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5 January 1986

MEMORANDUM FOR: Director of Central Intelligence

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FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism
and Narcotics

SUBJECT: NSPG Meeting

A National Security Planning Group meeting is scheduled for 1100 Monday, 6 January, to consider options for retaliating against Libya for its involvement in the 29 December terrorist attacks at the Rome and Vienna airports. You have been asked to start the meeting by addressing three principal points:

- Libyan involvement with Abu Nidal and culpability in the terrorist attacks,
- the internal situation in Libya, and



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This briefing book provides a variety of background material to assist you in preparing for that meeting. It is organized as shown on the index which appears on the next page.


Charles E. Allen

cc: DDCI
DDI

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Libyan Support for Abu Nidal

Libyan involvement with the Abu Nidal terrorist group has grown significantly since early 1985. Libya has provided money, training, safehaven, political support, and possibly arms and operational assistance as part of its efforts to promote terrorism against the US and Israeli interests and the undermine the Arab-Israeli peace progress.

- The current phase of Libyan support for the Abu Nidal group apparently began as a response to the 11 February accord between Jordan and the Palestine Liberation Organization which called for joint action on peace negotiations with Israel.
- By the spring of 1985, Abu Nidal and Qadhafi apparently had reached general agreement on the need to cooperate in targeting moderate Arab states, Israel, and the US. This coincided with the Libyan announcement of a "Pan Arab Command" to unify dissident groups to conduct attacks against these same targets.

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- In October 1985 Abu Nidal's press officer in Damascus was reported as saying that the organization receives most of its support from Libya.
- Collaboration between Abu Nidal and Qadhafi in specific terrorist activity was evident in the Egypt Air 648 hijacking in November.

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Responsibility for El Al Attacks

The weight of evidence implicates the Abu Nidal group in the attacks at the Vienna and Rome airports.

- The two surviving terrorists in Vienna have admitted membership in the Abu Nidal group and have stated that Abu Nidal sponsored the attack.
- The terrorist hospitalized in Rome has identified himself as a member of Abu Nidal,
[REDACTED]
- An unexploded grenade found in Rome had the same markings as the grenades used in the EgyptAir hijacking, which we judge to have been an Abu Nidal operation.
- The modus operandi of the coordinated attacks matches that of previous attacks by Abu Nidal operatives in Western Europe in recent years. The attackers used automatic weapons and grenades and were intent on causing indiscriminate casualties.
- Abu Nidal is known to retaliate against those governments who imprison its members, and in this regard both Italy and Austria were likely targets. Italy currently is holding three of the group's members arrested for three separate attacks this year. Austria jailed three Abu Nidal members responsible for an attack on a Vienna synagogue during the summer of 1981.
- Senior officials of the Abu Nidal group held discussions with Austrian officials regarding the early release of its prisoners. One of the Abu Nidal officials stated that his assignment was to solve the problem through negotiations, not to deliver threats or ultimatums. He stated, however, that if the discussions proved fruitless, "other comrades will take over the matter."

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Direct Evidence of Libyan Involvement

Although we have only a single piece of solid evidence indicating Libyan involvement in the El Al attacks, this must be viewed in the context of the substantial ties (money, training, safehaven) that Abu Nidal has developed with Libya in less than a year as well as Libya's reaction to the terrorist attacks.

- Libya provided the three passports used by the Vienna terrorists. Of the three Tunisian passports used by the terrorists in Vienna, two were confiscated by Libyan authorities in mid-1985 from Tunisian citizens expelled from Libya during the large-scale expulsion of Tunisian workers there, while a third, also a genuine document, was reported as a lost passport in 1977 by Tunisian consular authorities

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in Libya. It should be noted that the sole surviving hijacker of EgyptAir 648 was also operating on a genuine Tunisian passport issued by the Tunisian Embassy in Tripoli.

- The wounded terrorist in Rome claimed that Libya provides protection, weapons, and financing to his group.
- The Libyan press quickly provided supporting rhetoric, calling the attacks "heroic operations," although Qadhafi later disassociated himself from these comments.

