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21 August 1980

MEMORANDUM

SUBJECT: Malta-Libya Relations

The Malta-Libya relationship is a peculiar one, given Libyan leader Qadhafi's unpredictability and Maltese Prime Minister Mintoff's monumental ego. This unlikely alliance of two men who seem to swing between manipulating and being manipulated by each other is kept afloat by Qadhafi's desire for a client state to bolster his sense of legitimacy on the world stage and by Mintoff's never-ending search for money to enhance both industrialization and socialism in Malta. Though these non-aligned "brothers" also share a common desire to diminish Western influence in the Mediterranean, they do not agree on some of the more pragmatic aspects of their relationship. They disagree on how much aid Mintoff can expect and what Qadhafi should get in return for his economic investment in Malta. Disagreement on these issues has surfaced from time to time, most recently when Qadhafi shut off the flow of oil to Malta and Mintoff retaliated by closing Libya's Malta-based radio station. While their present relations are cool, however, it seems apparent that both Mintoff and Qadhafi realize there are mutual advantages in a continuing relationship.

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Though Qadhafi appears to hold most of the high cards, on the whole Mintoff has been able to use his relations with Libya to Malta's advantage. He has secured the bulk of his oil needs at concessionary prices, obtained millions of dollars of economic assistance for diversification of Malta's economy, and secured military assistance at practically no cost. In exchange Mintoff so far has given diplomatic support for Libya's foreign policy, for example, supporting a pro-Palestine position, and has allowed Libya's Malta-based radio station, the Voice of Friendship and Solidarity to broadcast anti-Western propaganda. There are rumors that Libya has used its Maltese client as a front for some of its terrorist activities.

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Given Qadhafi's reputation for instability, and the disproportionate national strengths of the two countries, it has been clear from the outset that the Malta-Libya relationship, though profitable for Malta, was also potentially dangerous. Mintoff's desire for large amounts of aid for Malta led him during the two year period bracketing the British withdrawal from Malta on 31 March 1979 to play the Europeans off against the Libyans. His heavyhanded tactics so infuriated the Europeans, however, that Mintoff was left largely isolated from the West with little but his own personal resources to counterbalance possible Libyan pressure for a greater return on its investment. [REDACTED]

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Some sense of Malta's vulnerability to Libya must have come to Mintoff in the spring of 1979 when Qadhafi announced that Libya would not meet all of Malta's projected oil needs after June 1980. In reaction Mintoff silenced the Libyan radio station and during that summer began efforts to extricate Malta from its heavy oil dependence on Libya by approaching other Middle East countries to meet his oil needs. He also began laying the groundwork for a limited reconciliation with his European interlocutors. [REDACTED]

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Mintoff's maneuvering apparently persuaded Qadhafi to resort to the "carrot," and by November 1979 the two countries had agreed to an aid package that included \$50 million over a four-year period to promote Malta's manufacturing, printing, shipbuilding and tourist industries. In addition, Libya agreed to subsidize Malta's purchase of \$35 million worth of oil under its existing agreement with Mintoff. Upon signing this agreement Mintoff allowed the Libyan radio to begin broadcasting again. [REDACTED]

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The economic agreement that turned the radio station back on did not, however, address the stickier questions of long-term oil supplies and a dispute over oil exploration in waters between the two countries. Relations remained tense. A general review of Malta-Libya relations early this summer intended to settle differences on these and other issues, yielded a Libyan demand for military bases on Malta as the price for the continued flow of oil. When Mintoff refused, the Libyans cut off the oil flow and Malta in turn silenced the radio station once again. [REDACTED]

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