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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** NORTH, OLIVER: FILES

**Withdrawer**

SMF 11/26/2010

**File Folder** LIBYA: TERRORISM II [TERRORISM: LIBYA 08/28/1986-09/05/1986]

**FOIA**

F95-023/9

**Box Number** 105

WILLS

42

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101122	CABLE	LONDON 18465 <i>R 3/28/2017 M1123/1</i>	3	8/28/1986	B1
101123	CABLE	292241Z AUG 86 <i>D 5/8/2017 M1123/1</i>	3	8/29/1986	B1 B3
101124	ROUTING SLIP	<i>D 5/8/2017 M1123/1</i>	1	9/3/1986	B1 B3
101125	MEMO	TO NORTH/OAKLEY RE HOSTAGES	2	ND	B1 B3
101126	COVER SHEET	<i>D 5/8/2017 M1123/1</i>	2	ND	B1 B3
101127	REPORT	RE LIBYA SANCTIONS <i>PAR 5/8/2017 M1123/1</i>	12	9/5/1986	B1 B3

**The above documents were not referred for declassification review at time of processing**

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U N C L A S S I F I E D

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PAGE 01  
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~~SECRET~~ SECTION 01 OF 02 LONDON 18465

EXDIS

ABU DHABI PASS DUBAI

E.O. 12356: DECL: CADR  
TAGS: ETTC, EAIR, LY, FR, UK, GE, NL, GR, IT, SP  
SUBJECT: AIRBUS DIVERSION TO LIBYA: FOLLOW UP STEPS  
-- WITH U.K.

REF: STATE 266484

1. (S) - ENTIRE TEXT.  
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2. SUMMARY: U.K. SUPPORTS U.S. ACTIONS TO REDUCE LIBYA'S ABILITY TO PROMOTE SUBVERSION BUT SENSITIVE OVER AIRBUS DIVERSION AND FOLLOW UP U.S. INITIATIVE. HMG NOTES IT ALREADY HAS IMPLEMENTED SEVERAL MEASURES PROPOSED BY U.S. FOR EXAMPLE, NO U.K. CARRIERS CURRENTLY SERVE LIBYA, AIRCRAFT EXPORTS FROM U.K. TO LIBYA NOW MUST BE LICENSED AND HMG NOT AWARE OF ANY U.K. FIRMS SERVICING LAA. U.K. NOT ENTHUSIASTIC ABOUT WITHDRAWAL OF LAA LANDING RIGHTS BECAUSE SUCH ACTION COULD INVITE LIBYAN COURT CHALLENGE WHICH HMG WANTS TO AVOID. END SUMMARY.  
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3. WE MADE DEMARCHE CONTAINED REFTTEL TO RODRIC BRAITHWAITE, DEPUTY UNDER SECRETARY, ECONOMIC RELATIONS DEPARTMENT, FOREIGN AND COMMONWEALTH OFFICE (FCO). DUNCAN SLATER, NEWLY APPOINTED ASSISTANT UNDER SECRETARY, WHO HANDLES TERRORISM, AVIATION, ENERGY AND SCIENCE

DECLASSIFIED

NLRR M1123 #101122

BY RW NARA DATE 3/28/17

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U N C L A S S I F I E D

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MATTERS, ALSO ATTENDED THE MEETING. WE NOTED DIVERSION OF THE TWO AIRBUS A-310 AIRCRAFT IS LATEST IN SERIES OF LIBYAN ATTEMPTS TO CIRCUMVENT U.S. EXPORT CONTROL REQUIREMENTS AND EMPHASIZED LIBYA'S USE OF ITS AIRLINE TO PROMOTE TERRORISM AND SUBVERSION IN COUNTRIES SUCH AS CHAD, UGANDA AND SUDAN. WE EXPLAINED U.S. WAS ASKING SEVERAL WESTERN GOVERNMENTS TO TAKE THE FOLLOWING STEPS: WITHDRAW LAA LANDING RIGHTS, SUSPEND FLIGHTS TO LIBYA, INSTITUTE AN EXPORT LICENSING REQUIREMENT AND PREVENT FIRMS FROM SERVICING LAA AIRCRAFT. WE PRAISED NEW U.K. EXPORT LICENSE REQUIREMENT AND URGED FURTHER U.K. MEASURES TO PREVENT LAA FROM SUPPORTING SUBVERSION.

4. BRAITHWAITE SAID U.K., OF COURSE, SUPPORTS U.S. EFFORTS TO REDUCE LIBYA'S ABILITY TO SUPPORT SUBVERSION. WITH REGARD TO SPECIFIC NEW MEASURES, BRAITHWAITE FELT U.K. ALREADY COMPLIES WITH MOST. HE NOTED BA DOESN'T FLY TO LIBYA AND BCAL HAD SUSPENDED FLIGHTS THERE. WE SUGGESTED SUSPENSION MIGHT ONLY BE TEMPORARY. BRAITHWAITE THOUGHT IT WOULD LAST QUITE AWHILE BECAUSE OF SUSPICIONS AND MISTRUST OVER AIRBUS DIVERSION. HE HEDGED, HOWEVER, WHEN ASKED IF HMG WOULD INTERVENE TO STOP BCAL FLIGHTS IN THE FUTURE IF BCAL DECIDED TO RESUME THEM.

5. WITH REGARD TO WITHDRAWAL OF LANDING RIGHTS, BRAITHWAITE EXPLAINED BRITAIN HAS A BILATERAL AIR AGREEMENT WITH LIBYA WHICH INCLUDES A ONE-YEAR NOTIFICATION CLAUSE FOR TERMINATION. HMG COULD UNILATERALLY WITHDRAW LANDING RIGHTS, BUT THAT WOULD LEAVE GOVERNMENT OPEN TO LEGAL CHALLENGE BY LIBYA WITH OUTCOME UNCLEAR. BRAITHWAITE SAID U.K. CONTINUING TO CONSIDER A WITHDRAWAL OPTION, BUT WITHOUT MUCH ENTHUSIASM DUE TO LEGAL UNCERTAINTIES.

6. BRAITHWAITE SAID HE WASN'T AWARE OF ANY U.K. FIRMS

SERVICING LAA AIRCRAFT AND DIDN'T THINK THIS WAS A PROBLEM. WE THEN TURNED TO FORTHCOMING CUSTOMS INQUIRY INTO DIVERSION OF TWO AIRBUS A-310'S. BRAITHWAITE ASSURED US HMG WOULD COOPERATE FULLY. HOWEVER, HE REMINDED US OF NEED TO COMPLY WITH NEW U.K. GUIDELINES COVERING FOREIGN INVESTIGATIONS IN THE U.K. WE INDICATED U.S. CUSTOMS BEPS WOULD STAY IN CLOSE TOUCH WITH HMG CUSTOMS BOTH BEFORE AND DURING THE INQUIRY. BRAITHWAITE THEN EXPRESSED APPRECIATION FOR SENSITIVE USG APPROACH TO EXTRATERRITORIAL ISSUES WHICH HAD HELPED TO AVOID BILATERAL PROBLEMS.

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U N C L A S S I F I E D

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7. AT CLOSE OF MEETING, BRAITHWAITE SAID U.K. LOOKING  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~SECRET~~ SECTION G: OF 02 LONDON 18465

EXDIS

ABU DHABI PASS DUBAI

E.O. 12356: DECL: OADR  
TAGS: ETTG, EAIR, LY, FR, UK, GE, NL, GR, IT, SP  
SUBJECT: AIRBUS DIVERSION TO LIBYA: FOLLOW UP STEPS

FORWARD TO DISCUSSING THESE AND OTHER ISSUES WITH  
AMBASSADOR WALTERS DURING HIS FORTHCOMING VISIT.