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Qadhafi's Domestic Position

Qadhafi is the most unpopular and isolated he has been since he came to power 16 years ago.

-- He is almost entirely dependent for support on a diminishing circle of relatives, fellow tribesmen, and ideological extremists--many little more than young thugs.

-- His continued involvement with ill-conceived foreign adventures and revolutionary causes--such as the occupation of Chad or support for Iran against Iraq--is unpopular with most Libyans.

-- Qadhafi's radical and destabilizing policies have prompted growing cooperation against him by Algeria, Egypt, Tunisia, and Iraq, whose national interests are directly threatened by his actions.

-- Opposition to the regime has become more open, and occasionally violent. The past year saw antiregime literature distributed in major cities, student disturbances, several reported instances of sabotage or assassination attempts against Qadhafi, and the first organized coup plot by military officers in over two years.

-- The killing last November of Qadhafi's ambitious cousin and confidant, Hassan Ashkal--whether by dissidents inside Libya or by rivals positioning themselves to exploit a sudden change in regime--is the latest indication of Qadhafi's deteriorating political position.

Political and economic trends have been running counter to Qadhafi for some time; if, as seems likely, Qadhafi remains determined to pursue his radical policies, we assess his chances of surviving another year as little better than even.

-- Qadhafi's nationalization of businesses, seizure of homes, burning of property records, and other radical measures aimed at "bourgeois reactionaries" have driven increasing numbers of Libyans into exile.

-- Libya's neighbors are increasingly willing to provide a safehaven and base of operations for the National Front for the Salvation of Libya--the largest and most effective exile organization.

-- Over four years of economic decline have undermined Qadhafi's ability to buy domestic support.

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A Constricted Economy

A sharp drop in oil revenues, economic mismanagement, and a declining standard of living are major causes of Qadhafi's political difficulties.

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-- In comparison with \$24 billion in oil revenues in 1981, we estimate that Libyan export earnings in 1985 remained at the previous year's level of about \$11 billion. A slight increase in oil production last year was offset by the continued erosion of prices offered for Libya's high quality crude. Production is currently over 1.1 million barrels per day.

-- Qadhafi held imports to about \$7 billion last year through severe austerity measures, particularly in the consumer sector; nonetheless, in conjunction with worker's remittances and other services, Libya still ran a current account deficit of \$1.2 billion last year.

-- Foreign exchange reserves have dwindled from \$14 billion in 1981 to a current level of \$4.0 billion.

Qadhafi's imposition of austerity measures as a means of coping with Libya's economic decline has only increased discontent and produced a growing consensus that change is needed.

-- Shortages of food, water, and electricity have become a way of life for most Libyans; what is available is often expensive.

-- Long lines at state-run stores are common, generating sporadic disturbances that have resulted in several deaths.

-- Austerity also is reported to be affecting the heretofore privileged armed forces: military units have been forced to fish or herd livestock to provide fresh meat for their personnel, and some stores open only to military personnel have been closed.

Political Effects of Action against the Libyan Economy

Efforts to further weaken the Libyan economy through non-military action would only be successful if Libya's main economic partners--Italy, West Germany, and the other West European states--agreed to cooperate with the US in maintaining sanctions against Tripoli. Public statements from some governments such as Bonn and London following the terrorist attacks in Rome and Vienna suggest a continued reluctance to employ economic sanctions against Libya.

-- If, however, economic sanctions were supported by most West European governments, the effect would be to accelerate the erosion of Qadhafi's domestic support. Qadhafi might respond to such pressure with increased threats of action against European assets and interests in Libya.

-- Partial or unilateral sanctions by Washington alone would not seriously affect the stability of Qadhafi's regime, and would provide him with further propaganda opportunities to denigrate US efforts to punish him.

Military action against Libyan economic targets would weaken the stability of the regime only if key installations--such as oil export terminals--are severely damaged or destroyed. Qadhafi would try to stem the erosion of his domestic support by appealing to Libyan nationalist sentiments and blaming the US for the resultant economic hardships.

