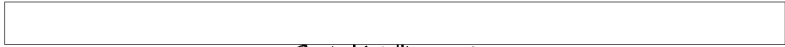


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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

3 October 1986

LIBYAN SANCTIONS UPDATE #6

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the month of September 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 [redacted] Chief, West European Division, [redacted]

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SUMMARY

The Karachi hijacking, Paris bombings, and Istanbul massacre have raised concern about terrorism and led to stricter security measures in a number of countries. Italy will henceforth check diplomatic bags with metal detectors [Redacted]

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Italy also signed an anti-terrorist cooperation agreement with Greece and is seeking a similar accord with the EC. France and Portugal have tightened visa requirements, while Ireland has banned Libyan students from entering the country because of Tripoli's support for the IRA. [Redacted]

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[Redacted] Greece, in addition to signing the accord with Italy, said it would ratify a 1977 European convention on terrorism. [Redacted]

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On the key issue of Libyan oil exports, the West Europeans remain extremely skeptical of the US plan to require that oil product exports to the US be certified free of Libyan crude. Government jawboning against importing Libyan oil appears to be bearing fruit in France -- where Libyan oil imports were down sharply in June and July -- but not in Italy. [Redacted]

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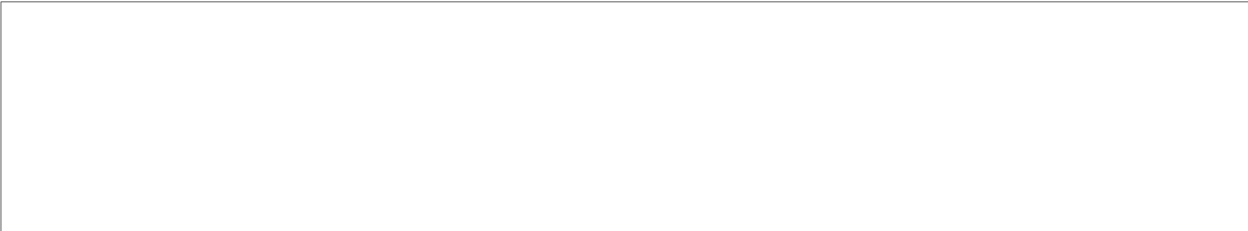
BELGIUM

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 stop such dealings. Belgian officials are also skeptical about the effectiveness of the US certification program.



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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.



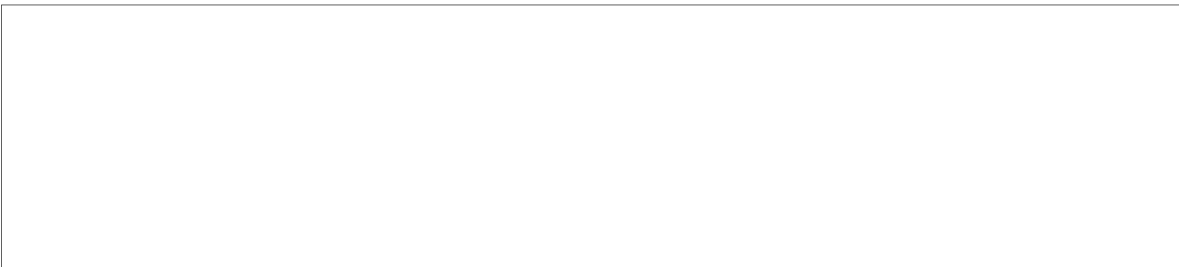
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Actions Supporting US Sanctions

Contrary to earlier reports, Canada has imported no Libyan oil this year. The statistics which indicated imports in February represented only the payment for a delivery taken in late 1985.



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FRANCE




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Overview


France continues to quietly support US efforts to put economic pressure on Qadhafi but the Libyan issue has largely dropped from public view in France. Attention has focused on the recent spate of terrorist attacks in Paris, which do not appear to be Libyan inspired. 

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Actions Supporting US Sanctions

In an early September meeting with US diplomats, the senior French government official in charge of energy policy confirmed that Elf Aquitaine and Total, the two largest French oil companies, have stopped buying Libyan crude. The official added that if the home governments of other oil companies joined in instructing their firms to stop buying Libyan crude, Tripoli's revenues would be cut more effectively than through a certification program. 