PRICE

\*\* END OF CABLE \*\*

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U N C L A S S I F I E D

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6303



DEPARTMENT OF THE TREASURY

WASHINGTON

August 28, 1986

GENERAL COUNSEL

Mike Armacost

✓ Rod McDaniel

Attached for use by Dick Walters and his team are: (1) a two-page summary on economic sanctions, and (2) individual country talking points. These items supplement Treasury's submission earlier this week to Mike Ussery.

Attachments

cc: Bob Oakley  
Arnie Raphael  
Mike Ussery  
Howard Teicher

RMK

ROBERT M. KIMMITT

ROOM 3000  
566-2093

## ECONOMIC SANCTIONS AGAINST LIBYA

1. Initiation of Sanctions. The President issued Executive Orders on January 7 and 8, 1986, imposing, respectively, (a) an embargo (effective February 1) on trade, transportation, financial, and travel transactions by U.S. persons with or benefiting Libya; and (b) a freeze or blocking of all property of the Libyan Government in the United States or in the possession or control of U.S. persons. The Executive Orders are implemented primarily by the Treasury Department's Office of Foreign Assets Control pursuant to its Libyan Sanctions Regulations (LSR). The sanctions do not extend to U.S. subsidiaries overseas, principally because of European concerns about extraterritoriality.
2. Treatment of U.S. Companies Operating in Libya. Certain U.S. companies (five oil companies and several service companies) were authorized by specific Treasury license to continue winding down their operations in Libya after the February 1 effective date of the trade and travel restrictions. The licenses were granted to avoid providing a windfall to Libya by forfeiture of U.S. assets.
3. Tokyo Summit Statement on International Terrorism. On May 5, during the Tokyo Economic Summit, the United States joined with Canada, France, Germany, Italy, Japan, and the United Kingdom in issuing a Statement on International Terrorism, outlining measures to be taken against nations sponsoring terrorism. Libya was the sole country mentioned by name as such a sponsor.
4. June 30 Termination of Operating Licenses. President Reagan further announced at the Tokyo Summit that U.S. companies operating in Libya under Treasury license would have to terminate all Libyan operations by June 30, 1986. The licenses were amended accordingly, and we believe all licensees have complied with this deadline. We are aware of no U.S.-incorporated firm operating currently in Libya, nor are we aware of any U.S. foreign affiliate employing U.S. citizens or residents in Libya. U.S. firms are permitted to continue discussions toward sale of their fixed assets, but only to Libyan entities (to avoid having other countries fill in behind the U.S.).
5. Libya-Related Litigation. In June, the Libyan Arab Foreign Bank (LAFB) brought suit against Bankers Trust Company (BT) in London for release of LAFB's blocked funds in BT's London branch, and release of funds in BT's New York branch which the Libyans maintain should have been in London at the time of the freeze. The USG has provided assistance to BT concerning this suit, and has worked with HMG seeking British support for our position. A

summary judgment hearing will take place in London on October 2-3, 1986, with the main trial next summer. Other relevant litigation includes: (a) Farrakhan v. Reagan, a federal district court case challenging (i) the financial sanctions against Libya as violating First Amendment religious exercise rights, and (ii) the Libyan travel ban, as restricting First Amendment free speech rights; (b) Chang v. U.S., a Claims Court case in which six petroleum engineers, previously employed by a Libyan oil company, allege that the Libyan sanctions constitute an unlawful taking of their property.

6. Further Regulatory Changes. The LSR were amended in June to further restrict exports to third countries for their use in producing goods for export to Libya. Under the Executive Order as originally issued, exports from the United States to a third country, even when known to be intended for the manufacture of products for Libya, were not prohibited if the U.S. exports were to be "substantially transformed" or incorporated into foreign-manufactured goods in the third country. The amended regulation prohibits such U.S. exports if the third-country product will be used in the Libyan petroleum or petrochemical industry, the major sources of Libya's foreign exchange earnings.

7. Reports on Libyan Activities of U.S. Foreign Affiliates. In July, Treasury issued a regulation requiring U.S. firms to report on the Libyan transactions of their controlled foreign affiliates. All responses should be received by early September 1986. This information is being gathered to determine whether U.S. firms have illegally transferred Libyan business to offshore affiliates in evasion of the LSR, and to provide an overview of the extent of involvement in the Libyan economy of U.S.-controlled firms abroad. The U.S. expects to share information developed through the census with its allies, in the expectation that they will take action to reduce the involvement of their businesses (including those controlled by U.S. firms) in Libyan transactions. We may also want to consider limited extraterritorial application of our sanctions to those U.S. subsidiaries overseas with large numbers of employees in Libya but minimal numbers of employees in European countries.

8. Certification Agreements. Following a decision to prohibit the importation of oil products refined from Libyan crude oil, Washington informed various U.S. embassies in Europe that the U.S. would be seeking to negotiate certification agreements with countries that both import Libyan crude oil and export refined oil products to the United States. The embassies were asked to advise host governments of the certification requirement, and to gather import/export data and general background information on each affected country's oil industry. A Treasury-led team is expected to visit relevant countries in October to negotiate the agreements.



## CANADA

### Talking Points Concerning Economic Matters:

- We appreciate Canada's past efforts in persuading Canadian companies not to fall in behind U.S. companies that have ceased their Libyan-related operations.
- We would appreciate anything you could do to prevent Canadian nationals from working in Libya.
- We anticipate sending a team in early October to a number of European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. According to our information, Canada does not import significant amounts of Libyan crude, but we would prefer you cut off even those small amounts, as the French have announced. Short of that result, we would like to conclude a certification agreement quickly and amicably.
- We also hope that Canada will do what it can to reduce the amount of business done with Libya by Canadian companies.
- We are now compiling the results of our census of the Libyan-related activities of foreign subsidiaries of U.S. companies. If the census indicates that there are some Canadian subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

## United Kingdom

### Talking Points Concerning Economic Matters:

- We very much appreciate the cooperation we have received from your government concerning the litigation brought in London by the Libyans against Bankers Trust for the unblocking of their funds. Given the evidence we have of Libyan use of the banking system in connection with their terrorism activities, we think that it is particularly important that this case be decided in Bankers Trust's favor. We may be asking you for further assistance concerning this case.
- We anticipate sending a team in early October to European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that such negotiations can be done quickly, amicably, and successfully. It will be important to conclude such agreements even with countries like the U.K. with only limited Libyan imports, as an incentive to those like Italy, Spain, and the Netherlands, with considerable Libyan crude imports. Of course, there would be no need whatever for a certification if you ceased all Libyan crude imports.
- We hope that U.K. will do as much as it can to reduce the amount of business done with Libya by U.K. companies. We are particularly concerned about the large amount of Libyan oil now being purchased by BP and Royal Dutch Shell.
- We were distressed by the recent acquisition by the Libyans of two Airbus planes that had been sold by British Caledonian Airlines. We hope that your government will take step to ensure that there are no similar occurrences in the future.
- We are now compiling the results of our census of the Libyan-related activities of U.S. companies. If the census indicates that there are some U.K. subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

FRANCE

Talking Points Concerning Economic Matters:

- We very much appreciate your government's effort to reduce and eventually terminate imports of Libyan oil into France.
- We anticipate sending a team in early October to a number of European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. If reports we have seen are accurate, and France has in fact ceased to import Libyan oil, a full-fledged certification agreement would not be necessary. However, if you still are importing Libyan crude, we want to conclude such an agreement with you as an example that could be set for other countries.
- We would hope that France will do what it can to reduce the amount of business done with Libya by French companies. We are particularly concerned about French companies (Schlumberger, for example) that are involved in oil service activities in Libya.
- We are now compiling the results of our census of the Libyan-related activities of foreign subsidiaries of U.S. companies. If the census indicates that there are some French subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- We strongly urge your government to do everything it can to terminate all repair and maintenance of Libyan military and commercial aircraft by Air France and other companies in France. If this activity were to continue, we may have to consider limiting the supply of spare parts from the United States to French repair and maintenance companies.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

