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U.S.-Libyan Relations: Toward Cautious Reengagement

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Foreword

U.S.-Libyan relations have a long and sometimes volatile history dating back to 1800 when U.S. marines were fighting the Barbary pirates on the “shores of Tripoli.” However, the latest violent chapter in the relationship may soon be closed with the final resolution of the Pan Am 103 bombing, which has been the primary focus of U.S. policy toward Libya for more than a decade.

During the period in which U.S. policy has been focused on the bombing of Pan Am flight 103, many other elements that frame the context for U.S. policy in the region have changed. Accordingly, the Atlantic Council thought it would be timely to convene a working group to think about the future of U.S.-Libyan relations in the light of the broad range of U.S. interests at stake and to identify appropriate measures to pursue U.S. interests. For almost a year the group has studied and debated key issues and come to conclusions about a road map for future U.S.-Libyan relations. This report presents the results of the working group’s deliberations.

The conclusions and recommendations of the members of the working group are their own. Each member of the group acted in his or her individual capacity and the report does not necessarily represent the views of their organizations or of the Atlantic Council. The report represents the general consensus of the group’s work and members of the group have approved it as such, without necessarily endorsing every sentence of the report. Supplementary comments and reservations by individual members of the group are appended to the report.

The Council, and I personally, have greatly appreciated the considerable time and attention working group members contributed to this effort.¹ I would particularly like to thank Chester Crocker for his wise and perceptive leadership of the group and for the enormous and characteristic clarity of analytical insight and policy judgment that he brought to the process. I would also express sincere thanks to Dick Nelson, the director of the Council’s Program on International Security, who not only acted as the tireless and fair rapporteur of the working group, but also masterminded its work; and to Jason Purcell for his skilful and admirably persistent management and support of the project.

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¹ Portions of this report in the sections entitled “Interests of Others”, “Key Obstacles and Opportunities: Terrorism” and “Key Obstacles and Opportunities: Libyan Regional Behavior” will appear in a forthcoming article: Ronald Bruce St John, “Libyan Foreign Policy: Newfound Flexibility,” *Orbis* (Summer 2003).

Key Judgments

A New Strategy for a New Context

The current U.S. strategy towards Libya – an implicit strategy of isolation – was developed for a very different international context than the one that currently exists. Put in place during the 1980s, the strategy was appropriate for the Cold War context and for dealing with Libya’s hostile behavior at the time. Since then, however, both the general context and specific Libyan behavior have changed, rendering the current set of accumulated laws and regulations that govern U.S. relations with Libya outdated and inappropriate. Furthermore, the current strategy provides no vision for U.S.-Libyan relations once the remaining issues surrounding the 1988 bombing of Pan Am flight 103 are resolved. Thus, U.S. strategy needs to be changed to reflect better the new environment and new opportunities.

The current strategy implies pursuing U.S. interests in sequence. An alternative and more promising strategy, outlined in this report, would pursue U.S. objectives in parallel approaches that would maximize the chances of achieving individual objectives.

Such a strategy would be based on the recognition that a continued effort to isolate Libya is unlikely to produce results, given that other countries have reestablished relations with Libya and are actively pursuing commercial opportunities there. A parallel strategy would be organized around priority U.S. objectives (understanding that some may be more easily achievable than others). It should also seek opportunities to cooperate with European countries as these share many interests with the United States.

The principal objective for a new strategy should be countering international terrorism. Another priority U.S. objective should be preventing Libya from obtaining weapons of mass destruction (WMD) and long-range missiles. In addition, the new strategy should be designed to advance several other important U.S. interests simultaneously. These include promoting energy security through diversity of supply, containing Libyan regional ambitions that run counter to U.S. interests while encouraging Libya to play a constructive role in regional conflicts, developing economic relations, fostering human rights, encouraging political reform in Libya and successfully graduating Libya out of the “rogue state” category.

In pursuing opportunities to advance U.S. objectives, particular attention should focus on areas where they coincide with Libyan and European interests. Two objectives in particular stand out in this regard: countering terrorism and enhancing energy security.

Obstacles and Opportunities

While there seem to be important opportunities to advance U.S. objectives, particularly the resolution of the Pan Am 103 bombing, serious obstacles remain that will challenge any new strategy. These obstacles include the distrust and suspicion that are part of the legacy of decades of adversarial relations. As a result, there is relatively little knowledge or understanding of Libya in the United States and a corresponding uncertainty about whether

Libya can become a reliable partner. Nevertheless, the working group believes that recent Libyan behavior in areas of key concern has changed sufficiently to warrant cautious reengagement by the United States. This should be part of a new strategy that pursues U.S. objectives in parallel.

Terrorism

By all indications, Libya has changed its policy on terrorism. In recent years official U.S. statements and publications have confirmed as much, pointing toward improved Libyan behavior regarding terrorism. For example, the State Department's Patterns of Global Terrorism reports no longer assert any use of terror by the government of Libya or any Libyan support for terrorist organizations. Libya expelled the Abu Nidal Organization, closed down terrorist training camps and instituted visa restrictions that indicate that Libya no longer provides a safe haven for such groups. By 1998, the State Department annual report concluded "Libya has not been implicated in any international terrorist act for several years." Subsequent reports are consistent with this conclusion and note Libya's more constructive roles in fighting terrorism. They also indicate that the main reason Libya remains on the list of state sponsors of terrorism is that the Pan Am 103 bombing has not yet been completely resolved.

To achieve satisfactory resolution of the terrorism problem, outstanding issues related to the Pan Am 103 bombing need to be directly addressed. An agreement by which Libya would pay appropriate compensation to the victims' families has reportedly been worked out, however this can not go forward until an understanding is reached on a Libyan statement of responsibility for the bombing. Negotiating this statement of responsibility should be a priority for the United States government. The statement should be consistent with the United Nations (UN) requirements for a clear and unambiguous declaration that Libya accepts responsibility for the actions of its officials in connection with the bombing of the Pan Am aircraft.

This would pave the way for a permanent lifting of UN sanctions and for implementing a finalized Pan Am 103 compensation agreement. Permanent lifting of UN sanctions should also prompt the United States to review its own sanctions to determine which, as a result, are unlikely to achieve their objectives anytime soon, are likely to harm U.S. interests, or are no longer necessary because of changes in Libyan policy and behavior. Given the suspension of UN sanctions, unilateral U.S. sanctions are increasingly counter-productive in that they tend to isolate the United States and U.S. businesses, rather than Libya. Furthermore, the removal of U.S. sanctions should not be retroactively linked to U.S. goals other than that originally stated – ending Libyan support for international terrorism.

Another logical step after resolution of the Pan Am 103 bombing would be the removal of Libya from the State Department list of state sponsors of terrorism, provided that the evidence continues to suggest that Libya has indeed changed its behavior. The United States should recognize changes in behavior in a timely manner in order to encourage other states to aspire actively to graduate from this list.

Energy Security

The removal of sanctions in the context of resolving the outstanding issues surrounding the bombing of Pan Am flight 103 would also help secure another important U.S. objective – energy security. Reopening trade with Libya would increase the diversity of the U.S. oil supply, mitigate dependence on Gulf oil and permit healthy competition with foreign oil companies that are now unfairly advantaged by unilateral U.S. sanctions.

Libya is rich in both oil and gas resources. It is still relatively under-explored in comparison to many other oil-producing countries, and represents one of the world's leading prospects for additional oil and gas discoveries. Libyan oil is high quality, low in sulfur and commands a high price on the international market. Also, given Libya's proximity to Europe, transportation costs are low.

Current unilateral U.S. sanctions deny U.S. oil companies access to substantial amounts of oil granted to them under previous lease agreements that continue to be honored by Libya. They also block U.S. companies from participating in attractive development and infrastructure opportunities. European and Asian competitors continue to seek access to U.S.-held concessions in Libya and, at some point, Libya will probably decide it no longer wants to hold the door open for sanctions-bound U.S. firms.

WMD Proliferation and Missiles

After countering terrorism, another major objective is preventing Libya from obtaining WMD and long-range missiles. Since the suspension of UN sanctions on Libya in April 1999, there has been an increase in Libya's efforts to acquire or gain access to sensitive technologies and expertise needed to produce weapons of mass destruction and ballistic missiles. This activity is troublesome because it seems inconsistent with other Libyan efforts to improve relations with the United States and Europe.

Libya's public denial that it has weapons of mass destruction also is not consistent with its actions, suggesting that Qadhafi does not yet seem to have reached the conclusion that the benefits of WMD are not worth the risks. Therefore Libya needs to be pressed so that its behavior is in line with its rhetoric concerning WMD. Specifically, Libya should:

- ratify the Chemical Weapons Convention, declaring promptly all chemical weapons-related activities to the Organization for the Prevention of Chemical Weapons (OPCW), and open suspected sites for international monitoring;
- agree to the International Atomic Energy Agency's "Enhanced Safeguards";
- abide by the Nuclear Suppliers Group guidelines; and
- abide by Missile Technology Control Regime standards.

Chemical weapons are the main concern, but in general Libya currently lacks indigenous capabilities to run an independent, effective WMD program. It remains heavily dependent on foreign suppliers for precursors to chemical warfare agents and related technologies, parts

and expertise for ballistic missiles and nearly all necessary infrastructure, components and technical expertise to produce nuclear weapons.

