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File: Records, 1981-1985
Folder Title: Soviet Bloc Economic and Financial
Situation Update: (06/25/1982)
Box: RAC Box 19

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Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

KDB 9/1/2015

File Folder SOVIET BLOC ECONOMIC AND FINANCIAL SITUATION
UPDATES (6/25/82)

FOIA

F03-002/5

Box Number 19

SKINNER

123

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
169048	MEMO	W. MARTIN TO W. CLARK: SOVIET BLOC ECONOMIC AND FINANCIAL SITUATION UPDATE #28 PAR 1/23/2013 CREST NLR-748-19-46-1-6	3	6/25/1982	B1
169049	CABLE	241435Z JUN 82	3	6/24/1982	B1
169050	CABLE	241845Z JUN 82	1	6/24/1982	B1
169051	CABLE	RE USSR	3	6/23/1982	B1
169052	CABLE	RE SOVIETS	2	6/21/1982	B1
169053	CABLE	172107Z JUN 82	1	6/17/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

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ID Doc Type	Document Description	No of Pages	Doc Date	Restrictions
169054 REPORT	RE EAST GERMANY-WEST GERMANY	1	6/18/1982	B1
<i>R</i>	<i>1/13/2012 CREST NLR-748-19-46-2-5</i>			
169055 CABLE		3	6/22/1982	B1
169056 CABLE		2	ND	B1
169057 CABLE		2	6/22/1982	B1
169058 CABLE		3	6/22/1982	B1
169059 CABLE	PARIS 0902	2	6/16/1982	B1
<i>R</i>	<i>6/3/2013 CREST NLR-748-19-46-3-4</i>			
169060 CABLE	221850Z JUN 82	1	6/22/1982	B1
<i>D</i>	<i>9/16/2013 CREST NLR-748-19-46-4-3</i>			

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
169061	CABLE	242122Z JUN 82	1	6/24/1982	B1
	R	6/3/2013 CREST 748-19-46-5-2			
169062	CABLE	242039Z JUN 82	1	6/24/1982	B1
169063	CABLE	242332Z JUN 82	4	6/24/1982	B1

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169048 MEMO

3 6/25/1982 B1

W. MARTIN TO W. CLARK: SOVIET BLOC
ECONOMIC AND FINANCIAL SITUATION
UPDATE #28

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~~TOP SECRET~~

MEMORANDUM

4500

NATIONAL SECURITY COUNCIL

25X1

~~TOP SECRET~~

INFORMATION

June 25, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: WILLIAM F. MARTIN WFM

SUBJECT: Soviet Bloc Economic and Financial Situation
Update #28 (U)

DECLASSIFIED IN PART

NLRR 748-19-46-1-6

BY 1003 NARA DATE 9/1/15

Soviet Union

-- The Soviets are trying to develop computers patterned after US designs, but recognize that their software and hardware are several years behind Western capabilities. Significant resources are being invested to catch up (Tab A). (S)

-- The Soviet Minister of Gas Industry has given Nuovo Pignone an ultimatum: either gear up immediately to begin manufacture of the Soviet-designed GTN-25 gas turbine to replace the embargoed American model or the Soviets will cancel the contract and impose default penalties (Tab B). (S)

25X1

-- The Soviets have imposed new, stricter rules on the use of hard currency by athletes. There is only one exception to the rule: chess players (Tab D). (S)

-- During the week of June 14, the USSR purchased over 1 million tons of maize from Argentina for July/August delivery. Payment was part cash, part credit (Tab E). (C)

Eastern Europe

25X1

~~TOP SECRET~~

Review June 25, 2002

Derivative Classification by CIA

25X1

~~TOP SECRET~~

~~TOP SECRET~~~~TOP SECRET~~ [REDACTED]

2

25X1

-- East Germany continues to limit exports to other CEMA states. Pressure on industry to export to the West has risen to the point that managers prefer to sell any marketable item in the West, even if that item is a necessary component for a product intended for the domestic market (Tab G). (C)

25X1

-- A new regulation regarding the retention of portions of foreign exchange earnings by individual Polish trade enterprises is not working. A trade enterprise can retain a certain percentage of its foreign exchange earnings for the purchase of raw materials abroad. The proceeds are deposited in the Bank Handlowy. However, when firms try to draw on their deposits, often there are no funds forthcoming (Tab I). (S)

-- A Czechoslovak regional economic official has complained of the crisis state of the Czechoslovak economy and its deepening dependence on the Soviet Union. The economy has been seriously affected by the failure of some Third World nations to repay loans and by the effects of the Polish crisis (Tab J). (S)

-- A senior French treasury official has expressed grave concern over the economic situation of Hungary and predicts rescheduling. This would be a blow to all Eastern Europe as Hungary is seen as the best run of Communist countries (Tab K). (C)

25X1

-- At the June 11 London meeting of Poland's Foreign creditors, Western Bankers agreed that Poland should be allowed to defer interest payments on 1982 maturities until an agreement between Poland and its creditors could be reached for the rescheduling of the country's 1982 external debt (Tab M). (C)

Other

-- An INR briefing on USSR activities in Indochina concludes that the Soviet strategy toward Indochina is buttressed by a major economic assistance program. Even with Soviet aid, however,

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TOP SECRET [redacted]

3

living standards have fallen, and the northern part of Vietnam has experienced periodic food shortages. Mismanagement, bad planning, extensive corruption, and lack of technical expertise have contributed to dismal economic performance in the region (Tab N). (C)

Attachments:

25X1

Tab K State cable re French Treasury Official
[redacted]
[redacted]

25X
25X1

Tab N State cable re USSR-Indochina

cc: Tom Reed, Don Gregg, Norm Bailey, Dick Pipes, Paul Dobriansky,
Henry Nau.

TOP SECRET [redacted]

25X1

~~TOP SECRET~~

4

A

Backup for
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169049 CABLE

3 6/24/1982 B1

241435Z JUN 82

Freedom of Information Act - [5 U.S.C. 552(b)]

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169050 CABLE

1 6/24/1982 B1

241845Z JUN 82

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ID	Document Type	No of pages	Doc Date	Restrictions
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169051	CABLE RE USSR	3	6/23/1982	B1

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ID	Document Type	No of pages	Doc Date	Restric- tions
	Document Description			
169052	CABLE RE SOVIETS	2	6/21/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

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169053 CABLE

1 6/17/1982 B1

172107Z JUN 82

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19

F

169054

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EAST GERMANY - WEST GERMANY: Economic Impasse Broken

East Germany apparently has bluffed Bonn into renewing the swing credit, which facilitates bilateral trade, without extracting significant humanitarian concessions in return. (C NF OC)

The East Germans have taken a tough line throughout the protracted negotiations. They have rejected any linkage between renewal of the swing credit and Bonn's demand for a reduction in the high mandatory currency exchange, which discourages cross-border family visits from West Germany and West Berlin. (C NF OC)

Bonn reportedly believed East German leader Honecker's claims that his hands were tied by hardliners. In the most recent bilateral talks, however, the East Germans have displayed some flexibility on other issues. (C NF OC)

The West German leadership is now prepared to offer East Germany a three-and-a-half-year renewal of the swing credit that is due to expire at the end of this month. The upper limit will gradually decline from the current \$365 million to \$260 million, unless East Berlin makes concessions on humanitarian issues. (C NF OC)

