

The Chinese leadership continues to plan for its own succession. Although the aging Deng Xiaoping remains preeminent, his economic development policies favoring agricultural and light industry have produced only modest results. Moreover, Deng and his allies must still restore institutions damaged during the Mao era and build support for a reform program that minimizes the role of ideology. Some military leaders and many middle-level bureaucrats have reservations about some of Deng's policies. If a smooth succession to Deng is implemented, Soviet capabilities to expand their influence at China's expense will be minimized; a failed succession, on the other hand, would present the Soviets with tempting opportunities. China-US relations remain heavily influenced by Taiwan. As a result, mutually acceptable management of the Taiwan arms sale issue tops the Chinese-US agenda for 1982.

The military stalemate in Kampuchea has led to increased political maneuvering among Communist and non-Communist resistance forces and their supporters outside Kampuchea. Although the military balance still favors Vietnam (180,000) and their Kampuchean puppets (15-20,000), they are unable to consolidate control. Singapore and Thailand are pressing for a loose coalition of Communist and non-Communist resistance forces with the objective of forcing Hanoi to seek a political solution. Both the Soviets and the Chinese also have equities in Vietnam and Indochina. The Soviets keep Vietnam afloat economically by contributing \$2-3M per day and gain the use of facilities in Cam Ranh Bay. The Chinese, for their part, continue to support the resistance forces while occasionally threatening to "teach Vietnam a second lesson" along their common border. These measures are designed to force the Vietnamese out of Kampuchea and the Soviets out of Vietnam, but they are unlikely to succeed.