WEST GERMANY

Talking Points Concerning Economic Matters:

- We would appreciate any steps your government could take further to reduce imports of Libyan oil into Germany, or dealings in Libyan oil by the FRG companies, including FRG subsidiaries of U.S. companies.
- We anticipate sending a team in early October to the FRG and a number of other European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that such negotiations will proceed quickly, amicably and successfully.
- We hope that the FRG will do what it can to reduce the amount of business done with Libya by German companies.
- We are now compiling the results of our census of the Libyan-related activities of foreign subsidiaries of U.S. companies. If the census indicates that there are some German subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We ourselves may take steps to prevent foreign subsidiaries of U.S. companies which have extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

## ITALY

### Talking Points Concerning Economic Matters:

- We appreciate your government's efforts to reduce imports of Libyan oil into Italy.
- Since Italy is a major importer of Libyan oil, we would appreciate any further steps you could take to reduce imports of Libyan oil.
- We anticipate sending a team in early October to Italy and other European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that such negotiations can be done quickly, amicably, and successfully.
- We hope that Italy will do as much as it can to reduce the amount of business done with Libya by Italian companies.
- We are now compiling the results of our census of the Libyan-related activities of U.S. companies. If the census indicates that there are some Italian subsidiaries of U.S. companies that are particularly active with respect to Libya, we may consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- We are following the litigation in Italy concerning the freezing of Libyan assets. We hope that your government will do what it can to keep these and other Libyan assets tied up and hence unavailable for use by Libya. In addition to protecting Italian business interests, such action also denies Qadhafi funds he could use for terrorism.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

## SPAIN

### Talking Points Concerning Economic Matters:

- Spain is a major importer of Libyan crude.
- We realize that oil imports into Spain are done by private companies, but we think that it would be worthwhile for your government to approach those companies to reduce such imports. Other governments have been successful in getting their companies to reduce imports of Libyan oil.
- We anticipate sending a team in early October to Spain and other European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that these negotiations can be done quickly, amicably, and successfully.
- We hope that Spain will do as much as it can to reduce the amount of business done with Libya by Spanish companies.
- We are now compiling the results of our census of the Libyan-related activities of U.S. companies. If the census indicates that there are some Spanish subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

## THE NETHERLANDS

### Talking Points Concerning Economic Matters:

- We understand that your government has made efforts to reduce imports of Libyan oil into the Netherlands.
- Since the Netherlands is a major importer of Libyan oil, we would appreciate any further steps you could take to reduce imports of Libyan oil. In this regard, we note that Royal Dutch Shell is a major purchaser of Libyan crude.
- We anticipate sending a team in early October to the Netherlands and other European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that these negotiations can be done quickly, amicably and successfully.
- We appreciate your government's efforts to discourage Dutch firms from filling in behind U.S. firms leaving Libya.
- We hope that the Netherlands will do as much as it can to reduce the amount of business done with Libya by Dutch companies.
- We understand that your government has reduced the amount of export credit guarantees that it makes available to companies doing business with Libya, but we think that there is room for further reduction of short term guarantees.
- We are now compiling the results of our census of the Libyan-related activities of U.S. companies. If the census indicates that there are some Dutch subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?

BELGIUM

Talking Points Concerning Economic Matters:

- We appreciate your government's efforts in the past to reduce imports of Libyan oil into Belgium. Anything you could do further to reduce such imports would be greatly appreciated.
- We anticipate sending a team in early October to a number of European countries to negotiate certification agreements aimed at preventing products refined from Libyan crude from being imported into the United States. We hope that such negotiations will proceed quickly, amicably, and successfully.
- We request Belgium to do what it can to reduce the amount of business done with Libya by Belgian companies.
- We are now compiling the results of our census of the Libyan-related activities of foreign subsidiaries of U.S. companies. If the census indicates that there are some Belgian subsidiaries of U.S. companies that are particularly active with respect to Libya, we will consult with you about your approaching those subsidiaries as we approach their U.S. parents to reduce the level of those activities.
- We may take steps ourselves to prevent foreign subsidiaries of U.S. companies with extensive operations in Libya, but few operations or personnel in the country of incorporation, from continuing their operations in Libya. We will consult with you before taking such steps.
- What further economic steps does your government plan to take to bring pressure to bear against Libya?



U.S. AND LIBYA--Despite widespread coverage of yesterday's denial by the White House that it is trying to provoke Qaddafi, media abroad reflected "concern" over a possible U.S. military strike against Tripoli. Writers judged that this might be used by Ambassador Walters to induce European allies to apply more stringent economic sanctions.

BRITAIN: "U.S. Denies Provoking Qaddafi"

Headlines appearing this morning in London were "U.S. Denies Provoking Qaddafi...RAF Dismisses Fear of Libya Strike as F-111s Arrive at Base" (Times), "U.S. Jets 'Only Here for War Games'...Storm Over Sale of British Jet to Qaddafi" (Guardian), "Britain Warns U.S. on Libya" (Daily Telegraph) and "Libya Takes Delivery of Aircraft Despite U.S. Ban" (Financial Times).

"U.S. Insists It Has 'Credible' Intelligence on Qaddafi"

The conservative Times Washington correspondent Michael Binyon filed, "The White House denies that the United States has been trying to provoke Colonel Qaddafi into an irrational reaction, and insists that its assessment of the situation in Libya is 'realistic.'..."

(Mr. Speakes said the Administration) had 'credible' intelligence information that Qaddafi was planning new terrorist activities against U.S. targets.

"Mr. Vernon Walters...will leave for Europe this weekend to present this information to West European leaders in an attempt to rally support for tighter sanctions against Libya..."

"F-111s in Britain for Exercises"

According to the Times defense correspondent, "The arrival of the (F-111) aircraft at Boscombe Down, Wiltshire, fuelled speculation that they might be intended to take part in a strike against Libya, but everything points to their arrival being genuinely for exercise purposes..."

"Restrict Sales of Libyan Oil"

A columnist for the paper commented, "The fear of another American attack could be used to induce the Europeans to go along with more stringent economic sanctions as the lesser evil. It therefore seems likely that the military demonstration in the Gulf of Sidra is partly intended to frighten us into tightening the nonmilitary screw..."

"As for for economic sanctions, why not? If Western Europe, the United States and half the Middle East is in fact united in regarding Qaddafi as in need of restraint, if it can be done, then the best practical method of doing so is by restricting the sale of Libyan oil..."

"U.K. Will Require 'Hard Evidence' on Qaddafi"

The conservative Daily Telegraph Washington correspondent Frank Taylor reported, "Britain will require 'hard evidence' that Colonel Qaddafi is preparing terrorist acts before considering cooperating in another American air strike against Libyan targets.

"Sir Anthony Acland...is prepared to convey that message to the Reagan Administration in talks at the State Department today. Sir Anthony, who will see Mr. John Whitehead...will ask for the latest details of reports of terrorist plots..."

FRANCE: "Washington Still Accusing Qaddafi"

Today's Parisian headlines included "Threats Against Colonel Qaddafi Are Not Unanimously Favored in Washington" (Le Monde), "Washington Still Accusing Qaddafi" (Figaro) and "U.S.-Libya: Reagan Shows His Force" (Le Matin).

