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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

12 January 1986

MEMORANDUM FOR: Deputy Director for Intelligence
Deputy Director for Operations

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

SUBJECT: CPPG Meeting

The Crisis Pre-Planning Group will meet in the White House Situation Room at 2:00 PM Monday, January 13, to consider the Libyan situation. An agenda and list of participants is attached at TAB A.

This briefing book presents supporting materials for each of the major intelligence points listed in the agenda. An index appears on the next page.


Charles E. Allen

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Talking Points for Deputy Director for Intelligence

13 January 1986

Qadhafi's Next Steps

Qadhafi's responses to US economic sanctions probably will continue to mix diplomacy and threats and preplanning for terrorist operations against US and Israeli interests.

- Dividing the US from its allies on policy toward Libya and promoting a united anti-US stand among the Arabs are two of Qadhafi's longstanding foreign policy objectives.
- To this end, Qadhafi will continue pressing the Arabs for actions that would undermine their relationship with Washington and demonstrate that US efforts to isolate him are failing. Qadhafi in the past has made highly publicized impromptu visits to a number of Arab capitals to give the appearance of Arab receptivity to his proposals and could do so again.
- He also will continue using the current crisis to play on concerns among West European governments that their support for US initiatives to isolate Libya would prompt increased Libyan terrorist activities in Western Europe and closer ties to the Soviet Union.
- Qadhafi's tactics might include offering economic incentives to West European firms who help limit the impact of US sanctions and threats of reprisals against West European economic interests in Libya if West European governments appear willing to cooperate with Washington.

-- [redacted] Qadhafi already has warned Paris that he would not abide by his tacit agreement to desist from terrorist operations in France if Paris supports US sanctions.

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-- [redacted]

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-- Qadhafi might order several hits on Libyan dissidents in the hope that selected acts of terrorism against non-Europeans would induce the west Europeans to cooperate while minimizing the risk of a backlash against Libya.

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- He also will seek opportunities to publicize Libya's appreciation for Soviet political and military support as a means of exploiting West European concerns over Tripoli's expanding ties to Moscow.

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Qadhafi's conviction that radical Palestinians are justified in carrying out terrorist attacks and that such attacks are necessary to put pressure on the US and Israel will drive continuing Libyan support for Palestinian operations.

- Such support probably will be conditioned in the near term by Qadhafi's concern that Tripoli's involvement in another bloody incident would prompt the West Europeans to be more forthcoming in imposing diplomatic and economic sanctions on Libya.
- Qadhafi probably will promote operations that minimize the risk to citizens of West European countries and redouble his efforts to conceal the Libyan hand. Qadhafi, for example, could use additional cutouts or place some of his People's Bureaus in Western Europe off limits to radical Palestinians in an attempt to confuse the issue of Libyan complicity.

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- radical Palestinian groups backed by Libya may be planning another terrorist attack in Western Europe, but we have no evidence so far of Libyan involvement in these operations.

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- Qadhafi also may look for opportunities to target his moderate Arab enemies, especially if he sees an opportunity to portray them as insufficiently Arab nationalist and lackeys of the US. We believe that Tunisia--because of its increasing political vulnerabilities--and Egypt--because of its support for the Camp David accords--would be Qadhafi's principal targets.

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Intelligence gathering by Libyan agents on US Government installations may presage a decision by Qadhafi to target US personnel directly in terrorist operations.

- We believe that Qadhafi would be only temporarily deterred by the threat of US military action from supporting such operations, although he almost certainly would use surrogates to retain a degree of plausible denial.

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Qadhafi's Economic Options

The recent remark by Libya's Foreign Minister that US citizens are free to leave Libya probably is an accurate statement of Qadhafi's intention. We have no information with regard to how many US citizens have left Libya since sanctions were imposed.

-- Qadhafi almost certainly anticipates that Washington would view harassment of US citizens as justification for military action. At the same time, he will take hostages only if he is convinced that a massive US military strike is imminent.

-- He will continue to play up any statements by US workers indicating either unhappiness with Washington's latest restrictions or a desire to stay in Libya. Qadhafi will almost certainly offer financial and other incentives to retain at least a few hundred US personnel. [redacted]

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Qadhafi will continue to look for ways to minimize the economic impact of US sanctions.

-- He will try to lure European and other foreign firms to replace US companies by offering--as he already has-- lucrative potential contracts.

