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Western Europe: Policies Toward Libya

Summary

Most West European governments remain indulgent of the Qadhafi regime even though their economic dependence has diminished. We believe their tolerance stems from three factors:

— A desire to maintain and expand commercial ties.

— A belief that a soft line has the best chance of modifying Qadhafi's behavior.

— A fear that toughness would not have any effect on Qadhafi and might jeopardize their nationals in Libya.

Some combination of a particularly outrageous act by Qadhafi, a perceived decline in the prospects for a fruitful commercial relationship with Libya, and a more effective Libyan opposition movement might change this attitude. Otherwise we expect the indulgent attitude to continue. [redacted] 25X1

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Introduction

West European tolerance persists in the face of a significant decline in West European economic dependence on Libya, particularly in terms of oil. Western Europe's vulnerability to Libyan oil sanctions, for instance, certainly has fallen. Although overall import levels remain similar to what they were a few years ago—about 8 percent of West European consumption on average—the emergence of the "oil glut" makes it highly unlikely now that Tripoli would even attempt to impose oil sanctions or that such sanctions could work. 25X1

Moreover, because falling oil revenues have curtailed Libyan purchasing power, West European exports to Libya have fallen by about 50 percent over the past three years. In 1983, the Libyan market accounted for only about 0.7 percent of West European export sales, identical to that of Egypt and about a quarter of the proportion taken by Saudi Arabia. Libyan financial investments in Western Europe have also fallen precipitously, from about $13 billion in 1981 to about $4 billion today, according to publicly available data. West European arms sales to Libya have been very limited in recent years accounting for 7 percent or less of sales by the major countries. 25X1

Nevertheless, economic considerations continue to push the West Europeans into taking a soft line. They are first of all reluctant to jeopardize any significant source of trade in view of their serious unemployment problem. Moreover, they almost certainly believe that the Libyan market will increase again due to the country's immense oil wealth, and they do not want to jeopardize their future access. They may also realize that Libya—which possesses one-quarter of the world's oil reserves outside the Persian Gulf—would be a primary alternative oil supplier for Western Europe in the event of a Gulf shutdown. 25X1

Apart from economic motives, we think most West European governments remain convinced that the best strategy for moderating Qadhafi's behavior is to avoid confrontation. Senior West European officials continue to argue that 25X1 Qadhafi is not totally reckless but is rather a pragmatic, if somewhat unbalanced, leader, and that by humoring his pretensions while issuing vague private warnings they can keep his troublemaking within reasonable bounds.

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West European officials contend that any firmer actions against Qadhafi would be ineffective and probably counterproductive. Italian and British officials have told US diplomats, for instance, they believe that the Qadhafi regime is too solidly entrenched to be jeopardized by Western pressure, and according to US Embassy reporting, British and West German officials have argued that concerted Western actions against Qadhafi will prompt him to strengthen ties with the Soviet bloc. 25X1

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Individual Country Perspectives

Italy

Italy has the most important economic relationship with Libya of any of the major countries. In 1983, Libyan purchases accounted for over 3 percent of Italian exports, while Libya supplied about 13 percent of Italian oil consumption requirements. In addition, Italian firms are heavily involved in developing Libya's large offshore oil resources. Tripoli owns at least a one-eighth share of Fiat along with other substantial investments, mainly in southern Italy. 25X1

In recent years Rome has followed a policy of limiting arms sales to weapons that could not be used against Italy. Rome's decision this summer to approve delivery of missiles and artillery pieces previously held up indicates that this policy is being relaxed. Libya has taken only about 7 percent of Italy's arms exports in recent years, but Rome is now looking to expand such sales, according to diplomatic reports. 25X1

Italy's economic relations with Libya have been marred in recent years by Tripoli's unwillingness to repay approximately $600 million in debt to Italian firms. During a visit to Tripoli this past summer, Foreign Minister Andreotti reached a major economic agreement under which Rome accepted--at a probable financial loss--oil shipments in partial payment of this debt. The agreement also paved the way for future accords on consular conventions and recruitment of Italian workers, among other technical issues, and it could open the door to Italian participation in public works projects totaling over $1 billion dollars. 25X1

France

French economic relations with Libya have been very limited in recent years. Exports to Libya have accounted for only 0.4 percent of worldwide French sales, and Libyan oil imports have comprised only about 4 percent of French consumption requirements. Since Libya's foray into Chad in 1983 the French have refused to make arms sales or deliveries to Libya, although they have honored agreements to repair previously purchased weapons. Overall, French arms sales to Libya have been fairly small since the late 1970s--accounting for only about 2 percent of the total--and Paris has rejected Libyan efforts to purchase advanced aircraft or to obtain technical support for Libya's nuclear program. 25X1