"Administration Divided Over Military Action Against Tripoli"

Pro-Socialist Le Matin's Washington correspondent Pascal Audigier said, "Is military action against Libya necessary? The question divides the American Administration....In California, White House spokesman Larry Speakes tried to restore order in the ranks of the Administration and quiet the cacophony of editorials..."

"As for dissenting sources within the Administration who are trying to minimize the new tension between Washington and Tripoli, Speakes assured reporters that they are only subordinates of senior officials in Washington who don't know what's going on in California..."

"Among those he named who 'know' are Secretary of State Shultz, Donald Regan and NSC Director John Poindexter. One noticeable absence from this list is the Secretary of Defense, Caspar Weinberger, whose opposition to the use of military force is well known."

WEST GERMANY: "Moscow Warns Washington Against Attack on Libya"

In the FRG today, dailies headlined "Reagan's Spokesman: We Do Not Intend to Provoke Qaddafi" (Frankfurter Rundschau), "Moscow Warns Washington Against Attack on Libya" (Rheinische Post) and "Bonn Reaction to American Pressure on Qaddafi Marked by Nervousness" (General-Anzeiger).

"Concern in Bonn About Consequences of U.S. Libya Actions"

Bonn's independent General-Anzeiger noted, "Reaction by political circles in Bonn to growing American pressure on Libya has been marked by nervousness....Information is expected from Ambassador Vernon Walters, who will see Chancellor Kohl and Foreign Minister Genscher next Wednesday..."

"There is concern in Bonn about repercussions of this development (an attack on Libya) on the East-West dialogue similar to those of last spring when the Soviets, in reaction to the American air raid on Libya, cancelled the planned U.S.-Soviet foreign ministers' meeting."

ITALY: "Libya, Craxi Alarmed"

Significant headlines in Italy today read "White House Reassures European Allies: 'We Will Not Attack Qaddafi if He Behaves'" (Corriere della Sera), "Reagan: 'Do Not Buy Libyan Oil'" (La Stampa and Il Messaggero), "Libya, Craxi Alarmed" (La Repubblica), "Craxi: 'Military Action Against Tripoli Could Not Be Justified Now'" (Il Messaggero) and "Reagan Blackmails Europeans: Sanctions or New Raid on Libya" (Communist l'Unita).

Why Craxi Wanted to Make Italian Position Clear

Leftist, influential La Repubblica noted, "One cannot exclude that the U.S. envoy (Mr. Walters) will also report on the possibility of a new military operation."

"That is why (Italian Prime Minister) Craxi wanted to make clear the Italian position, saying in substance that any military operation appears totally unjustified..."

"Walters Visit Opens European Front of 'War' Against Libya"

A front-page report from Washington in centrist La Stampa by correspondent Ezio Mauro said, "The United States is going to open the European front tomorrow in its 'war' with Libya. Vernon Walters is going to begin his tour of allied capitals..."

"The White House will also ask Europe not to buy Libyan oil, a measure which would affect Italy and West Germany in particular. Reagan's pressure on the allies is going to be very strong this time: Walters' task is to explain that, if Europeans do not join the United States...the United States will have no choice other than the use of force against Tripoli..."

"Walters' Objective: Qaddafi's Oil"

Roberto Pesenti reported from New York in Rome's Socialist-leaning Il Messaggero, "The primary objective of Ambassador Walters' new European mission is Qaddafi's oil..."

"Walters is going to ask Europeans--Italy and West Germany in particular--for drastic cuts of their oil imports from Libya, a request likely to force the Libyan regime to the ropes.

"This request for cooperation will be made cautiously and not in the form of an ultimatum....The White House has no intention whatsoever of opening new splits with the allies..."

SWITZERLAND: "Rambo Admirers Would Be First to Agree"

Geneva's independent La Suisse commented editorially this morning, "The Reagan Administration seems fond of crusading. During the summer it was the antidrug and anti-Sandinista crusades that hit the headlines; now it is antiterrorism again..."

"This new trial of strength aims at pushing Colonel Qaddafi--who is said to be very depressed--into doing something silly which would precipitate his fall.

"This would show America's European allies, considered too soft on terrorism, that force is the only effective weapon. Admirers of Rambo would be the first to agree."

BELGIUM: "Qaddafi, Watch Out!"

Extensive media coverage highlighted U.S. statements denying that the Administration aimed at "provoking" Colonel Qaddafi, with headlines such as "U.S. Wants to Step Up Sanctions Against Libya" (liberal Catholic De Standaard), "Qaddafi, Watch Out! The F-111 Is There Again!" (Catholic Het Belang van Limburg) and "Soviet Union Warns U.S. Against Actions Against Libya... Washington Denies It Wants to Provoke Qaddafi" (conservative Catholic Gazet van Antwerpen).

RTBF-TV asserted that "not everybody in the United States is convinced of the purity of the Reagan Administration's intentions" (in Libya) and quoted the Washington Post as evidence.

SPAIN: Walters in Madrid Monday

All Spanish dailies, TV and radio today highlighted the fact that Ambassador Walters will meet with Foreign Affairs Minister Fernandez Ordonez on Monday, September 1, but will not see Prime Minister Felipe Gonzalez.

IRELAND: "White House, State Department at Odds"

In a report today, Dublin's liberal Irish Times said, "White House and State Department officials appear to be at odds about the nature of the alleged terrorist threat posed by Qaddafi as U.S. diplomats reassure their West European allies that no air strikes are contemplated at this time against Libya.

"Privately some State Department officials have played down the scare as an attempt by National Security Council staff based in the White House to provoke Qaddafi..."

SOVIET UNION: "Gerasimov Condemns U.S. Moves Against Libya"

Moscow TASS stated yesterday, "A situation forms in the South Mediterranean which is similar to the situation which preceded the U.S. aggression against Libya in April...said Gennadiy Gerasimov, chief of the Information Department of the USSR Foreign Ministry..."

"The United States accuses Libya anew without furnishing any concrete proofs....The Soviet Union, Gerasimov said, has always opposed and continues to oppose international terrorism but it comes out strongly against international gangsterism and state terrorism to be practiced under the cover of the struggle against this evil."

JORDAN: "U.S. Waging War of Nerves Against Libya"

Amman papers led yesterday with the continuation of "the atmosphere of U.S. aggression against Libya." Citing the Washington Post, papers reported, "The U.S. Administration is waging a war of nerves with Qaddafi trying to scare him into an irrational reaction."

Independent ad-Dustur was the only one to feature a report claiming that NATO's General Rogers told Stern magazine: "The United States will consider a decision to attack Syria if the United States finds Syrian fingerprints on terrorist attacks against Americans."

SYRIA: Headline Treatment

The only paper to publish today in Damascus, Government-supported al-Thawra, headlined "Libya Informs World of Seriousness of American Provocations...Reagan Signs New Aggression-Justifying Law...Soviet Spokesman Announces: We Support and Back Libya in Its Defense of Its Sovereignty and Independence."

"Egypt a Watchdog of American Imperialist Interests"

A byliner also wrote in the same paper that the just-concluded U.S.-Egyptian "provocative" maneuvers "confirm beyond doubt that Mubarak's regime has become an American-Zionist obedient tool....They also indicate future trends of this regime and the role entrusted to it; a watchdog of the American imperialist interests..."

TUNISIA: "Indications on U.S. Raid Against Libya"

Typical headlines in Tunis today included "USS Forrestal Heading Towards Libyan Coasts: New American Raid Against Tripoli?" (Le Temps) and "Indications on U.S. Raid Against Libya" (as-Sabah).

"Syria Committed to Support Libya"

Yesterday's independent Le Temps also front-paged an article, headlined "General Rogers: Possible U.S. Attack Against Syria," which pointed out, "Syria has since then (the bombing of the West Berlin night club) committed itself to extend unreserved support to Libya in the event of a new U.S. attack."

