

SUBJECT: PEKING SIGNS MILITARY AID AGREEMENT WITH SIHANOUK.

1. MILITARY AID GRANT AGREEMENT SIGNED IN PEKING AUGUST 17⁷⁰ BETWEEN PRC AND SIHANOUK SEEMS TO HAVE

MORE POLITICAL THAN MILITARY SIGNIFICANCE AND, IN OUR VIEW, DOES NOT SIGNAL ANY CHANGE FROM PEKING'S POLICYMVF AVOIDING DIRECT INVOLVEMENT OF CHINESE COMBAT FORCES IN INDOCHINESE CONFLICTS. SIHANOUK PRESUMABLY WANTED SOME MILITARY HARDWARE AND FUNDS TO CALL HIS OWN AND BY ACCEDING TO HIS REQUEST CHINESE HAVE PROBABLY SOUGHT TO DRAMATIZE FURTHER THEIR "ALL OUT" SUPPORT FOR HIS MOVEMENT AND TO HELP SIHANOUK MAINTAIN A SEMBLANCE OF INDEPENDENCE.

2. CHINESE HAD PROVIDED MILITARY ASSISTANCE TO SIHANOUK BEFORE HE WAS OVERTHROWN, AND DIPLOMATIC AND INTELLIGENCE REPORTS HAVE INDICATED THAT LIHANOUK HAS BEEN RECEIVING FINANCIAL AND MATERIAL AID FROM PEKING SINCE THEN ALSO. AUG 17 ANNOUNCEMENT IS FIRST SPECIFIC CHINESE ACKNOWLEDGEMENT OF THIS CONTINUED ASSISTANCE AND ALSO INCLUDED FIRST MENTION OF A LOAN AGREEMENT SIGNED IN MAY OF THIS YEAR. ANNOUNCEMENT PROVIDED NO DETAILS ABOUT EITHER LOAN OR MILITARY AID AGREEMENT BUT WE ESTIMATE THAT LATTER WILL INVOLVE PROVISION OF SMALL ARMS AND AMMUNITION PLUS POSSIBLE TRAINING AND ADVISERS FOR SIHANOUK'S "LIBERATION" FORCES. IN THIS CONNECTION, CONGEN'S DEFENSE LIAISON OFFICE PREVIOUSLY REORTED (IR 6842035570) THAT, ACCORDING TO AN INTELLIGENCE SOURCE, PEKING AT END OF MARCH THIS YEAR PROMISED SIHANOUK IT WOULD TRAIN AND EQUIP TWO BATTALIONS OF CAMBODIAN TROOPS.

3. BY PROVIDING ECONOMIC AND MILITARY ASSISTANCE TO SIHANOUK, CHINESE MAY HOPE THAT PURELY CAMBODIAN FORCES CAN BE BUILT UP AROUND HIM IN CAMBODIA AND PROVIDE THE MEANS FOR LIMITING HANOI'S ROLE IN THAT NATION. IF SO, THIS WOULD APPEAR TO BE A LONG-TERM PROSPECT AT BEST SINCE MOST CHINESE AID WOULD HAVE TO PASS THROUGH DRV-CONTROLLED TERRITORY TO REACH CAMBODIA AND BECAUSE SIHANOUK'S ETHNIC CAMBODIAN FORCES STILL SEEM INCHOATE, FROM OUR VANTAGE POINT.

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