In its effort to limit Tripoli's efforts to extend its influence over Francophone Africa, especially Chad, France has pursued a dual strategy: dispatching troops to southern Chad while offering Libya various "carrots"--including a resumption of arms sales and a Qadhafi visit to Paris--in return for Libyan moderation. Now that this strategy has failed to dislodge the Libyans, we believe that the Mitterrand government is resigned to an indefinite Libyan presence in the northern part of that country. 25X1

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[redacted] 25X1

French commercial interests are now pressing for improved relations with Libya to pave the way for increased exports. We believe, however, that the Mitterrand government will find it politically difficult to move ahead with any highly visible improvement in relations with Libya in the near future--say for the next six months to a year. In our view, this precludes sales of sophisticated weaponry and high technology as well as a visit by Qadhafi to Paris. The US Embassy has reported that France's first priority for the time being is to attempt to save face by exerting diplomatic pressure on Libya to abide by the agreement. Both President Mitterrand and Foreign Minister Dumas have publicly insisted that the Libyans must withdraw from Chad before relations can be normalized. [redacted] 25X1

United Kingdom

The US Embassy reports that some Foreign Office officials would like to normalize relations with Tripoli, severed after the shooting incident at the Libyan Embassy last April, but that Prime Minister Thatcher remains adamant against any warming of political relations. The British have cooperated with US efforts to deny Libya nuclear technology and have enhanced counterterrorist cooperation, but British officials remain skeptical about economic sanctions. [redacted] 25X1

While diplomatic relations are frozen, economic ties remain largely as they were prior to the April shooting. Foreign Office officials say that the 3,000 British subjects still living in Libya--largely oil technicians and dependents--have not been advised to leave the country. British officials plan to prevent any new economic deals with Libya for the present but to maintain the level of economic relations existing before April. [redacted] 25X1

Exports to Libya accounted in 1983 for about 0.4 percent of total British trade; oil imports accounted for only about 2 percent of consumption requirements. Arms sales in recent years have been negligible. Direct investment ended in Libya when British Petroleum and other British oil companies left the country in 1969. [redacted] 25X1

West Germany

Libya supplied about 10 percent of West German oil requirements last year, second only to the United Kingdom. Most of the Libyan oil is purchased by West German companies on the Rotterdam spot market rather than directly from Libya, however. West German exports to Libya were only 0.5 percent of total West German exports, and military sales to Libya have accounted for about 5 percent of total arms sales. [redacted] 25X1

Payments to West German suppliers have slowed because of Libyan financial difficulties. Indeed, official export insurance coverage is no longer generally available for West German firms selling to Libya because of problems obtaining Tripoli's assurance that contracts will be honored. Nonetheless, outstanding export insurance exposure to Libya totaled about $5 billion as of December 1983--about 7 percent of total West German export credit exposure. [redacted] 25X1

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In recent years, West German firms have been involved in constructing a steel foundry and a steel mill, urea and methanol plants, a desalination plant, a floating dock, an airfield and other facilities at defense installations, and air traffic systems at various airports and bases. Several West German firms have been involved in projects at the nuclear research facility at Tajura, including Siemens which installed computer equipment and provided computer training for Libyans in West Germany as well as in Libya. Approximately 3,000 West Germans are employed in Libya, mostly working for oil firms of various nationalities. [redacted] 25X1

An FRG-Libyan joint economic commission, established in 1976, has met once. The Libyans insist on ministerial-level representation, while the West Germans will go no higher than the deputy minister level because of the precedent it would set for similar joint commissions with other countries. [redacted] 25X1
[redacted] 25X1

At the political level, the major irritant in West German-Libyan relations has been past Libyan attempts to assassinate exile politicians on West German soil. West German authorities have arrested various Libyan "hit men," only to release them in exchange for West German nationals seized by Tripoli. [redacted] 25X1
[redacted] 25X1
Bonn is reluctant to take any steps to counter Libyan terrorism that would endanger West Germans in Libya. [redacted] 25X1

Bonn hopes to use its contacts with Tripoli to moderate Libyan behavior. Foreign Minister Genscher had planned to visit Tripoli last year, but he postponed his trip after the incident in London. As far as we know the trip is still on, but the West Germans are likely to use the Libyan desire for the visit to insist on more moderate behavior, at least toward dissidents residing in West Germany. [redacted] 25X1

