



INTERNATIONAL
SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

#6

In reply refer to:
I-22603/81

14 May 1981

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: SEP 20 2019

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE
THROUGH: UNDER SECRETARY OF DEFENSE (POLICY) *Y.L.*

SUBJECT: Paper on Libya for NSC Meeting (U)

(U) We received the attached this morning, for clearance by noon.

14 May 81
~~(U)~~ The paper closely follows the earlier proposed 'memorandum for the President' cleared by Dr. Ikle. It has been converted to a discussion memorandum and updated to reflect the closing of the People's Bureau and related actions.

~~(U)~~ The paper is suitable for purposes of a discussion and I have asked the Special Assistant to inform NSC staff that we have cleared it for that purpose only, but noting that we have two reservations which we will wish to discuss at the meeting:

- The Sixth Fleet naval and air exercise tentatively planned in the Mediterranean near Libya "starting in late June" may have to be rescheduled because of operational considerations. (The JCS representative will have more information on this subject at the meeting; basically, the objective is to have more ships available on station, including some F-14 fighters among the mix.)
- The requirement for contingency planning by DOE for a possible oil embargo or cutback has been deleted and the language used to describe this risk factor softened. We think that Qadhafi's use of his "oil weapon" is still a distinct possibility and the effect not completely predictable. We will recommend that DOE contingency planning continue.

(U) We will have a point paper, for use at the NSC meeting, by COB today.

Noel C. Koch

Noel C. Koch
Acting ASD/ISA

230-84-0104, bx 12, Libya (9-4 Jun)

Declassified by *19-M-0008*
11 MAR 1989

14 May 81
19-M-0008

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13 MAY 1981

SECRETARY OF DEFENSE

THE WHITE HOUSE
WASHINGTON

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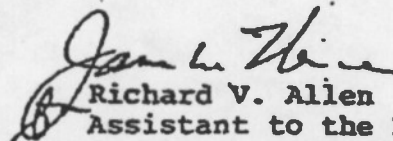
May 13, 1981

MEMORANDUM FOR:

THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES REPRESENTATIVE TO THE
UNITED NATIONS
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: Paper for the NSC Meeting (U)

Attached is a paper prepared by the State Department for the
NSC Meeting which is scheduled for 10:00 a.m. on Friday,
May 15. We would like your comments by noon tomorrow. ~~for~~


Richard V. Allen
Assistant to the President
for National Security Affairs

Attachment
State Paper for NSC Meeting

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DEPARTMENT OF STATE

Washington, D.C. 20520

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May 13, 1981

MEMORANDUM FOR MR. RICHARD V. ALLEN
THE WHITE HOUSE

SUBJECT: Libya Policy Paper

Attached is a discussion paper on US policy toward Libya as considered by the SIG. We recommend Libya be placed on the next NSC agenda.

L. Paul Bremer, III.
L. Paul Bremer, III.
Executive Secretary

Attachment:

Libya Policy Paper

Office of the Secretary of Defense 5 U.S.C. 5552
Chief, RDD, ESD, WHS +
Date: 20 Sep 2019 Authority: EO 13526
Declassify: _____ Deny in Full: _____
Declassify in Part: X
Reason: 3.3(b)(6)
MDR: 19 -M- 0008

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Date: SEP 20 2019

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U.S. Policy Toward Libya

BACKGROUND

Libya under Qadhafi is a major threat to U.S. interests throughout the Middle East/African region and, in the broadest sense, to our concept of an international order. Qadhafi's support for international terrorism, his dreams of empire (now becoming a reality in Chad*), his arrogation of the right to murder Libyan dissidents abroad, his hatred for and potential violence against Israel and key Arab moderates, and his potential for developing nuclear weapons require a concerted program of counteraction.

Libya poses a threat to the long Mediterranean lifeline of our capability to project power into the Persian Gulf area as well as directly threatening the survival of friendly regimes in the area. This could endanger our entire strategy in that region. Our ultimate objective, therefore, must be no less than a basic reorientation of those Libyan policies and attitudes which are now harmful to our interests.

*A separate paper on Libya/Chad has already been sent to the President.

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Authority: EO 13526
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Date: SEP 20 2019

Subject: Libya: Future U.S. Policy

The Issue

How could the U.S. most effectively neutralize, deter, and forestall a wide range of Libyan activities detrimental to U.S. interests and, over the longer term, bring about a fundamental alteration in Libyan policies and attitudes?