The United States should try to influence Libya's WMD and missile decisions in several ways. For example, it can enter into a direct security dialogue with Libya that addresses the full range of concerns of both parties. In this dialogue the United States should try to convince the Libyan leadership that the benefits of good relations with the United States and other countries, combined with the risks posed by pursuing WMD, make pursuing such weapons an unattractive choice.

In addition, the United States must continue to seek the cooperation of other countries in denying critical technologies and expertise to Libya and others. It also needs to deter Libyan efforts to acquire proscribed technology. This could include working with other UN Security Council members to establish a series of "red lines" that, if crossed by Libya, would trigger comprehensive sanctions or direct intervention. For example, testing of prohibited weapons or missiles would constitute such a breach of non-proliferation standards as to warrant strong sanctions. In any event, U.S. efforts are more likely to be effective if they involve close collaboration with European allies and other states.

Libyan Regional Behavior

Qadhafi has, in recent years, shifted his attention away from the Arab world to Africa. Like his earlier, but unsuccessful, efforts to promote Arab unity, his track record in Africa is decidedly mixed. This mixed picture suggests that the United States should encourage those efforts that are consistent with U.S. objectives, such as some of Qadhafi's mediation efforts that promote access and stability on the African continent. The United States should discourage those that run clearly counter to U.S. interests and it should monitor others to make sure that they, on balance, do no harm.

The working group does not expect Qadhafi to be converted to Western ways. But it believes that some of his initiatives can be supported and encouraged, instead of being dismissed out of hand or condemned as part of a strategy of general isolation. Furthermore, it holds that there are several opportunities for U.S.-Libyan cooperation, such as on terrorism and conflict mediation, because they serve mutual interests. Some Libyan initiatives – like a standing African army based in Libya – are not consistent with U.S. interests, but such plans are best opposed by African leaders themselves. Given its resources and geographic proximity, Libya will probably continue to play a significant role in the future of Africa. Lacking an ability to prevent Libya from playing that role altogether, the United States should try to find ways to modulate it.

Reform in Libya

The need for political and economic changes in Libya is great and the United States has an interest in encouraging reform. This interest is best served through a comprehensive approach to bilateral relations and by exposing more people in Libya to Western ideas. In particular, Libyans need to see that the United States represents a positive example, not a threat. For too long, U.S.-Libyan policy has been focused exclusively on Qadhafi.

If exposed and also compared to alternative institutions and approaches, Qadhafi's rule will be increasingly discredited. His arbitrary, authoritarian style is increasingly out of step with the rest of the world. It is not consistent with world standards of freedom and justice and will not stand up to the exposure and analysis that will increasingly result from Libya's reintegration into the international community. This suggests that more active engagement could influence changes in Libya more effectively than continued isolation. In any case, support for the latter strategy seems destined to continue to erode.

The Next Steps

In order for the United States to shift from its current isolation strategy to a parallel pursuit of key U.S. objectives, the working group recommends that the U.S. government should:

1. Give higher priority to developing a new strategy for U.S.-Libyan relations.
2. Support the permanent removal of UN sanctions once Libya has met the applicable criteria of the UN Security Council. At the same time, lift U.S. trade and investment sanctions.
3. Lift U.S. travel restrictions and encourage educational, cultural and other exchanges subject only to the determination by a nonpartisan group of experts that such travel would not place U.S. citizens in imminent danger.
4. Establish, in concert with other major powers, the steps Libya must take to satisfy nonproliferation concerns. These steps should include accession to treaty regimes on chemical and biological weapons, a declaration of Libyan stockpiles of chemical, biological and nuclear materials, acceptance of inspections under the nonproliferation treaties and destruction of any prohibited items. The United States, the EU and other major powers could likewise negotiate common WMD "red lines" that, if crossed by Libya, would trigger the kinds of comprehensive multilateral sanctions that have proven successful in the past.
5. Support those Libyan regional initiatives that are consistent with U.S. objectives, while discouraging those that run clearly counter to U.S. interests and monitoring others to ensure that they, on balance, do no harm.
6. Establish a direct and regular diplomatic dialogue with Libya in stages, eventually to include, if and when warranted by sustained improvement in Libyan behavior, full diplomatic relations. This dialogue should focus initially on resolving the Pan Am 103 bombing. Thereafter, it should aim to expand U.S. knowledge of the current Libyan leadership and the prospects for developing a more cooperative relationship on issues of importance to the United States.

U.S.-Libyan Relations: Toward Cautious Reengagement

I. Interests of the United States and Libya

Key U.S. Interests

U.S. interests in relation to Libya have remained consistent through four Administrations. The United States goals have been to:

- end Libyan support for terrorism;
- prevent Libya from obtaining weapons of mass destruction; and
- contain Libya's regional ambitions, at least those that run counter to U.S. interests.

Since Libya has disengaged from the Israeli-Palestinian conflict, U.S. interest has shifted toward encouraging Libya to play a constructive role in bringing about peaceful resolutions to African regional conflicts.

Additional U.S. Interests

While not explicitly cited in U.S. policy pronouncements, several other issues that relate to Libya are important to the United States, such as energy security, through diversity of supply. Given Libya's substantial oil and gas reserves it can potentially play a significant role in this regard. U.S. companies led exploration in Libya in the 1950s, which resulted in the first commercial discovery of oil in 1962. But U.S. sanctions have curtailed the work of such companies since the mid 1980s.

The United States also has other economic interests at stake. Libya is a significant potential market for aircraft and other transportation equipment sales. Also, Libya is undertaking huge construction projects like the Great Man-Made River and the gas pipeline across the

Mediterranean Sea, that are attractive propositions to major construction companies.² U.S. sanctions, however, have closed such opportunities to U.S. companies, while enabling European competitors to develop long-term contracts in Libya.

At a time when anti-Americanism is on the rise in much of the Muslim world and when the United States faces charges of engaging in a war against Islam, the United States has a significant interest in successfully graduating Libya out of the “rogue state” category, provided that it earns such promotion. Not only would such a development in the case of Libya undermine charges that the United States is biased against Arabs and Muslims, but it would also send a message to other rogue states, as well as to U.S. allies, that the United States is willing to adapt its sanctions policies to recognize positive changes in the behavior of targeted regimes.

Finally, the United States has an interest in promoting human rights and encouraging political and economic reform inside Libya. The Qadhafi regime is authoritarian, oppressive and inefficient, so inducing change in Libya should be a high priority for the international community.

U.S. Strategy

Although not always clearly articulated, the implicit U.S. strategy for dealing with Libya since relations were severed in 1979 has involved military confrontation, coupled with diplomatic and economic isolation. This strategy is, in effect, a sequential pursuit of U.S. objectives which holds off diplomatic and economic relations until all of the main political objectives have been met. This approach has been relatively successful in curbing Libya’s use of terrorism and its efforts to undermine the peace process in the Middle East. The critical factor in the success of this strategy was the collective effort of the UN, especially the European powers, to isolate Qadhafi. International air service to Libya was banned, Libyan assets abroad were frozen, Libyan diplomatic missions were ordered to be reduced and all weapons exports to Libya were outlawed.

Many of the factors that underpinned the U.S. strategy no longer exist. The geopolitical framework has changed. The Cold War, which provided a common threat to help establish a unified response on the part of the United States and its allies, no longer defines the basic context of U.S.-Libyan relations. More specifically, Qadhafi has changed his strategy, focusing on the exercise of more acceptable means of influence, notably his oil wealth. Libya no longer represents the kind of threat that enabled the United States to work with European allies in imposing international sanctions. In some respects the reverse is the case: for example, Libya is now viewed as a partner in the war on terrorism.

² The Great Man-Made River project is the world’s largest water transportation effort using more than 2,000 miles of pipeline four meters in diameter to bring water from wells in southern Libya to its coastal cities. Begun in 1990, when completed the project will cost more than \$25 billion. Three major pipelines have been completed bringing water to Tripoli, Benghazi and the Jeffara plain. In 1999, the Libyan National Oil Company signed an agreement with Italy’s Agip-ENI to begin a \$5.5 billion natural gas pipeline under the Mediterranean Sea connecting Libya and Italy.

In light of these and other developments, the existing U.S. isolation strategy toward Libya is unlikely to generate further successes in advancing U.S. interests and, indeed, no longer serves some of those interests. An alternative strategy that would be better tailored to maximize the chances of achieving individual U.S. objectives would be a parallel strategy, organized around priority U.S. objectives. This would be based on the recognition that some objectives may be more easily achievable than others and on the principle that there should be transparent tests and benchmarks so that the United States might better gauge progress and make appropriate adjustments in the scope and pace of improving overall relations with Libya. This report outlines the basis for, and nature of, such a parallel strategy.

While there seem to be important opportunities to advance U.S. objectives, particularly the resolution of the Pan Am 103 bombing, there remain serious obstacles that will challenge any new strategy. These obstacles include the distrust and suspicion that are part of the legacy of decades of adversarial relations. As a result, there is uncertainty in the United States about whether Libya can become a reliable partner. This uncertainty reflects the low level of mutual understanding and is one of the consequences of more than two decades of isolation. The United States, therefore, must rely heavily on friends and allies who have first-hand experience in Libya. In Libya, the generation with education in the United States or direct experience working with U.S. companies and the U.S. armed forces is passing. Given this gap, the cautious reengagement approach outlined in this paper will enable the United States to develop a better sense of the nature of the Libyan regime and judge if it can be a reliable partner.

