

Libya Central To European-Arab-Comecon Trade Arrangements

Reports recently appearing in most U.S. major press describing Libya as an outpost of Soviet designs in Africa and the Middle East are a fraud. Such reports are part of an intentional disinformation campaign to distort the real strategic implications of the current Egypt-Libya crisis.

In reality, Libya is perceived as a vital oil-producing country primarily by *Western European* interests who have developed growing industrial and financial ties with Libya. Because of Libya's simultaneous close political and economic ties with Eastern European countries, it is now strategically central to the creation of a gold-Arab dinar-transfer ruble-based world monetary order.

This potentiality surfaced most clearly with the 1976 purchase by Libyan interests of a percentage of Italy's Fiat auto concern, a purchase that was negotiated in part in Moscow.

Libya has been one of the Arab oil-producing countries most mentioned as a third partner in developing Italian-Soviet bilateral transferable ruble trade deals.

Libya's vital world-economic role has frequently been defined by Libyan government and semi-official banking representatives. The Libyan Arab Foreign Bank, which negotiated the Libyan end of the Fiat deal, has recently formed a joint venture bank with Kuwaiti and private Saudi interests to help fund economic development in Latin America, with a specific orientation to hard commodity and long-term investment. Over the past

year, the head of the bank, Abdullah Saudi, has expressed his wish to expand in a major way into Third World development and into high-technology investments into the U.S. and Western Europe.

According to the July 15 *Events* magazine, "the main strand of Libyan foreign policy is centered on securing a place for itself in a Mediterranean Common Market of the future." *Events* notes that Libya is intent on maintaining good relations with its Mediterranean neighbors, with the "wider industrial world," and with developing countries, particularly in Africa, in order to carry out an "industrial revolution."

Events cites two examples of Libya's foreign policy strategy: an attempt to obtain "American capital and knowhow...to make a success of ambitious industrial projects, particularly in the petrochemical field"; and the establishment of "joint trading companies" with several West African countries to "market Libyan goods once the Libyan industrial revolution gets going."

The *Christian Science Monitor* July 27 portrayed Libya as in the midst of a giant internal industrial development program, a program that has been so far left unhindered by the conflict with Egypt.

The *Monitor* provided a detailed accounting of progressing trade deals, including the involvement of unnamed foreign contractors in the expansion of the key eastern port of Benghazi; the contracting of Japanese aluminum companies and Yugoslav firms to build and

Libyan Arab Foreign Bank: For Development Of The Third World

The July 15 *Middle East Economic Digest*, in a feature on the Libyan Arab Foreign Bank (LAFB), portrays it as at the center of new funding institutions for Third World development.

According to *Middle East Economic Digest*, the LAFB, set up almost five years ago by the Central Bank of Libya, "has been one of the most active Arab financial institutions outside the (Persian) Gulf." One of its most significant actions has been the establishment of the first Arab-Latin American Bank, Arlabank, scheduled to begin operations later this year. In this bank, LAFB will have 40 percent of the capital jointly with the Kuwait Foreign Trading, Contracting, and Investment Company; several Arab-European banks will hold 20 percent and 14 Latin American banks will hold the rest.

Middle East Economic Digest comments that "Libya's involvement as a major participant in setting up Arlabank comes as no surprise. The LAFB has considerably expanded its activities in the international money market and has set up several joint banks particularly in the Third World.

It is also a shareholder in most major banks set up in the last four years by Arab, European, Japanese and African banking and financial institutions to channel Arab surpluses into developing projects in the Mideast and elsewhere."

Middle East Economic Digest quotes LAFB head Abdullah Saudi: "The LAFB is not in business merely to take dividends. In many cases its investment policies have been motivated by Libya's long-term domestic economic interest." With its \$25 billion five-year plan, Saudi continues, Libya "requires the services of foreigners....Third World countries may not be able to provide the advanced technology Libya hopes to obtain, but they supply much of its manpower and raw material requirements. It is here that LAFB has been most active."

Middle East Economic Digest concludes that LAFB's Third World investment policy has remained "remarkably independent" despite governmental control. "The largest part of LAFB's capital," Saudi stresses, has gone to Egypt, with which the Libyan government's relations have been strained for years.

provide technical expertise for a giant new aluminum smelter complex; the building of a 120,000 barrels a day oil refinery at Tobruk with the assistance of Italian technology; the building by Soviet experts of a 180-mile new natural gas pipeline between Libya's Sarir oil fields and of an oil and natural gas port at Brega; and an expansion of Libyan trade and investment deals throughout the Mediterranean, most notably a deal with Greece for the exchange of more than a million tons of crude oil a year in return for construction projects by Greek contractors

in Libya.