Comment: The Christian Democratic opposition is likely to criticize the coalition's decision, because Chancellor Schmidt had earlier led the West German public to believe that the swing credit would not be renewed for such a large amount unless East Germany reduced the mandatory exchange requirement. The decision to back down probably is due to a desire in Bonn not to injure small West German exporters and to a fear that the East Germans might retaliate by further restricting family contacts. (C NF)

A small reduction in the swing credit will not hurt bilateral trade in the immediate future. It could, however, be interpreted by Western bankers as a weakening of West German financial support of East Germany and as adding to its economic troubles. (C NF) -CIA, DIA, NSA-

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NLRR, NLR-7418-19-46-25

BY CH NARA DATE 1/13/12

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18 June 1982

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169055 CABLE

3 6/22/1982 B1

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169058 CABLE

3 6/22/1982 B1

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169059

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DEPARTMENT OF TREASURY WASHDC IMMEDIATE

CONFIDENTIAL SECTION 01 OF 02 PARIS 20902

STATE FOR EAGLEBURDER, HORMATS, BURT; TREASURY FOR
- SPRINKEL AND LELAND

E.B. 12065: GDS 06/16/88 (GORDON, EDGAR J.) OR-T

TAGS: EFIN, FR

SUBJECT: TOUR D'HORIZON WITH MICHAEL CAMDESSUS,

- DIRECTEUR DU TRESOR: VERSAILLES; ECONOMIC

- POLICY; EASTERN EUROPE

REF: STATE 162995

1. ENTIRE TEXT C.

2. SUMMARY: MICHAEL CAMDESSUS HAD A LONG DISCUSSION WITH
AMBASSADOR CHARLES MEISSNER OVER LUNCH ON TUESDAY, JUNE 15.
CAMDESSUS DISCUSSED VERSAILLES, ECONOMIC POLICY DIFFER-
ENCES WITH THE U.S., POLAND, HUNGARY, ROMANIA AND YUGO-
SLAVIA. OF MOST IMPORTANCE WAS HIS PLEA FOR A STRONG
POLITICAL SIGNAL FROM THE U.S. THAT WE WOULD SUPPORT AN
ECONOMICALLY SOUND HUNGARIAN IMF STANDBY PROGRAM.
CAMDESSUS BELIEVED THAT SUCH A STATEMENT WOULD COALESCE
BIS MEMBERS ON A POSITIVE DECISION FOR A THIRD TRANCHE
PROGRAM FOR HUNGARY, BRIDGED TO THE IMF STANDBY. IT WAS
AGREED THAT THE ROMANIAN DEBT RESCHEDULING WOULD BE HELD
IN PARIS, JULY 5-6, ASSUMING THE ACCEPTANCE OF THE
ROMANIAN PROGRAM BY THE IMF BOARD ON JUNE 25 OR BEFORE.
END SUMMARY

3. VERSAILLES SUMMIT. MICHAEL CAMDESSUS INVITED AMBAS-
SADOR MEISSNER TO LUNCH JUNE 15 FOR A TOUR D'HORIZON OF
RECENT EVENTS AND PROBLEMS OF COMMON CONCERN. THE
CONVERSATION OPENED WITH A DISCUSSION OF THE VERSAILLES
SUMMIT. CAMDESSUS THROUGH UP HIS HANDS IN MOCK HORROR
AND SAID THAT SUCH MEETINGS SHOULD NEVER BE HELD. HE
DEPLORED THE FRANTIC ACTIVITY AND THE LACK OF SUBSTANCE.
HE POINTED TO THE AGREEMENT ON ECONOMIC COORDINATION AS
HELPFUL, AND ENJOYED RELATING HOW HE AND HIS FRIEND
BERYL SPRINKEL PUT THIS INITIATIVE TOGETHER. CAMDESSUS
THINKS ITS MAIN EFFECT WILL BE TO INCREASE COMMUNICATION
AND UNDERSTANDING OF NATIONAL POLICIES, STRESSING THE
EDUCATIONAL VALUE OF SENSITIZING POLICY MAKERS TO
THE IMPACT OF DOMESTIC POLICY DECISIONS ON OTHERS.
HE APPLAUDED THE JUNE 14 U.S. MARKET INTERVENTION AND
NOTED IT MUST HAVE BEEN A MOMENTOUS WEEK FOR THE U.S.
TREASURY.

4. MEISSNER COMMENTED THAT IT WAS UNFORTUNATE, GIVEN
THE STATE OF THE WORLD ECONOMY, THAT THERE WAS LITTLE
ECONOMIC SUBSTANCE AT VERSAILLES AND SO GREAT A GULF BE-
TWEEN THE FRENCH AND U.S. STRATEGY FOR RECOVERY (EMPLOY-

MENT VERSUS INFLATION FIGHTING). MEISSNER OBSERVED THAT
THE FRENCH DOMESTIC ECONOMIC STRATEGY LED TO INCREASED
PROTECTIONISM, CONTINUING DEVALUATIONS, SUBSIDIZED EX-
PORT CREDIT AND INCREASES IN TIED BILATERAL AID. THE
U.S. STRATEGY TENDED TO LEAD IN JUST THE OPPOSITE DIREC-
TION. CAMDESSUS OBSERVED THAT BOTH IN FRANCE AND IN THE
UNITED STATES THE FISCAL AND FINANCIAL REALITIES OF
PRUDENT POLICY ARE SOFTENING IDEOLOGICAL POSITIONS. HE
WAS NOT AS PESSIMISTIC IN ASSESSING THE POLICY GAP BE-
TWEEN THE U.S. AND FRANCE.

5. THE CONVERSATION TURNED TO EXPORT CREDITS. CAMDESSUS
MENTIONED THAT DECISIONS ON THE OECD AGREEMENT WERE
TAKEN IN BRUSSELS THE PREVIOUS DAY WHICH SHOULD MAKE
THE U.S. HAPPY. MEISSNER REITERATED THE U.S. POSITION
ON THE OECD CREDIT ARRANGEMENT AND POINTED OUT THE IM-
PORTANCE OF CREATING AN ATMOSPHERE OF MULTILATERAL CO-
OPERATION. HE NOTED IT WAS IN THIS CONTEXT THAT THE
U.S. HAD MOVED, IN GOOD FAITH, ON GLOBAL NEGOTIATIONS
(GN'S). WE HOPE THE FRENCH, IN GOOD FAITH, WOULD HAVE
A MORE FORTHCOMING POSITION ON THE OECD AGREEMENT AND
EAST-WEST CREDITS. CAMDESSUS RECOGNIZED THE POINT
BUT MADE NO PROMISES. MEISSNER THEN RELATED THE U.S.
POSITION ON GN'S (REFTEL). CAMDESSUS HAD NO PROBLEM
WITH THE POSITION AS OUTLINED (THE FRENCH TREASURY, LIKE
OTHER FINANCE MINISTRIES, HAS NO GREAT LOVE AFFAIR
WITH GN'S).