-- Qadhafi almost certainly would portray such a strike as aggression against the Libyan people and might at least temporarily generate a popular backlash of anti-US sentiment. His ability to maintain anti-US fervor, however, would be lessened by a well-orchestrated campaign of propaganda that emphasized that US actions were aimed at Qadhafi, not the Libyan people.

-- In the immediate aftermath of a strike, potential coup plotters probably would hesitate to move against the regime in order to avoid being perceived as US puppets.

Any political gains for Qadhafi resulting from the US strike probably would only be temporary.

-- Damaging or destroying an important economic or military target would almost certainly shake Qadhafi's confidence and probably undermine the aura of "invincibility" he has cultivated over the years.

-- A successful strike, coupled with sustained US and Allied economic and political pressure probably would increase Qadhafi's sense of encirclement and prompt him to further repressive measures to maintain power. When under pressure, he may be more prone to poor judgment and political miscalculation.

-- As political and economic conditions worsened, potential assassins and coup plotters might be emboldened to move against Qadhafi.

-- If, however, Libyans perceived a military strike as an isolated event and not a sustained policy in which further action might be taken, Qadhafi's prospects for survival would be somewhat better."

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5 January 1986

MEMORANDUM FOR THE RECORD

FROM: Charles E. Allen
NIO/CT-NARC

SUBJECT: CPPG Meeting on Libya, 3 January 1985

1. The Crisis Pre-Planning Group (CPPG), chaired by Don Fortier, met in the Situation Room on 3 January to discuss possible US responses towards Libya in view of Tripoli's involvement with the terrorist group that staged the attacks at the Vienna and Rome airports. Principals at the meeting included Bob Gates, Clair George, Mike Armacost, Don Gregg, Bob Kimmitt, Fred Ikle, and Lt. Gen. John Moellering. Six NSC staff members also attended.

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The DoD cable which lists
Libyan target nominations

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30 December 1985

MEMORANDUM FOR: Associate Deputy Director for Intelligence

FROM: Douglas J. MacEachin
Director of Soviet Analysis

SUBJECT: Soviet/Libyan Contingencies

1. This memorandum summarizes SOVA's thinking about possible Soviet military responses and political calculations in the event of a US military operation against Libya. Annex 1, written last July with a somewhat different set of scenarios, provides an elaboration of the military dimension. Annex 2 sets out the reasoning behind our political judgments.

2. The character of the Soviet response would depend upon whether Moscow perceived the US operation to be a limited "Rambo"-type reaction to terrorism, or the first step in a new and determined effort to attack the USSR's client base in the region (Syria and the PLO as well as Libya).

3. Moscow's military options in advance of a strike of any size remain seriously constrained by inability to deploy credible military forces to Libya from the USSR rapidly enough to make a difference.

- A quick limited attack without prior warning would give Moscow little opportunity to react militarily; Soviet response would be limited to participation by Soviet advisers assigned to Libyan air defense units.
- If Moscow received several days or more warning due to a buildup of US forces near Libya, the Soviets could interpose small "trip wire" forces (Soviet air defense units or even a small ground force contingent) that they might calculate could force a US reassessment. We doubt they would do this, but cannot rule it out.

4. Our assessment of how Moscow would respond after a US attack is qualified by substantial uncertainty about Gorbachev's stature in the leadership and what his personal

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response would be to his first foreign policy crisis. Nevertheless, we believe Gorbachev is strong enough politically not to need for personal power reasons to display his manhood through provocative military responses to a US operation. In our view, Gorbachev's reaction would be conditioned first of all by a desire to stick to the strategy of domestic economic modernization, to continue to seek to influence the US administration's security policies (especially SDI), and to avoid military confrontation with the US in the Third World while nevertheless standing behind commitments to client regimes. In the Middle East, Moscow currently sees a number of trends going its way and would not want to undercut them through overreaction.