The concepts in this paper reflect a consensus developed through interagency consultations, including an IG meeting on February 13. An action program to deal with the specific problem of Libyan interference in Chad is being developed separately.

Short Analysis of the Issue

While an argument could be made that Qadhafi's frenetic activities have not yet had a major or lasting effect on important U.S. and Western interests, his relative success so far in his adventure in Chad and his steadily expanding ability to cause new troubles elsewhere dictates the development and execution of a firmer and more systematic U.S. policy.

Early movement on such a policy is propitious because:

-- through its intervention in Chad, Libya has stimulated a surprising degree of cohesive African opposition; and it should be relatively easier to develop broader international support for the objectives we would like to seek.

-- the Administration's stress on combatting terrorism, on taking a strong position against proxies, and on being reliable and consistent in our support of our traditional friends makes it important that we match these words with deeds regarding such states as Libya.

Strategic Concept

A basic policy in dealing with Libya will have both short-term and long-term aspects, each mutually consistent and reinforcing. A basic conceptual approach should have four basic elements:

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-- 1. We would resist, impose costs, and neutralize-- in all appropriate ways--all Libyan policies and activities across the board which are detrimental to broad U.S. interests.

-- 2. Going beyond U.S. reactions to Libyan moves, we would try in advance to deter, forestall, and complicate all possible Libyan actions and policies detrimental to broad U.S. interests, using all appropriate means.

-- 3. In the process, we would seek to bring about a permanent reorientation in Libyan policies and attitudes prejudicial to U.S. interests.

-- 4. Whether or not Libya alters its policies in the meantime, we should exert every effort to prevent Libya from acquiring sensitive nuclear technology, weapons-usable nuclear materiel, nuclear weapons, and the capacity to provide anything of this kind to unacceptable third parties.

Constraints on U.S. Action

While there are numerous problems in conducting an effective U.S. policy towards Libya, the most significant constraints come down to three:

1. The Potential Oil Weapon. Libya produces about three percent of free world oil consumption and supplies about nine percent of U.S. imports. The U.S. takes 35 percent of Libyan production. Other industrialized countries moderately dependent on Libyan oil are West Germany (12%), Italy (13%), and Spain (11%). Libyan oil is high quality (low density, low sulphur, and high gasoline yield), with comparable crude available only from Algeria, Nigeria, and the North Sea. In recent years, Libya has often threatened but not acted to cut off oil exports to the U.S. A selective embargo against the U.S. with no substantial cut in Libyan production would be largely ineffective since the market would reallocate supplies from other sources. A complete halt in production would likely trigger sharp price increases, particularly under current uncertain world oil market conditions, as well as gasoline shortages, but Libya is unlikely to take such drastic action except under extreme circumstances because of its almost total dependence on oil earnings. The effect of an intermediate action such as an embargo against the U.S. and possibly other countries combined with a substantial, e.g. 50 percent, cut in production would depend on the worldwide availability of other supplies, in particular the comparable light crudes, oil stock levels, and consumption

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patterns. Libya could also nationalize U.S. company assets there which have a replacement value estimated at up to \$7 billion.

2. Potential U.S. and European Hostages. There are presently over 2,000 American citizens working in Libya; Europeans, in particular the Italians, constitute a much bigger community. Some could be used as hostages although thinking Libyans certainly would be unwilling to risk U.S. (and European) retribution and the potential damage to their oil industry through the loss of expert expatriate manpower.

3. Potential Soviet Involvement. It is at least theoretically possible that the Libyans would call for Soviet help, including even Soviet military help, if they felt significantly threatened or challenged by the U.S. and its friends. Under some circumstances, this could lead to a U.S.-Soviet confrontation.

Less serious problems include: Qadhafi's consistent disregard of and virtual imperviousness to international criticism or political and moral condemnations; the extraordinary political passivity of the Libyan people and the relative absence of organized or sustained internal opposition to Qadhafi or his policies; Libyan dissidents abroad are disorganized and ineffective, and are periodically liquidated; Libya's relative immunity from conventional international economic pressures; the reluctance of key European governments to confront Libya politically or diplomatically out of fear of losing Libyan oil and trade; the possibility that visible and overt U.S. action would create a counter-response from some African and Arab governments which remain sensitive to what they perceive as "great power" interference or neo-colonialism.