6. POLAND. CAMDESSUS TURNED THE CONVERSATION TO
POLAND AND THE PROBLEM OF HOW TO RESPOND TO THE RECENT
LETTER OF THE POLISH GOVERNMENT REQUESTING THE REOPENING
OF THE 1982 DEBT RESCHEDULING NEGOTIATIONS. HE NOTED
THAT BOTH THE UK AND THE FRG NOW WISHED TO REOPEN TALKS.
HE SAID FRANCE WAS STILL FIRM ON THE ISSUE AND WISHED TO

DO NOTHING WHILE SOLIDARITY REMAINED SUPPRESSED. HE
POINTED OUT THE GROWING POLITICAL DIFFICULTY IN HOLDING
A CONSENSUS AMONG THE CREDITORS. BY HIS COUNT A MAJORITY
OF THE CREDITORS NOW DESIRED TO REOPEN NEGOTIATIONS.

HE FELT HE MIGHT NEED SOME FLEXIBILITY TO CONTROL THE
GROUP AND SUGGESTED THE POSSIBILITY OF AN INFORMAL TASK
FORCE THAT MIGHT MEET WITH THE POLES, MAYBE IN VIENNA
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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 20902

STATE FOR EAGLEBURDER, HORMATS, BURT; TREASURY FOR
- SPRINKEL AND LELAND
SO IT WOULD BE NEITHER WARSAW OR PARIS. MEISSNER
STRESSED THE POINT THAT POLITICAL CONDITIONS HAD BEEN
IMPOSED BY NATO AND WE HAD SEEN NO MOVEMENT AT ALL TO-
WARD THESE OBJECTIVES BY THE POLES. EACH RIOT AND SUB-
SEQUENT POLICE ACTION, HE SAID, TURNS THE CLOCK BACK TO
DECEMBER 13, 1981. CAMDESSUS AGREED BUT SAID WE HAD TO
COPE WITH THE PROBLEM OF THE CLUB. MEISSNER SAID HE
HAD NO FLEXIBILITY ON THE ISSUE BUT WOULD RELAY IT TO
WASHINGTON. IT WAS AGREED THAT A RESPONSE TO THE POLES
WOULD BE DRAFTED AT THE NEXT PARIS CLUB MEETING, JULY 5
AND 6. CAMDESSUS NOTED THAT NO COUNTRY IS CONSIDERING
NEW EXPORT CREDITS TO POLAND.

7. ROMANIA. CAMDESSUS DESIRED TO CONFIRM THE DATES OF
JULY 5 AND 6 AS SUITABLE TO THE U.S. FOR A ROMANIAN
DEBT RESCHEDULING. HE NOTED THAT THE DATES HAD BEEN DIS-
CUSSED WITH TREASURY ASSISTANT SECRETARY LELAND.
MEISSNER AGREED TO THE DATES WITH THE CAVEAT THAT THE
ROMANIA PROGRAM AT THE IMF WAS APPROVED AT LEAST A WEEK
OR SO BEFORE THE MEETING. THE FRENCH WILL REQUEST NEC-
CESSARY DATA. CAMDESSUS WILL CHAIR THE MEETING. HE
PROMISED A DEMARCHE TO THE U.S. GOVERNMENT REQUESTING
THAT THE U.S. DELEGATION BE GIVEN JULY 14 OFF AS A
NATIONAL HOLIDAY.

update
8. HUNGARY. CAMDESSUS EXPRESSED VERY GRAVE CONCERN OVER
THE CASE OF HUNGARY. HE WAS NOT AT ALL OPTIMISTIC AS TO
THEIR CHANCES OF MAKING AN ECONOMIC RECOVERY WITHOUT A
RESCHEDULING. HE THOUGHT A HUNGARIAN RESCHEDULING WOULD
BE A FINANCIAL DISASTER FOR ALL OF EASTERN EUROPE.
HUNGARY WAS SEEN AS THE BEST RUN OF THE COMMUNIST ECO-
NOMIES. IF IT ANNOUNCED ITS INTENTIONS TO RESCHEDULE,
THE WITHDRAWAL OF PRIVATE BANK CREDIT WOULD ACCELERATE
RAPIDLY IN EASTERN EUROPE. HE PREDICTED THAT THE PROB-
LEMS OF ROMANIA WOULD BE COMPOUNDED WITH THE GDR AND
YUGOSLAVIA WOULD BE FORCED INTO A RESCHEDULING.

9. MEISSNER ASKED CAMDESSUS WHAT HE KNEW ABOUT THE THIRD
TRANCHE OF THE BIS LOAN TO HUNGARY. HE SAID THAT, AT
PRESENT, ONLY \$50 MILLION WAS BEING CONSIDERED AND
THERE WAS NO CONSENSUS ON EVEN THIS SMALL NUMBER. HE
NOTED IT WAS FAR LESS THAN THE \$300 MILLION REQUESTED.
THE KEY ISSUE HE STRESSED WAS THE NECESSITY FOR A CLEAR
U.S. SIGNAL THAT WE POLITICALLY SUPPORTED THE HUNGARIAN
USE OF THE IMF. THE BIS LOAN WAS BRIDGED TO AND COM-
TINGENT UPON AN IMF STANDBY THIS FALL. IF THE U.S.

WOULD CLEARLY STATE THAT WE WOULD AGREE TO AN IMF
STANDBY FOR HUNGARY, ASSUMING THE PROGRAM WAS ECONOM-
ICALLY SOUND, THEN HE THOUGHT THE BIS WOULD GO FORWARD.
THIS THEN WOULD RELEASE THE PRIVATE BANK AGREEMENT
NOW CONTINGENT ON THE BIS GOING IN FIRST. CAMDESSUS
INDICATED HE WOULD LIKE TO DISCUSS THIS ISSUE AROUND
THE G-5 MEETING IN EARLY JULY. MEISSNER AGREED TO
QUERY WASHINGTON TO SEE IF THERE WAS A WILLINGNESS TO
MAKE A STRONG STATEMENT ON HUNGARY AND THE IMF.

10. ACTIONS OR REQUESTS IN THIS TELEGRAM:

- -- PREPARATION OF U.S. POSITION ON THE CONVENING
OF AN INFORMAL TASK FORCE ON POLISH DEBT
WITHIN THE CONTEXT OF THE PARIS CLUB. TASK
FORCE WOULD PROBABLY MEET NEXT FALL. THE
U.S. WOULD NOT NECESSARILY HAVE TO BE A MEMBER.
- -- PREPARATION OF U.S. POSITION ON ROMANIAN DEBT
RESCHEDULING JULY 5 AND 6. (MEISSNER NEEDS
ORDERS TO REMAIN IN EUROPE.)
- -- CONSIDERATION OF WHETHER WASHINGTON IS PRE-
PARED TO MAKE A STRONG STATEMENT ON ITS POLICY
POSITION VIS-A-VIS HUNGARY AND THE IMF.

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UPDATES (6/25/82)

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BY LC 20 NARA DATE 7/4/05

1. UPON REVIEWING OUR NEGOTIATING SCHEDULE, WE NOTE THAT INTERVENTION OF THE WEEKEND IN INDONESIA LIMITS US TO ONLY ONE DAY FOR ACTUAL TALKS. WE BELIEVE THIS IS PROBABLY INSUFFICIENT. WE PROPOSE, THEREFORE, TO REMAIN IN JAKARTA THROUGH C. O. B. AUGUST 24 TO ALLOW TWO FULL DAYS OF TALKS.