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-- He will probably pressure various Arab banks--as a concrete sign of support--to assist in moving Libyan funds through US banks. [redacted]

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-- [redacted]

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-- Qadhafi probably will not nationalize US investments to avoid providing a pretext for even tighter restrictions. Washington's decision to pursue "secondary sanctions," however, may prompt him to confiscate US assets, in Libya. [redacted]

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Qadhafi almost certainly will devise fairly soon a revised policy for marketing Libyan crude oil produced by US companies.

-- [REDACTED] Tripoli already is preventing five US companies from lifting any crude. The ban affects around 250,000 barrels per day of production. The move probably is an attempt to minimize potential loss of oil revenue, as payment for any oil being lifted is due after 1 February. Tripoli may anticipate that the companies will use sanctions to avoid payment or, at a minimum, to put money in blocked Libyan accounts.

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-- Tripoli probably will ask one or more of the European companies currently operating in Libya to market US-produced oil. Another option is to use the Libyan National Oil Company, although such a move could affect oil liftings temporarily while new contracts are negotiated and marketing offices and shipping schedules are established. [REDACTED]

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Qadhafi's Military Reactions

Qadhafi will weigh carefully his military options against the US. He probably will be attracted by the possibility of destroying a US ship or aircraft to demonstrate his defiance of Washington and to enhance his influence among Third World radicals. At the same time, he almost certainly wants to avoid giving the US a pretext for broad military action against Libya. We believe that Qadhafi will militarily strike US assets in the Mediterranean under any of the following circumstances:

- If he believes a US force in the central Mediterranean poses an immediate threat to Libyan security. We anticipate that US ships or aircraft approaching the coast at high speed will be treated as hostile and the Libyans will make every effort to engage them before they are within striking range of the coast.
- If he believes that the Libyan participation in the strike will not be exposed. We believe he will not feel very bold in this connection until the current confrontational climate dissipates. He will be wary lest Washington links him to any attack on US assets in the next month or two.
- If he believes he is assured of a quick and complete victory in an engagement that will not prompt a massive retaliation. The most likely possibility is the shoot-down of an unarmed US reconnaissance aircraft. He probably would refrain from seeking larger targets, however, because he would be aware of the high risk of failure in the attack as well as the increased risk of a larger retaliation. [REDACTED]

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If the US moves naval units into Libyan-claimed waters as a show of force, we believe that Qadhafi's inclination would be toward restraint, to allow time to confirm US intent. He and his forces would fear the worst, however, and the risk of an accidental engagement would be high.

- Qadhafi would send Libyan ships and aircraft to meet the US force and monitor its movements.

[Redacted]

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- The likelihood of an engagement increases, however, the longer the US ships remain in the Gulf, the nearer they are to the Libyan coast, and the nature of any approach to Libyan civilian or military targets. A high-speed run toward Surt--Qadhafi's tribal heartland--exemplifies an action likely to prompt a Libyan order to fire.

[Redacted]

[Redacted]

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Qadhafi's reaction to US aircraft operating in or near the Gulf of Sidra is less predictable.

- Jet aircraft can move from international airspace to Libyan cities in minutes, and Libyan interceptors have always tried to meet them well away from the Libyan coast.
- The potential for the Libyans to misread US intentions is much higher with aircraft than with ships and we would have little warning of Libyan hostile intent. Libyan interceptors probably will fire on those that appear to be intent on reaching the Libyan coast.

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EVIDENCE OF LIBYAN INVOLVEMENT
IN INTERNATIONAL TERRORISM

Evidence of Libya involvement in terrorism is sweeping and conclusive. Libyan assassins have been arrested at the scene of attacks, captured agents in foiled plots have confessed to links with Libya, and sting operations have provided incriminating video and audio tapes--even a Libyan claim of responsibility in one case. The US government has also compiled evidence of Libyan involvement in terrorism in the United States: in May 1985, after a grand jury heard evidence of Libyan plotting, a Libyan diplomat at the United Nations was declared persona non grata and deported from the country.

Libyan Assassins

The arrest of Libyan gunmen immediately after several attacks against Libyan exiles provides the most direct evidence of Libyan involvement. Libyan assassins have been notoriously poor operatives who often failed to escape after attacks--indeed they sometimes were arrested at the scene of the crime.