JAPAN: "Soviets to Visit Libya"

Among Tokyo headlines today were "Libya Planning Terrorism" (Tokyo Shimbun) and "Soviet Delegation Visiting Libya" (Yomiuri).

"U.S. Has Convincing Evidence"

Liberal Tokyo Shimbun's Washington correspondent Osawa said, "According to a senior U.S. Government official, the United States has obtained convincing evidence that Libya plans new terrorist acts..."

"The official confirmed that one of the objectives of the joint U.S.-Egypt sea exercise is to block Libyan terrorist activity."

"Positive Evidence"

Liberal Asahi had a Jiji Press report from its Washington on the senior U.S. Government official's briefing saying, "The United States has positive evidence that Col. Qaddafi is planning terrorist action again..."

"Soviets Will Participate in Libyan Anniversary"

Moderate Yomiuri published a report from Moscow correspondent that "Soviet Foreign Ministry spokesman Gerasimov told a news conference that a Soviet delegation headed by Vice President Demichev will leave for Libya on August 30 to participate in the nation's 17th anniversary ceremony..."

HONG KONG: "Obvious Deployment to Punish Libya"

Headlines said "U.S. Holds Maneuvers in Mediterranean, Denies Intent to Punish Libya" (Ming Pao), "U.S. Again Charges Libya Hatching Sinister Plots" (Sing Pao Daily News), "Two U.S. Aircraft Carriers Arriving in Mediterranean Sea, Obvious Deployment to Punish Libya" (Sing Tao Jih Pao) and "USSR Supports Libyan Denunciation of U.S.; High-Level Group to Visit Tripoli" (Oriental Daily News).

"Marginal War"

Pro-PRC New Evening Post declared, "The United States is undertaking massive military...movements and has elaborately arranged a strategy of marginal war."

"Is this only aimed at Qaddafi? The answer to this question should be based on an analysis of the U.S.-Soviet relationship."

"At a time when the USSR is urging the United States to agree to a nuclear test ban, other countries are getting the impression that the USSR is relaxed while the United States insists on its SDI..."

"The new tensions in the Mediterranean will be criticized by the USSR and may impede the U.S.-Soviet summit."

"Diversion"

Independent Ming Pao said: "In order to neutralize Gorbachev's friendly offensive, the United States must divert the attention of its Western European allies. The most effective way to achieve this goal is to expose Libya's international terrorist activities and plots.

"If the United States punishes Libya again, the USSR would have to show its colors, the meeting of the U.S. and Soviet foreign ministers scheduled for September 19-20 in Washington would be ruined, and the second summit stalled, and the pressure on the United States would greatly lessen."

"Reagan Tactics More Harm Than Terrorism"

In an editorial headlined "High Noon for Mad Dog Qaddafi," English-language South China Morning Post said: "Qaddafi is a dangerous man. His demise...would certainly be welcomed by all those countries whose malcontents and psychopaths he has trained in the ways of terror..."

"The danger is that the tactics Mr. Reagan is employing to arrange high noon for the Libyan leader will do more harm to the concepts of justice and rule of law than has ever been inflicted by terrorism..."

CHINA: "White House Now in Unreasonable Position"

The leading People's Daily said today, "The White House, up to now, has not put forward concrete proof to show that Libya was the arch-criminal of world terrorism, and has now been put into an unreasonable position.

"As a result, by acting to punish Libya, the United States, itself, was punished..."

MALAYSIA: Many Faces of Terrorism

The Chinese Language Sin Chew Jit Poh today said, "At present the world faces acts of terrorism perpetrated mainly by the IRA, Basque separatists, Armenian terrorists, Sikh terrorists, leftists in many parts of the world and the Israelis.

"The only alternative is the application of political wisdom together with unity and cooperation of the world community to dissolve disputes and hatred..."



INDIA: "Nervous European Allies Reassured by U.S."

Today's independent Indian Express carried Washington correspondent Shahnaz Aiyar's report saying that "nervous European allies were reassured by the United States that President Reagan is not planning another attack on Libya.

"They were told that UN Ambassador Vernon Walters will visit Europe to ask the allies to stop buying Libyan oil--not to inform them of an impending U.S. plan to bomb Libya...

"However, the Europeans have been told that there is extensive evidence of a new Libyan terrorist plot against Americans."

ARGENTINA: Front-Page Treatment

Front-page headlines in Buenos Aires yesterday were "Fears That Reagan May Order Libya Attack...Europe, U.S. Worried" (pro-Government La Razon), "U.S. Denies Provoking Qaddafi" (liberal Buenos Aires Herald) and "Moscow Predicts Another U.S. Attack on Libya" (pro-Government Tiempo Argentino).

\* \* \* \* \*

U.S.-USSR RELATIONS--President Reagan's Fortune interview was covered by French and West German papers, commenting on his "praise for Gorbachev." Elsewhere, commentators further evaluated U.S.-USSR progress on arms control issues.

FRANCE: "Progress at CDE in Stockholm"

Liberal Le Monde had this wire service report, "While Americans and Soviets multiplied their contradictory statements with regard to a second Reagan-Gorbachev Summit, notable progress was made at the CDE in Stockholm..."

"In an interview published Wednesday in Fortune, President Reagan stated that he thought an accord was possible with Gorbachev. 'I find him affable, totally different from other leaders that I've met. I honestly think that a basis exists from which we can make an accord.'..."

WEST GERMANY: "Good Things About Gorbachev"

Headlines in the FRG this morning were "Reagan Has High Praise for Gorbachev" (Sueddeutsche Zeitung), "Good Things About Gorbachev" (Frankfurter Allgemeine), "U.S. Compliment for Gorbachev" (Bonner Rundschau) and "Reagan Praises Gorbachev's Readiness for Disarmament" (Neue Ruhr Zeitung).

"Reagan Finds Gorbachev an Exceptional Man"

A byliner in conservative Frankfurter Allgemeine commented, "President Reagan has found that Soviet leader Gorbachev is an exceptional man, that one can do business with him..."

"Reagan indicated that he was pleased because Gorbachev was the first Russian leader to propose reduction of existing weapons.

"However, such proposals had been made by Andropov in 1983 with regard to the SS-20....Question: Does someone in the Reagan Administration check such remarks by the President as to whether they hold water?"

"Soviets Embarrass U.S With Call for Nuclear Test Suspension"

Washington correspondent Fritz Wirth said in conservative Die Welt of Bonn: "One of the most effective instruments of the Soviets is their call for nuclear test suspension. They know very well that, for the time being, the United States can only say 'no' to their proposals.

"In view of the prevailing international climate against nuclear weapons, the American 'no' is grist for Soviet propaganda mills.

"The Soviets leave no stone unturned to elicit such an American 'no' as often as they can....A nuclear test ban would be a means of stopping or delaying American SDI research."

Rogers Proposal on Withdrawal of Nuclear Weapons From FRG

In reference to General Rogers' interview in Stern magazine, liberal Stuttgarter Zeitung said, "If one reads the text of his interview...his announcement sounds less dramatic..."

"He pointed out that other countries would have to be ready to accept the nuclear warheads that would be withdrawn from the FRG....It is highly uncertain that they would agree to such redistribution..."

"Reduction and redistribution of nuclear warheads in Europe might be of great psychological significance but would not be a step to real disarmament."

AUSTRIA: "Suspicion"

In a front-page commentary in Innsbruck's Catholic weekly Praesent yesterday headlined "Suspicion," a byliner said, "At CDE in Stockholm, the West audibly sighed with relief when the Soviets, after saying 'nyet' for a very long time, agreed to mutual inspections.