2. PROPOSED REVISED EXACT ITINERARY WILL FOLLOW SHORTLY. HAIG
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FOR DAS O'DONOHUE

E.O. 12065: N/A

TAGS: PEPR, PINR

SUBJECT: INR BRIEFING PAPER ON USSR IN INDOCHINA

REF: O'DONOHUE:MEADE TELECON JUNE 24

1. FOLLOWING IS UPDATED TEXT OF INR BRIEFING PAPER ON
USSR IN INDOCHINA. BEGIN TEXT:

SUMMARY

THE MOST SIGNIFICANT SOVIET ADVANCE IN THE FAR EAST IN
THE PAST FEW YEARS HAS BEEN IN INDOCHINA. THE USSR HAS
MANAGED TO ESTABLISH A STRONG POSITION BY BECOMING THE
MAJOR SUPPORTER OF VIETNAM, LAOS AND--THROUGH
VIETNAM--KAMPUCHEA. SOVIET PENETRATION OF THE REGION
PROCESSED RAPIDLY DURING 1978 AS SINO-VIETNAMESE
RELATIONS DETERIORATED SHARPLY AND HANOI ADOPTED-A MORE
AGGRESSIVE POLICY TOWARD POL POT'S KAMPUCHEA. - -

INCREASED SOVIET MILITARY ASSISTANCE AND THE CONCLUSION
OF THE SOVIET-VIETNAMESE TREATY IN NOVEMBER-1978 -
UNDOUBTEDLY WERE RELATED TO HANOI'S DECISION TO INVADE

KAMPUCHEA IN LATE DECEMBER. HOWEVER, HANOI'S HOPES
THAT THE TREATY WOULD DETER A CHINESE REACTION WERE
DASHED BY CHINA'S BRIEF BUT DESTRUCTIVE FEBRUARY 1979
INCURSION INTO VIETNAM. HANOI ALSO MISCALCULATED FREE
WORLD REACTION TO ITS OVERTHROW OF POL POT, AND THE
HALT IN AID BY THE BULK OF THE NONCOMMUNIST
INDUSTRIALIZED NATIONS DEALT ANOTHER BLOW TO HANOI'S
PLANS FOR POSTWAR DEVELOPMENT.

AS A RESULT, SOVIET ASSISTANCE ROSE SHARPLY IN
1979--ECONOMIC AID DOUBLED AND THE VALUE OF MILITARY
AID DELIVERIES INCREASED ROUGHLY TENFOLD. THE MOST
TANGIBLE BENEFIT TO MOSCOW OF ITS LARGESSE WAS
VIETNAM'S DECISION AFTER THE CHINESE INVASION TO GRANT
THE SOVIETS ACCESS TO VIETNAMESE AIR AND NAVAL
FACILITIES. WHILE THE VIETNAMESE INSIST THAT SUCH USE
IS TEMPORARY, CONTINUOUS ACCESS TO AN ASIAN WARM-WATER
NAVAL AND AIR BASE HAS IMPROVED CONSIDERABLY SOVIET
MILITARY CAPABILITIES IN SOUTHEAST ASIA AND THE
ADJACENT WATERS. MOREOVER, IT HAS BOLSTERED MOSCOW'S
EFFORTS TO INCREASE ITS POLITICAL INFLUENCE IN THE
REGION.

MOSCOW'S POSITION IN INDOCHINA IS BUTTRESSED BY MASSIVE
ECONOMIC AND MILITARY AID TO VIETNAM AND IMPORTANT
ASSISTANCE TO LAOS AND KAMPUCHEA. SOVIET ARMS
DELIVERIES TO VIETNAM ALONE DURING 1980-81 WERE VALUED
AT ALMOST 1 BILLION DOLLARS. SOVIET ARMAMENTS,
INCLUDING SYSTEMS NEW TO HANOI'S INVENTORY, HAVE
NOTABLY STRENGTHENED VIETNAM'S MILITARY CAPABILITIES.
IN ADDITION, MOSCOW HAS SENT AN INCREASING NUMBER OF
SOVIET ADVISORS AND TECHNICIANS TO THE REGION, AND
SUBSTANTIAL NUMBERS OF INDOCHINESE OFFICIALS, STUDENTS,
MILITARY PERSONNEL, AND WORKERS ARE RECEIVING TRAINING
IN THE USSR AND EASTERN EUROPE. ECONOMIC ASSISTANCE TO
VIETNAM ALONE NOW AMOUNTS TO ABOUT 575 MILLION DOLLARS
PER YEAR--OVER 1 BILLION DOLLARS IF THE ESTIMATED VALUE
OF SUBSIDIZED IMPORTS IS ADDED.

IN THE ABSENCE OF ANY MAJOR DISASTER IN VIETNAM, MOSCOW
WILL TRY TO HOLD DOWN ITS FINANCIAL ASSISTANCE, IN PART
BECAUSE OF COMMITMENTS ELSEWHERE AND THE INCREASING
SQUEEZE ON ITS FOREIGN EXCHANGE RESERVES. THIS SOVIET
EFFORT MAY ADD TO FRICTION BETWEEN MOSCOW AND HANOI;
THERE HAVE ALREADY BEEN INDICATIONS OF
SOVIET-VIETNAMESE DISCORD OVER SOVIET ECONOMIC AID AND,
IMPLICITLY, THE QUESTION OF INCREASED SOVIET
SUPERVISION AS A MEASURE TO INCREASE EFFICIENCY IN USE
OF AID.

SOVIET STRATEGIC INTERESTS IN INDOCHINA

THE SOVIETS SEE THE INDOCHINESE STATES AS A UNIQUE BASE
FOR INFLUENCING REGIONAL DEVELOPMENTS AND ADVANCING
THEIR CLAIM TO BE AN IMPORTANT ASIAN POWER. FROM
MOSCOW'S POINT OF VIEW:

---INDOCHINA, DOMINATED BY ITS CLOSE ALLY, VIETNAM,
FORMS A BULWARK AGAINST CHINA. THE SOVIET MILITARY
PRESENCE IN VIETNAM UNDERLINES MOSCOW'S COMMITMENT TO
BACK VIETNAM'S CONFRONTATION WITH CHINA, THUS RAISING
THE SPECTER OF A SINO-SOVIET CONFLICT ON TWO FRONTS.

---THE INDOCHINA SPRINGBOARD PERMITS THE USSR TO
PROJECT ITS POWER MORE DIRECTLY IN SOUTHEAST ASIA, TO
COUNTER US COMMITMENTS IN THE REGION, AND TO OFFSET
JAPANESE AND WESTERN POLITICAL AND ECONOMIC LINKS WITH
THE MEMBERS OF THE ASSOCIATION OF SOUTHEAST ASIAN
NATIONS (ASEAN).

---AN IMPROVED SOVIET MILITARY PRESENCE NEAR THE MAIN
SEA ROUTE BETWEEN THE PACIFIC AND INDIAN OCEANS PUTS
JAPAN AND OTHER ASIAN STATES, WHICH DEPEND HEAVILY ON
SEABORNE COMMERCE, ON NOTICE THAT THE USSR INTENDS TO
PLAY A MAJOR ROLE IN ASIA.