- An attack in April 1985 on a Libyan exile in Bonn--which resulted in his murder and the wounding of two German bystanders--ended in the arrest and subsequent conviction of the Libyan assassin.
- The Libyan assailant of a Moroccan citizen in April 1985 in West Germany was captured at the scene of the attack.
- In June 1984, a Libyan Arab Airlines employee was arrested while trying to escape after shooting a Libyan-born businessman in Greece in June 1984.

Confessions of Libyan Surrogates

In some cases in which Libyan nationals or Libyan-hired mercenaries were involved, Libya's hand has been revealed. In an attempt to ensure plausible denial, however, Libya often tries to remain one step removed from terrorist operations. Tripoli commonly uses members of dissident groups it supports to do its dirty work.

- Zairian authorities claim to have thwarted to plot to kill President Mobutu in September 1985. The plotters reportedly admitted that they received Libyan backing, including arms, training and funding.
- About 50 suspected Libyan-backed saboteurs were arrested in Tunisia in the fall of 1985. The terrorists were infiltrated into Tunisia when Libya expelled over 30,000 Tunisian workers. Libyans carrying false documentation were among those arrested.
- In March 1984, a Chadian national admitted after his arrest to having acting under Libyan direction, according to the local press. He reportedly was paid \$500,000 to conduct sabotage operations in Chad.

Equipment and Personnel Traceable to Libya

In several instances, Libyan diplomats have been caught red-handed with weapons and explosives in their possession. Tripoli extensively abuses the diplomatic pouch by using it to transport weapons. Equipment actually used in a terrorist plot has been tied to Libya in at least one instance.

- Tunisian officials reported that Libya provided the three passports used by the Abu Nidal terrorists in the December attack on the El AL counter in Vienna. Two passports had been seized from Tunisians expelled from Libya last fall, and the third had been lost by a Tunisian in Libya in 1977.
- In February 1985, Chad presented evidence to the UN Security Council of a September 1984 plot to assassinate President Habre. An attache case bomb was to be placed in the meeting room of the Council of Ministers and detonated from a remote location. The detonating device was traced to stock purchased by Libya.
- Tunisian authorities in September 1985 announced the expulsion of a Libyan diplomat who had smuggled letter bombs through the diplomatic pouch.
- According to the Egyptian press, Libyans claiming diplomatic immunity--but lacking proper accreditation--were discovered in August 1984 to be carrying boxloads of weapons. The Libyans were reportedly trying to smuggle the weapons into an unidentified Arab country on a Libyan Arab Airlines flight.
- The Libyan ship Ghat almost certainly was responsible for the July 1984 mining of the Suez Canal and Red Sea, which resulted in damage to more than 18 ships. The Ghat transited the Canal during that time frame. Although it usually carried a multinational crew, the ship had only Libyan personnel on this crossing. The crew commander was assisted by an individual known to command a Libyan unit that specializes in planting mines.
- British police found weapons, ammunition, and body armor in the Libyan People's Bureau after the UK severed relations with Libya in 1984. British security officials judged that these weapons had been smuggled into the country in the diplomatic pouch.

Uncovering of Libyan Plots

The Egyptians have been successful in uncovering Libyan operations, obtaining proof of intended attacks, and rounding up the terrorists involved. Egypt's infiltration of the plotters has allowed them not only to stymie attacks on high-level Libyan dissidents, but also to catch terrorists red-handed. Cairo has widely publicized the Libyan-planned operations--using audio and video tapes of the terrorists planning attacks.

- Egypt's most successful operation was carried out in November 1984 when the Egyptians encouraged Qadhafi to believe that his hired agents had assassinated former Libyan Prime Minister Bakoush. The Libyan press claimed credit for the killing of Bakoush, after which Egypt revealed the sting: the four assassins were in custody and pictures of the alleged victim were fakes.
- Egypt successfully infiltrated another plot against high-level exiles in November 1985. Libyan nationals were among those arrested. After the attack was aborted and arrests made, audio and video tapes incriminating Libya were released.

Libyan Funding of Terrorism

Recently available intelligence provides incontrovertible evidence that the Libyan government is using its official bank accounts to provide funds to terrorists on a global basis. The Central Bank of Libya, among other Libyan government controlled financial institutions, transferred many millions of dollars in 1985 through bank accounts abroad to terrorist groups and individuals in the Middle East, Western Europe, and elsewhere. Several millions of dollars of this money was paid from Libyan bank accounts held in both domestic and foreign U.S. bank branches. There is no evidence, however, that any banks handling Libya's accounts were aware of their use for terrorist support.

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