"Right after this ray of light, however, the cold shower came. Moscow has now made it clear: inspections are all right, but only outside restricted military areas. This is preposterous: two thirds of the national territory of the GDR is, for instance, a restricted area."

SOVIET UNION: "Reagan Losing out Over Moratorium Issue"

Moscow television commented yesterday, "The Reagan Administration is losing out politically (by not joining the moratorium on nuclear testing)..."

"In world politics, it is extremely rare that immediate and, so to speak, clear results are achieved. But our moratorium continues to force and continues to influence the moral and political climate of the world and America itself."

AUSTRALIA: "Thumbs-Down to Star Wars Research"

The independent Australian headlined "Report Gives Thumbs-Down to Star Wars Research" and said, "The most detailed report on disarmament prepared during the term of the Hawke Government recommends that no Australian research be done on SDI. The Joint Foreign Affairs and Defense Committee report says SDI is probably unworkable but could lead to an escalation in the arms race..."

The Soviet's Ulterior Motives

A byliner wrote on the editorial page of the Melbourne Age that "Chernobyl aside, there is no doubt that the United States has been placed on the defensive in some of the great strategic issues of our time, arms control in particular..."

"But the many initiatives seem to possess ulterior motives. The charm and sophistication with which the Soviet Union now attempts to make its case are poor substitutes for substance.

"The test of sincerity on the nuclear weapons issue is to see if Mr. Gorbachev's dramatic public offers are later submitted in private at the superpower negotiations in Geneva, which is the only place where they really count..."

BRIEFS

## PERES-MUBARAK SUMMIT

ISRAEL: The Three "No's"

Typical headlines were "Mubarak Invites Arafat Following His Meeting With Hussein" (Yediot), "Mubarak Demands PLO Leadership Make Concessions to Israel; Peres: 'I Will Go to Egypt With a No to War, a No to Terrorism and a No to Refusal to Negotiate'" (Maariv), "Tamir: Nothing in World Can Hamper Summit; Mubarak: No Date Set for Summit With Peres" (Haaretz) and "Mubarak on Returning From Meeting With Hussein: Summit Date Only After Final Signing of Arbitration Compromise" (Davar).

"I Will Bring Three No's," Peres"

Middle-of-the-road Maariv cited Prime Minister Peres as saying, in reaction to Egyptian warnings that he had better not bring the three 'no's' he presented at the Ifran summit to his meeting with Mubarak, that "I will bring three 'no's' to Egypt: No to war, no to terrorism and no to refusing negotiations."

"Mubarak-Hussein Will Meet Arafat"

Conservative Yediot Aharonot reported, "President Mubarak yesterday met King Hussein and will meet PLO leader Arafat next week in the hope of reaching a formula which would open the way to Egyptian-Israeli-Jordanian-Palestinian negotiations..."

"No Decision on Date"

Liberal Davar said, "President Mubarak said upon returning from Amman that no decision has yet been made about the date of the summit, and that this will be settled only after the signing of the full Taba arbitration compromise."

"Contrast in Moods"

An editorial in leftist Al Hamishmar said: "Mubarak's unexpected trip to Jordan indicates the importance Egypt's president attaches to his upcoming meeting with Peres.

"This stands in sharp contrast to the mood prevailing at least among the Likud side of the Government, which is trying very hard to play down the summit's significance.

"However, the Labor Party is now more than slightly nervous. A meeting which was supposed to be just another link in a chain of international farewell ceremonies is turning into a political event with long-term effects..."

#### AQUINO U.S. VISIT

##### PHILIPPINES: "Lugar Is Good Friend"

A columnist for independent Business Day remarked, "Lugar...is a good friend of the Philippines. He appears to have fallen in love with...Aquino and the Filipino people after watching their dazzling performance in the last election-turned rebellion..."

##### "Aquino Should Not Go to U.S."

Nationalist Philippine Star ran a columnist's assertion that President Aquino "should not to go to the United States."

He said, "It was President Rambo Reagan who snubbed Ninoy (Aquino) when Ninoy was alive and wanted an 'audience' with him, and the U.S. authorities were, in fact, on the verge of kicking Ninoy and his family out of the United States just before he decided to come home..."

##### "Mistake to Cancel Press Club Appearance"

A pro-Marcos Daily Express columnist held that President Aquino should reconsider a decision not to speak before the Washington National Press Club.

He said, "The idea to cancel a scheduled appearance...was a big mistake....I believe Mrs. Aquino would acquit herself well before the U.S. press if she were to face them."

#### JACKSON'S AFRICA TRIP

##### FRANCE: "Jackson Invites Front-Line Countries to White House"

Typical headlines in Paris today were "The Reverend Jackson: Messenger From the 'Other America'" (Le Monde) and "Jesse Jackson Invites Front-Line Countries to White House" (Liber-ation).

"Jackson Is Putting Added Pressure on White House"

Left-of-center Liberation ran a correspondent's report stating that "'Tornado' Jackson left southern Africa. After spending 15 days touring the six front-line countries in a rhythm similar to an American electoral campaign and surrounded by a heavy contingent of journalists, Reverend Jackson left Harare, his last stop...

"One of the most visible American blacks returns to Washington with a project that will put Ronald Reagan in a bit of an awkward position: the organization of a meeting between the President and the heads of state of the six front-line countries. If possible, in South Africa, if not, in Washington...

"For Jackson, it is a question of putting added pressure on the White House to force the Administration to change its South African policy. Can Ronald Reagan refuse this offer during the height of the legislative campaign, when the American public and Congress are focusing on the South African crisis?"

"Jackson Spent Whole Trip Bad-Mouthing Reagan's Policies"

Influential Le Monde's Harare correspondent asked, "What did it matter that the black preacher spent his entire trip bad-mouthing President Reagan's policies toward South Africa? The accounts will be settled perhaps elsewhere and at another time..."

"It is not by chance that Jackson's tour is at the same time as the opening of the summit of nonaligned countries. In rolling out the red carpet for this American, his hosts willingly put Reagan in an awkward position."

ZIMBABWE: Mugabe-Jackson Press Conference

In Harare yesterday, the official Zimbabwe Inter-African News Agency (ZIANA) ran a wire story on a press conference held in that city with Reverend Jackson and Prime Minister Mugabe.

The story reported that "Robert Mugabe said here today that he was prepared to tour the United States to update the American community on the situation in southern Africa.

"At a joint press conference marking the end of a 15-day tour of Nigeria and the front-line states by the American politician and civil rights leader, Reverend Jesse Jackson, Mr. Mugabe said this was in an addition to his willingness to join other heads of state in meeting with President Reagan to abolish apartheid."

## NONALIGNED MOVEMENT

ITALY: "Crisis of a Utopia"

An editorial today in Rome's Socialist-leaning Il Messaggero, headlined "Crisis of a Utopia," asked: "Are we witnessing a 'major political event,' as Pravda puts it, or are the 15,000 delegates from around the world going to achieve no results other than hopelessly weighing the balance of lost hopes and missed opportunities?..."

"The moral force of the Nonaligned Movement, if it ever existed, is now lying in pieces on the many battlefields of hate, ferociousness and misunderstanding.

"Differing interests, religions, ideologies and political pressures, hunger and greed have turned the Nonaligned Movement into something little different from an empty formula.

"It is a large international apparatus which feeds an expensive bureaucracy with few or no results. Even the superpowers, for reasons of supremacy, have contributed to such a sad reality..."

SWITZERLAND: "Third World No Longer Blindly Following Moscow"

Middle-of-the-road Le Matin, in an editorial today on non-aligned countries, said: "Zimbabwe is one of the few countries in the Movement which practices real nonalignment, holding the balance between East and West. But its room for maneuver is restricted by its economic dependence on Pretoria.

