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THE WHITE HOUSE
Office of the Press Secretary

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BACKGROUND BRIEFING
BY SENIOR ADMINISTRATION OFFICIAL
ON SANCTIONS AGAINST LIBYA

January 7, 1986

The Briefing Room

6:38 P.M. EST

SENIOR ADMINISTRATION OFFICIAL: Let me make a couple of comments and my colleague then can speak in more detail to the executive order and take your questions.

The President will announce tonight that we are taking additional steps to underscore our opposition to Colonel Qaddafi and his support for international terrorism.

The President signed an executive order this afternoon which totally bans direct import and export trade with Libya, except for humanitarian purposes. He has also banned all service contracts with Libya and has prohibited all other transactions with Libya or in which Libya has an interest by the U.S. and its citizens. This includes travel other than that needed for the speedy departure of citizens from Libya or for journalistic activity.

I think it is useful to review the specific actions which led us to make the decision to impose more draconian economic sanctions on the Qaddafi regime. The attacks on the Rome and Vienna airports, as well as other recent terrorist incidents, were carried out by individuals clearly belonging to the Abu Nidal terrorist group. Abu Nidal is not only based in Libya, but also receives financial support, as well as terrorist training, in that country. The passports used by his operatives in Vienna had been confiscated from Tunisians who were expelled from Libya last year.

Qaddafi's diplomatic missions have given logistical assistance to Abu Nidal's terrorist assaults. Qaddafi's news agency went to far, as you know, as to term the latest mass murder a heroic act. He himself said the massacres were justified. Abu Nidal in turn has said openly and readily that he admires Qaddafi and welcomes all his support.

Yet Qaddafi's support for terrorism is not limited to the Abu Nidal group. For over a decade his agents and terrorist groups based in Libya have carried out acts of terrorism, murder in the Middle East, in Europe, and East Asia and other regions. Qaddafi has sponsored repeated subversion and violence against his neighbors. He is a major arms supplier to Iran. He has his troops in Chad as we speak.

The cost of Qaddafi's support for terrorism goes beyond its innocent victims. The European and Middle Eastern countries have lost, we estimate, over a billion dollars a year in tourism as a result of recent incidents. Countries everywhere are spending millions of dollars, if not more, in added security costs of public installations in airports. We will probably never know the full extent of investment opportunities lost because of terrorism and the insecurity it breeds. Europe has borne the brunt of the latest two outrages, but Arab friends have also been among Qaddafi's victims.

MORE

After the attack at Rome Airport, and Prime Minister Craxi of Italy said that it's necessary to identify those states that guarantee the terrorists' protection and the possibility to arm and organize themselves to carry out their bloody rage, we believe the time has come for more rigorous and directed action to deter Qaddafi, even if we incur a measure of commercial loss. We are taking a measured and appropriate step on that road.

We do not contend that our action alone will bring an end to Qaddafi's sponsorship of terrorism. Such a goal will require the support and active involvement of a broad range of like-minded states. Nevertheless, with the executive order, we have made an important and, we think, clear statement one that enjoys the broad support of Americans -- namely, that we will not do business with Qaddafi's Libya, and he must understand support for terrorism does not come free of cost.

Further action is obviously needed. We will consult with our friends. We will gauge the effect of these latest steps, we will obviously encourage others to emulate our actions, and then we will decide whether to pursue other options that are available to us. If such steps are necessary we won't hesitate to pursue them. Every state has a right to defend itself from terrorism. Meanwhile we hold him responsible for the safety of those Americans who are still in Libya.

On the other hand, if this or any other Libyan regime decides

to conform to the rules of civilized behavior, we'll reassess our own position. Our differences are not with the Libyan people, but with the policies and the conduct of its leader.

We think the action that the President will announce tonight is a strong, unequivocal statement that Qaddafi has become a pariah on the international stage who deserves to be isolated, that we intend to isolate him, and to call upon others to follow suit. We'll build on this foundation to increase his isolation and the price of his support for terrorism. So, we call on others to work with us as we move to the goal of bringing an end to his sponsorship of terrorism.

With respect to the details and Executive Order, my colleague may have a word.

SENIOR ADMINISTRATION OFFICIAL: The actions that the President will announce tonight were signed this afternoon in an Executive Order under the authority of the International Emergency Economic Powers Act. It imposed additional comprehensive economic sanctions against Libya. I think the fact sheet that you've been given details this pretty well, plus the Executive Order's relatively short. I thought I would hit just some of the high points and then open it to your questions.