Libyan Interests

A logical starting point for developing a new strategy is to compare U.S. and Libyan interests to determine which are in some measure complementary and which are more likely to remain in conflict. While this is a straightforward process at the most general level, it is made more difficult by the lack of in-depth understanding that comes from severed bilateral relations for more than 20 years. This, in turn, leads to an over-reliance on third-country observations and U.S. perceptions of Libya that are outdated and reflect, for the most part, the legacy of hostile relations that has characterized much of the last three decades.

Libyan interests will, for the foreseeable future, be defined personally by Colonel Qadhafi. He likely continues to see himself as a strong nationalist, fighting for the independence of, and respect for, Libya. To some extent, Qadhafi's confrontation with the West has been about his huge ego and his use of nationalism to build domestic legitimacy. Especially during his early rule, he appealed to a sense of national humiliation and frustration resulting from foreign rule over Libya – the Ottomans, and then the Italians occupied Libya for 500 years. Like Nasser, Qadhafi portrayed himself as a liberator, delivering Libya from foreign forces and influence. Accordingly, Qadhafi used oil revenue to launch an “anti-imperialist” crusade, which led to a confrontation with the West.

Throughout his early rule, Qadhafi had a strong interest in promoting Arab unity and led several efforts aimed at formal and informal union. More recently, he has been interested in

promoting African unity, including pan-African institutions, such as a standing African army. While many of these initiatives are ostensibly aimed at promoting regional cooperation, they also are colored by Qadhafi's desire to dominate them.

Qadhafi has a strong interest in remaining in control of Libya. This is reflected in the oppressive nature of his regime, which tolerates no opposition. Nevertheless, he must also take steps to meet the needs of Libyans, at least minimally. In this connection, Qadhafi has an important stake in the health of the Libyan economy. He must be concerned with the high level of unemployment. No official figures are available, but estimates place it at about 30 percent if disguised unemployment is included (people with nominal jobs, but who work little if at all). Furthermore, there are about one million foreign workers in Libya, which present a source of tension with local workers.³

Qadhafi's efforts to resolve the outstanding issues related to the bombing of Pan Am 103 demonstrate his eagerness to have UN and U.S. economic sanctions against Libya lifted, to be removed from the State Department's list of state sponsors of terrorism, and to improve Libya's overall relationship with the United States. His cooperation with the United States on terrorism reflects at least two interests. First, he does not want to become a target of the United States in its war on terrorism. Second, he wants U.S. cooperation against *al-Qa'eda* and other Islamic extremist elements that have threatened both his rule and his life.

Libya also has broad economic and political interests indicated by its application to join the World Trade Organization (WTO). If Libya is accepted, the accession process will open up the Libyan economy to much closer international scrutiny and probably lead to important reforms.

II. Interests of Others

In developing a new strategy for dealing with Libya, close attention is needed to the interests of other key states that were instrumental in the success of earlier efforts. The chances of success of any strategy increase to the extent that other states, particularly the major European powers, cooperate.

Italy

Italy has strong political and economic interests in Libya, in large part as a result of the colonial legacy. Current political relations between Italy and Libya are good and Italy sees economic relations between the two countries as very promising. However, a breakthrough in economic relations remains contingent on the settlement of disputes relating to colonial reparations.

The Italian government regards Libya as a force of relative moderation in the regional context of North Africa and the Middle East. This moderation stems, first of all, from Libya's attitude with respect to terrorism. Italy has long been convinced that Qadhafi's

³ Libya Country Profile 2002, Economist Intelligence Unit.

regime has renounced terrorism along with any active spoiler role in the Palestinian-Israeli conflict, and the killing of opponents abroad.

Terrorism

With respect to Pan Am 103, Italy agrees that Libya has to take responsibility for the attack if sanctions are to be formally revoked. Still, the general feeling in Italy is that Libya should be allowed to acknowledge responsibility in an indirect manner, in order to encourage Libya to stay on a trajectory toward normalization and moderation.

WMD & Missiles

Italy believes that Libya tried to develop chemical weapons at the Rabta plant, but that, at a certain point, this development was interrupted. The Libyan government later asked Italy to convert the plant to civilian industrial production. Before accepting the task, the Italian government went through a joint assessment of the Libyan proposal with the governments of the United States and the United Kingdom. These governments were unable or unwilling to produce arguments against the venture convincing to the Italian government. Italy therefore agreed to assist Libya in converting the Rabta plant, on the condition that Libya adhere to the Chemical Weapons Convention (CWC) and that, until such time as it did, work on Rabta would be subjected to a bilateral regime of inspections and controls. Italy is convinced that Libya's actions in this matter are in good faith.

While Italy is confident that Libya is no longer engaged in producing chemical weapons, the government shares international suspicions that Libya may be developing longer-range missiles (more than 500 km) with the support of North Korea and other countries. Unlike with chemical weapons, Italy has no evidence to the contrary regarding this suspicion.

Libya launched two Scud missiles against Italy following the U.S. bombing of Tripoli and Benghazi in 1986. These failed to hit their apparent target, the extreme southern Italian islet of Lampedusa, the location of an Italian air base and of a U.S. Coast Guard facility. At the time, some Italians believed that the poor missile performance was less evidence of a lack of capability than of a political choice not to hit Lampedusa.

In response to the threats stemming from the proven and likely increased missile capabilities of Libya and other countries, Italy is developing a missile defense system in cooperation with Germany and the United States. While the system is not directed specifically at Libya, it is fueled by fear of general regional dangers, as well as by Italy's willingness to play a significant role in North African crisis management and intervention. The Italian military does not believe that Libya has the overall capabilities (industrial, military, etc.) to constitute a serious threat, at least for the foreseeable future. This perception of poor systemic capabilities is not limited to missiles, but applies to the Libyan military in general.

Commercial

Italy has made efforts to include Libya in international and regional frameworks for political dialogue. In part, this reflects the importance of Libya to the Italian economy. Libya provides about 25 percent of Italy's total energy imports. With the activation of the

underwater gas pipeline project now underway, that share will climb to 30 percent. Furthermore, Libya continues to invest in Italy.

Economic relations, however, have not realized their full potential because of the dispute over the colonial past. For example, in a disagreement linked in part to Libyan claims for reparations, 120 Italian firms are still waiting for the repayment of credits they extended to Libyan bodies (generally state-owned entities) for work carried out in the 1970s and 1980s. The disputed amount is 877 million euros. The Italian firms maintain that the amount would climb to 1.75 billion euros, if interest were taken into consideration. However, bilateral economic relations also suffer from the sluggishness of the Libyan economy, which is in serious need of reform.

Britain

Trade and countering terrorism top the list of British interests in Libya. In pursuing these interests, Britain has played a key role in building consensus on how best to deal with Libya at the United Nations Security Council.

Terrorism

Following the 5 April 1999 surrender of two Libyan suspects in the Pan Am 103/Lockerbie case, the British government agreed in July of that year to restore diplomatic relations with Libya given that the latter had additionally signed a statement accepting “general responsibility for the actions of those in the Libyan People’s Bureau at the time of the [1984] shooting” who killed policewoman Yvonne Fletcher. In addition, the Libyan government “expressed deep regret to the family for what had occurred,” offered to pay compensation and agreed to help investigate the murder.⁴ Libya subsequently paid the proffered compensation to Fletcher’s family on 23 November 1999; however, over three years later in bilateral talks between Qadhafi and Foreign Office minister Mike O’Brien, it emerged that the British were still seeking Libyan assistance in resolving the Fletcher murder case.⁵

The 31 January 2001 conviction of Abdel Basset al-Megrahi, one of two defendants in the Lockerbie trial, was upheld in a 14 March 2002 appellate-court hearing. This brought an element of closure to the case, although not to Anglo-American insistence that Libya fulfill all terms of the outstanding Security Council resolutions.⁶ The British government later announced in August 2002 that Megrahi would serve his full jail term in a Scottish prison, rebuffing a campaign by Nelson Mandela, former South African president and long-time friend of Qadhafi, who wanted Megrahi transferred to a prison in a Muslim country.⁷

⁴ Warren Hoge, “New Libyan Cooperation Leads to Renewed Ties with Britain,” *New York Times*, 8 July 2002; “Libyan Suspects Handed Over in Lockerbie Bombing: UN Sanctions Suspended,” *Nando Media*, 5 April 1999.

⁵ Christopher Adams, “Gadaffi Promises Help to Fight al-Qaeda,” *Financial Times*, 8 August 2002.

⁶ Nicholas Watt, “Allies Tell Libya to Accept UN Demands and End Isolation,” *Guardian*, 15 March 2002; Edith M. Lederer, “Libya Hopeful of ‘Good Results’ in Having UN Sanctions Lifted,” *Associated Press*, 20 March 2001.

⁷ David Ben-Aryeah, “Déjà vu defence?” *Middle East International* (30 August 2002): 18-19; “Scotland: Lockerbie Bomber to Stay,” *New York Times*, 2 August 2002.

France

French-Libyan relations have been largely focused on trade and on the resolution of the bombing of the French airliner UTA Flight 772. Domestic litigation regarding the bombing has hampered French initiatives to forge new relationships and rehabilitate Libya. A French advocacy group filed a lawsuit against Qadhafi for complicity in murder on behalf of the victims of the UTA attack and similar cases have reportedly slowed or blocked some French commercial initiatives in Libya.

