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Moroccan-Libyan Union: Status and Prospects [redacted]

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State Dept. review completed

Summary

Libya and Morocco are moving to implement their union agreement and to demonstrate that the accord is providing tangible benefits. Morocco's King Hassan emphasizes Libyan financial assistance as a means to ease the country's deteriorating economic and social conditions that sparked riots in January 1984. Rabat also sees the union as a useful way to eliminate Tripoli's support to the Polisario Front. [redacted]

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The union provided Libyan leader Qadhafi with a diplomatic coup in his effort to enhance his international standing and to counter US attempts to isolate Libya. He also will try to use Morocco as a middleman in obtaining restricted US origin spare parts for aircraft and as a transit point for Libyan flights to Latin America. [redacted]

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We believe the union will provide a framework for further cooperation, especially in economic, cultural, and political relations. [redacted]

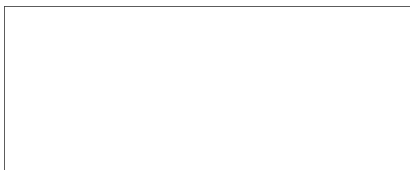
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Moroccan exports to Libya tripled last year, equaling

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the total exports to the United States. Rabat has brokered relations between Tripoli and several African countries. [redacted]

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We anticipate that Hassan will resist strongly any pressure to repudiate the union. Despite the advantages Hassan believes Morocco will derive from the union, he might be led to abrogate it if Qadhafi does not deliver on his promises -- especially his large aid commitments. Over time, shortfalls in Libyan aid may cause domestic problems for Hassan, because of his touting the economic benefits of the union. [redacted]

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We believe that Hassan wants to maintain close relations with the United States, but he is watching for signs that Washington is taking punitive action against him. Hassan's recent postponement of the joint military and economic talks in Washington was intended to indicate his displeasure over what he perceives as a hardnosed attitude toward Morocco since the union. [redacted]

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Of particular concern to Hassan would be a disproportionate cut in US economic and military assistance. Such a move almost certainly would prompt Hassan to reassess the usefulness of his military access agreement with Washington. [redacted]

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The union probably presages additional shifts in Moroccan foreign policy which will not coincide with US interests, including closer economic ties with Eastern Europe and the Soviet Union. The USSR will be more than willing to warm relations but is not likely to provide the scale of aid that Morocco needs. [redacted]

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The rapprochement between Morocco and Libya began in late June 1983 after King Hassan bowed to Saudi pressure and agreed to see Qadhafi. During the visit, Qadhafi promised to back Morocco on the Western Sahara issue and to withdraw his support to the Polisario Front. Hassan agreed in turn not to act against Libyan interests in Chad. [redacted]

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Qadhafi and Hassan signed the union agreement--the Arab-African Federation treaty--at Oujda, Morocco on 13 August and the union was popularly approved through referenda held in Morocco and Libya on 31 August. Hassan publicly stated that he first considered the idea of a union in mid-July 1984. [redacted]

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King Hassan and Qadhafi will preside jointly over the union. Its headquarters--initially in Tripoli--will alternate between the two capitals, with permanent representatives in each. Morocco's former Minister of Cooperation Abdelouahed Radi, a socialist, is Secretary General of the union, and Kamal Hasan al Maghur, former Libyan Petroleum Minister and President of OPEC, is the Assistant Secretary General. [REDACTED]

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Joint political, defense, economic, and education councils will each have 24 members, 12 from each country. The agreement calls for coordination of foreign policy, cooperation in economic development and defense, and the creation of an Executive Committee, Federal Court, and Federal Parliament. The annual union budget of \$60 million will be provided primarily by Libya, [REDACTED]

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Why Union?

The Western Sahara conflict was a major factor in Hassan's decision to form the union. [REDACTED]

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[REDACTED] Hassan probably saw the union as a way to keep Libya out of the Sahara question and to constrain Algiers' military options by having a Moroccan ally on Algeria's eastern border. In addition, Hassan saw the union as a way to reduce Morocco's isolation in North Africa caused by the Algerian-Tunisian-Mauritanian friendship treaty signed in 1983. [REDACTED]

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The timing of Hassan's initiative also suggests that the King viewed the union as a quick way to relieve growing domestic pressure over Morocco's deteriorating economic and social conditions. [REDACTED]

[REDACTED] He was faced with potentially disruptive parliamentary elections in mid-September, a shortfall in anticipated aid from western benefactors--especially the US--and considerable disgruntlement over planned cuts in education subsidies. In our view, the King bought some time on the domestic front with promises of additional Libyan economic aid and new jobs. [REDACTED]