Constraints on Libyan Action

1. Libya is located in an area where significant U.S. military and naval strength can be brought to bear. Its urban areas are primarily along the Mediterranean coast. It has a hostile neighbor--Egypt--on its eastern border. It would not be difficult to intensify Libyan apprehensions about the potential threat from both the U.S. and Egypt, given the President's recent warning of swift and effective U.S. retribution against terrorism.

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2. Despite purchase of large amounts of military equipment, Libya lacks the trained manpower to make effective use of these resources. With the adventure in Chad tying down the small coterie of officials upon whom Qadhafi relies to implement his military policies, Libya's position is especially exposed and vulnerable.

3. Libya is totally dependent on oil revenues to support its economy although its financial reserves could carry it through a protracted period of interrupted oil production. Actions against the oil companies or the expatriate community could make it difficult for Libya to attract replacement companies and replacement personnel. All evidence over the past several years indicates that Libya not only wants to exploit its present fields to the fullest but that it also wants significant exploration efforts to find new oil resources.

4. Soviet help in a crisis could be undependable and subject to virtually unacceptable conditions (e.g., the granting of base rights). In any case, given Libya's exposed strategic position, the Soviets would undoubtedly think twice before committing themselves heavily to a situation not clearly weighted in their favor. The Soviets would be very mindful of the vulnerability of both their sea and air lines of communication should they consider any major operations in Libya.

Basic Action Program

Carefully managed and orchestrated, it should be possible to carry out the following steps without unacceptable risks or stimulating serious Libyan counter-moves before we are ready to deal with them:

1. Evaluate and develop contingency responses for a cutoff of Libyan crude oil as part of U.S. domestic, and, as appropriate, international energy security planning. - Consider inter alia, standby measures to restrain demand for light products (such as an emergency gasoline tax), the possible need for increased flexibility of U.S. refineries, how to deal with the heavy dependence of specific U.S. companies and allied nations on Libyan oil, availability and substitutability of alternate crudes, and possible increased storage of such crudes in the Strategic Petroleum Reserve.

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2. Develop a concerted program for deterring Libyan assassination and intimidation campaigns in those countries most seriously menaced (Greece, Italy, FRG, France, UK, Switzerland, etc.). Such a program inter alia might include: [REDACTED] maximum sentences for convicted offenders; expulsion of Libyan diplomatic personnel in retaliation for specific acts; stimulated media attention to Libyan activities; the breaking of diplomatic relations; selective denial of high technology exports, particularly military items, items for Libyan armed forces use, and aircraft; and expanded denials of entry to Libyan citizens.

3. Mobilize through diplomacy an international consensus designed to stimulate activities vis-a-vis Libya which would be consistent with overall U.S. goals. U.S. education of key leaders about the Libyan threat--coupled with intelligence briefings--would be part of this effort. Seek particular coordination with France, Egypt, Sudan, and Morocco, as well as key African states. An international consensus could vary in size and influence, depending on specific Libyan acts or provocations, but it should be possible to gain some limited initial success in low common denominator programs such as those listed here in 2. and 5., and then work for greater objectives.

4. Libya presents a nuclear proliferation risk which clearly calls for special measures. We should expand and intensify our dialogue with all states considering or engaged in the supply of nuclear materials, equipment or technology to Libya. Our objective should be to minimize the amount of nuclear assistance Libya secures and particularly to prevent its acquisition of sensitive capabilities, (i.e., enrichment and reprocessing). We should continue to urge the IAEA to scrutinize Libya's nuclear program very carefully. Although our efforts to engage the Soviets in imposition of stronger safeguards on Libyan/USSR cooperation have not thus far been particularly successful, the effort should be pursued.

5. Via official statements and direct public affairs efforts, work to mobilize international public opinion to highlight Libyan excesses and focus particularly on trying to isolate Libya politically from other Arab and Islamic countries. Consider the circulation of a "white paper" to key states which details Libyan activities detrimental to their interests.

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6. Indicate our strong resolve to assist those neighbors of Libya which are potentially vulnerable targets of Libyan military attacks, subversion, bribery or propaganda. We would concentrate resources on countries that appear most immediately vulnerable--Tunisia, Sudan, Niger, Cameroon--while upgrading our intelligence coverage of Libyan activities throughout the region. By way of illustration, such a program could include for Tunisia:

[REDACTED]

public statements by the U.S. (and France) asserting support for Tunisia's integrity and independence; combined with such visible manifestations--as ship visits and high-level official visitors to Tunisia;

U.S. military contingency planning for overt Libyan military moves against Tunisia;

an expanded military assistance program (closely coordinated with France), with enhanced FMS credits, to develop a minimal Tunisian deterrent capacity; (this might require finding some added credits, perhaps from the Saudis, in FY 1981 so as to permit Tunisia to place orders this year for certain items such as F-5s).