SOVIET ASSISTANCE

SOVIET STRATEGY TOWARD INDOCHINA IS BUTTRESSED BY A
MAJOR ECONOMIC AND MILITARY ASSISTANCE PROGRAM. THE
TOTAL COST OF SUCH AID TO VIETNAM ALONE IS ESTIMATED
NOW AT 3 TO 4 MILLION DOLLARS PER DAY, AND SOME REPORTS
PLACE THE FIGURE MUCH HIGHER.

ECONOMIC AID. THE COUNCIL FOR MUTUAL ECONOMIC
ASSISTANCE (CEMA) COUNTRIES, NOTABLY THE USSR, HAVE
BEEN A MAJOR FACTOR IN HELPING HANOI MEET ITS ECONOMIC
NEEDS IN THE FACE OF THE DETERIORATION OF THE ALREADY
WEAK VIETNAMESE ECONOMY FOLLOWING THE CONFLICTS WITH
KAMPUCHEA AND CHINA. EVEN WITH SOVIET AID, HOWEVER,
LIVING STANDARDS HAVE FALLEN, AND THE NORTHERN PART OF
VIETNAM IN PARTICULAR HAS EXPERIENCED PERIODIC FOOD
SHORTAGES. ALTHOUGH GRAIN PRODUCTION INCREASED IN

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42

PAGE 02 OF 04 SECSTATE WASHDC 6143 DTG:242332Z JUN 82 PSN:033835

1981, THERE ARE STILL SERIOUS LOCALIZED SHORTAGES AND A CONTINUED, THOUGH REDUCED, OVERALL DEFICIT. THE ECONOMY HAS SUFFERED FROM WAR, NATURAL DISASTERS, THE BURDEN OF HIGH DEFENSE SPENDING, A CUTOFF OF CHINESE AID, AND A SHARP DECLINE IN WESTERN ASSISTANCE.

MISMANAGEMENT, BAD PLANNING, EXTENSIVE CORRUPTION, AND A LACK OF TECHNICAL EXPERTISE ALSO HAVE CONTRIBUTED TO THE DISMAL ECONOMIC PERFORMANCE.

SOVIET ECONOMIC AID FIGURES ARE NOT PUBLISHED BUT MUST BE ESTIMATED ON THE BASIS OF TRADE SURPLUSES, PROBABLE GRANT COMMITMENTS, THE VALUE OF THE WORK OF SOVIET

TECHNICIANS, THE COST OF TRAINING FOR VIETNAMESE, AND THE VALUE OF AID IN THE FORM OF SUBSIDIZED PRICES FOR SOVIET-SUPPLIED IMPORTS. ON THE BASIS OF TRADE FIGURES ALONE, SOVIET ECONOMIC ASSISTANCE DURING THE 1976-80 FIVE-YEAR-PLAN AMOUNTED TO ABOUT 1.6 BILLION DOLLARS. THE ESTIMATED VALUE OF GRANTS AND SERVICES WOULD BRING THE FIGURE TO APPROXIMATELY 2.1 BILLION DOLLARS. WHILE GRANT AID APPARENTLY REMAINED STABLE THROUGHOUT THE PERIOD, OTHER FORMS OF SOVIET ASSISTANCE DOUBLED IN VALUE AFTER 1978 AND THE INVASION OF KAMPUCHEA. SINCE THEN, THE AID HAS AMOUNTED TO APPROXIMATELY 575 MILLION DOLLARS PER YEAR. THE VALUE OF COMMODITY AID AND SUBSIDIZED PRICES IS THE MOST DIFFICULT TO ESTIMATE, BUT IT MAY HAVE AMOUNTED TO ABOUT 500 MILLION DOLLARS PER YEAR SINCE 1978, THUS PLACING TOTAL SOVIET ECONOMIC AID AT SOMEWHAT OVER 1 BILLION PER YEAR.

BECAUSE OF ITS WEAK FOREIGN EXCHANGE POSITION, VIETNAM HAS DEPENDED ON MOSCOW TO FINANCE OR PROVIDE MUCH OF ITS IMPORTS OF FUEL, GRAIN, IRON AND STEEL, FERTILIZER, COTTON, AND SUCH OTHER NECESSITIES AS CONSTRUCTION EQUIPMENT AND TRUCKS. IN ADDITION, THE USSR AND EAST EUROPEAN STATES HAVE FUNDED INVESTMENT PROJECTS INCLUDING ELECTRIC POWER PLANTS, IRRIGATION SYSTEMS, HIGHWAY AND RAILWAY REPAIR, AND DEVELOPMENT OF MINING, HEAVY INDUSTRY, AND MACHINE TOOL PLANTS. SOVIET TECHNICIANS ARE INVOLVED IN THESE PROJECTS ON ASSIGNMENTS OF VARIOUS LENGTHS, AND THEY HAVE ASSUMED A LARGE ROLE IN TRYING TO OPERATE THE PORT OF HAIPHONG MORE EFFICIENTLY. THE USSR AND VIETNAM ALSO SIGNED AGREEMENTS CONCERNING OFFSHORE OIL EXPLORATION IN 1980 AND 1981, BUT LITTLE APPEARS TO HAVE BEEN ACCOMPLISHED THUS FAR.

ALTHOUGH VIETNAM HAS NOT YET PUBLISHED (AND PERHAPS NOT FORMULATED) A 1981-85 FIVE-YEAR PLAN, THE USSR AND HANOI AGREED IN JULY 1980 TO "COORDINATE" THEIR 1981-85 PLANS. A YEAR LATER, THEY SIGNED THREE RELATED ACCORDS: A PROTOCOL ON COORDINATION OF PLANS AND TWO FIVE-YEAR AGREEMENTS COVERING ECONOMIC AND TECHNICAL ASSISTANCE AND TRADE. NO FIGURES ON THE VALUE OF THIS AID HAVE BEEN RELEASED. HOWEVER, THE

ECONOMIC-TECHNICAL AGREEMENT CALLS FOR THE USSR TO HELP BUILD 40 NEW PROJECTS, MAINLY IN THE ENERGY AND TRANSPORT SECTORS, AND TO CONTINUE ASSISTANCE ON 60 OTHERS. THE USSR WILL ALSO QUADRUPE ITS EXPORTS OF MACHINERY AND EQUIPMENT TO VIETNAM.

THE TRADE AGREEMENT IMPLICITLY SETS A TARGET OF 13 PERCENT AVERAGE ANNUAL GROWTH IN OVERALL TRADE, AND EXPLICITLY CALLS ON VIETNAM TO INCREASE EXPORTS OF FOOD, RAW MATERIALS, AND CONSUMER GOODS TO THE USSR. THERE IS NO INDICATION THAT ANY OUTRIGHT GRANTS HAVE

BEEN OFFERED. IMPLEMENTATION OF THESE AGREEMENTS PROBABLY WILL INVOLVE A SUBSTANTIAL INCREASE IN THE NUMBER OF SOVIET ADVISORS ASSIGNED TO VIETNAM.