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We believe that Qadhafi views the union as an opportunity to enhance his influence in regional affairs, to strengthen his international standing, and to counter US attempts to isolate him. Qadhafi regards cooperation with moderate Arabs as the best way to limit Libyan isolation in Arab circles while promoting radical causes and subversion throughout the Middle East. He almost certainly will be encouraged by the union to pursue more aggressively his long-standing policy of threatening other Arab states with subversion unless they unite in a more militant policy toward Israel. Moreover, Qadhafi has not abandoned his fervent ideological commitment to Arab unity and has referred to the union with Morocco as an example for other Arab states to follow. [REDACTED]

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Qadhafi probably also hopes for some more immediate and practical benefits from the union. He likely sees the union as a way to obtain spare parts for Libya's US manufactured aircraft. In addition Qadhafi hopes that Morocco will provide Libyan aircraft transit rights to Latin America.

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Economic Dynamics of the Relationship

The accord followed a year of growing economic and commercial relations.

Tripoli also supplied oil on favorable terms and provided an important market for Moroccan agricultural exports.

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King Hassan has encouraged the popular belief that under the union accord Libya will provide \$980 million to Morocco, We believe that this figure was put forward by Hassan for domestic impact and exaggerates the level of support Qadhafi is willing to supply. Nevertheless, the King probably expects Qadhafi to provide substantial assistance, certainly more than what Rabat has been receiving annually from Washington.

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The two countries have discussed joint ventures in tourism, agriculture, and petroleum development. The US Embassy in Rabat says that a joint venture company has been formed to further petroleum exploration in Morocco and petroleum supply arrangements. Morocco also may be considering refining Libyan oil to help circumvent Tripoli's OPEC production quota.

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Libya provides a market for Morocco's agricultural and manufactured exports. Moroccan exports to Libya totaled \$34 million in 1984 about equal to Morocco's exports to the United States and Rabat hopes to raise the total to \$100 million by 1986. Trade since the accord is up 200 percent in value terms and several Moroccan banks have established correspondence agreements with Libyan banks to facilitate larger anticipated trade volumes. Any increase in trade will help Morocco's stagnant agricultural exports--20 percent of export receipts--which are being hurt by quota restrictions in Europe.

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The movement of Moroccan workers to Libya is particularly important to Rabat because of a severe unemployment problem 30 percent of the urban labor force and because of the reduced need for foreign workers in Europe. In addition, worker remittances are the most important single source of foreign exchange--\$900 million in 1984. Under the accord, Tripoli plans to replace other foreign workers with about 80,000 Moroccans. about 1,000 Moroccan workers per month have gone to Libya since August--about 20,000 Moroccans are

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now in Libya. The US Embassy in Tunis reported that Qadhafi threatened last fall to expel all 70,000 Tunisians working in Libya by 31 December 1984 and replace them with Moroccans--a measure since denied by Qadhafi. [redacted]

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Cooperation on merging the two countries' national airlines and on shipping also is being considered, [redacted]

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The US Embassy in Rabat reported in September that some Moroccan aircraft technicians already had gone to Libya. [redacted]

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The airline merger, if implemented, would provide significant advantages to both sides. The Moroccan airline would gain access to Libya's more abundant financial resources and extensive traffic rights, while offering Tripoli the strong organizational skills and efficiency of Morocco's airline.

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Other Factors of the Union

The US Embassy in Rabat reports that Morocco and Libya have taken steps toward a more active coordination on regional issues. Morocco recently renewed ties with Syria at the ambassadorial level, probably with Libyan assistance. Hassan undoubtedly used his partnership with Qadhafi to have Tripoli postpone an Arab-African ministerial conference in March, blocking Algeria's effort to have the Polisario attend. [redacted]

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Moroccans were quick to point to Libya's agreement with France on mutual troop withdrawal from Chad last year as evidence of Qadhafi's new moderation. Hassan, however, has remained quiet on Libya's continued presence in Chad and will do so as long as Qadhafi backs Morocco's position on Western Sahara. Moroccans

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also point to Hassan's success in obtaining the release of four British workers detained in Tripoli in retaliation for the arrest of Libyans following the shooting incident at the People's Bureau in London last year. [REDACTED]

