACTED]

Although ASEAN would be gratified by the onset of negotiations, new pressures on its unity could slow or interrupt the process. The resistance coalition would be especially vulnerable, particularly if Sihanouk stands firm on his sabbatical plans. The Khmer Rouge, for example, sensing a sellout, might openly revert to the odious behavior it has generally suppressed in recent times. ASEAN will also have to consider that the failure of the non-Communist resistance so far to muster a credible guerrilla effort leaves it with few bargaining chips, making it reluctant to move quickly into negotiations. [REDACTED]

[REDACTED] Khmer Rouge dominance and non-

Communist futility probably underlie any such changes [REDACTED]

Finally, as with Gorbachev in the Soviet Union, Nguyen Van Linh's position is subject to strong challenge, if not abrupt reversal, by entrenched hardliners throughout Hanoi's calcified bureaucracy. Although we expect his more pragmatic line to prevail over the longer term, he may be forced to go slower than he would prefer on such fundamental issues as Cambodia. [REDACTED]

APPENDIX

AGENDAS OF KEY PLAYERS

The Soviets

Moscow remains strongly supportive of Hanoi but, under Gorbachev, has taken a much more activist approach toward a diplomatic solution--in sharp contrast to its previous reticence on the issue. Moscow is increasingly emphasizing broadened ties throughout Asia since Gorbachev's Vladivostok address [REDACTED]

The Soviets, in our view, have also probably integrated progress on Cambodia into the overall program of Soviet-Vietnamese cooperation, [REDACTED] the businesslike tone of both Soviet and Vietnamese media suggests to us that Moscow is leaving no room for ambiguity regarding its expectations. [REDACTED]

At the same time, Moscow is deflecting ASEAN and Chinese demands to exercise its influence, contending that its ability to push Hanoi to compromise is limited. We believe, in light of Hanoi's well-known concern for its independence, that Moscow recognizes that pushing too hard might be counterproductive. [REDACTED]

The Chinese

China holds to its position, both publicly and privately, that pressure on Vietnam must be sustained until Hanoi agrees to withdraw its forces from Cambodia and permit national reconciliation. Beijing has relatively limited direct leverage [REDACTED]

[REDACTED] We believe Beijing is sincere in its call for an independent, nonsocialist, non-aligned Cambodia, because Chinese goals are not to dominate Cambodia, but to prevent the Vietnamese from doing so. [REDACTED]

We sense that Beijing recognizes that it is poorly positioned to force the Vietnamese out of Cambodia. Over time, China would probably soften its stand in order to avoid becoming isolated if it believed ASEAN were moving toward a settlement with Vietnam. Like Hanoi, however, Beijing would make concessions only grudgingly. [REDACTED]

Vietnam

Hanoi has not publicly altered its posture on such key issues as the legitimacy of the People's Republic of Kampuchea and elimination of the "Pol Pot clique" as part of any settlement. [REDACTED]

[REDACTED] Hanoi will strive to meet its self-proclaimed goal of withdrawing its troops by 1990, provided it can obtain sufficient guarantees against Chinese and Khmer Rouge efforts to exploit a settlement to their advantage. [REDACTED]

[REDACTED] Nonetheless, it would expect that Cambodia not pose a threat to Vietnamese security and that its foreign relations respond to Vietnam's influence. [REDACTED]

ASEAN

ASEAN's basic stance, which calls for Vietnamese withdrawal and Cambodian self-determination remains intact, but its posture over the past year or so has assumed that Vietnam must make the first move. There is evidence that some ASEAN officials [REDACTED] sense that the Vietnamese are, in fact, moving. [REDACTED]