7. Carefully concert with Egypt a program of Egyptian activities and statements designed to keep Qadhafi off-balance and to intensify his apprehensions that Egypt might take military action against Libya in response to Libyan actions. This should be managed in such a way as to avoid crossing the threshold line which could trigger a closer Libyan-Soviet embrace.

8. Undertake efforts with those governments--which have provided in the past, which are now providing, or which may consider the supply of military training or other personnel and equipment to Libya's armed forces--to eliminate, cut back, or refrain from becoming reinvolved in

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Libyan military training efforts and other military assistance (e.g, Pakistan, Syria, the UK, etc).

9. Continue our usual Sixth Fleet and air reconnaissance operations in the Mediterranean, including-- at least once or twice a year--fleet or air exercises in those areas claimed by Libya but recognized universally as international. Use the current peacetime rules of engagement.*

10. Accompany our future reconnaissance activities with a renewed warning to Libya--through its mission in Washington--that any hostile Libyan actions will be met with force. Make representations at the same time to the Syrian Government, which has provided some of the pilots and traffic control for Libyan aircraft intercepts of U.S. aircraft. (We would provide an Air Cap for air reconnaissance operations near Libya whenever it is considered necessary by USCINCEUR.)

11. In consultations with U.S. companies working in Libya and with European countries which have substantial numbers of their citizens in Libya, work out plans to reduce the size and vulnerability of the expatriate community in Libya, and particularly U.S. citizens. Consider more explicit travel advisories, and improved private means of communications from these communities, etc.

12. Renew our efforts to establish an Interests Section in the Belgian Embassy in Tripoli, staffed only with Belgian officials, to assist and protect the American community. If the Libyans refuse, either

(a) close the People's Bureau in Washington to remove this anomaly in our relationship.

* Peacetime Rules of Engagement delineate the circumstances and limitations under which U.S. forces will engage other forces. In the event of a hostile act (either actual or imminent threat), U.S. forces will engage, in self-defense, using a scale of actions ranging from warnings to disablement or destruction of the hostile unit. Pursuit during the engagement is authorized only until it is established that the hostile force no longer poses a threat.

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or (b) wait instead for evidence of further official Libyan linkage to assassinations or intimidation of Libyans in the U.S., and then close the People's Bureau in Washington, and consider breaking diplomatic relations. (If the Libyans seek to maintain an Interests Section in the U.S. for the large Libyan student community, insist that the U.S. in return must have the right to maintain an Interests Section in Tripoli--if necessary only with Belgian personnel--with satisfactory guarantees for the safety of the personnel.)

13. In all diplomatic and other exchanges with the Libyan Government, make it clear that we would welcome improved relations but that we would take no steps to bring this about until there is a change in Libyan policies of interference in the affairs of states and support for international terrorism (explicitly an end to assassinations and intimidation and a reduction in direct support and training for terrorist groups).

14. Enunciate, through official U.S. Government channels such as the VOA and through foreign and domestic media in general, the clear position of the U.S. Government that the U.S. has a quarrel only with Libyan policies of interference and terrorism and not with the Libyan people.

15. Develop contingency military and diplomatic measures for use in the event that Libya seizes American citizens in Libya as hostages.

16. Actively seek to focus world attention and opprobrium upon Libyan activities through such international forums as the U.N. Security Council and Commission on Human Rights.

Further Steps

The above steps could be undertaken, in our view, without necessarily provoking Qadhafi into an exercise of the oil weapon or actions against the American community in Libya. Once we have carried out satisfactory measures to reduce our vulnerability to these potential Libyan actions, and provided we have a satisfactory international consensus, we could consider a number of other actions, with due regard to the state of the world oil economy at the time.

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DRAFT/MEMORANDUM TO THE PRESIDENT

MEMORANDUM FOR: THE PRESIDENT

FROM: Alexander M. Haig, Jr.