"The past three years of India's presidency of the Nonaligned Movement, under Rajiv Gandhi, have helped restore much of its damaged credibility and respectability, and Mugabe evidently intends to follow a similar course.

"The third world is no longer blindly following Moscow. This is therefore no time for the West, by compromising with apartheid, to lose the ground that has been gained."

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LIBYAN SANCTIONS UPDATE #5



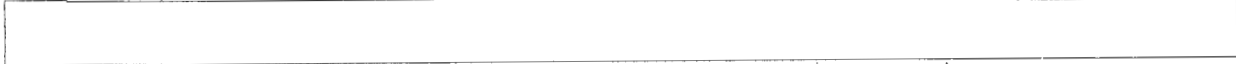
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5 September 1986

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the month of August and includes all West European countries plus Argentina, Brazil, Canada, Japan, and South Korea. Some countries are not mentioned because there were no significant developments.

This report was prepared by the West European Division, Office of European Analysis, with contributions from other offices. Questions and comments are welcome and may be addressed to  Chief, West European Division, 

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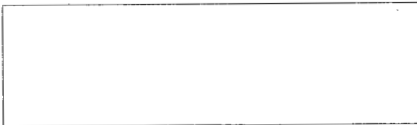
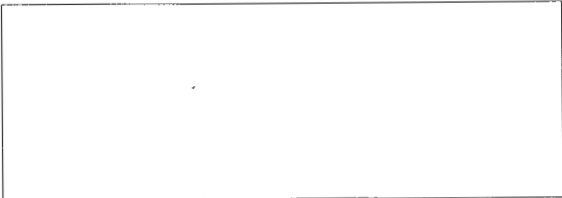
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3.5(c)

Summary

August was probably the quietest month yet in terms of the Libyan sanctions issue. There were no major developments although West European countries may have become somewhat more negative to the US plan to require that oil product exports be certified free of Libyan crude. Most West European leaders probably are inclined to believe recent indications that Libyan leader Qadhafi is renewing his support for terrorism. Their desire to avoid another row with the US over Libya could lead them to agree to symbolic anti-Libyan gestures by the EC, but they are unlikely to pledge much in the way of tangible support for a harder Western line against Tripoli.

[Redacted]

3.5(c)

BELGIUM

Overview

Belgium's economic dealings with Libya have diminished considerably but the government remains opposed to applying economic sanctions to solve political problems. While Brussels has told oil companies it looks down on importing Libyan crude into Belgium, it lacks the legal authority to block such dealings. Belgian officials are also skeptical about the effectiveness of the US certification program.

[Redacted]

3.5(c)

BRAZIL

Actions Undermining US Sanctions

[Large Redacted Area]

3.3(b)(1)  
3.5(c)

[Redacted]

3.5(c)

[Redacted]

3.5(c)

~~TOP SECRET~~

[Redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

3.5(c)

[redacted]

3.3(b)(1)

[redacted] a reputable Brazilian weekly reported this month that, under pressure from arms manufacturers, Brasilia may permit the export to Libya of weapons and equipment that could not be utilized by terrorists, such as tanks and aircraft; small arms and hand grenades would reportedly not be sold. We have no other information to confirm this report. [redacted]

3.5(c)

CANADA

Overview

Canadian policy towards Libya remains unchanged. The economic sanctions imposed in January remain in place and no new ones are currently being considered. Ottawa almost certainly remains willing to implement additional sanctions if they are part of an Alliance-wide action. [redacted]

3.5(c)

[redacted]

3.3(b)(1)  
3.5(c)

FRANCE

Overview

Paris continues to quietly support US efforts to clamp down on Libya. In early August, newspapers picked up the story of French government attempts to persuade companies operating in France not to purchase Libyan oil or oil products. Media attention to this issue died down fairly quickly, however. [redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

[redacted]

3.5(c)

Actions Supporting US Sanctions

The newspaper story on French efforts to cut Libyan oil imports stated that the government had started its quiet efforts in April and that a particularly strong appeal had been made to Elf, the major French oil company. According to the story, BP and Shell were the only companies still buying Libyan oil and the government was preparing written orders to cut off this trade.

[redacted]

3.5(c)

According to the US Embassy, French officials privately confirmed that Elf and Total -- the two major French oil companies -- had ceased importing Libyan oil in mid-April and that the government would continue its discreet efforts to curtail Libyan imports further. The officials expected no public backlash from the untimely publicity. [redacted]

3.5(c)

France is sticking to its de facto embargo on military spare parts and has received complaints on this score from the Libyan Peoples Bureau in Paris, according to a French official. [redacted]

3.3(b)(1)

[redacted] After being approached by the US Embassy concerning allegations that the Libyans were trying to buy tires for Mirage aircraft, French officials later confirmed that one such deal had been squelched and that they would remain alert to other Libyan efforts. [redacted]

3.5(c)

[Large redacted block]

3.3(b)(1)

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

3.5(c)

GREECE

Athens continues to quietly limit relations with Libya, although it still remains reluctant to single Tripoli out as supporting terrorism. [redacted]

3.5(c)

Actions Supporting US Sanctions

[redacted]

3.3(b)(1)  
3.5(c)

The US Embassy reports that Athens has taken several steps which suggest a greater commitment on its part to combat terrorism, although Greece still refuses to single out specific countries for supporting terrorism. Some of these measures include: reducing the staff of the LPB in Athens, tightening security at the Athens airport and seaports, as well as on Greek cruise ships, and the planned addition of special response teams in and around Athens. [redacted]

3.5(c)

[redacted]

3.3(b)(1)  
3.5(c)

Actions Undermining US Sanctions

Deputy Prime Minister Haralambopoulos met with the chief of the Libyan Peoples Bureau in Athens on 14 August to discuss "bilateral issues." A government spokesman refused to give any details on the topics discussed. [redacted]

3.5(c)

IRELAND

Overview

Dublin continues to allow Irish firms to pursue pursue lucrative beef export deals with Libya. [redacted]

3.5(c)

Actions Undermining US Sanctions

The Purcell Group recently announced a record \$200 million deal with Libya for the sale of cattle, beef, and Australian sheep. The actual shipments likely will be significantly lower, however, due reduced Libyan purchasing power and other market conditions. [redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

[redacted]

3.5(c)



~~TOP SECRET~~ [redacted]

3.5(c)

ITALY

Overview

Rome reacted nervously to the recent US-Egyptian maneuvers in the Mediterranean. In a 28 August speech to his Cabinet, Prime Minister Craxi said that Libyan-sponsored terrorism has abated substantially in recent months and that there was no justification for military action against Tripoli at this time. He further stated that Italy would work closely with its allies to reduce tensions in the Mediterranean. [redacted]

3.5(c)

Actions Supporting US Sanctions

Italian judges in Rome and Milan, responding to a request by an Italian firm owed \$4.8 million by a Libyan state-owned company, froze Libyan assets worth \$24 million in five Italian banks pending a hearing scheduled for May 1987. About 20 other firms owed money by Tripoli are considering similar action. A move by two of the banks to have the assets released was denied by a Milan judge, but further court action by the banks and the Libyan government is expected in September. [redacted]

3.5(c)

Actions Undermining US Sanctions

[redacted]

3.3(b)(1)  
3.5(c)

Rome has refused to sever civil aviation connections with Libya because cutting off air service would strand the considerable number of Italian citizens living in Libya. [redacted]

3.5(c)

Although willing to consider the proposed certification program for refined petroleum products, Rome has many reservations about the policing of such a program and its effectiveness in reducing the use of Libyan crude. A Ministry of Foreign Affairs official claims that Italy does not export enough refined product derived from Libyan crude to justify such a program. Rome has been coordinating its position on the certification program with the other EC countries. [redacted]