The diversity of Libya's economic policy ties is further indicated by the pattern of exports of Libyan oil. In 1975, 51 percent of exports went to the United States, West Germany, and Italy, with West Germany in the lead. In 1976, the percentage went up to 60 percent, with the United States alone taking over 25 percent. Such figures make the image of Libya created by the American press a transparent fraud.

European Press On Egyptian-Libyan Conflict

Following are summaries and excerpts from other West European press commentary on the fighting between Egypt and Libya.

Financial Times, July 23: "Pan-Arab Unity the Biggest Casualty," by Anthony McDermott:

The ramifications are... serious. The first is that such inter-Arab fighting constitutes a diversion away from the American efforts to negotiate a peace between the Arabs and Israel. Secondly, it is a source of profound worry to Syria that Egypt, its closest ally in any serious diplomatic negotiations or military conflict with Israel, should be politically and militarily weak. Thirdly, the Arab countries as a whole are concerned that the fighting on the Libyan border reflects the weakness of and vulnerability of Egypt's government. Fourthly, this in turn they fear, could be used by Israel as an excuse not to come to positive agreements with the Arabs, because the Arab governments with which they would have to agree could be replaced... Of the two rulers, it is President Sadat whose need to protect his prestige in his own country is greatest — and unfortunately it is the Egyptian President who is the one who is crucial to the prospects of a Middle East Settlement.

L'Aurore, July 25: "Africa is in Flames!":

The time is now ripe to "beat the Soviets out of the Mediterranean." The Soviets will nevertheless try to regain their influence "by using and instigating instability, a war, or a crisis..."

Die Welt, July 25:

Sadat is a moderate, but he is also an enemy of the Soviets in Africa and the Middle East. This battle is therefore a decisive one, since the fall of either Qaddafi or Sadat will have unpredictable consequence for world politics. The battle will also bring about a "partial decision" on the NATO-Soviet conflict in the southern flank area. The Soviets will not drop Qaddafi, and might even support him with Cuban troops. Sadat himself is weak, his only firm base is in the military, and his domestic situation highly unstable. But no mediation efforts will be able to cover up the real conflict, even though it might be cooled off for a while... Sadat cannot give in because his own fate depends on the struggle.

Frankfurter Allgemeine Zeitung, July 25: "World Peace in Danger":

The Saudis want to keep their Egyptian neighbors

calm, because internal tensions there could easily blow up into a revolution. This is why they have supported Sadat up to now — but that was a Sadat who promised to keep Egypt calm, while now it is a question of whether the Saudis will continue to support him. On the other hand, the battles between Egypt and Libya are easing the Israeli situation," and Begin is bargaining for time to get the world accustomed to Israel's position on the West Bank. "Moscow... must also have its hopes awakened that it might again be able to get a foothold on the southern flank of the Mediterranean." Therefore, this is no mere local conflict.

Frankfurter Allgemeine Zeitung, July 26:

Sadat seems to be testing how far he can go to consolidate his domestic and foreign political positions... But the public mood will not tolerate a war between Arab brothers, unless Qaddafi tries to bomb Cairo for revenge... Qaddafi does not stand isolated — he has many enemies, but also many friends, for tactical and strategic reasons. This has been shown by Boumediene's quick decision to mediate. Also, the Soviet Union will not be provoked into intervening directly...

Les Echos, July 26: "France doesn't intend to propose its mediation, which has not been demanded, in an affair followed with particular attention by the Elysée, because the conflict pits against each other two nations with whom our relations are good."

Le Monde, July 27, Editorial, "Libya and France":

Two traditional principles guide France in this matter: neutrality in any inter-Arab dispute and the desire to favor entente between 'brother' countries at a moment when their cohesion is indispensable in the pursuit of a settlement in their conflict with Israel, so crucial for the international community.

Corriere della Sera, July 26:

The initial coverage of *Corriere*, the newspaper of record in Italy, was contradictory. In its lead article, *Corriere* reports that relations between Italy and Libya are quite cordial. In fact, the paper says, Libyan Prime Minister Jalloud is "very close to Roman circles, and feels welcome to drop in at Rome for a sojourn whenever necessary."

This article is however, accompanied by a Renato Ferraro-authored article datelined Cairo which states in part: "Yesterday a ray of hope shone on the situation