Terrorism

On 10 March 1999, a Paris court condemned *in absentia* six Libyan nationals, among them Qadhafi's brother-in-law, to life imprisonment for the 19 September 1989 bombing of UTA Flight 772. The court ruling stressed the involvement of the Libyan secret services in the attack, but did not raise the issue of Qadhafi's personal responsibility. On 17 July 1999, the Libyan government paid FF200 million (\$33 million) in compensation to the relatives of the victims of the bomb attack. This apparently satisfied the issue of Libyan acceptance of responsibility sufficiently for the government of France to restore diplomatic and economic relations with Libya.

Commercial

The French government has aggressively promoted French commercial interests in Libya while pressing Qadhafi to support the fight against terrorism. Qadhafi responded in October 2001 that he was fully prepared to fight terrorism. With the normalization of Franco-Libyan relations, air links between Paris and Tripoli were resumed in February 2002 after a 10-year halt. In September 2002, the French company Bouygues Offshore announced the signing of a 133 million euro contract with Libya as part of the overall development of the Western Libya Gas Project.

Germany

Terrorism

As with its European allies, Germany's counterterrorism concerns have trumped interests in trade with Libya. These conflicting interests have also resulted in German-Libyan relations suffering from long-standing legal proceedings, like French-Libyan relations.

Libyan involvement in the bombing of the La Belle nightclub in Berlin in 1986 led to a long trial and, after 15 years, concluded in the conviction of four people. Complaining about "the limited willingness" of the U.S. and German governments to share intelligence, the German court found that the bombing had been planned by the Libyan secret service in conjunction with the Libyan embassy in what was then East Berlin. "Libya bears at the very least a considerable part of the responsibility for the attack," said the judge, adding that the personal responsibility of Qadhafi had not been proven.

As the La Belle proceedings played out, Libya appeared satisfied with a German relationship grounded in mutual commercial interest, though characterized by the Germans as normal but distant. German Chancellor Gerhard Schröder met briefly with Qadhafi in Cairo in the

spring of 2000, and the chief of the Federal German Intelligence Service later met on several occasions with his Libyan counterpart to discuss terrorism issues. Berlin also approached Libya from time to time in search of a moderating influence on the Organization of the Petroleum Exporting Countries (OPEC) vis-à-vis oil price policy and it has asked Libya to play a mediating role in conflicts with radical Muslims.

European Union

Terrorism (& Regional Behavior)

In August 1998, the EU (European Union) welcomed UN Security Council Resolution 1192 calling for sanctions to be suspended once Libyan authorities turned the Lockerbie suspects over for trial. The Libyan government later embraced the principles of the EU Barcelona Declaration, which would require Libyan commitments to democracy, regional stability, market economics and free trade as prerequisites to participation in the proposed Mediterranean partnership. When the Libyan government then announced that it believed both Israel and the Palestinian Authority should be excluded from the 27-nation partnership until they reached a final peace agreement, EU officials responded that it would be unacceptable for Libya to make its agreement to the Barcelona process contingent on a resolution of the Israeli-Palestinian dispute. Libyan authorities later confirmed Tripoli's interest in ultimately participating in the process, but stated that Libya was unable at the time to make a formal commitment to the Barcelona Declaration.

Most of the European states, as well as Japan, Canada, Australia and others have restored diplomatic relations with Libya.

Commercial

In the 1990s, the EU attracted 85 percent of all Libyan exports; Germany, Italy and Spain collectively absorbed 80 percent of this total. The EU also provided 75 percent of Libyan imports, with Germany and Italy being the major players and Britain also a significant exporter. In non-petroleum sectors, European companies also enjoyed the bulk of contracts, although Turkish companies have dominated in construction and South Korean firms lead in water management.

Russia

Russian interests in Libya are primarily economic. In addition, Moscow has a long history of arms sales to Libya.

Commercial

In the 1970s and early 1980s, arms aid proved an effective instrument of Soviet policy in Libya as well as elsewhere in the Middle East. But by the mid-1980s, Soviet concern with the direction of Libyan foreign policy had increased, leading the Soviet Union to distance itself from Libya in the second half of the decade, subordinating the bilateral agreements in place to simple arms-for-cash ties. The UN sanctions regime imposed over a decade later precluded Russia from selling military hardware to Libya or servicing the equipment already owned by the Libyan armed forces.

Given this background, it was not surprising that, once the UN sanctions were suspended, Russia immediately resumed an active commercial relationship with Libya. The chairman of the International Affairs Committee of the State Duma of the Russian Federation hailed the suspension of sanctions as a “long-awaited event,” and a Russian Trade Ministry press release later suggested Russia would now be free to resume arms sales to Libya.

As early as May 2001, Russian Foreign Minister Igor Ivanov called for “the complete and final lifting of international sanctions against Libya.” A joint Libyan-Russian commission for trade, economic, scientific and technical cooperation, initially focused on Russian investment in oil and gas projects, meets regularly and has gradually expanded its scope to include agriculture, banking, nuclear power generation and transportation projects. Discussions have also continued on the issue of outstanding Libyan debts from the Cold War era.

Complementary Interests

The foregoing analysis suggests that there are several common interests among Libya, the United States, and European countries. These include the desire to see a final resolution of the Pan Am 103 bombing and, subsequently, a lifting of UN sanctions. Moreover, given the attempts on Qadhafi’s life in the early 1990s by Islamist extremists and the advent of the international fight against terror, all of the parties have an interest in cooperating against *al-Qaeda* and other Islamic terrorist organizations. In addition, all share a significant interest in ensuring energy security.

Furthermore, the United States and its European allies share interests that are in conflict with those of Libya. These include an active interest in curtailing certain Libyan ambitions and military actions in Africa, as well as a desire to halt Libyan programs to develop weapons of mass destruction and long-range missiles.

III. Key Obstacles and Opportunities

Reducing the Armed Confrontation

The aggressive Libyan strategy in the 1970s and 1980s and the U.S. response led to escalation and armed confrontations. Libya was probably behind the attempted assassination of the U.S. ambassador in 1976 and the ransacking of the U.S. embassy in Tripoli in 1979. Libyan involvement in the dramatic terrorist attacks on the Rome and Vienna airports resulted in the deaths of several U.S. citizens in 1985. Other incidents included military clashes in the Gulf of Sidra, when U.S. ships and aircraft challenged Libyan sovereignty claims.⁸ In 1986 Libyan agents were accused of bombing a Berlin nightclub that

⁸ Libya had attempted to claim the Gulf of Sidra as sovereign territory as early as 1974, based on a controversial interpretation of international law. The Libyan government sought to draw a straight baseline across the 296-mile head of the Gulf (which it considered an “historic bay”) and to extend its territorial sea from there. This claim has never been upheld by an international body or agreement. It has rather been challenged by several countries, including the United States, the United Kingdom and the former Soviet Union. (Yann-huei Song and Peter Kien-hong Yu, “China’s ‘Historic Waters’ in the South China Sea: An Analysis from Taiwan, ROC,” *American Asian Review*, Vol. 12, No. 4, Winter 1994, pp. 83-101.)

killed two U.S. servicemen and one Turkish civilian, while wounding 229 others, including 79 Americans (see above section on Germany)⁹. Ten days later, the United States bombed Libya and reportedly killed Qadhafi's adopted daughter. Then, in December 1988, Libyan agents planted a bomb aboard Pan Am flight 103, killing 270 people over Lockerbie, Scotland.

This pattern of armed confrontation has been halted, opening the way to potential opportunities to advance U.S. interests, particularly in areas where they coincide with Libyan and European interests. Two interests in particular stand out in this regard: countering terrorism and enhancing energy security.

Terrorism

Obstacle

Terrorism, or asymmetric warfare (as it was seen from the Libyan perspective), was an important tool of Qadhafi's early strategy. When Qadhafi seized power in the 1 September Revolution in 1969, he used anti-imperialism to appeal to Arab nationalism. His strategy therefore included support of a wide range of liberation movements from the PLO to the African National Congress, the IRA, the Red Brigades in Italy and Muslim separatist movements in the Philippines. Qadhafi's support for liberation movements brought him into prolonged contact with groups and activities that the U.S. government associated with terrorism. For his part, Qadhafi attempted to point out the distinction between revolutionary violence, which he supported, and terrorism, which he claimed to oppose.

The Libyan use of terrorism intensified and began to capture public attention in the 1980s, particularly after the attacks on the Rome and Vienna airports in 1985. In 1986, Libya was behind the La Belle nightclub attack in Germany that killed two U.S. soldiers and one Turkish civilian. In 1988 Libyan agents blew up Pan Am Flight 103 and, in 1989, Libya was behind the attack on a French airliner, UTA Flight 772, in which 171 people were killed.

Opportunity

By all indications, Libya has changed its policy on terrorism. In recent years official U.S. statements and publications have confirmed as much, pointing toward improved Libyan behavior regarding terrorism. For example, the State Department's Patterns of Global Terrorism reports no longer assert any use of terror by the government of Libya or any Libyan support for terrorist organizations. Libya expelled the Abu Nidal Organization, closed down terrorist training camps and instituted visa restrictions that indicate that Libya no longer provides a safe haven for such groups. By 1998, the State Department annual report concluded "Libya has not been implicated in any international terrorist act for several years." Subsequent reports are consistent with this conclusion and note Libya's more constructive roles in fighting terrorism. They also indicate that the main reason Libya remains on the list of state sponsors of terrorism is that the Pan Am 103 bombing has not yet been completely resolved.