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In our view, Hassan will cite the absence of Libyan support to the Polisario Front and the perceived economic benefits of the Moroccan-Libyan rapprochement as a reason for striking a deal with Qadhafi. We believe that Hassan's "success" with Qadhafi may have been a factor in the recent establishment of relations between Sudan, Somalia and Libya. In addition, Rabat's brokering ties between Libya and moderate African states by offering to represent them in Tripoli may set a precedent that will allow Libyan inroads in Black Africa. In our view Qadhafi likely will try to include Libyans on the staffs of Moroccan Embassies in African capitals where Tripoli has no official presence. [REDACTED]

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Initially, the union sharpened political differences in North Africa, dividing the region into two blocs comprised of Algeria, Tunisia, and Mauritania on the one hand, and Libya and Morocco on the other. Recent events, however, have softened this split. Dialogue between Tunis and Rabat has increased after Algeria blocked Tunisian efforts to hold a Maghreb summit earlier this year by insisting that the Polisario attend. Furthermore, the change of regime in Mauritania last December and the shift away from a strong pro-Polisario position led to reestablishment of diplomatic ties between Nouakchott and Rabat. [REDACTED]

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The union, however, remains particularly irritating to Algeria. Algiers continues to view the union as a tactical move by Morocco to block Algerian efforts to promote regional unity and to end the Western Saharan conflict. Algeria hopes that the personal incompatibilities between Qadhafi and Hassan will break up the "marriage of convenience." Algiers is likely to move cautiously to encourage the union's demise and provide increased support to Libyan dissidents. [REDACTED]

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Prospects for the Union

Hassan will continue with the union as long as Qadhafi provides economic support, backs Morocco on the Western Sahara, and does not interfere in Moroccan internal affairs. Qadhafi will look to Morocco to stop supporting Libyan dissidents, to serve as a transit point for flights to Latin America, and to provide parts and maintenance for his US-made aircraft. [REDACTED]

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The following is a summary, in order of decreasing likelihood, of areas in which we believe development may help to sustain and even enhance the Union.

- Economic, commercial, and labor relations: Many projects are already underway, such as joint petroleum and agriculture development and increased employment of Moroccans in Libya. We believe that additional joint

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-- Educational, cultural, and scientific relations: Further development is likely in educational and cultural exchanges and scientific symposia. In our view, Libya is likely to push to include nuclear energy. Libyan-Moroccan exchange programs will provide Tripoli with opportunities to develop agents of influence among Moroccans.

-- Political, diplomatic, and intelligence relations: We judge that limited cooperation in these areas will continue as long as Morocco perceives that the Union is not damaging its relations with key Arab and Western countries. Morocco is likely to continue sharing data on Libyan dissidents and coordinating policies on regional issues.

-- Military relations: [redacted]

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[redacted] if Morocco fails to acquire new ground force materiel from Western sources to replace aging US- and French-made equipment, we believe that Hassan would turn to Libya. Moreover, direct hostilities between Algiers and Rabat probably would prompt Hassan to seek Libyan intervention or at least posturing Libyan military forces along the Libyan-Algerian border to limit military actions by Algiers. Hassan would be unlikely to seek Libyan soldiers to fight along side of Moroccans.

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Despite the advantages Hassan believes Morocco will derive from the Union he might be led to abrogate it if Qadhafi does not deliver on his past promises--especially his large aid commitments. The bleak outlook over the next year or so for Libyan oil sales suggest that Qadhafi may have difficulty in maintaining assistance on a level satisfactory to Hassan. Over time, this may cause serious domestic problems for Hassan, because of his touting the economic benefits of the union.

[redacted]

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Hassan's willingness to continue with the union also is likely to be reduced if, as we expect, Qadhafi at some point tries to involve Hassan in his radical stand against the United States and Israel and in Libyan adventurism in the region. Qadhafi also may be tempted to undertake subversive activities in Morocco. The sizable influx of Libyans into Morocco increases the potential for Qadhafi to make trouble for Hassan if the union sours.

[redacted]

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Implications for the United States

Hassan almost certainly calculated that a union agreement would cause some cooling in his relationship with the United States. We believe, however, that Hassan is sincere in telling US officials that he wants to maintain close relations with the United States and that he has no illusions about transforming Qadhafi's errant behavior. Nevertheless, Hassan believes that he can control the direction of the union. [redacted]

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At the same time, Hassan will be watching closely for indications that Washington wants to redefine its relationship with Morocco. Hassan's wish to limit the damage to US-Moroccan relations gives the US some leverage with him on such issues as technology transfers and intelligence matters. On the other hand, Hassan's personal prestige is so heavily engaged in the union that--as he has already amply demonstrated--he will strongly resist any external pressures to cancel it. [redacted]

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Hassan will consider as a punitive action any decision by Washington to significantly reduce or delay ongoing bilateral programs with Morocco. He has several options in deciding how to respond:

