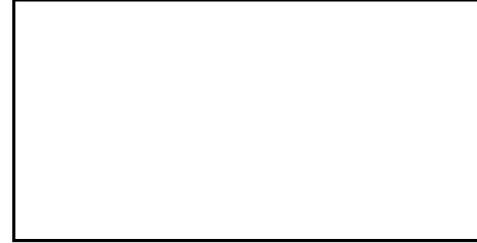


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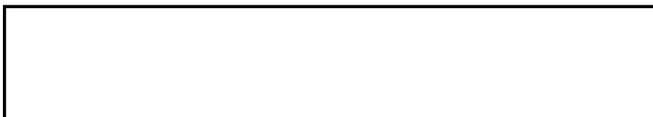
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CAMBODIA: Reports that the government is seeking to negotiate a cease-fire with the Communists are circulating in Phnom Penh.

[redacted]

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[redacted] Truong Cang, the former Cambodian ambassador to Peking, is now in Paris trying to sound out the North Vietnamese, and [redacted] former prime minister Son Sann is to go to Moscow to probe the Soviet position on Cambodian proposals for a cease-fire. Son Sann was sent to Paris last year to establish unofficial contacts with some of Sihanouk's supporters.

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[redacted] the Cambodians will offer to allow North Vietnamese forces to occupy two north-east provinces until the Vietnam war ends and to request the withdrawal of all South Vietnamese troops from Cambodia in return for a cease-fire. [redacted]

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[redacted] another version of this story, in which the North Vietnamese have demanded the use of five northeast provinces and the cessation of US "intervention" in Cambodia in addition to a South Vietnamese withdrawal.

These reports appear consistent with earlier evidence that both Lon Nol and Sirik Matak have been considering the possibility of opening channels of communication to the Communists. Their interest in doing so apparently was sparked in part by recent developments in Sino-US relations, which they evidently believed could eventually increase the prospect of a negotiated settlement to the Indochina war.

[redacted] If

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the government is indeed interested in serious negotiations, it would probably take considerable pains to keep its intentions private rather than discussing them with officials who are not directly involved. It is conceivable that the government is floating these stories deliberately in hopes of extracting greater military and other forms of support from both Washington and Saigon. [redacted]

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[redacted]

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MALTA-LIBYA: Dom Mintoff, Malta's prime minister, reportedly received large sums of money during the election campaign from the Libyan Government.

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[redacted] during Mintoff's visit to Tripoli in February the ruling Revolutionary Command Council gave the Malta Labor Party about \$1 million. These funds, which were transferred through a European bank, were to be used for Mintoff's campaign expenses. Although there were reports prior to the election of vote-buying by both the MLP and the then-ruling Nationalist Party, there has been no evidence of unusually large campaign expenditures by anyone.

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[redacted] Libyan Prime Minister Qadhafi also has promised a large interest-free loan to a new Labor government. Prior to the election, Qadhafi reportedly had already offered Mintoff a large loan if he won, plus an annual subsidy of about \$5 million.

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Since the Maltese elections, Tripoli and Valletta have begun talks aimed at strengthening relations, and Qadhafi will reportedly meet with an "important Maltese representative" at a later date. Mintoff's desire to promote better relations with Arab states of the Mediterranean is well known, and during the campaign the Labor Party expressed its willingness to sign an economic agreement with Libya.

[redacted] Tripoli hopes to work through the Labor government to remove the British military presence on Malta. The new Libyan ambassador to Valletta has been given oral instructions to determine how much aid it will take "to guarantee that the Maltese will expel the British from their base," [redacted]

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Mintoff's response to these Libyan overtures will largely depend on the success of his renegotiation of the defense and financial agreements with

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the UK. The agreements, which expire in 1974, provide for \$143.5 million in aid, of which \$55 million remains to be used. Mintoff believes that a satisfactory settlement with the British can ultimately be reached, and under such circumstances it is unlikely that he would allow himself to be used by the Libyans.



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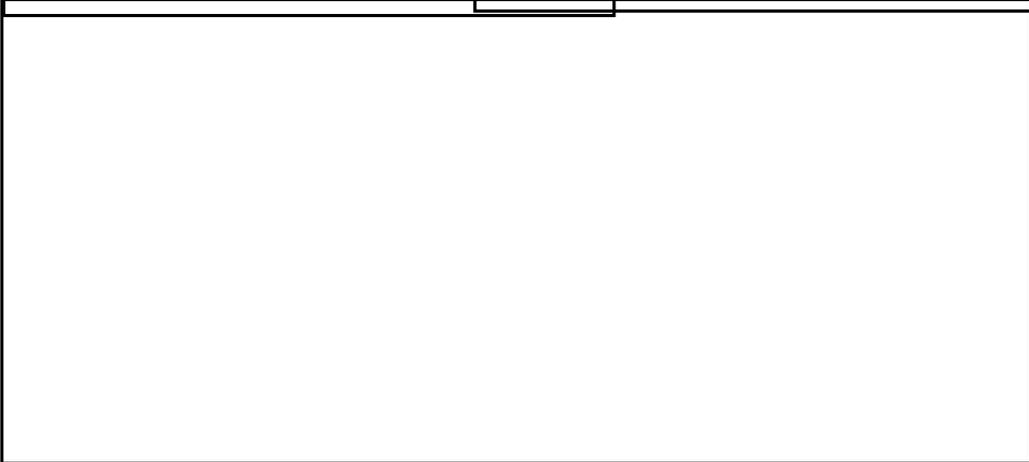
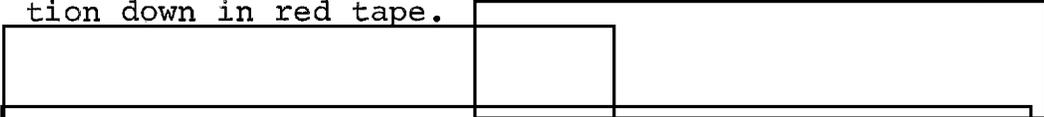
ALGERIA: A new policy debate within the regime appears imminent. Minister of State Cherif Belkacem, a member of the small ruling clique that has been associated with Boumediene since before independence, is advocating the liberalization of political and economic policies that have caused much grumbling within the bureaucracy and among business and professional circles.

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Belkacem's objective does not appear to be to topple Boumediene, but rather to force the relaxation of stringent controls that, while designed to bolster the development program, have in reality bogged the administration down in red tape.

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(continued)



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