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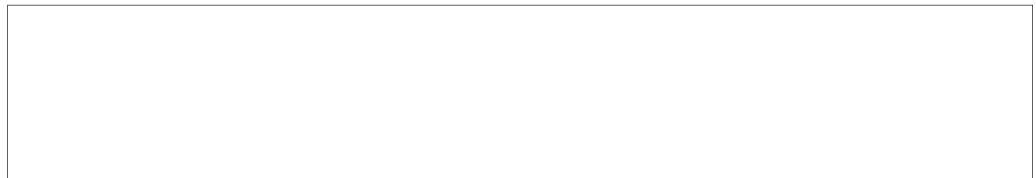
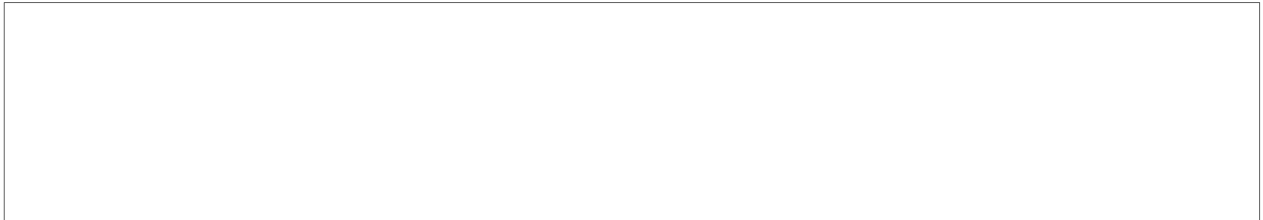
In another early September meeting, a Foreign Ministry official told US diplomats that French firms have promised not to service the two A310 airplanes recently diverted to Libya from British Caledonian. The official went on to say, however, that Airbus Industrie is concerned about its liability should safety problems arise due to improper maintenance. 

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According to recent customs figures, French imports of Libyan crude oil continued to drop in July to 107,000 metric tons. This contrasts with imports of 536,000 MT in April, 253,000 MT in May, and 177,000 MT in June. Virtually all this oil was imported by Shell and BP, two of the six companies now refining oil in France. US diplomats report that the French government has made strong appeals to Shell and BP to cut off imports entirely, but the companies maintain that they are simply taking final deliveries on earlier contracts. 

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[Redacted]

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GREECE

Overview

Athens last month publicly supported some European anti-terrorist initiatives, but remains reluctant to specifically condemn Tripoli. [Redacted]

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Actions Supporting US Sanctions

Athens supported a strongly worded Council of Europe resolution on combatting terrorism and announced that the Council's 1977 Convention on the Suppression of Terrorism would soon be ratified by the Greek Parliament. [Redacted]

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Greece and Italy signed a bilateral agreement to exchange information on terrorism, narcotics trafficking, and organized crime. [Redacted]

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INDIA

Overview

New Delhi's response to Qadhafi's harangue at the Nonaligned Movement (NAM) summit meeting in Harare and Indian suspicions that Libya may have been involved in the Karachi hijacking indicate growing Indian exasperation with Qadhafi. We expect that New Delhi's irritation--especially if evidence of Libyan involvement in the hijacking is passed to the Indians--will prompt Prime Minister Gandhi to reevaluate Indo-Libyan economic ties with an eye to curtailing activity.

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[Redacted]

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IRELAND

Overview

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

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Actions Supporting US Sanctions

Dublin announced it will refuse entry to Libyan students because of Libyan support for the IRA; about 300 Libyans presently studying in Ireland will be permitted to complete their studies. Irish officials are anticipating that Libya will end purchases of Irish beef in retaliation. [Redacted]

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[Redacted]

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ITALY

Overview

The recent terrorist attacks in Pakistan, Turkey, and France appear to have refocused Italian interest in finding international means to combat terrorism. Rome signed an anti-terrorist cooperation agreement with Greece last month, and is seeking a similar EC accord to encourage greater information-sharing among the Community's police forces and intelligence services. [Redacted]

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[Redacted]

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Actions Supporting US Sanctions

Fiat, several months after its initial offer, has persuaded Libya to sell its 14.5 percent share of the company for \$3.1 billion. Fiat has purchased about one-third of the stock; the remainder will be placed with institutional investors through an international consortium led by Deutsche Bank. [Redacted]

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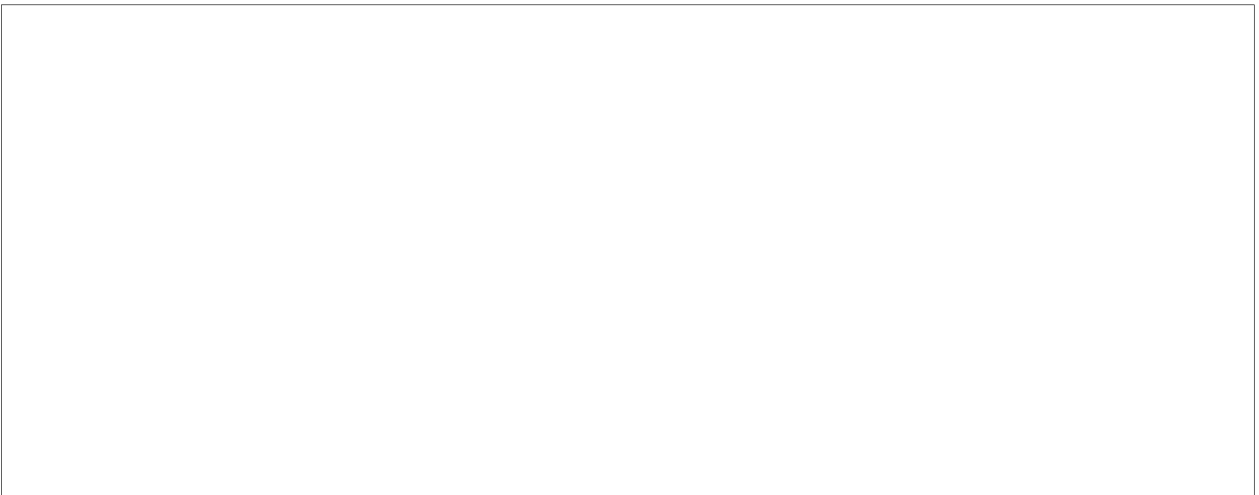