Canada

Ottawa maintains bilateral political and economic ties with Libya but seeks to keep the relationship at arm's length. Ottawa has no diplomatic presence in Libya—Canada's Ambassador to Tunisia also is accredited to Libya —and it refused to permit the opening of a Student Liaison Office in Ottawa to serve the approximately 850 Libyan students attending school in Canada. Ottawa has limited its criticism of Libyan terrorist acts because of concern over the safety of the approximately 1,200 Canadians residing in Libya. [redacted] 25X1
[redacted] 25X1

Canada-Libya trade is extremely small. Ottawa appears to be interested in cultivating Libya primarily as a customer for agricultural products—particularly wheat and dairy products--and, to a lesser extent, for machinery used in connection with the energy industry. In addition, Ottawa has sold aircraft to Libya in the past and is now engaged in a dispute with the United States over plans to sell another civilian aircraft to Libya's national oil company. [redacted] 25X1

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Ottawa is, however, sensitive to the possibility of COCOM-controlled technology falling into Libyan hands. After the recent Moroccan-Libyan union, for example, Ottawa suspended plans for nuclear energy research cooperation with Morocco because it feared that sensitive data and technology would flow to the Libyans through Morocco. [redacted] 25X1

Spain-Portugal

Libya is a fairly important economic partner for Spain, taking about 1.5 percent of its exports and providing 8 percent of its oil requirements.
25X1 [redacted] 25X1 Spain has no nuclear cooperation agreements with Libya, and arms sales are limited to modest amounts of munitions, bombs, and grenade launchers which together account for less than 1 percent of total sales. We believe Libya has served as a transshipment point for Spanish arms sales to Iran, and some Spanish arms may also have reached the Polisario, which Libya also supplies. [redacted] 25X1

In the political area, Spain's overriding concern is to keep Libyan-Moroccan ties from jeopardizing Ceuta and Melilla--the Spanish-controlled enclaves on the Moroccan coast. Prime Minister Gonzalez's meeting with Qadhafi on 19 December was largely motivated by Spain's concerns over the possible implications of the Libyan-Moroccan merger agreement signed in August. Spain also hopes that good relations will discourage Tripoli from supporting ETA terrorists and lessen Libya's ire when Spain establishes diplomatic relations with Israel. [redacted] 25X1

Portugal's economic and political ties with Libya are minimal. [redacted] 25X1

Belgium

Trade with Libya is currently small, but Brussels is anxious to develop better ties, especially in a period of high unemployment. Tripoli has attempted to tie a broader trade agreement to greater Belgian cooperation in providing nuclear expertise. The firm Belgoncleaire is currently providing technical advice to Libya, and officials in both the nuclear industry and the government would like more extensive cooperation, including Belgian technical advice in construction of a Soviet-financed reactor. The Belgian Government has refused to sanction the proposed arrangement due to US objections, although many officials have expressed dissatisfaction with Washington's stand and are apparently confident that adequate safeguards exist to prevent Qadhafi from using nuclear cooperation for a weapons program. [redacted] 25X1

The Belgians also appear convinced that other Western governments will provide assistance to Tripoli in the nuclear area if Belgium does not. For these reasons, Belgian officials reportedly will continue to explore areas for nuclear cooperation and other economic arrangements which would be acceptable to the United States. We believe that Belgonucleaire and some government officials will continue to look for ways to get around US objections to deals with Tripoli. [redacted] 25X1

[redacted] 25X1

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Luxembourg 25X1

25X1 [redacted] As long as Luxembourg remains a relatively easy entrepot for trade and financial dealings, however, Tripoli probably will continue to look for ways to use it to get around US sanctions. [redacted] 25X1

The Netherlands

The Dutch Government has no major economic or military agreements with Libya, and Dutch officials have often expressed distaste for the Qadhafi regime. At the same time, The Dutch oppose sanctions against Libya and continue to look for business opportunities. The Dutch have cooperated with US efforts to prevent the sale of Western nuclear technology to Libya, and have assured US officials that the Netherlands will make no such sales. [redacted] 25X1 25X1

[redacted] It is likely that Dutch companies--with the acquiescence of the government--will continue to look for ways to do business with Tripoli, regardless of US concerns. [redacted] 25X1 25X1

Denmark

Denmark's ties with Libya are limited to sales of agricultural goods and machinery which in total accounted for only 0.3 percent of total exports. [redacted] 25X1

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Sweden

The Sweden-Libya Mixed Commission has met irregularly since 1974 to discuss bilateral economic and trade matters. At its most recent meeting in March 1983, discussion focused on various joint industrial projects as well as cooperation in the areas of agriculture and housing and roads construction. Libya has pressed at these meetings to be allowed to pay its debts to Swedish firms in oil. [redacted] 25X1