Effective immediately there is a ban on all new loans or extensions of credit to the government of Libya. There is also a prohibition on all travel-related transactions and other transactions related to activities in Libya other than for those incident to departure from Libya. There is also an exception under this travel restriction to journalistic activity.

Effective the first of February will be two additional sanctions: a total ban on all direct export and import trade with Libya except for food and medicine and donations of clothing for humanitarian purposes, and secondly, a ban on performance of contracts in Libya.

This planned action applies only to persons in the United States and American nationals and their firms abroad, but not to their foreign subsidiaries. Therefore, there is no extraterritorial effect in the measures that I listed above.

Again, there are additional details. I think we'll be glad to pick those up on questions.

Q What about the --

Q What about the oil companies? Are they considered subsidiaries -- the Oasis Oil Company, or are they considered --

Q -- question?

Q -- U.S. companies?

SENIOR ADMINISTRATION OFFICIAL: I think the --

Q Occidental?

Q Question?

SENIOR ADMINISTRATION OFFICIAL: Could you repeat the question so everyone can --

SENIOR ADMINISTRATION OFFICIAL: The question was what is the status of, I take it, the major oil companies operating in Libya. Certainly, the ones that we're most concerned with are U.S. companies and they certainly would be affected by this order. Of course, there has been a cutoff of the importation of petroleum products from Libya for quite some time -- crude, for about five years, and refined

products since late last year.

Q But they can still do business there? The performance of --

Q The service contract.

Q -- the service contract --

SENIOR ADMINISTRATION OFFICIAL: They were able to --

Q But they would not --

SENIOR ADMINISTRATION OFFICIAL: -- continue service contracts. Now those contracts will have to terminate no later than February 1st, '86.

Q Do you know which companies are in Libya? Could you list them -- the American companies?

SENIOR ADMINISTRATION OFFICIAL: There are many companies. I'm not sure we have an accurate list of all the companies that have operations there, but there is quite a substantial list and I'm sure that we can make available --

Q Are they big oil companies -- major oil companies?

SENIOR ADMINISTRATION OFFICIAL: There are companies of the size of ~~Amerada~~-Hess, Conoco --

Amerada

Q Occi.

Q Occidental.

SENIOR ADMINISTRATION OFFICIAL: Occi -- yes.

Q Could you spell out how this affects the 1,500 Americans that are in Libya?

SENIOR ADMINISTRATION OFFICIAL: Go ahead.

SENIOR ADMINISTRATION OFFICIAL: Well, I think the practical effect, John, particularly on this transactional ban, that is, for any transaction in Libya, effectively prevents them from living in Libya because they're not able to engage in any transactions whatever -- that would mean paying the rent, buying groceries. And, therefore, effectively, it's a signal that we think it is time for them to depart -- a signal that we've sent previously in the past, but never quite with the effect under this order.

Q But they've never -- they've always paid very little regard to that. Qaddafi had said, don't worry, we'll protect you. And you expect them now to pay greater heed to this?

SENIOR ADMINISTRATION OFFICIAL: I would hope they would because this ~~sort of~~ carries with it the criminal and other sanctions available under the act?

Q What kind of criminal sanctions --

Q Yes, what are available to an individual who continues to live and work there?

SENIOR ADMINISTRATION OFFICIAL: Well, ~~I think~~ it would be considered a felonious action, therefore, there would be up to 10 years in prison and imposition of a certain fine. I think the fact is that before, in 1981, if I recall, we issued the advisory that effectively made U.S. passports not effective in Libya. Now we've taken the -- and we've warned

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companies to remove U.S. nationals in the intervening years. Now, we're effectively saying that these people are violating the law by remaining, again, with the exception for those people engaged in journalistic activity or for the purpose of exiting on the part of others.

Q The early indication is that Western allies are not going to go along with this ban. What is the government going to do to try and pressure them to change that approach?

SENIOR ADMINISTRATION OFFICIAL: I think it's premature to draw that conclusion. We have not made specific requests to the allies on this matter because we hadn't taken an action ourselves. We wanted to be in the position where we had taken the hard decisions at a time, when we have noted, despite previous sanctions that were in place, merchandise trade has been expanding and service contracts have been expanding. Sometimes, in the past, when we've called upon Europeans to add economic sanctions, they've pointed to measures that American companies -- or activities that they were undertaking in Libya, which provided materials for the Libyan government. We think we're now in a much better position, having taken this step, to call upon them for a concerted action.

I would simply add, also, that, as I said, the Europeans have made the -- paid the real effects of terrorism recently because the action's been occurring in their airports. And there is emerging, I think, in Europe a public opinion that is going to require from European leaders action to deal with this problem.