5. Moscow's sense of commitment to Qadhafi is highly qualified; it has no ideological kinship with the Libyan regime, views Qadhafi as an adventurist, and has refused to provide security guarantees to him. But, Gorbachev's room for maneuver might be narrowed if a US operation killed substantial numbers of Soviet personnel.

6. Moscow would probably not perceive a limited US anti-terrorist strike as a fundamental challenge to Soviet interests, but as an opportunity to gain propaganda advantage and enhance Soviet leverage against Qadhafi.

7. Moscow could interpret a large-scale US attack on Libyan military facilities as an attempt to alter the balance of power in the Middle East to Moscow's disadvantage, but it would wait to make such a judgment. If Moscow did reach this judgment, it could make it more difficult for Gorbachev to maintain his preferred resource allocation priorities and tactical flexibility in dealing with arms control and other bilateral US/USSR issues.

8. In the event of a major US strike on Libya, Moscow would probably resupply Qadhafi and unleash a global propaganda campaign against US "state terrorism." It would probably cut back bilateral relations with Washington for a period of six months or so, possibly postpone the next summit, inject larger naval forces and increase air activities in the Mediterranean theater, and expand the Soviet military presence on the ground in Libya. We doubt, however, that Moscow would pay the price of major security commitments to Qadhafi to acquire expanded access to Libyan naval and air facilities.

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Libya's Foreign Trade

Three-quarters of Libya's trade is with OECD countries; East Bloc and Soviet states account for much of the remainder.

The US is the third largest non-communist exporter to Libya, accounting for 8% of the western total. Heavy industrial machinery represents the majority of our \$304 million in exports.

Italy, with \$1.3 billion in exports -- largely, electric and heavy equipment -- is first, accounting for 34% of the western total.

West Germany, \$583 million, is the second largest exporter, 15% of the western total.

Closely trailing the US are Japan and the UK, 7.5% each.

The US still accords Libya Most Favored Nation status.

Libya, in 1985, exported \$7.8 billion in oil to the west. It imported \$3.8 billion -- largely heavy industrial goods and food -- for a net positive balance with western trading partners of better than 2:1.

Only the US and Japan, among the top non-communist exporters, run a trade surplus, importing virtually nothing from Libya.

Libya's Dependence on Trade

Typical of a developing nation, Libya exports its natural wealth and imports its food and industrial base.

Tripoli depended, in 1985, on western countries for almost 70% of its food supply.

Hard currency earnings from the west go for Soviet arms -- three-quarters of Libya's military materiel -- and to underwrite terror and insurrection worldwide.

Hard currency also pays for the guest-worker population.

Foreigners in Libya

As world oil prices have declined, the population of guest workers in Libya has been reduced, but is still substantial. Overall, as many as 375,000 foreigners are estimated to remain in Libya.

64,000 western workers -- including as many as 1,000 US citizens -- continue to work in Libya.

East Bloc and Soviet personnel may number 65,000.

US Citizens in Libya

Tripoli has claimed that as many as 2,695 Americans resided in the country at the start of 1984.

This probably represents a flow over time, rather than a snapshot of the population.

Our best estimate is that there are 800 to 1,000 US citizens -- including dependents -- in Libya at this time.

A core group of US citizens and dependents, about 450, call Libya home and did not depart in 1982.

This core is made up of teachers and other professionals, including a few oil workers, who have established roots in Libya.

The remaining 350-550 include opportunists drawn by lucrative employment contracts, and businessmen who rotate in/out of the country as necessary.

Tripoli has been renegeing on contract terms and demeaning workers by subordinating them to incompetent Libyans, somewhat reducing the opportunist population.

The location of US citizens in Libya is not well known.

The core group is primarily in Tripoli, Banghazi and, possibly, Tobruk.

Non-oil businessmen would similarly reside in these urban centers.

Petroleum workers are scattered throughout the petroleum industry and, therefore, throughout the country.

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US Leverage on Libya)

Several thousand Libyan students continue to reside in the US.

Libya still enjoys Most Favored Nation status.

US exports to Libya of \$300 million last year are up almost 50%.