Under a 1974 deal believed to be worth about $10 million, Telub--a quasi-governmental subsidiary of the Swedish national industries group involved in highly classified electronics research and development for the Swedish military--undertook to sell equipment and know-how to Libya and to train 100 Libyan technicians at its Swedish plant. Although US inquiries produced repeated assurances from the Swedish Government that nothing of a military

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nature was involved, it was later reported in the Swedish press that Telub had secretly contracted with Libya to train the Libyans in missile technology and other military skills. In 1981 the government ordered Telub to renegotiate the deal and limit its terms exclusively to the non-military sphere. [redacted] 25X1

Finland

Libya is second to the Soviet Union in importance as an export market for the Finnish construction industry. In 1983 Finnish companies were involved in \$250 million in projects. Libya's relative importance to the Finns is likely to increase because construction projects in the Soviet Union are due to decline from over \$500 million a year now to about \$300 million per year during the 1986-90 trade agreement. [redacted]

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Norway

Economic ties are minimal. Political relations have been cool since the seizure of a Norwegian ship and the torture and death of one of its crew last May. [redacted] 25X1

Ireland

In recent months, both Dublin and Tripoli have attempted to expand their economic relationship. Irish experts have been hired to manage Libyan farms, and a meat export deal is under negotiation. Libya has also attempted to use Ireland for illicit reexport of US-origin aircraft; in 1982 US protests caused cancellation of the sale of a Boeing 747 to Libya by Aer Lingus, the Irish national airline. Aer Lingus, however, then attempted to lease aircraft to Libya. Last year, Aer Lingus requested a US license to sell spare parts to Libya. [redacted] 25X1

Dublin is concerned about potential Libyan terrorist connections, in terms of both Libyan use of Ireland for terrorist activities against the United Kingdom and resumed Libyan ties to the Provisional Irish Republican Army (PIRA). Following the Libyan Embassy siege in London last April, Qadhafi threatened to resume aid to the PIRA—halted in 1977—and permitted the organization to open an office in Tripoli. [redacted] According to the Embassy in Dublin, British and Irish security officials have at present no specific reason to fear attacks against the United Kingdom from Ireland, but they are watching the situation very closely. [redacted]

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West European Willingness to Confront Qadhafi

We doubt that most West European governments would favor any US proposal for joint Western action to isolate Libya. At most they might be willing to restrict the sale of nuclear and sophisticated military technologies that Qadhafi might ultimately try to use against them. Even this restraint could vanish if Qadhafi were to make a tactical retreat to a more moderate path and

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if other markets for West European defense and high technology products were to remain depressed. It would probably take an extremely reprehensible act by Qadhafi--such as a terrorist attack on West European territory resulting in the loss of many innocent lives--to move West European governments in the short term to contemplate firm joint action against Libya. 25X1

France is likely to be the only individual West European country that could be drawn into direct confrontation with Libya in the near future. France's recent behavior, however, suggests that it will seek to avoid a military showdown in Chad while using diplomatic approaches to dissuade Libya from moving directly into southern Chad. Because Libya's ambitions to extend its influence over northern and central Africa clash with Paris's obligation to protect its allies in those regions, however, Franco-Libyan relations are likely to remain especially difficult, whatever the immediate outcome in Chad. 25X1

Over the next few years we believe West European attitudes toward Libya might become harsher even in the absence of a spectacular Libyan provocation if the following three conditions were met:

-- Libya escalates its terrorist attacks against exiles in Western Europe.

-- Continued slackness in the world oil market prevents Libya from meeting West European expectations of increased commerce, or a Libyan default on loans devalues the importance of the Libyan market.

-- Growing effectiveness of the Libyan dissident movement or signs of growing divisions within the Libyan elite lead the West Europeans to conclude that increased pressure on the Qadhafi regime might lead to the emergence of a more acceptable leader. 25X1

France and the other major West European countries would probably not look with great disfavor on an Egyptian effort to strike a blow at Qadhafi. Since it recovered the Sinai oil fields, Egypt has become a substantial energy supplier and trading partner for Western Europe. All of the major countries, moreover, have developed close political relations with the Mubarak regime. They would be reluctant to criticize publicly an Egyptian move against Libya and thereby jeopardize ties with Cairo, expecially now that the Egyptians appear to be resuming an important role within the Arab world. Some less squeamish West European leaders, such as Prime Minister Thatcher and President Mitterrand, might privately welcome such a move, because it would have the potential of cutting Qadhafi down to size without presenting too great a threat to West European interests in Libya. 25X1

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