- reduce or stop US Naval ship visits and US military exercises;
- refuse to allow US forces to use Moroccan facilities under the US-Moroccan access and transit agreement;
- stop the Voice of America operations in Morocco;
- adopt a more radical stand on Middle East issues;
- turn to Libya and the Soviet Union for military assistance. [redacted]

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Hassan will continue to use any signs that Libya has turned over a new leaf--an unlikely occurrence in our view--to point out that dialogue is the only way to tame Qadhafi and that the United States should join the effort. Qadhafi will draw on the union to enhance his international standing and encourage other moderate governments to improve relations and to join the union. [redacted]

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The union with Libya probably presages additional shifts in Moroccan foreign policy if Rabat does not receive adequate aid from its traditional supporters. We believe that this will include closer economic ties with Eastern Europe and the Soviet Union to expand trade and other commercial relations. Hassan courted the Soviets in the 1960s and knows that aligning his policies with them will not solve Morocco's long term problems, would damage his moderate image, and reduce his flexibility. Nevertheless, the significant publicity given by Morocco to new

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trade accords signed in September 1984 and comments by key Moroccan officials, for example, underscore a willingness to consider if not undertake closer ties to the Bloc. [redacted]

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Appendix

Key Indicators to Watch For

Scenario A: Morocco and Libya view the union as a useful means to promote their national interests:

- Libya provides promised financial assistance, oil, jobs for Moroccan workers, and funding for joint development projects.
- Increased Moroccan exports to Libya.
- Frequent high level visits between the two countries.
- Establish joint political, defense, economic and educational councils, setting forth agenda that will increase ties.
- Meetings of the Executive Committee and the Federal Parliament to discuss substantive issues.
- Cooperation in international organizations on Middle East issues.
- Hassan assists Qadhafi in improving ties with moderate Arabs and Western Europe.
- Increased student exchanges.
- Military cooperation, to include visits, exchange of military students, and joint exercises. Libya provides military materiel to Morocco/or supports Rabat's request for Soviet arms.
- Increased cooperation in civil aviation, such as establishing joint maintenance facilities.
- Libyan military intervention if Morocco is attacked by Algeria.
- Morocco continues to provide information on--or denies safehaven to--Libyan dissidents.
- Other African and Arab countries join the union.

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Scenario B: Morocco and Libya find union does not serve their interests.

- Libyans conduct subversive operations in Morocco, to include funding radical Islamic fundamentalist and other opposition groups, inciting students to more radical anti-regime positions, and spreading Libyan "Green Book" ideology.
- Libyan terrorist attacks in Morocco.
- Public and private statements by Hassan and other Moroccan officials that Libya's inadequate level of economic assistance is responsible for Rabat's continuing economic woes.
- Hassan refuses Qadhafi's demands for a stronger stand by Morocco against the US, Israel, and moderate Arab states even if Qadhafi ties economic aid to a more radical position.
- Unfavorable references to Hassan or Morocco in Qadhafi's speeches or to Qadhafi in Moroccan press.
- Libya resumes military and diplomatic support to the Polisario.
- Morocco recognizes Egypt.

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Union Chronology

13 August 1984: Arab-African Federation signed at Oujda, Morocco, by Hassan and Qadhafi.

Late August: Aviation cooperation agreement.

31 August: Referenda in Morocco and Libya approved union.

1 September: Moroccan Prime Minister visits Tripoli.

Mid-September: Moroccan aviation technicians assigned to assist Libya airline.

Mid-September: Moroccan Minister of Cooperation named Secretary General of Union.

26 September: Protection of personnel agreement signed.

26 September: Agreement on Morocco refining Libyan crude oil.

22 November: Transportation and communication agreement signed in Tripoli.

Late November: Iron and steel industry cooperation accord.

9 December: Union Parliament met in Tripoli.

12 January 1985: Twin city programs established between Kenitra, Morocco, and Zaouia, Libya.

14-18 January: Discussion on joint cooperation in petroleum industry held in Morocco. Joint company for oil exploration formed.

15 January: Agricultural cooperation agreement signed in Tripoli.

Late January: Joint management seminar held in Tangier.

10 February: Expanded commercial aviation accord.

26 February: Moroccan delegation to Libyan People's congress.

Mid-February: Hassan offers to represent diplomatically Senegal and the Gambia in Tripoli. announced.

March: Hassan plans visit to Tripoli, date to be announced.

2 May: Scientific and medical cooperation agreement.

SUBJECT: Moroccan-Libyan Union: Status and Prospects [REDACTED]

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