⁹ Nathalie Malinarich, "Flashback: The Berlin Disco Bombing," *BBC News Online*, 13 November 2001.

Qadhafi immediately condemned the September 11th terrorist attacks on the World Trade Center and the Pentagon, expressing sympathy and support for the victims. Acknowledging political differences with the United States, he nevertheless emphasized that these “should not become a psychological barrier against offering humanitarian aid to U.S. citizens and all people in America who suffered most from these horrific attacks.” Shortly thereafter, he stated in a televised address that the United States had the right to take revenge for the attacks and he condemned the subsequent anthrax attacks, characterizing them as “the worst form of terrorism.”

In the months following the September 11th attacks, U.S. and British officials held several information-sharing sessions with their Libyan counterparts. Long a target of Islamic fundamentalist groups, Qadhafi began to share intelligence with Washington on alleged allies of Osama bin Laden, such as the Libyan Fighting Islamic Group. Finally, in a move interpreted by some as an attempt to gain support from the West, the Libyan government in January 2002 launched an internet website (www.libjust.com), offering a \$1 million reward for information on individuals, mostly regime opponents affiliated with Islamic movements, wanted by Libyan authorities. Libya also signed the 12 counterterrorist conventions listed in UN Security Council Resolution 1273.

On 1 September 2002, in Qadhafi’s annual address marking the anniversary of the 1969 revolution, he emphasized that Libya was no longer a rogue state and that it would yield to the demands of the international community. He added that Libya had detained Islamic militants suspected of links with *al-Qa’eda*, and he reiterated his willingness to pay compensation to the families of the victims of the Lockerbie bombing. Qadhafi’s address was noteworthy in that it was directed not toward Libyans, but to the West in general and to the United States in particular. An editorial in *Al-Quds al-Arabi* later described the address, in something of an overstatement, as “tantamount to a disavowal of all policies pursued by Libya over the past 30 years.”

Qadhafi has personal reasons to cooperate in fighting terrorism, particularly extremist Islamic groups. Qadhafi has been battling political Islamists since the 1990s. Many of the militant groups of concern to him were founded in the 1990s and may have been inspired by their Algerian forebears. Libyan political Islamist groups include: *al-Takfir wal-Hijra* (Apostasy and Migration), *al-Tabligh* (the Warning), *Harakat al-Shuhada’ al-Islamiya* (the Martyrs’ Islamic Movement), and *al-Jama’a al-Islamiya al-Muqatila* (the Fighting Islamic Group).

Throughout the 1990s these groups were active in Libya and abroad, publishing materials that discredited the Libyan government and attempted to destabilize the Qadhafi regime. There were numerous reported incidents of assassinations, attacks on military posts, and ambushes of government dignitaries attributed to, or claimed by, militant Islamist organizations. The Fighting Islamic Group has claimed responsibility for a number of operations inside Libya since 1995, including a May 1997 attack on a military post during which they reportedly seized one hundred machine guns. The Martyrs’ Islamic Movement

claimed that its members attacked security posts in Benghazi in February 1997, killing a number of security officers, and that it attempted to assassinate Qadhafi in June 1998.¹⁰

Compounding the impact of these internal factors, the multilateral sanctions imposed by the United Nations Security Council (UNSC) in the wake of the Pan Am and UTA bombings accomplished the basic objective of dissuading Libya from the use and support of terror. The question therefore arises as to the impact the continued use of sanctions is likely to have on Libyan behavior. Will, as some posit, the continued application of coercive measures against a state that is generally believed to be out of the terrorism business serve to keep Libya and other states on their best behavior? Or will it, as others suggest, create circumstances ripe for backsliding? The United States needs to test Libya to determine the extent to which it has committed to foregoing the use of terror as a political tool.

Pan Am 103

Obstacle

After Libya was implicated in the December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland, the United States focused considerable attention on resolving this issue. The families of 270 victims, including 189 U.S. citizens, have worked for more than 14 years to prevent the normalization of U.S.-Libyan relations until the issue is satisfactorily resolved.

The criteria for resolving the bombing were established by the UN Security Council. The relevant resolutions require Libya to:

- cooperate with the Pan Am 103 investigation and trial;
- accept responsibility for the actions of Libyan officials (in this connection);
- pay appropriate compensation; and
- commit itself to cease all forms of terrorist action and all assistance to terrorist groups, and to prove its renunciation of terrorism by concrete actions.

Opportunity

The prospects for resolution of the bombing have never been better than in recent months. According to press reports, the Libyan government has proposed conditions for compensating the families of Pan Am 103 victims with \$10 million per victim – a total of \$2.7 billion. Tripoli has offered to pay \$4 million to the family of each victim once the UN has permanently lifted sanctions, an additional \$4 million when the United States has lifted unilateral sanctions, and a final \$2 million paid once the United States removes Libya from its list of states supporting terrorism. The funds would be placed in an escrow account and returned to Libya if none of these events occurs in a twelve-month period. This period may be extended if the parties agree. If only one of the first two events takes place, each decedent's family would receive at least \$5 million in exchange for dismissal of the lawsuit.

¹⁰ Associated Press Report from Cairo, 28 August 1999.

This agreement seems acceptable to a large majority of the families and can be implemented even if a few families do not accept it. Those rejecting the settlement would be left on their own to pursue their case. In any event, it would not be in the overall U.S. interest to allow a few hold-outs to block U.S. policy initiatives that are desirable on other grounds.¹¹

A compensation settlement, however, is also contingent upon a satisfactory statement of Libyan responsibility for the bombing. Negotiating such a statement of responsibility should be a priority for the United States government. The statement should be consistent with the UN requirements for a clear and unambiguous declaration that Libya accepts responsibility for the actions of its officials in connection with the destruction of Pan Am Flight 103. Nothing more and nothing less should be advanced or accepted.

Once the U.S. government is satisfied that the government of Libya has accepted responsibility for the bombing and the majority of the family members' group is satisfied with the compensation package, the United States should take the steps necessary to support lifting the UN sanctions which are now suspended. Permanent lifting of UN sanctions should also prompt the United States to review its own sanctions to determine which, as a result, are either unlikely to achieve their objectives anytime soon, are likely to harm U.S. interests, or are no longer necessary given changes in Libyan policy and behavior. Given the suspension of UN sanctions, unilateral U.S. sanctions are increasingly counter-productive in that they tend to isolate the United States and U.S. businesses, rather than Libya.

Another logical step after resolution of the Pan Am 103 bombing would be the removal of Libya from the State Department list of state sponsors of terrorism, provided that the evidence continues to suggest that Libya has indeed changed its behavior. As previously noted, the most recent annual Patterns of Global Terrorism reports indicate that Libya has given up the use of terror. For example, as early as 1998, these reports concluded "Libya has not been implicated in any international terrorist act for several years." Subsequent reports are consistent with this conclusion and note Libya's more constructive roles in fighting terrorism. U.S. government reports that do make reference to Libyan support of terrorism refer to incidents in the 1980s and they indicate that the main reason Libya remains on the State Department list is that the Pan Am 103 bombing has not yet been completely resolved. Future reports could usefully focus on more recent Libyan behavior and, in general, the United States should recognize changes in behavior in a timely manner in order to encourage other states to aspire actively to graduate from this list.

Energy Security

Obstacle

Policies that compromised the U.S. interest in greater energy security in favor of larger national security interests had their place, particularly when Libyan support for terrorism was at its peak and when U.S. policies were bolstered by multilateral sanctions. However, times have changed. Now, as the Libyan government cooperates in the war on terrorism and as

¹¹ For an interesting perspective on how Libya is portraying this agreement and other issues in U.S.-Libyan relations, see an article by Colonel Qadhafi's son Saif, "Libyan-American Relations," in *Middle East Policy*, Spring 2003, pp. 35-44.

non-U.S. firms are aggressively moving back into Libya following the suspension of UN sanctions, the effectiveness of U.S. sanctions has diminished and their burden is increasingly being borne, not by Libyan institutions, but by U.S. companies and investors.

Opportunity

Libya is rich in both oil and gas resources. It ranks eleventh in the world in terms of proven oil reserves, with 36 billion barrels of oil. It also has substantial amounts of natural gas.¹² Furthermore, because Libya is still relatively under-explored in comparison to many other oil-producing nations, it represents one of the world's leading prospects for additional oil and gas discoveries. Libyan oil is high quality, low in sulfur and commands a high price on the international market. Also, given Libya's proximity to Europe, transportation costs are low.

It is thus detrimental to U.S. economic and energy security interests that unilateral sanctions deny U.S. oil companies the ability to act on existing agreements that would provide access to substantial amounts of oil in Libya, and that these same sanctions also block U.S. companies from participating in what some have described as the most attractive exploration and infrastructure development opportunities currently available in the entire industry.

Existing U.S. Energy Interests

Three U.S. companies, Amerada Hess, ConocoPhillips and Marathon (the Oasis Group), acquired petroleum rights to a large area in Libya (the Waha Concession) in 1955. In 1962, exploration activities resulted in the first commercial oil discovery and that was followed by other finds of world-class magnitude. ChevronTexaco, (through AMOSEAS and Gulf Oil) was the second largest lease holder in Libya with exploration and production operations in all key basins. In a similar time period, Occidental, ExxonMobil and the WR Grace Company had significant exploration successes. All of these U.S. companies played a major role in establishing the petroleum industry in Libya.

