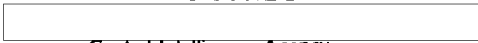


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Central Intelligence Agency



Washington, D.C. 20505



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DIRECTORATE OF INTELLIGENCE

30 November 1984

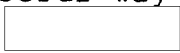
Moroccan-Libyan Union: Status and Prospects



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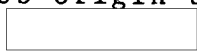
Summary

Libya and Morocco are moving to implement their union agreement and to demonstrate that the accord is providing tangible benefits. Morocco's King Hassan will emphasize Libyan financial assistance as a means to ease the country's deteriorating economic and social conditions that sparked riots last January. The seating of the Polisario's self-proclaimed republic at the recent OAU summit and Morocco's subsequent withdrawal will encourage Rabat to continue the union as a useful way to eliminate Tripoli's support to the guerrillas.



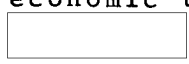
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The union has provided Libyan leader Qadhafi with a diplomatic coup in his effort to enhance his international standing and to counter US attempts to isolate Libya. He also will try to use Morocco as a middleman in obtaining restricted US origin spare parts for aircraft and other equipment.



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We anticipate that Hassan will resist strongly any international pressure to repudiate the union. We believe that Hassan wants to maintain close relations with the United States, but he would watch closely for signs that Washington is taking punitive action against him. Of particular concern would be a cut in US economic and military assistance. Such a move almost certainly would prompt Hassan to reassess the usefulness of his military access agreement with Washington. The union probably presages additional shifts in Moroccan foreign policy which will not coincide with US interests, including closer economic ties with Eastern Europe and the Soviet Union.



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This typescript was prepared by the Maghreb Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. Information as of 30 November 1984 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division,

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The rapprochement between Morocco and Libya began in late June 1983 after King Hassan bowed to Saudi pressure and agreed to see Qadhafi. During Qadhafi's visit, he promised to back Morocco on the Western Sahara issue and to withdraw his support to the Polisario Front. Hassan agreed in turn not to act against Libyan interests in Chad. [REDACTED]

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Hassan publicly stated that he first considered the idea of a union in mid-July 1984. Qadhafi and Hassan signed an agreement--the Arab-African Federation treaty--at Oujda, Morocco on 13 August and the union was popularly approved through referenda held in Morocco and Libya on 31 August. [REDACTED]

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King Hassan and Qadhafi will preside jointly over the union. Its headquarters will alternate between the two capitals, with permanent representatives in each. Morocco's former Minister of Cooperation Radi, a socialist, is Secretary General of the union, and Kamal Hasan al Maqhur, former Libyan Petroleum Minister and President of OPEC, is the Assistant Secretary General. Joint political, defense, economic, and education councils are to be established. The agreement calls for coordination of foreign policy, cooperation in economic development and defense, and the creation of an Executive Committee, Federal Court, and Federal Parliament. Each country retains control of its domestic affairs. [REDACTED]

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The US Embassy in Rabat reports that Morocco and Libya have taken steps toward more active policy coordination on Middle East issues. In recent international conferences, Rabat has adopted positions closely aligned with those of Tripoli on such issues as Israel's seat in the UN and nuclear proliferation. The Embassy, however, notes that, thus far, coordination with Libya appears to have only affected Morocco's public position on Israel and has not interrupted private contacts. [REDACTED]

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Why Union?

The timing of Hassan's initiative suggests that the King viewed the union as a quick way to relieve growing domestic pressure over Morocco's deteriorating economic and social conditions. In our opinion, the King, faced with potentially disruptive parliamentary elections in mid-September and considerable disgruntlement over cuts in education subsidies, bought some time on the domestic front with promises of additional economic aid and new jobs. [REDACTED]

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The Western Sahara conflict and the Algerian-Tunisian-

Mauritanian friendship treaty also were factors in Hassan's decision. Last spring, Algeria underscored its refusal to accept a Moroccan military victory in Western Sahara with a vigorous response to an extension of Rabat's defensive berm. Algerian jets overflowed Moroccan territory, and Algerian troops held large scale military exercises near northern Morocco and ambushed a Moroccan border patrol. Algiers also increased military assistance to the Polisario.

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Hassan probably saw the union as a way to get Libya out of the Sahara question and to constrain Algerian military options by having a Moroccan ally on Algiers' eastern border.