US exports include badly needed -- but not unique -- heavy industrial goods, and food.

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Trade with Libya by Selected Non-Communist Countries

1985 estimated (million US\$)

Imports from Libya (mainly oil)		Exports to Libya	
2,755.	ITALY	1,293.	electric and heavy industrial equipment
2,012.	WEST GERMANY	583.	arms, electric and heavy industrial goods
16.	UNITED STATES	304.	heavy industrial machinery
8.	JAPAN	287.	transport equipment
379.	UNITED KINGDOM	281.	machinery
619.	FRANCE	220.	manufactured goods, some arms
809.	SPAIN	151.	machinery
470.	NETHERLANDS	143.	food
151.	SOUTH KOREA	115.	construction goods
137.	TURKEY	105.	construction goods
302.	SWITZERLAND	73.	machinery
112.	AUSTRIA	68.	machinery
54.	BENELUX	68.	food and manufactured goods
0.	CANADA	56.	food
0.	IRELAND	33.	beef
40.	GREECE	17.	food

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US Companies Operating in Libya

Amerada Hess

Marathon

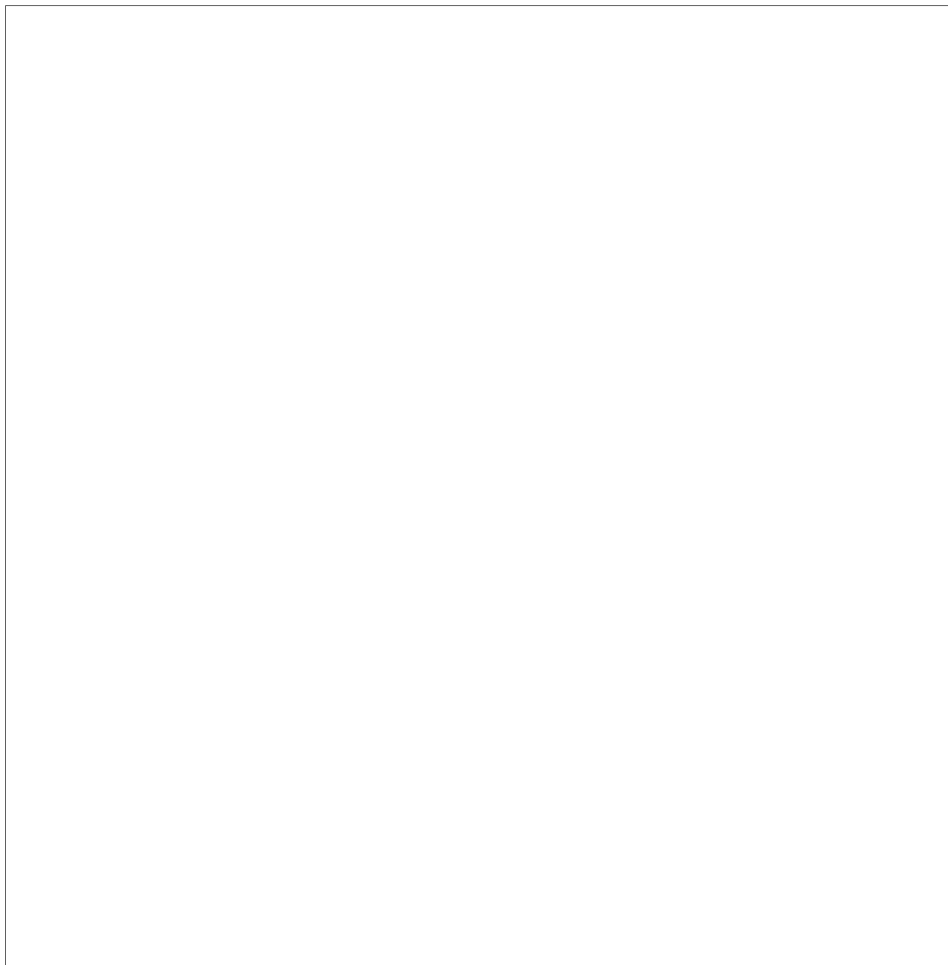
Conoco

Occidental

Brown and Root

Price Brothers

Bechtel



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National Southwire Aluminum a major contractor for the "Great Man-made River Project" (GMRP).