In 1973, the Qadhafi regime followed the example of other Middle East governments by nationalizing 59 percent of most of the U.S. oil companies' interests. The Oasis Group retained 41 percent of the Waha Concession. ChevronTexaco eventually settled its claims with the Libyan government in 1977, following a protracted arbitration process. Occidental sold part of its interest to an Austrian oil company; however, it did retain about 37 percent interest in several areas that are generally referred to as the Zueitina Concessions. The Oasis and Occidental concessions are currently operated by Libyan companies, with foreign and Libyan employees. The proceeds from the operation of these concessions, estimated at about \$100 million per year, go entirely to the government of Libya.

In 1982, the United States banned the importation of Libyan crude oil and exports to Libya were put under a licensing requirement with the presumption of denial for national security reasons. In 1986, the United States imposed a total trade embargo and licensed the Oasis Group and Occidental to lift and sell their Libyan equity crude oil for a grace period so that they could wind down their operations in an orderly manner.

¹² Source: OPEC Annual Statistical Bulletin: 2001.

With U.S. government approval, the Oasis Group and Occidental entered into separate standstill agreements with the Libyan National Oil Corporation (NOC) to hold their property rights in abeyance for three years, until June, 1989. Both the Oasis Group and Occidental continue to honor U.S. government policy and Libya continues to honor the standstill agreements.

Existing U.S. Energy Interests and the Emergence of Competitive Threats

Although UN sanctions and the Iran and Libya Sanctions Act of 1996 (ILSA) have combined to discourage participation by non-U.S. companies in Libya's petroleum sector, neither has acted as a complete barrier. By the time UN sanctions were suspended in 1999, there were already more than 20 non-U.S.-domiciled companies with active Libyan petroleum licenses and many more seeking petroleum exploration and production rights. Since the 1999 suspension of UN sanctions and the subsequent restructuring of the Libyan National Oil Company into a modern internationally competitive petroleum management regime, foreign interest in the Libyan oil and gas sector has increased further.

There are currently more than 100 exploration licenses open for competitive bidding, and non-U.S. companies are eagerly submitting offers for these licenses. This effectively opens all prospective Libyan acreage to access by every global oil industry participant except U.S.-domiciled companies. It also leaves the U.S.-held Waha and Zueitina concessions, some of the most potentially lucrative acreage in Libya, without foreign access. Not surprisingly, non-U.S. firms have expressed a desire to take over U.S. interests in these concessions.

For some time, Libya's neighbors in Egypt and Algeria have been accelerating the development of their respective gas resources, constructing infrastructure and fostering relationships in the southern European market areas. Libya sees itself as falling behind in this competitive environment and fears that it will be shut out of the market if it continues to defer the development of its gas reserves. Significantly, the U.S. concessions include large gas reserves and the NOC is being lobbied by foreign companies to open these gas projects, especially now that Libya is building a gas export pipeline to Italy.

These concessions amount to one of the richest petroleum prizes in the world, with over 6 billion barrels of remaining oil reserves and almost 3 billion equivalent barrels of gas and condensate. For the United States, any change in the ownership status of these concessions would mean a loss of U.S. influence over a large strategic oil resource. Beyond the obvious impairment to the U.S. oil companies with existing interests in these concessions, there would be a corresponding loss to U.S. business in the full scope of related activities. As non-U.S. competitors continue to seek access to the U.S.-held concessions aggressively, at some point Libya will decide it no longer wants to hold the door open for sanctions-bound U.S. firms.

In sum, development of Libyan oil and gas resources by U.S. companies would increase the diversity of U.S. oil supply, mitigate dependence on Persian Gulf oil and permit healthy competition with foreign oil companies that are now advantaged by unilateral U.S. sanctions.

Weapons of Mass Destruction

Obstacle

While Libyan behavior regarding terrorism appears to have undergone a fundamental change for the better, the picture concerning weapons of mass destruction is less clear. According to some U.S. experts, Libya already possesses chemical weapons and short-range ballistic missiles and is seeking not only self-sufficiency in producing these weapons, but also acquisition of nuclear and biological weapons and longer-range missiles. In October 2002, Under Secretary of State John R. Bolton summed up the U.S. proliferation case against Libya:

Libya continues to pursue an indigenous chemical warfare production capability, relying heavily on foreign suppliers for precursor chemicals, technical expertise, and other key chemical warfare-related equipment. Moreover, Libya has not abandoned its goal of having an offensive BW program. It continues efforts to obtain ballistic missile-related equipment, materials, technology, and expertise from foreign sources. Further, it continues its longstanding pursuit of nuclear weapons, and the suspension of UN sanctions against Libya increased its access to nuclear technologies.¹³

Since the suspension of UN sanctions on Libya in April 1999, U.S. officials have noted an increase in Libya's efforts to acquire or gain access to sensitive technologies and expertise needed to produce weapons of mass destruction and ballistic missiles. This activity is troublesome because it seems inconsistent with other Libyan efforts to improve relations with the United States and Europe.

Concern about Libya's WMD ambitions is not limited to a single factor or system. It derives from the aggregate of many factors – remaining concerns about two suspected chemical weapons production facilities (Rabta and Tarhuna), use of chemical agents against Chad in 1987, contacts with 'illicit' foreign sources of expertise and equipment, and increased dual-use technology procurement efforts. Another major factor is the unpredictable behavior and confounding rhetoric of Libya's leader along with uncertainty about the direction Libya will take with a post-Qadhafi regime.

U.S. suspicion about Libya's WMD and ballistic missile ambitions is shared by many other "supplier" states to varying degrees. Most European governments have expressed concern about Qadhafi's chemical weapons program, especially since Qadhafi has shown that he is willing to use, and capable of using, such weapons against his enemies. Some regard the danger of Libya's ballistic missile threat as less grave than does the United States, based largely on their observation that Libya has failed to procure equipment for producing medium range missiles.¹⁴ Others, such as Britain, have determined that Libya is an emerging missile and WMD threat and "might be capable of targeting the UK within a few years."¹⁵ Israel, of course, would also fall well within range of Libya's future missiles.

¹³ John R. Bolton, "Statement at the Fourth International Conference on Export Control," Warsaw, Poland, October 3, 2002.

¹⁴ "Italians Assess Libya's Ballistic Missile Capability," *Paris Intelligence Online*, July 25, 2002.

¹⁵ "Britain Issues First Warning of Libyan Missile Strike," *World Tribune.Com*, March 25, 2002.

All agree that Libya's nuclear program lacks the basic infrastructure to make any appreciable progress towards a nuclear weapons capability quickly without substantial outside help. Indeed, Libya currently lacks indigenous capabilities to run an independent, effective WMD program. It remains heavily dependent on foreign suppliers for precursors to chemical warfare agents and related technologies, parts and expertise for ballistic missiles, and nearly all necessary infrastructure, components and technical expertise to produce nuclear weapons. In his annual worldwide threat assessment presented to Congress in January 2002, the Director of Central Intelligence cited acceleration in Libya's WMD programs since 1999, but stressed that Libya still requires substantial foreign involvement, particularly in its nuclear weapons program, to make significant progress.¹⁶

Opportunity

Qadhafi has no doubt noted the willingness of the United States to go to war with Iraq over Baghdad's WMD programs. This lesson, coupled with the precedent of effective multinational sanctions imposed against Libya for its involvement in terrorism, would seem to provide reasons for Libya not to pursue weapons of mass destruction. Qadhafi does not yet seem to have reached this conclusion, however, and there is a need to find ways to persuade him and other Libyan leaders that the benefits of WMD are not worth the risks.

Libya needs to be pressed to meet several tests concerning WMD. Specifically, Libya should:

- ratify the Chemical Weapons Convention, declaring promptly all chemical weapons-related activities to the Organization for the Prevention of Chemical Weapons (OPCW), and opening suspected sites for international monitoring;
- agree to the International Atomic Energy Agency's "Enhanced Safeguards";
- abide by the Nuclear Suppliers Group guidelines; and
- abide by Missile Technology Control Regime standards.

The United States can try to influence Libya's WMD and missile decisions in several ways. For example, it can enter into a direct security dialogue with Libya that addresses the full range of concerns of both parties. In this dialogue the United States should try to convince the Libyan leadership that the benefits of good relations with the United States and other countries, combined with the risks posed by pursuing WMD, make pursuing such weapons an unattractive choice.

In addition, the United States must continue to seek the cooperation of other countries in denying critical technologies and expertise to Libya and others. It also needs to deter Libyan efforts to acquire proscribed technology. This could include working with other UN

¹⁶ It is interesting to note that Libya is not mentioned in either the CIA's or the Defense Intelligence Agency's assessments of long-term Global threats, see "Worldwide Threat 2001: National Security in a Changing World," statement by George J. Tenet, Senate Select Committee on Intelligence, February 7, 2001; and "DIA Statement on Global Threats and Challenges Through 2015," statement by Vice Admiral Thomas R. Wilson, Senate Select Committee on Intelligence, February 7, 2001.

Security Council members to establish a series of “red lines” that, if crossed by Libya, would trigger comprehensive sanctions or direct intervention. For example, testing of prohibited weapons or missiles would constitute such a breach of non-proliferation standards as to warrant strong sanctions. In any event, U.S. efforts are more likely to be effective if they involve close collaboration with European allies and other states.