GIVEN VIETNAM'S DIFFICULTY IN ABSORBING AID, ATTRIBUTABLE MAINLY TO A LACK OF SKILLED PERSONNEL AND RATIONAL PLANNING AS WELL AS CORRUPTION, MOST OF THESE TARGETS PROBABLY WILL NOT BE MET. LACK OF PROGRESS IN EFFECTIVELY IMPLEMENTING THE AGREEMENTS, COUPLED WITH THE PROBABLE INCREASE IN SOVIET ADVISORS (WHO TEND TO BE HIGHHANDED), MAY INCREASE FRICTION BETWEEN THE TWO COUNTRIES. THE USSR WILL TRY TO MONITOR AND CONTROL USE OF ITS RESOURCES WHILE VIETNAM WILL SEEK TO THWART SOVIET INTERFERENCE BUT STILL LOBBY FOR HIGHER LEVELS OF AID. IN THE FORESEEABLE FUTURE, HOWEVER, SUCH PROBLEMS ARE NOT LIKELY TO OUTWEIGH THE OVERALL ADVANTAGES OF THE ALLIANCE TO BOTH SIDES.

THE SOVIET UNION ALSO PROVIDES SUBSTANTIAL ECONOMIC ASSISTANCE TO KAMPUCHEA AND LAOS, WHOSE WEAK ECONOMIES VIETNAM CANNOT SUBSIDIZE ALONE. MUCH OF THE AID FOR KAMPUCHEA IS CHanneled THROUGH VIETNAM--A FACT OPENLY ACKNOWLEDGED BY THE SIGNING OF A TRIPARTITE ECONOMIC COOPERATION AGREEMENT ON MARCH 2, 1981. THE SOVIETS, HOWEVER, ARE ALSO EXPANDING THEIR BILATERAL ROLE IN KAMPUCHEA THROUGH THE SIGNING OF VARIOUS ASSISTANCE AGREEMENTS. THE KAMPUCHEANS IN EARLY SEPTEMBER MADE NEW REQUESTS WHICH SOVIET PLANNERS PROMISED TO CONSIDER AT THE-END OF THE YEAR, BUT NO ACTION HAS YET BEEN ANNOUNCED.

IN GENERAL, THE SOVIETS HAVE REDUCED COMMODITY ASSISTANCE TO KAMPUCHEA. SOVIET GRAIN SHIPMENTS, FOR EXAMPLE, DROPPED DRAMATICALLY DURING 1981 DESPITE KAMPUCHEAN NEEDS. MODESTLY INCREASED DEVELOPMENTAL ASSISTANCE HAS BEEN GRANTED, HOWEVER AND SEVERAL HUNDRED SOVIET TECHNICIANS ARE WORKING TO RESTORE DAMAGED FACILITIES. THE NUMBER OF TECHNICIANS PROBABLY

WILL RISE AS THE ASSISTANCE AGREEMENTS ARE IMPLEMENTED.

CONSIDERABLY MORE--PERHAPS OVER 1,000--SOVIET TECHNICIANS ARE WORKING IN LAOS WHERE MOSCOW HAS PROVIDED AID DIRECTLY SINCE THE EARLY 1960S. VIETNAM'S SPECIAL CONCERN IN LAOS IS UNDERLINED, HOWEVER, BY A FEBRUARY 1982 TRIPARTITE ACCORD ON "PRINCIPLES" OF ECONOMIC AND TRADE COOPERATION. MOREOVER, IT IS LIKELY THAT VIETNAM HAS BEEN INDIRECTLY INVOLVED IN EARLIER BILATERAL SOVIET-LAO ACCORDS IF ONLY BECAUSE OF ITS PERVASIVE ADVISORY ROLE IN THE LAO ADMINISTRATION.

SOVIET EXPERTS IN LAOS ARE WORKING IN A MULTIPLICITY OF AREAS FROM PLANNING TO BANKING AND CONSTRUCTION. A NUMBER OF PROJECTS, SUCH AS ROAD CONSTRUCTION AND A PIPELINE, WILL TIE LAOS MORE CLOSELY TO VIETNAM AND WEAKEN--BUT NOT END--ITS DEPENDENCE ON LINKS WITH THAILAND. AID HAS INCREASED IN RECENT YEARS, AND A SEPTEMBER 1980 AGREEMENT CALLED FOR BILATERAL TRADE TO INCREASE 2-1/2 TIMES DURING THE SUBSEQUENT FIVE YEARS. TRADE WITH THE USSR INVOLVES PETROLEUM, MACHINERY, VEHICLES, AND CONSUMER GOODS. MUCH OF IT HAS BEEN AND WILL CONTINUE TO BE FINANCED BY SOVIET CREDITS.

MILITARY AID. SOVIET MILITARY SHIPMENTS TO VIETNAM WERE HIGHER DURING 1978--BEFORE THE KAMPUCHEAN INVASION--THAN AT ANY TIME SINCE THE END OF THE VIETNAM WAR IN 1975. HOWEVER, THE MOST DRAMATIC INCREASE IN ARMS DELIVERIES OCCURRED IN 1979--MORE THAN TENFOLD OVER 1978--MOST OF IT AFTER THE FEBRUARY CHINESE INCURSION. THE VALUE OF DELIVERIES DECREASED IN 1980

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43

PAGE 03 OF 04 SECSTATE WASHDC 6143 DTG: 242332Z JUN 82 PSN: 033835

TO ABOUT 700 MILLION DOLLARS AND IN 1981 TO SOMEWHAT OVER 300 MILLION DOLLARS. IN TOTAL, SINCE EARLY 1979, THE SOVIET UNION HAS DELIVERED MILITARY HARDWARE ESTIMATED TO BE WORTH MORE THAN 2 BILLION DOLLARS.

IN ADDITION, THE USSR HAS PROVIDED LOGISTICAL SUPPORT AND TRAINING. CURRENTLY AN ESTIMATED 2,000-3,000 SOVIET MILITARY ADVISORS GIVE DIRECT TECHNICAL ASSISTANCE TO THE VIETNAMESE FORCES. THERE ARE NO SOVIET GROUND UNITS IN VIETNAM, BUT SOVIET CREWS CONTINUE TO PROVIDE CONSIDERABLE LOGISTICAL SUPPORT FOR VIETNAMESE FORCES IN LAOS AND KAMPUCHEA. THE SOVIET UNION ALSO HAS HELPED THE VIETNAMESE AND LAO DEVELOP A CHEMICAL WARFARE CAPABILITY. THE SOVIETS REPORTEDLY HAVE PROVIDED CHEMICAL WARFARE TRAINING AND SUPPLIED LETHAL TOXINS AND OTHER CHEMICAL AGENTS WHICH HAVE BEEN USED IN KAMPUCHEA AND AGAINST THE HMONG TRIBESPEOPLE IN LAOS.

SOVIET GROUND-FORCE EQUIPMENT DELIVERED AFTER THE CHINESE INCURSION AND WITHDRAWAL HAS INCLUDED ARMORED VEHICLES, ARTILLERY PIECES, ANTI-AIRCRAFT GUNS, SURFACE-TO-AIR MISSILE LAUNCHERS, AND A LARGE NUMBER OF

TRUCKS, PROBABLY FOR MILITARY USE. THE VIETNAMESE AIR FORCE HAS RECEIVED LATE-MODEL MIG-21 INTERCEPTORS PLUS ITS FIRST GROUND-ATTACK FIGHTERS AND ASSAULT HELICOPTERS. ABOUT 30 CARGO HELICOPTERS AND A LIKE NUMBER OF SMALL-TO-MEDIUM CARGO PLANES ALSO HAVE BEEN DELIVERED.