SUBJECT: Libya

Libya under Qadhafi is a significant threat to U.S. interests throughout the Middle East/African region and, in the broadest sense, to our concept of an international order. Qadhafi's support for international terrorism, his dreams of empire (now becoming a reality in Chad*), his arrogation of the right to murder Libyan dissidents abroad, his hatred for and potential violence against key Arab moderates and his potential for developing nuclear weapons require a concerted program of counteraction. Libya poses a threat to the long Mediterranean lifeline of our capability to project power into the Persian Gulf area as well as directly threatening the survival of friendly regimes in the area. This could endanger our entire strategy in that region. Our ultimate objective, therefore, must be no less than a basic reorientation of those Libyan policies and attitudes which are now harmful to our interests.

Our study of this problem through an Interagency Group and a discussion at the SIG level on March 18 have produced

*A separate paper on Libya/Chad has already been sent to you.

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interagency consensus on the seriousness of the problem, the need for firm U.S. action in support of our interests, and the following recommendations for certain first steps. This memorandum seeks your approval of this approach.

The recommended first steps are designed to signal our new attitude to Qadhafi and others, and to begin mobilizing an international consensus isolating Qadhafi:

-- We would approach selected European and regional friends and allies to elicit their support and cooperation in a more forthright posture of opposition to Qadhafi. (Inter alia, I would plan to share our strategic view of Libya with Sadat on my April trip, and lay a basis for specific understandings to be worked out in the succeeding weeks and months. We will for example consult with Egypt on a program of Egyptian activities and statements designed to keep Qadhafi off balance.)

-- In the case of neighboring states directly threatened by Libya (such as Tunisia and the Sudan) we will propose tangible measures to help them defend themselves, including FMS, military exercises, training, etc..

-- Through official and background statements, we would focus international public opinion on Libyan excesses, and make clear our view that Qadhafi's international conduct is unacceptable.

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-- We would close the Libyan "People's Bureau" (Embassy equivalent) in Washington at an early date (with the precise timing coordinated with our other measures) as a signal of our refusal to deal normally with an international outlaw.

-- The Sixth Fleet plans a naval and air exercise in the eastern Mediterranean starting in mid-April that is scheduled, for the first time in three years, to bring our units into those international waters in the Gulf of Sidra that Libya claims. The Libyans have in the past threatened military opposition to such activities. We would precede the exercise with a stern warning to the Libyans that any hostile Libyan actions against this exercise--or our regular air reconnaissance flights off Libya's coast--will be met by force. (The fleet elements participating will operate under peacetime rules of engagement which are defensive in nature.)

Qadhafi, of course, can respond to our actions. His strongest card would be to use the oil weapon through a total or partial embargo on exports to the U.S. (probably manageable) or through a general production shutdown (difficult). In an extreme situation we have no assurance he might not turn on the 2000-plus Americans now working in his country, mainly for the oil companies. It is our best judgment that the immediate steps we are proposing will not trigger such actions by Qadhafi, but he is highly erratic and we cannot completely

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rule out a violent response on his part. At the same time, as part of our longer-term approach, we will take other steps to reduce our vulnerability. Specifically:

-- DOE will undertake contingency planning against various levels of possible Libyan oil cutbacks or embargoes.

-- We will begin consulting with the management of the U.S. companies operating in Libya, urging them to reduce the size of their American staffs. Shortly afterwards, we will issue stronger advisories urging Americans not to travel to Libya. This action has special urgency because the reduction of the American hostage community is a prerequisite for many stronger actions we might wish to take, and it will probably only be accomplished gradually.

-- We will also work with DOD to update E & E and other emergency contingency planning.

-- We will develop a concrete program to deter Libyan assassination and intimidation campaigns, and seek to enlist the cooperation of the other countries most seriously menaced.

-- We will develop a concrete program, in consultation with the states that supply, or may supply, nuclear equipment to Libya, to reduce the chance of Libya acquiring nuclear weapons.

-- We will begin conversations with those who have given military assistance (including training) to Libya with the aim of eliminating or cutting back this activity.

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Commensurate with the truly serious threat which Libya poses, we intend to develop further specific recommendations in the near future. In making additional proposals to you, we will take into account the results of our consultations with other concerned states, the results of our contingency studies, intervening developments including any reaction on Qadhafi's part to our first steps, and our current assessment of constraints on action.

Recommendation:

That you approve our proceeding on this course of action to counter the threat posed by Libya under Qadhafi.

Approve _____ Disapprove _____

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Authority: EO 13526
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Date: SEP 20 2019

CC
Drafted: NEA/AFN: C:COon:mar
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Clearances: PM: JEdgar (f. Haas) JE
S/P: DFortier for Wolfowitz DF
INR: RSpiers RS
NEA: MDraper MD
C: RMcFarlane CN

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