Libyan Regional Behavior

Obstacle

Qadhafi has, in recent years, shifted his attention away from the Arab world to Africa. Like his earlier, but unsuccessful, efforts to promote Arab unity, his track record in Africa is decidedly mixed. Libya has supported several African regional organizations, while disassociating itself in various ways from those it cannot control or reshape.

This revival of Libyan diplomatic initiatives in Africa, in terms of approach and content, is an intriguing mix of the old and the new. On the one hand, many of the tools and techniques employed, like trade and investment, have been used by Libya for decades. For example, a prominent feature of Libya’s early involvement in Africa was its participation in the control and management of local trade and development companies. The desire to perform on a stage larger than the Libyan playhouse is also vintage Qadhafi.

Most troubling has been Libyan involvement in military adventures in Africa. This includes instigation, support and some direct involvement in insurgencies and civil wars in Uganda, Ethiopia, Eritrea, Sudan, Chad, the Central African Republic, Mali, Niger, Liberia, Sierra Leone and elsewhere. In some cases these were short, small efforts that never developed significantly; while in other cases they were major undertakings that lasted years and toppled governments.

The pattern in these activities is difficult to discern. Qadhafi’s clients span the political spectrum. The regional organizations he promotes are unlikely to succeed without an enormous concentration and effort that is uncharacteristic of Africa. The African Union (AU) is a repackaged Organization of African Unity (OAU) and the ambitious plans for an African parliament, court and armed forces that Qadhafi espouses are patterned after the European Union, without the latter’s history, experience or commitment.

Opportunity

The motivation and context of contemporary Libyan regional policy are new and offer some promise. Early Libyan initiatives aimed to reduce Western influence in general and Israeli influence in particular. They opposed the *status quo* and often assumed an Islamic hue. Today, Israeli influence is still a source of concern, but it is not a driving force for Libyan policy. The Islamic dimension is often absent altogether. Militant Libyan support for liberation movements in a post-colonial world is also a thing of the past. Where the old Libyan foreign policy was often a negative force focused on the destruction of the existing order, it is today aimed at creating a replacement order, offering Africans new opportunities. Finally, the singular focus of current Libyan foreign policy on Africa (to the virtual exclusion

of the Middle East) represents a marked change because Africa in earlier years was always a secondary arena for Qadhafi.

While much attention regarding Libyan initiatives is focused south of the Sahara, North Africa remains very important, particularly Egypt and Tunisia. In both cases, relations are relatively good, certainly improved from the 1970s when Libya and Egypt were on the brink of war. Now the economies are more closely linked through extensive Libyan investment and joint companies. Pipelines are being built to provide Libyan oil and gas to Egypt. The countries' electrical grids are already linked and a new road is planned along the Mediterranean coast.

Much the same holds true for Tunisia and Algeria. Libya has established joint oil and gas ventures which have been helpful in resolving border disputes. Pipeline deals are being negotiated that would link Algeria and Tunisia to Europe through the Libyan pipeline to Sicily. Tunisia and Libya have linked their electrical grids and trade between them is growing.

Looking southward, in February 1998, Qadhafi took the lead in establishing the Community of Sahel-Saharan States (COMESSA), which linked poor, landlocked African states with oil-rich Libya. The COMESSA project included creation of the Eastern and Southern African Trade and Development Bank with 75 percent Libyan capital, together with regional development initiatives like the upgrading of the Trans-Saharan Highway. Burkina-Faso, Chad, Mali, Niger and Sudan were early COMESSA members and a total of 18 states, representing more than half the continent's population, are now members.¹⁷

In August 1999, Qadhafi called for the creation of a United States of Africa to include an African central bank. He later added that a pan-African parliament with lawmaking powers was at the center of his scheme for a union of African nations. The poorer states of Africa, many of which had benefited directly from Libyan largess, were the strongest supporters of union. Larger nations, like Nigeria and South Africa, together with Libya's Arab neighbors, were less enthusiastic.

Qadhafi has vied with South African President Thabo Mbeki for leadership of Africa. Mbeki successfully quashed Qadhafi's efforts to base the parliament, development bank and armed forces of the African Union in Libya. Mbeki also countered Qadhafi's idea of a standing, continental army, advocating in its place a standby force consisting of multidisciplinary civilian and military contingents based in countries of origin, but ready for rapid deployment whenever necessary. Nevertheless, Qadhafi has continued his warm relationship with former South African President Nelson Mandela and was successful in gaining support from the African Union, in the face of determined opposition from the United States and human rights groups, for a Libyan chair of the UN Human Rights Commission for 2003.

¹⁷ COMESSA's members are: Benin, Burkina Faso, the Central African Republic, Chad, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo and Tunisia.

In conjunction with regional initiatives, the Libyan government has also aggressively pursued improved bilateral ties with a variety of African states. Qadhafi mediated a cease-fire agreement between Congolese President Laurent Kabila and Ugandan President Yoweri Museveni in April 1999; and later that spring, he sent a military force to Uganda. Libya also extended bilateral financial aid to several African states in 1999-2000, including Ethiopia, the Ivory Coast, Mali, Tanzania, Uganda and Zimbabwe. Tripoli similarly announced joint venture investment projects in Chad, Ethiopia, Mali and Tanzania. In September 2002, the Central African Republic announced a deal concluded earlier in the year which accorded a company created by Qadhafi the right to dig for oil, uranium, diamonds, gold and other minerals.

This mixed picture suggests that there is no single test appropriate to gauge Libyan regional behavior. Each case is unique and should be evaluated on its own merits, and a dialogue on this subject with Libya would be useful so that the United States and its allies could establish some general benchmarks, making sure that the expectations of both sides are clearly understood.

Given such benchmarks, it should be easier to calibrate appropriate U.S. responses to Libyan regional behavior. The United States should encourage those efforts that are consistent with U.S. objectives, such as some of Qadhafi's mediation efforts that promote access and stability on the African continent. The United States should discourage those that are clearly counter to U.S. interests and it should monitor others to make sure that they, on balance, do no harm.

The working group does not expect Qadhafi to be converted to Western ways. But it believes that some of his initiatives can be supported and encouraged, instead of being dismissed out of hand or *de facto* condemned as part of a strategy of general isolation. Furthermore, it holds that there are several opportunities for U.S.-Libyan cooperation, such as on terrorism and conflict mediation, because cooperation in these areas would serve mutual interests. Some Libyan initiatives – like a standing African army based in Libya – are not consistent with U.S. interests, but these plans are likely to be, and are best, opposed by African leaders themselves. Given its resources and geographic location, Libya will probably continue to play a significant role in the future of Africa. Lacking an ability to prevent Libya from playing that role altogether, the United States should try to find ways to modulate it.

Encouraging Reforms in Libya

Obstacle & Opportunity

The need for political and economic changes in Libya is great and the United States has an interest in encouraging reform. This interest is best served through a comprehensive approach to bilateral relations and by exposing more people in Libya to Western ideas. In particular, Libyans need to see that the United States represents a positive example, not a threat. For too long, U.S.-Libyan policy has been focused exclusively on Qadhafi.

If exposed and also compared to alternative institutions and approaches, Qadhafi's rule will be increasingly discredited. For example, his simple and idealistic "Green Book" and

Jamabiriya (“State of the Masses”) system of government does not hold up well to careful examination. There are no laws to limit abuses or punish excesses, including murdering innocent Libyans at home and abroad. Torture, imprisonment, detention without due process, abuse of resources, and other forms of unethical behavior are common.

The rule of law was suspended in 1969, along with the constitution, and the country has since been governed uniquely by edicts. There are no formal codes or institutions that specify the rights and obligations of citizens. “The Protection of the Revolution Act of December 11, 1969” threatened execution for any individual participating in any manifestation of opposition against the aims of the revolution.

Given Libya’s dismal treatment of its own citizens, it is particularly disgraceful that the African leadership block nominated Libya to chair the UN Commission on Human Rights for calendar year 2003 as part of the regular rotation of that position among the world’s five major regions. The support of the African block clearly reflects the lavish Libyan expenditures in Africa in recent years; the full commission vote was 33 in favor, 17 abstaining and only three votes against (the United States, Canada and Guatemala). In part, this outcome reflects dissatisfaction with the United States over several issues, but it will result in further undermining the UN’s credibility and it will contribute nothing to promoting human rights in Libya.

Libya’s government also has a poor record on management of the country’s economy. Qadhafi has spent vast sums on whimsical projects at home and abroad. Libya has about 30 percent unemployment, yet it imports thousands of foreign workers. Despite these and other local conditions, foreign firms have been eager to invest in Libya. European, Asian, Russian and Brazilian companies are building new refineries, ports, roads, hotels and electrical infrastructure, as well as repairing older facilities.

What is known in the United States about the Libyan regime is principally its arbitrary, authoritarian style of governing that is increasingly out of step with the rest of the world. It is not consistent with world standards of freedom and justice and will not stand up to the exposure and analysis that will increasingly result from Libya’s reintegration into the international community. At the same time, there is much more about the Libyan regime that can be learned from cautious engagement, particularly whether Libya can become a reliable partner in a wide range of activities. In any case, an isolation strategy seems destined to continue to erode.