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Qadhafi's motives in signing the agreement are both tactical and ideological. Qadhafi regards cooperation with moderate Arabs as the best way to limit pressure on Libya and to promote radical causes throughout the Middle East and Africa without isolating Libya in Arab circles. He almost certainly will be encouraged by the union to more aggressively pursue his long-standing policy of threatening other Arab states with subversion unless they unite in a more militant policy toward Israel. Moreover, Qadhafi has nurtured a fervent ideological commitment to Arab unity since he took power 15 years ago and probably hopes that union with Morocco will set an example for other Arab states to follow.

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We believe that Qadhafi also views the union as an opportunity to enhance his influence in regional affairs, to strengthen his international standing, and to counter US attempts to isolate him. He anticipates that improved relations with Rabat will disrupt the Moroccan relationship with Washington or at a minimum, that Rabat will be able to moderate US hostility toward Libya.

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Economic Dynamics of the Relationship

The accord follows a year of growing economic and commercial relations.

[Redacted]

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[Redacted] The US Embassy in Rabat says that Morocco has signed a contract for up to 480,000 tons of Libyan crude oil to be delivered before April, possibly at concessional rates. The volume involved covers about ten percent of Morocco's needs and will help reduce the one-third share of Rabat's import bill absorbed by oil purchases. Morocco also may be considering refining Libyan oil to help circumvent Tripoli's OPEC production quota. Tripoli can finance its total aid commitment to Rabat with revenues from about 95,000 barrels of oil per day--about ten percent of current oil exports.

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[Redacted]

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Libya provides a market for Morocco's agricultural and manufactured exports. Of particular concern is food which soaks up over \$500 million of Libya's foreign exchange annually. Moroccan exports to Libya totaled only \$18 million last year--about one percent of Rabat's foreign trade--but Rabat hopes to raise the total to \$100 million by 1986. This increase will help offset Morocco's stagnant agriculture exports--20 percent of export receipts--which are being hurt by quota restrictions in Europe.

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The movement of Moroccan workers to Libya is particularly important to Rabat because of a severe unemployment problem--30 percent of the labor force--and because of the reduced need for foreign workers in Europe. In addition, worker remittances are the most important single source of foreign exchange--\$900 million last year. Under the accord, Tripoli plans to replace Tunisian, Egyptian and other foreign workers with about 80,000 Moroccans. The US Embassy in Tunis reports that Qadhafi recently threatened to expel all 70,000 Tunisians working in Libya by 31 December and replace them with Moroccans. While very difficult to carry out, Qadhafi's statement underscores his willingness to bring in large numbers of Moroccans.

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[Redacted]

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Regional Implications

The union has sharpened political differences in North Africa. The region now is divided into two blocs comprised of Tunisia, Mauritania, and Algeria on the one hand, and Libya and Morocco on the other. Algeria views the union as a tactical move by Hassan to block Algerian efforts to promote regional unity and end the Western Sahara conflict. According to US Embassy reports, the Algerians also believe the union will encourage Qadhafi's efforts to destabilize the region. [redacted]

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Algeria is eager to see the Libyan-Moroccan union sour, but Algeria will move cautiously to encourage its early demise. The Bendjedid regime no doubt is aware of the personal incompatibilities between Qadhafi and Hassan and anticipates that these differences will erode the "marriage of convenience." [redacted]

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Algiers also is using the union to isolate Libya from its radical Arab allies. In discussions with Iran, Syria, Lebanon, and radical PLO factions, Algerian officials are citing the union as an indication that Qadhafi is not a reliable ally. Algiers is accompanying this message with suggestions that Bendjedid may be less inclined to give lip service to Syrian and Iranian policies if Libya is not given the cool shoulder. [redacted]

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The union has caused Algeria to consider a harder stand on the Western Sahara question. Algeria has the option of providing the Polisario guerrillas with new weapons systems or it can intervene selectively by providing Algerian tactical air support. In addition, Algeria may provide financial and training support to Libyan dissidents. The Algerian Government also is trying to shore up international diplomatic support on Western Sahara--an issue that could further alienate Qadhafi by encouraging contacts between the Polisario guerrillas and Syria and Iran. [redacted]

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Prospects for the Union

Hassan will move forward with the union as long as Qadhafi provides economic support, backs Morocco on the Western Sahara, and continues to privately profess moderation in their bilateral relationship. Morocco's turning over Libyan dissidents to Qadhafi

gives Qadhafi an important stake in maintaining good relations. As a result, Qadhafi is likely to continue promoting economic cooperation with Morocco and to give limited financial aid to keep the union on track. Ethiopia's assistance in training Libyan backed Sudanese dissidents, for example, is a critical element in Qadhafi's willingness to provide Addis Ababa with well over \$300 million in cash since 1981.