Superior

Haliburton

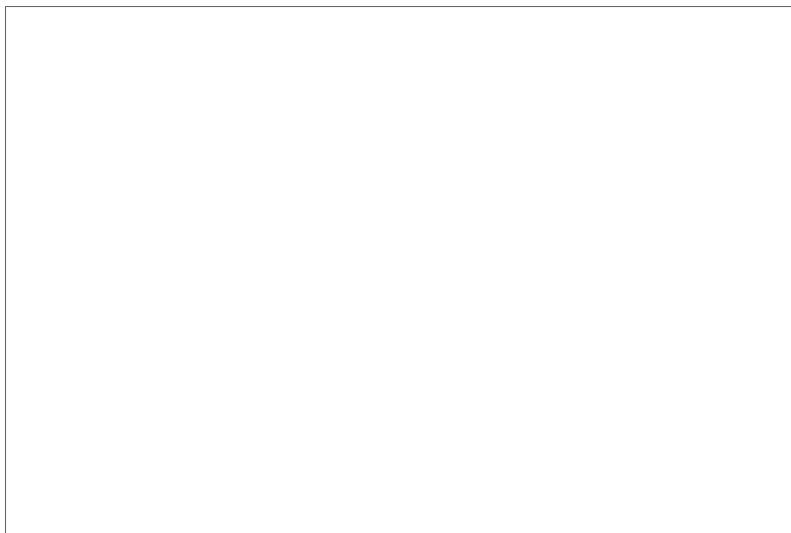
Pool-Interdrill

Reda

C. E. Vetco

Boeing

W. R. Grace



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US Companies Operating in Libya cont'd

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Christian

IDC

US Food Development Corp.