IV. Developing a New U.S. Strategy for Libya

Taken together, the full set of laws and regulations that govern U.S. relations with Libya constitute an implicit strategy of isolation.¹⁸ For the most part, they were put in place in the

¹⁸ See the Atlantic Council’s *U.S.-Libyan Relations: A Compendium of Policies, Laws and Regulations*, April 2003. This Compendium provides the complete text of all relevant official documents, along with analysis of their context, key features and impact. It also contains a section describing the measures that the Congress and executive branch will need to take in the process of restoring normal relations with Libya, once the decisions to do so are made.

1980s, during the Cold War when Libya was closer to the Soviet Union and had undertaken a wide range of hostile acts against the United States and other countries under the mantle of “anti-imperialism”.

However, the Cold War is over and Libya no longer represents the threat that it once did. Furthermore, the likely final resolution of the Pan Am 103 bombing and the on-going war on terrorism provide new opportunities to test systematically whether or not the Libyan leadership is interested in developing a more constructive relationship with the United States.

This new geopolitical environment calls for a new U.S. strategy that is more tailored to pursuing various U.S. objectives along parallel tracks. As noted earlier in this report, the strategy should focus on priority U.S. interests – combating international terrorism, preventing the proliferation of WMD and long-range missiles and encouraging constructive Libyan regional behavior. These objectives should be pursued in parallel, along with other important U.S. interests, including energy security and human rights. Such a parallel strategy would take into account the fact that progress in one area may be more feasible than in other areas and that any advances need not be realized to the detriment of other U.S. interests. Also, a series of transparent tests may be useful in gauging progress and managing the overall scope and pace of normalizing relations with Libya. These objectives should be pursued as much as possible in concert with others, particularly Britain and Italy.

Next Steps

In order for the United States to shift from its current isolation strategy to a parallel pursuit of U.S. objectives, the working group recommends that the U.S. government should:

1. Give higher priority to developing a new strategy for U.S.-Libyan relations. There is no clear plan for U.S. policy after the Pan Am 103 bombing is resolved. U.S. sanctions are a wasting asset and appropriate initiatives are needed to sustain the positive changes in Libyan behavior.
2. Support the permanent removal of UN sanctions once Libya has met the applicable criteria of the UN Security Council. At the same time, lift U.S. trade and investment sanctions. As noted earlier, the resolution of the Pan Am 103 bombing appears to be closer than ever. Once Libya accepts responsibility and agreement is reached on compensation, the criteria will be met for the permanent lifting of UN sanctions. This would also mark an appropriate time for the United States to lift unilateral trade and investment sanctions.¹⁹
3. Lift U.S. travel restrictions and encourage educational, cultural and other exchanges. U.S. restrictions on travel to Libya (U.S. passports may not be used for travel to Libya)

¹⁹ The Iran-Libya Sanctions Act (ILSA), which was legislated in 1996 to dissuade foreign investment in Libya and Iran, additionally links sanctions to the pursuit of WMD as well as to terrorism in general. However, it also specifies that sanctions against Libya may be terminated once the president determines that Libya has fulfilled the requirements of UN Security Council resolutions 731, 748 and 883, all of which deal exclusively with terrorism.

should be lifted as soon as a nonpartisan group of security experts determines that travel to Libya would not place U.S. citizens in imminent danger. In March 2000, the United States sent a consular delegation to Libya for the purpose of assessing whether there continues to be an “imminent danger” to U.S. travelers. (“Imminent danger” was the basis for imposing a restriction on the use of a U.S. passport for travel to Libya in 1981.²⁰) The trip did not lead to changes in passport restrictions even though the authority for such restrictions is limited to security – not political – reasons. By most accounts, travel to Libya poses no unusual risks.²¹ Opening up opportunities for travel and exchanges with Libyans could help promote U.S. interests in furthering political and economic reform in Libya.

4. Establish, in concert with other major powers, the steps Libya must take to satisfy nonproliferation concerns. These steps should include accession to treaty regimes on chemical and biological weapons, a declaration of Libyan stockpiles of chemical, biological and nuclear materials, acceptance of inspections under the nonproliferation treaties and destruction of any prohibited items. The United States, the EU and other major powers could likewise negotiate common WMD “red lines” that, if crossed by Libya, would trigger the kinds of comprehensive UN sanctions that have proven successful in the past
5. Support those Libyan regional initiatives that are consistent with U.S. objectives, while discouraging those that run clearly counter to U.S. interests and monitoring others to ensure that they, on balance, do no harm.
6. Establish a direct and regular diplomatic dialogue with Libya in stages, eventually to include, if and when warranted by sustained improvement in Libyan behavior, full diplomatic relations. In this process, diplomatic relations should be viewed as a means, not an end. Exchanges with Libya could build on existing limited scope talks and provide a key tool to pursue U.S. interests more effectively and improve mutual understanding, without endorsing the nature and practices of the Qadhafi regime. This dialogue should focus initially on resolving the Pan Am 103 bombing. Thereafter, it should aim to expand U.S. knowledge of the current Libyan leadership and the prospects for developing a more cooperative relationship on issues of importance to the United States.

²⁰ The authority for restricting travel is 22 USC, Chapter 4, Sub-Section 211(a).

²¹ Libya Country Profile, *op. cit.*

Annex A: Working Group on U.S.-Libyan Relations

The members of the working group believe that the recommendations stated in this paper promote overall U.S. interests. While there may be some parts of the report with which some participants are not in full agreement, each participant believes that the report, as a whole, provides a sound basis for future actions by the government of the United States. The views of the working group members do not represent the official position of any institution.

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The Atlantic Council working group on U.S.-Libyan Relations also benefited from contributions by representatives of several European and North African embassies as well as various branches and departments of the U.S. government.

Annex B: Comments by Working Group Members

Mansour O. El-Kikhia

I find this document appropriate; it covers a wide range of topics in Libyan-U.S. relations. However, I also feel that there are a few issues worth consideration that are either de-emphasized or are omitted in the final product. The first of these is the internal *milieu*. The Libyan state is an absolute dictatorship where repression is embedded in the legal, social, and political systems. If promoting democracy is to number among the top U.S. priorities in the Middle East, then this is an issue that needs to be dealt with more thoroughly.

Secondly, a reader of this report must give particular scrutiny to those parts of the document in which the words of the Libyan leader appear to be accepted at face value. This is not necessarily a wise policy because past experience has taught the United States that the Libyan leader's words are not to be relied upon. Hence, it is important to reiterate the report's conviction that Libya will be judged by its actions, not by the Libyan leader's ephemeral words. It is imperative that the United States re-establish links only with the responsible and accountable institutions of the Libyan state.

Finally, a reader of this report should clearly understand that resolving the issues surrounding the Lockerbie bombing is not meant to constitute a *quid pro quo* for wiping the slate clean with Libya. Resolving the bombing is only the first of many steps that Libya must take toward seriously modifying its domestic and global behavior.

Kenneth Katzman

Dr. Katzman takes no position for or against the retention, lifting, or amendment of any U.S. laws, Executive orders, or administrative determinations that apply to Libya.

William H. Lewis

Congress can play a constructive role in any unfolding dialogue. Efforts should be made to encourage Congressional delegation visits to Libya, as well as participation in conferences organized by third parties (e.g., Malta) to discuss U.S. relations with Libya.

Thomas R. Pickering

I am a little troubled by the notion that the travel ban is to be judged, seemingly exclusively, by a "non-partisan group of experts". I have no objection to the use of such experts to provide their opinion. I do think the Secretary of State, who must make this decision, also should be guided by information from the U.S. government and the intelligence community, which may have more sources and more reliable information on threats, as well as from sources such as the consular mission sent to Libya in the past specifically to look into the issue. Outside experts can, however, provide a valuable 'reality check'.

I am also attracted by the suggestion of Ronald Bruce St John that a detailed, performance-based road map should be developed to guide any talks to be held. I suspect that this will be something the Department of State will want to do on its own in any event, but the suggestion that this might also be done outside the U.S. government is a good one which I support.

Ronald Bruce St John

This policy paper is the product of an intense group effort over a prolonged period. It is thoroughly researched, soundly argued and well written. The working group has done an excellent job of highlighting in a balanced report the many issues which must be addressed by Libya and the United States as they advance toward a resumption of commercial and diplomatic relations. However, it fails to take the next step which is the development of a detailed, performance-based road map which provides both governments with incremental incentives to move forward in the proposed bilateral talks. I believe this approach is essential to provide the confidence and motivation necessary for both sides to address and to resolve some very complex and difficult issues.

Paul J. Sullivan

This report has clearly stated many of the costs and benefits, as well as the opportunities and pitfalls, involved in a cautious reengagement with Libya. Caution is important given the, at times, tempestuous and violent history of the relations between the two countries, and the notably mercurial nature of the Libyan leadership. And even within a framework of cautious optimism, it is important to consider the issue of timing. A considerable amount of leverage that the United States might have had in its relations with Libya has been eroded in recent years, especially after the suspension of UN sanctions.

As more non-U.S. companies invest in, or conduct other business dealings with, Libya; and as more countries improve their ties with Libya, some leverage will be eroded even further. ILSA has not been enforced in regard to companies dealing with Libya, suggesting that it has likely had only a minor impact on non-U.S. companies' decisions to invest or not invest in Libya. To maximize the gains from improving relations with Libya, to increase the likelihood of resolving outstanding issues and to best hope to minimize future potential problems, our first steps should begin relatively soon. But any positive and productive moves on one side should be concurrent with positive and productive moves on the other.

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