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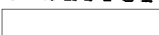
As of this week, Rome will require diplomatic bags to pass through metal detectors to prevent their use in the illegal importation of weapons. To avoid accusations of favoritism all countries will be notified that their pouches are subject to inspection. In reality, some countries--at least including EC members, Canada, Australia, and the US--will be exempt. 

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Actions Undermining US Sanctions



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The state-owned energy conglomerate, AGIP, which has half ownership of Libya's offshore Bouri oilfield, sent an oil drilling platform to Libya on 6 September. Production from the platform--which is capable of pumping up to 150,000 barrels/day at full capacity--is scheduled to begin in 1987. 

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The president of ENI, AGIP's parent company, told US officials that other Italian companies, most notably Montedison, have increased their purchases of Libyan oil. He justified continued purchases of Libyan oil on grounds that Qadhafi would not live forever, and that Italy must take a long term view of Libya in light of its large export market there.

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MALTA

[Redacted]

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Actions Undermining US Sanctions

The Maltese delegation briefly disrupted the recently concluded Stockholm disarmament talks by demanding an expansion of the agreement to include Mediterranean military exercises. This action probably reflected the Maltese view that US activities in the Mediterranean have increased tensions.

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Maltese Foreign Minister Sceberras Trigona reportedly is encouraging a US firm, Ingersoll Ltd., to establish a school in Malta to train Libyan teenage boys in English, business, computer studies, and general engineering. Ingersoll, which reportedly once provided technical training in Libya and then London, now operates in Dublin, but deteriorating Irish-Libyan relations apparently are forcing it to relocate once again.

[Redacted]

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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

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unwilling to take any further action without an EC agreement.

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[Redacted]

PORTUGAL

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Overview

In light of the recent terrorists attacks in France, Portugal has taken a tougher stance against international terrorism. Several counterterrorist measures went into effect in mid-September, most notably stricter visa requirements. Although Lisbon acknowledges Tripoli's role in international terrorism, it will not impose economic sanctions independently of the European Community.

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SOUTH KOREA

Overview

Seoul recently reiterated its backing for Washington's goal of curtailing terrorism, and economic technocrats favor a plan to lessen South Korea's dependence on Libyan construction contracts and oil, according to State Department reporting. Nonetheless, because South Korean firms still have a huge financial stake in Libya, Seoul is resisting pressure to cut purchases of Libyan crude oil, according to US Embassy and State reporting. In fact, the South Korean government and the country's largest firms have recently had to increase the role of oil in settling commercial

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and political accounts with Libya, because Tripoli insists on paying its debts in crude rather than cash. [Redacted]

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Actions Undermining US Sanctions

[Redacted]

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[Redacted] According to the US Embassy, Seoul resisted for over a year Tripoli's demands that imports be raised by 50,000 b/d but South Korean Foreign Ministry officials said unspecified threats by the Libyans forced Seoul to accept at least some additional imports. [Redacted]

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Seoul has discouraged bidding on new Libyan construction projects by domestic firms since sanctions were imposed, but the government will have difficulty preventing South Korean firms from bidding for the second phase of the Great Manmade River Project if Japan and European countries allow their firms to make tenders, according to State sources. [Redacted]

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SPAIN

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Actions Supporting US Sanctions

The Spanish Foreign Ministry has produced a paper which provides a detailed report on Libyan financing and training of radical and extremist groups in Spain. [Redacted]

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TURKEY

Overview

Ankara continues to pursue commercial relations with Tripoli in hope of recovering debts owed Turkish firms. [Redacted]

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[Redacted]

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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. Officials continue to express a desire to be exempted from the proposed certification program because of the small amount of oil imported from Libya and the small percent of US oil imports that originate in Britain. [Redacted]

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Actions Supporting US Sanctions

The Foreign Office informed our Embassy that London will not renew Libyan Arab Airlines' operating permit when it expires at the end of October. Officials stressed that the decision was not in response to US pressure but rather is linked to a court finding that the airline had been used to smuggle hand grenades into Britain. [Redacted]

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