Charter Oil

Coastal Corporation

Kaiser Engineers
and Constructors

McGaughy, Marshall, McMillan
and Holmes & Narver

Stone and Webster

US El-Paso Company

Scientific Design

Foster Wheeler Italiana

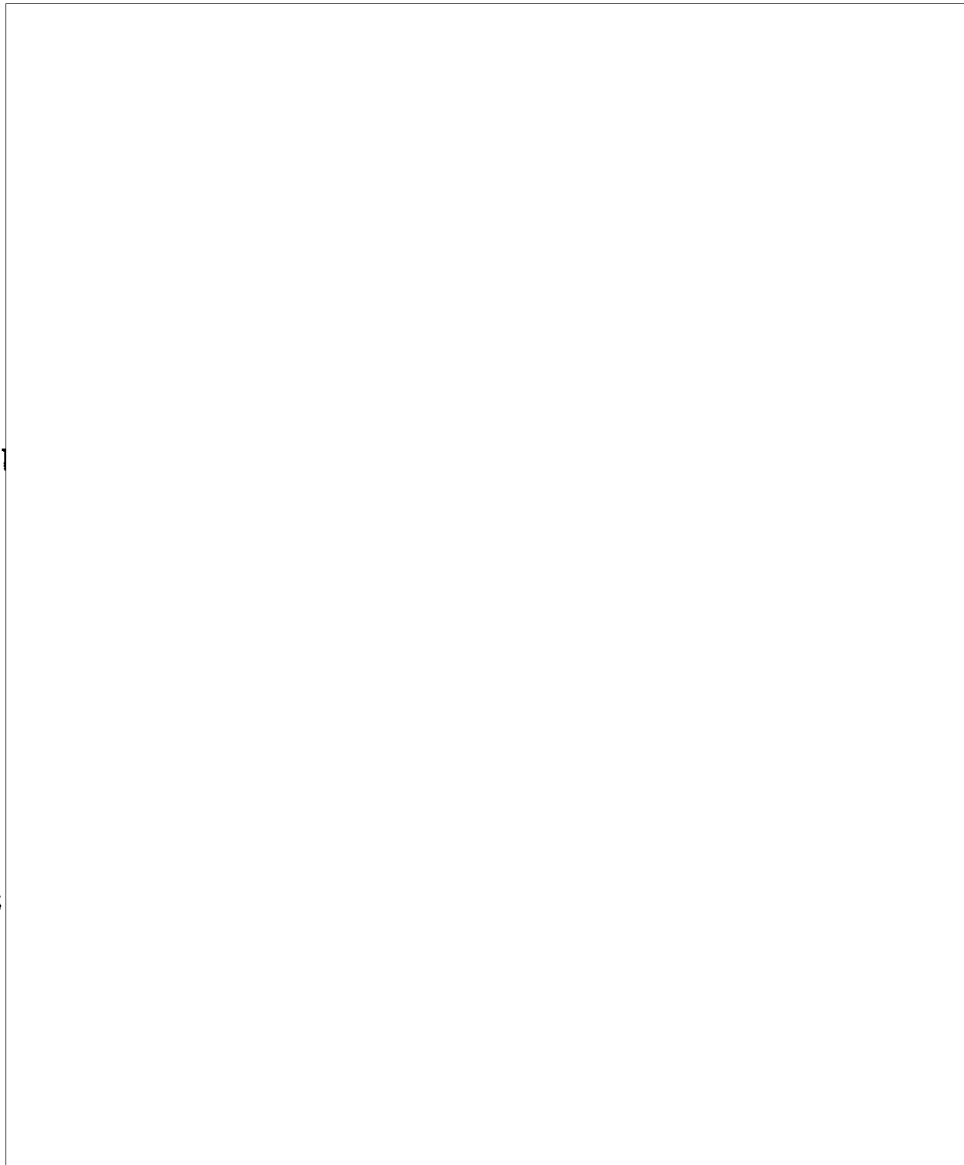
M. W. Kellogg Company

Woodward-Clyde Consultants

Banker's Trust

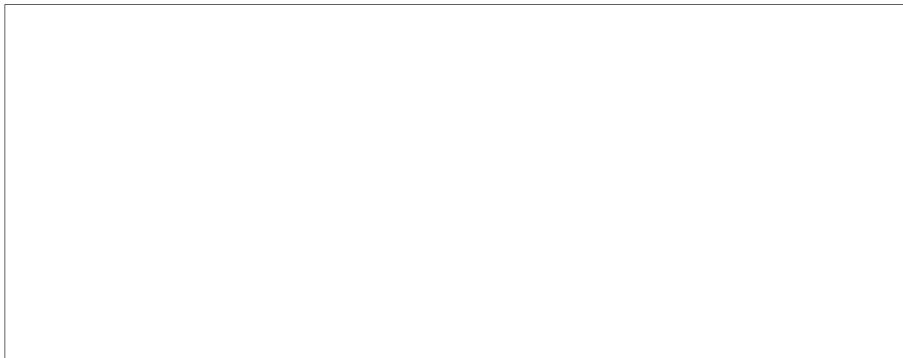
a number of US Banks

Continental Illinois,
First National Bank of Chicago, and
Citicorp



General Electric

Sofec, Inc.



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Other Firms Which Have Requested Export Licenses
or May Be Involved in Libya to Some Extent

Taylor Instruments
A. O. Smith
Rosemont
Gould Modicon
CATCO
Bristol
Leeds and Northrup
Hewlett Packard
ISSC
Research, Ltd.
Robershaw Controls
Systronics
Forney Engineering
Honeywell
Fisher Controls
Foxboro
Bailey's Controls
UOP Process Division
Beekman Instruments

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Expatriates in Libya, 1984

Egyptians	180,000
Tunisians	70,000
Soviets and East Europeans	70,000
Turks	35,000
South Koreans	18,000
Sudanese	18,000
Italians	15,000
Moroccans	10,000
British	4-5,000
West Germans	4,000
French	3,000
Greeks	2,000
Americans	1,000