THE VIETNAMESE NAVY HAS GAINED OVER A DOZEN PATROL BOATS (SOME OF THEM MISSILE ARMED), TANK-LANDING SHIPS, ANTI-SUBMARINE WARFARE HELICOPTERS, PATROL SEAPLANES, AND A NUMBER OF SMALLER LANDING CRAFT AND MINESWEEPERS. THE MISSILES ON THE PATROL BOATS HAVE A 46-KILOMETER RANGE, PROVIDING HANOI WITH AN IMPORTANT STANDOFF CAPABILITY AGAINST HOSTILE SHIPS.

SOVIET SHIPMENTS HAVE INCLUDED MANY WEAPONS SYSTEMS--ALBEIT IN SMALL QUANTITIES--NOT PREVIOUSLY IN HANOI'S INVENTORY. MOST ARE SUPERIOR TO ANYTHING CHINA (LET ALONE THE NATIONS OF SOUTHEAST ASIA) CAN FIELD. BECAUSE HANOI NEEDS TIME TO ABSORB THESE MORE COMPLEX WEAPONS, WE EXPECT TO SEE FEW, IF ANY, ADDITIONAL NEW TYPES OF WEAPONRY INTRODUCED INTO VIETNAM DURING THE NEXT SEVERAL YEARS. DESPITE APPARENT EFFORTS TO IMPROVE THE EQUIPMENT OF VIETNAMESE UNITS IN KAMPUCHEA, THE VALUE OF DELIVERIES PROBABLY WILL CONTINUE TO DECLINE, BARRING ANY DRAMATIC CHANGE IN THE VIETNAMESE MILITARY SITUATION VIS-A-VIS CHINA AND IN THE KAMPUCHEAN CONFLICT ITSELF.

THE SOVIETS ALSO HAVE INCREASED THEIR MILITARY ASSISTANCE TO LAOS AND, TO A LESSER EXTENT, KAMPUCHEA. SINCE 1979, MOSCOW HAS SUPPLIED OVER 100 MILLION DOLLARS IN MILITARY EQUIPMENT TO BOTH COUNTRIES, ABOUT 85 PERCENT OF IT TO LAOS. THIS AMOUNT REPRESENTS A TWOFOLD INCREASE IN ARMS AID OVER THE 1976-78 PERIOD. SOVIET-PILOTED AN-12 CARGO AIRCRAFT BASED AT DA NANG FLY SCHEDULED FLIGHTS CARRYING TROOPS, AMMUNITION, AND FOOD FROM VIETNAM INTO LAOS, AS THEY DO OCCASIONALLY IN SUPPORT OF HANOI'S MILITARY EFFORTS IN KAMPUCHEA.

IN LAOS, AN ESTIMATED 500 SOVIET MILITARY ADVISORS PROVIDE MAINTENANCE ASSISTANCE AND TECHNICAL SUPPORT, ACTUALLY RUNNING THE NASCENT LAO AIR FORCE, AND GIVE ADVANCED TRAINING TO LAO PERSONNEL IN CONVENTIONAL AS

WELL AS CHEMICAL WARFARE. THEY ALSO HAVE HELPED WITH MILITARY CONSTRUCTION PROJECTS, INCLUDING AIRFIELDS.

THE SOVIET MILITARY PRESENCE IN KAMPUCHEA IS SLIGHT,

AND THE INDIGENOUS MILITARY UNITS ARE BEING ORGANIZED, TRAINED, AND EQUIPPED EXCLUSIVELY BY VIETNAMESE ADVISORS. SOVIET NAVAL ACTIVITY IN AND AROUND THE PORT OF KOMPONG SOM HAS INCREASED SINCE THE FIRST SOVIET WARSHIP CALLED THERE IN FEBRUARY 1980. SEVERAL SOVIET NAVAL AND NUMEROUS MERCHANT VESSELS HAVE VISITED THE PORT, AND A LIMITED UPGRADING OF THE PORT'S FACILITIES IS UNDERWAY. AN UNKNOWN NUMBER OF SOVIETS INVOLVED IN CARGO HANDLING ASSISTANCE ARE STATIONED THERE.

SOVIET MILITARY PRESENCE IN SOUTHEAST ASIA

THE MOST IMPORTANT AND TANGIBLE SOVIET GAIN IN SOUTHEAST ASIA WAS HANOI'S DECISION IN EARLY 1979 TO GRANT ACCESS TO ITS AIR AND NAVAL FACILITIES, MOST NOTABLY THOSE AT DA NANG AND CAM RANH BAY. WHEN QUESTIONED, VIETNAMESE OFFICIALS INSIST THAT THE ACCESS IS TEMPORARY, WARNING THAT A RENEWED ATTACK BY CHINA MIGHT LEAD TO MORE PERMANENT ARRANGEMENTS. SOVIET NAVAL AND AIR USE OF THE FORMER US MILITARY BASES AT DA NANG AND CAM RANH BAY BEGAN IN FEBRUARY 1979. BY THE END OF 1979, SOVIET NAVAL RECONNAISSANCE AIRCRAFT WERE DEPLOYING TO VIETNAM ON AN ALMOST CONTINUOUS BASIS TO CONDUCT INTELLIGENCE COLLECTION FLIGHTS OVER THE SOUTH CHINA SEA.

DURING 1980, SOVIET AIR AND NAVAL ACTIVITY SHIFTED LARGELY TO CAM RANH BAY, A SECURE FACILITY WITHOUT CIVILIAN TRAFFIC. SOVIET AIR AND SEA UNITS HAVE HAD CONTINUOUS ACCESS TO CAM RANH BAY, WHICH HAS FACILITIES FOR LIMITED REPAIR AND SERVICE OF SOVIET SHIPS, INCLUDING SUBMARINES, THAT ROUTINELY OPERATE IN VIETNAMESE WATERS AND THE SOUTH CHINA SEA. CAM RANH CURRENTLY LACKS THE NECESSARY MAINTENANCE FACILITIES TO SUPPORT A SUBSTANTIALLY INCREASED SOVIET NAVAL AND AIR PRESENCE, AND CONSTRUCTION ACTIVITY HAS BEEN LIMITED. SOVIET VESSELS VISITING CAM RANH STILL DEPEND ALMOST ENTIRELY ON SOVIET SUPPORT SHIPS MOORED THERE FOR MAINTENANCE REPAIR AND REFUELING.

THE NUMBER OF SOVIET VESSELS IN VIETNAMESE WATERS FLUCTUATED DURING 1980, RANGING FROM 6-10 SHIPS TO NEARLY 30 SHIPS, INCLUDING ONE PERIOD WHEN THE NEW SOVIET AIRCRAFT CARRIER MINSK AND ITS ESCORTS OPERATED OUT OF CAM RANH FOR ABOUT THREE MONTHS. THIS WAS THE

MINSK'S FIRST DEPLOYMENT SINCE JOINING THE SOVIET PACIFIC FLEET. SOVIET NAVAL VESSELS PAID OVER 100 PORTS CALLS TO CAM RANH IN 1980, BUT VISITS DURING THE FIRST SIX MONTHS OF 1981 FELL BY ONE-THIRD.