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Some aspects of the agreement, however, might lead Hassan to abrogate the union. Qadhafi's failure to deliver on past promises of aid--especially large aid commitments--and the bleak outlook over the next year or so for Libyan oil sales suggest that he may have difficulty in maintaining assistance on a level satisfactory to Hassan. In addition, we expect that Qadhafi at some point will try to involve Hassan in his radical stand against the United States and Israel and in Libyan adventurism in the region. Qadhafi also may be tempted to undertake subversive activities in Morocco. Such moves are likely to reduce Hassan's willingness to continue with the union.

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Implications for the United States

Hassan almost certainly calculated that a union agreement would cause some cooling in his relationship with the United States. We believe, however, that Hassan is sincere in telling US officials that he wants to maintain close relations with the United States and that he has no illusions about transforming Qadhafi's errant behavior. Nevertheless, Hassan believes that he can control the direction of the union.

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At the same time, Hassan will be watching closely for indications that Washington wants to redefine its relationship with Morocco. Hassan's wish to limit the damage to US-Moroccan relations gives Washington some leverage with him

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On the other hand, Hassan's personal prestige is so heavily engaged in the union that--as he has already amply demonstrated--he will strongly resist any pressures to cancel it.

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Hassan will consider as a punitive action any decision by Washington to significantly reduce or delay ongoing bilateral programs with Morocco. He has several options in deciding how to respond:

- reduce or stop US Naval ship visits and US military exercises;

- refuse to allow US forces to use Moroccan facilities under the US-Moroccan access and transit agreement;
- stop the Voice of America operations in Morocco;
- adopt a more radical stand on Middle East issues;
- turn to Libya and the Soviet Union for military assistance. [redacted]

Hassan will use any signs that Libya has turned over a new leaf--an unlikely occurrence in our view--to point out that dialogue is the only way to tame Qadhafi and that the United States should join the effort. Moroccans have already pointed to Libya's willingness to conclude an agreement with France on mutual troop withdrawal from Chad as evidence of Qadhafi's new moderation. If Qadhafi does not withdraw, Hassan is likely to remain quiet on Libya's meddling in Chad as long as Qadhafi continues to back Morocco's position on Western Sahara. In any event, Qadhafi will draw on the union to enhance his international standing and encourage other moderate governments to improve relations. [redacted]

The union with Libya probably presages additional shifts in Moroccan foreign policy to improve Rabat's financial position. We believe that this will include closer economic ties with Eastern Europe and the Soviet Union to expand trade and other commercial relations. Hassan courted the Soviets in the 1960s and knows that aligning his policies with them will not solve Morocco's long term problems, would damage his moderate image, and reduce his flexibility. [redacted]

Appendix

Key Indicators to Watch For

Scenario A: Morocco and Libya view the union as a useful means to promote their national interests:

- Libya provides promised financial assistance, oil, jobs for Moroccan workers, and funding for joint development projects.
- Increased Moroccan exports to Libya.
- Frequent high level visits between the two countries.
- Establish joint political, defense, economic and educational councils, setting forth agenda that will increase ties.
- Meetings of the Executive Committee and the Federal Parliament to discuss substantive issues.
- Cooperation in international organizations on Middle East issues.
- Hassan assists Qadhafi in improving ties with moderate Arabs and Western Europe.
- Increased student exchanges.
- Military cooperation, to include visits, exchange of military students, and joint exercises. Libya provides military materiel to Morocco.
- Increased cooperation in aviation, such as establishing joint maintenance facilities.
- Libyan military intervention if Morocco is attacked by Algeria.
- Morocco continues to provide information on--or denies safehaven to--Libyan dissidents.
- Other African and Arab countries join the union.

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Scenario B: Morocco and Libya find union does not serve their interests.

- Libyans conduct subversive operations in Morocco, to include funding radical Islamic fundamentalist and other opposition groups, inciting students to a more radical anti-regime positions, and spreading Libyan "Green Book" ideology.

- Libyan terrorist attacks in Morocco or against key members of the PLO.
- Public and private statements by Hassan and other Moroccan officials that Libya's inadequate level of economic assistance is responsible for Rabat's continuing economic woes.
- Hassan refuses Qadhafi's demands for a stronger stand by Morocco against the US, Israel, and moderate Arab states, even if Qadhafi ties economic aid to a more radical anti-US position.
- Unfavorable references to Hassan or Morocco in Qadhafi's speeches or to Qadhafi in Moroccan press.
- Libya resumes military and diplomatic support to the Polisario.
- Morocco recognizes Egypt without Libyan agreement.
- Libya resumes cooperation with Algeria in an effort to reinvigorate the "Steadfastness Front".

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