3.5(c)

Rome recently allowed the Arab Banking Corporation's Milan branch to grant a \$24 million loan to the Libyan Arab Foreign

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

3.5(c)

Investment Company. The company owns 14 percent of Fiat and the money probably was used to partially finance its participation in Fiat's latest share capital increase. [redacted]

3.5(c)

JAPAN

Overview

Japanese economic contacts with Libya have not changed significantly in the last month. Japanese firms continue to be active in Libya, albeit on a fairly small scale, but we have no new indication that companies are violating Tokyo's guidance not to fill in behind US firms and not to broker sales of Libyan crude oil. Japanese Foreign Ministry officials have promised the State Department to "look into" allegations concerning Japanese participation in large-scale construction projects. [redacted]

3.5(c)

Actions Supporting US Sanctions

Japan's trade with Libya is currently slightly below last year's level (which was sharply reduced from 1984 levels) and is unlikely to increase sharply in the near future. Much of the drop in Japanese exports to Libya from 1984 to 1985 was due to decreased motor vehicle shipments, and new shipments are not imminent because Tripoli and Japanese automakers have not agreed to contract terms. [redacted]

3.5(c)

[Large redacted block]

3.3(b)(1)  
3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

[redacted]

3.5(c)

MALTA

Overview

Trade disputes and Libya's inability to deliver on several investment promises have led to a deterioration in Maltese-Libyan relations in the last six months. Prime Minister Mifsud Bonnici's recent sharp criticism of the Libyan government illustrates Valletta's frustration with Tripoli in economic matters, but does not signal any softening of Maltese criticism of US actions against Libya. [redacted]

3.5(c)

Actions Undermining US Sanctions

Prime Minister Bonnici attended ceremonies in Tripoli on 1 September celebrating the anniversary of the Libyan revolution. Before leaving Malta, Bonnici reportedly contacted representatives of the Italian and British governments to reaffirm his willingness to relay messages to Qadhafi. [redacted]

3.5(c)

NETHERLANDS

Overview

The Hague continues to encourage Dutch firms not to undermine US sanctions and Dutch economic relations with Libya are small. Dutch officials have told our Embassy the government does not have the legal authority to ban imports of Libyan crude and is unwilling to take any further action without an EC agreement. [redacted]

3.5(c)

[redacted]

3.3(b)(1)  
3.5(c)

PORTUGAL

Overview

Portugal's stance on Libya essentially remains unchanged. Lisbon recognizes Tripoli's role in international terrorism, and would agree to multilateral efforts to combat it. Portugal will only impose economic sanctions, however, if the EC agrees to do so. [redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.3(b)(1)  
3.5(c)

SPAIN

Overview

Madrid agrees with the US fight against terrorism, but opposes military action. It continues to emphasize that it will not impose economic sanctions against Libya independently of the European Community. Spain places twelfth among all suppliers of refined oil products to the US, and initial reactions to the proposed US ban on oil imports derived from Libyan crude have been negative. [redacted]

3.5(c)

Actions Supporting US Sanctions

In response to a Libyan request to support their International Court of Justice case against the US, a foreign ministry official said that Spain will follow the Community line which will probably not commit the EC to a course of action. He added that the subject is not a high priority item in Madrid and suspects that the initiative will not get very far. [redacted]

3.5(c)

Actions Undermining US Sanctions

[redacted]

3.3(b)(1)  
3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

3.5(c)

~~TOP SECRET~~

[Redacted]

3.5(c)

[Redacted]

3.3(b)(1)  
3.5(c)

The Embassy reports that attempts to discuss the technical details of the proposed certification system for US oil imports with three Spanish officials were not successful. The officials made clear that they will not take action until a decision has been made at the political level on how to respond to the US request. [Redacted]

3.5(c)

Madrid has reiterated that economic sanctions against Libya should only be adopted within the framework of the European Community. Spain will not act independently. [Redacted]

3.5(c)

[Redacted]

3.3(b)(1)  
3.5(c)

TURKEY

Ankara continues to pursue economic relations with Libya in an attempt to revive slumping bilateral trade and secure payment of debt owed by Libya to Turkish contractors. Ankara responded forcefully to criticism by Tripoli of its raid on Kurdish rebels in Iraq, but it probably will not allow the issue to become a major problem between the two countries. [Redacted]

3.5(c)

Actions Supporting US Sanctions

A government spokesman accused Libya of interfering in its internal affairs by criticizing Turkey's 15 August attack against Kurdish insurgents in Iraq. [Redacted]

3.5(c)

Actions Undermining US Sanctions

Turkish Minister of Industry and Technology Cahit Aral visited Libya on 20-24 August to discuss Turkish-Libyan economic relations. Aral met with Qadhafi for 1 1/2 hours to brief him on the Turkish cross-border action in Iraq. [Redacted]

3.5(c)

3.3(b)(1)

[Redacted]

3.5(c)

3.5(c)

3.5(c)

~~TOP SECRET~~

[Redacted]



~~TOP SECRET~~ [redacted]

3.5(c)

[redacted]

3.3(b)(1)  
3.5(c)

Libyan Ambassador Abdulmalik reportedly was still in Turkey as of 7 August, despite Turkish assurances to US officials that the he would depart Turkey. Abdulmalik, who apparently was in Turkey without the knowledge of Turkish officials, has been implicated in the attempted bombing of a US officers' club in Ankara last April. [redacted]

3.5(c)

UNITED KINGDOM

Overview

London remains vigorously opposed to economic sanctions against Libya. The British agree with the US objective of reducing Libyan oil exports but have doubts about the effectiveness of a US embargo on products derived from Libyan crude. Energy officials have expressed a desire to be exempted from the proposed certification program because British imports of crude from Libya and exports of refined products to the US are both small. The British believe it is necessary to persuade Libya's major customers -- such as West Germany and Italy -- to cease importing Libyan oil to make the US policy effective and they have worked unsuccessfully for an EC-wide embargo of Libyan oil. London is not enthusiastic about abrogating its air agreement with Libya by banning Libyan Arab Airlines flights because it believes it would lead to an unwanted court challenge. [redacted]

3.5(c)

Actions Supporting US Sanctions

British Caledonian Airlines has suspended flights to Libya in the wake of the diversion of two Airbusses to Libya. Government officials have told our Embassy they believe the suspension will be lengthy. [redacted]

3.5(c)

Actions Undermining US Sanctions

According to an American businessman, the British company David B. Searle and Associates bought \$250,000 worth of tractor parts from an American company for resale to Libya in late July/early August. [redacted]

3.5(c)

[redacted]

3.5(c)

[redacted]

3.5(c)

~~TOP SECRET~~ [redacted]

3.5(c)

~~TOP SECRET~~

[Redacted]

3.5(c)

WEST GERMANY

Overview

Bonn has reiterated that it considers economic sanctions ineffectual. West German officials attribute this year's sharp decline in bilateral trade with Libya, and Bonn's recent decision to grant Libya no new export credit guarantees, to Libya's declining economy. West Germany has no official policy to discourage trade with Libya. [Redacted]

3.5(c)

Actions Undermining US Sanctions

In response to the US demarche on making Libya a residual oil supplier, West German officials state that they have no legal means to force domestic firms to switch to non-Libyan oil, nor are they encouraging them to do so. [Redacted]

3.5(c)

West German officials have informed the US Embassy that they will not impose a certification system to insure that products refined from Libyan crude are not shipped to the US. They contend that the probability of any such shipments occurring is too low to justify the cost of a certification system. [Redacted]

3.5(c)

[Redacted]

3.5(c)

[Redacted]

3.5(c)

~~TOP SECRET~~

[Redacted]

3.5(c)