ACCESS TO VIETNAMESE MILITARY FACILITIES IS IMPORTANT POLITICALLY TO THE USSR AS A MEANS TO UNDERLINE ITS ALLIANCE WITH VIETNAM, PROJECT ITS PRESENCE IN SOUTHEAST ASIA, AND COUNTER CHINA. MILITARILY, USE OF THE CAM RANH BASE HAS ENHANCED SOVIET INTELLIGENCE-AND OPERATIONAL CAPABILITIES IN THE REGION:

---THE USSR CAN MORE EASILY MAINTAIN A VARIED NAVAL PRESENCE IN THE SOUTH CHINA SEA, IN THE SEA LANES BETWEEN THE PACIFIC AND INDIAN OCEANS, AND TO A LESSER EXTENT IN THE INDIAN OCEAN. SHIPS OPERATING IN ANY OF THESE WATERS CAN NOW PUT INTO CAM RANH FOR CREW REST, RESUPPLY, AND MINOR REPAIR, THUS AVOIDING COSTLY AND TIME-CONSUMING RETURNS TO HOME PORTS IN THE USSR.

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44

PAGE 04 OF 04 SECSTATE WASHDC 6143 DTG:242332Z JUN 82 PSN:033835

MOSCOW ALSO CAN DEPLOY SPECIALIZED SUPPORT SHIPS TO CAM RANH, MAKING THEM AVAILABLE FOR QUICK REACTION SUPPORT FOR NAVAL UNITS IN POTENTIAL COMBAT ZONES.

---THE RANGE, DURATION, AND RESPONSIVENESS OF SOVIET MARITIME SURVEILLANCE PATROLS IN SOUTHEAST ASIA HAVE IMPROVED SUBSTANTIALLY. CAM RANH PROVIDES THE SOVIETS WITH A FORWARD BASE FROM WHICH TO CONDUCT LONG-RANGE AIR RECONNAISSANCE OF US, CHINESE, AUSTRALIAN, AND NEW ZEALAND FORCES IN THE REGION.

---THE SOVIET NAVY IS NOW IN A BETTER POSITION TO COUNTER US NAVAL UNITS BASED IN THE PHILIPPINES AND GUAM, AS WELL AS CHINESE NAVAL UNITS IN THE SOUTH CHINA SEA.

---FOR THE FIRST TIME, THE USSR HAS ACCESS TO AN AIR BASE THAT WOULD BE CAPABLE (AFTER MODIFICATION) OF PROVIDING AIR COVER FOR SOVIET NAVAL OPERATIONS IN THE SOUTH CHINA SEA.

OUTLOOK

HAVING GREATLY INCREASED ITS INVOLVEMENT IN INDOCHINA OVER THE PAST THREE YEARS, THE USSR IS MAKING A MAJOR EFFORT TO CONSOLIDATE ITS GAINS AND DRAW THE INDOCHINESE STATES MORE CLOSELY TO THE WARSAW PACT COUNTRIES. MOSCOW IS WORKING TO STRENGTHEN BILATERAL, DIPLOMATIC, AND ECONOMIC TIES WITH EACH OF THE THREE STATES. THE NUMBER OF SOVIET ADVISORS AND TECHNICIANS

IN VIETNAM, KAMPUCHEA, AND LAOS HAS GROWN RAPIDLY, AND HUNDREDS OF STUDENTS AND OFFICIALS FROM THE THREE COUNTRIES ARE IN THE SOVIET UNION FOR EDUCATION AND TRAINING.

IN ADDITION, AD HOC DELEGATIONS COVERING A WIDE RANGE OF FIELDS ARE CONTINUALLY BEING EXCHANGED. VIETNAMESE PARTY LEADER LE DUAN HIMSELF HAS CONSULTED IN MOSCOW THREE TIMES DURING THE PAST TWO YEARS, AS HAVE LAO AND KAMPUCHEAN LEADERS. SOVIET VISITS TO VIETNAM HAVE NOT BEEN AT A COMPARABLE LEVEL. HOWEVER, MOSCOW UNDERLINED ITS MILITARY SUPPORT FOR VIETNAM IN EARLY FEBRUARY 1982 BY SENDING SOVIET CHIEF OF STAFF OGARKOV TO HANOI--THE HIGHEST RANKING MILITARY MAN TO VISIT SINCE 1974. OGARKOV ALSO STOPPED IN LAOS AND KAMPUCHEA, IMPLICITLY CONVEYING SOVIET BACKING FOR THE STEPPED-UP DRIVE AGAINST THE KHMER RESISTANCE.

IN THE ABSENCE OF ANY MAJOR DISASTER IN VIETNAM, MOSCOW WILL TRY TO HOLD DOWN ITS FINANCIAL ASSISTANCE, IN PART BECAUSE OF COMMITMENTS ELSEWHERE AND THE INCREASING SQUEEZE ON ITS FOREIGN EXCHANGE RESERVES. THIS SOVIET EFFORT MAY ADD TO FRICTION BETWEEN MOSCOW AND HANOI, BECAUSE NONE OF THE ECONOMIES OF THE THREE INDOCHINESE STATES IS LIKELY TO IMPROVE MARKEDLY. RECENT SOVIET-VIETNAMESE CONSULTATIONS ON ECONOMIC MATTERS HAVE CONCENTRATED ON MEASURES TO INCREASE EFFICIENCY IN USE OF AID (RATHER THAN GRANTING MORE AID), WHICH MAY INVOLVE MORE SOVIET SUPERVISION AND FURTHER INCREASE FRICTION. NO AREAS OF SERIOUS POLICY CONFLICT ARE EVIDENT, HOWEVER, AND FOR THE FORESEEABLE FUTURE BOTH SIDES PROBABLY WILL CONTINUE TO BELIEVE THAT THE ADVANTAGES OF THE ALLIANCE FAR OUTWEIGH THE DRAWBACKS. FOR VIETNAM, MOSCOW ALONE OFFERS THE MATERIALS AND POLITICAL ASSISTANCE NEEDED TO PURSUE HANOI'S OBJECTIVES IN INDOCHINA. FOR MOSCOW, ALLIANCE WITH VIETNAM OFFERS THE USE OF CAM RANH BAY AND OTHER FACILITIES IN ADDITION TO LESS TANGIBLE POLITICAL AND

STRATEGIC ADVANTAGES.

FOR THE MOMENT, VIETNAMESE LEADERS APPEAR CONFIDENT THAT THEIR DEPENDENCE ON THE SOVIETS HAS NOT SERIOUSLY IMPAIRED THEIR FREEDOM OF ACTION, BUT THEY REMAIN INTERESTED IN EVENTUALLY DIVERSIFYING VIETNAM'S SOURCES OF SUPPORT. IN THE LONG RUN, THE DEGREE OF SOVIET INFLUENCE IN INDOCHINA WILL DEPEND NOT ONLY ON MOSCOW'S POLICIES BUT ALSO ON THE EVOLUTION OF VIETNAM'S POSITION IN SOUTHEAST ASIA AND ITS RELATIONS WITH CHINA AND THE WEST. END TEXT.

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