As I indicated, they're already paying the costs of terrorism in the form of security for installations, tourism and so forth. Now, we're finding increasing collaboration with us on security -- or intelligence sharing, on law-enforcement cooperation. This has not heretofore been translated into concerted action on economic sanctions abroad. And we're hopeful that in the wake of our decisions that we can go to them and find a more receptive audience for that appeal.

Q Can you fill in -- now on how this diminishes terrorism?

SENIOR ADMINISTRATION OFFICIAL: It is consistent with what we've been arguing all along, that terrorists, and those who support them, ought to pay a price for their action. In recent months, as I've said, despite sanctions that were in place, both merchandise trade and service contracts were bringing Americans into expanded commercial exchanges with a government which is not only supporting but proclaiming, endorsing and applauding indiscriminate murder of innocent civilians. And we think, as Americans, we ought to take action that will have, in the short term, some dislocative effects on the Libyan economy. We don't delude ourselves about the magnitude of that impact unless others follow suit. But we're also making a statement that as Americans we think that governments that are led by fellows like Qaddafi who applaud outrages of the sort that occurred in Rome and Vienna, we shouldn't do business with them.

Q -- just kind of a show of earnest then on the Americans' part.

SENIOR ADMINISTRATION OFFICIAL: No, it is an action which we think, as I say, will have some short-term economic impact in Libya. That impact will obviously be magnified if other European and other countries follow suit, as we will appeal that they do. But, in any event, it's an indication that we don't believe Americans should do business with Qaddafi.

Q Does this decision have any grandfathering in for existing contracts or is that completely out the window?

SENIOR ADMINISTRATION OFFICIAL: That is completely out,

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with the exception of this period of essentially wind down and withdrawal between now and the first of February. So people can continue to perform under either merchandise or service contracts until that time. But it is anticipated that they will do so only as they wind down those activities, bringing them to a total halt on the first of February.

Q Will this bring an end to the large Brown and Root irrigation project? Because that's being done through a British subsidiary. Do you envision that since this is a Qaddafi special project it will be forced to be disrupted by this or could it continue?

SENIOR ADMINISTRATION OFFICIAL: I think, as I mentioned, this does not reach extraterritorially to subs. I would have to take a look at the makeup of those people involved in the Brown and Root project. Certainly, it ends the American participation in it -- direct American participation no later than the first of February, both in terms of equipment and service contracts.

Q Considering Qaddafi's --

Q --impact you're talking about with this, what sort of dollar amount you're talking about?

SENIOR ADMINISTRATION OFFICIAL: Well, the trade last year -- exports were on the order of \$300 million, that is exports from the United States to Libya.

SENIOR ADMINISTRATION OFFICIAL: Which is a 50 percent increase from the previous year.

SENIOR ADMINISTRATION OFFICIAL: Going the other direction, it was quite small, just about \$16 million, again, because these bans had already been put into effect for petroleum products.

SENIOR ADMINISTRATION OFFICIAL: The service contract is very difficult to get a handle on, but the estimates I've seen suggests that the order of magnitude is two to three times the size of the merchandise trade, but I can't be --

Q Is this going to affect only direct exports to Libya from the United States and imports or -- and what about coming through re-exports or through third parties?

SENIOR ADMINISTRATION OFFICIAL: This is aimed primarily at direct exports and imports. There are certain prohibitions on activities that U.S. persons here and abroad cannot take regarding their participation in re-export activities, but it is aimed primarily at direct exports and imports.

Q Well, give me one reason why an American company couldn't just, say, shift everything to a freight forwarder area in Rome, say, and the freight forwarder could just ship it right out and thereby getting -- Rome -- right?

SENIOR ADMINISTRATION OFFICIAL: No, there is a specific ban on purchase of goods for export -- excuse me -- yes -- going back to your example, if it is a pure transshipment example, as you've suggested, the U.S. company would be prohibited from entering into it. If their contract, though, is only with a European company and the European company, then, unknown to the American company, reintegrates it, re-exports it, it would not extend to that provided that is not, again, the branch of a U.S. corporation.

Q Can American companies circumvent this by reorganizing so that they have subsidiaries in Libya rather than their own facilities?

SENIOR ADMINISTRATION OFFICIAL: There is a specific prohibition in the executive order for any actions that would be taken for the purpose of circumventing the order. Were we to have evidence of that, I think it would be specifically prohibited. I think the tougher question might deal with what actions they could take with existing subsidiaries throughout the world. That's something that we're just going to have monitor closely, particularly as we approach the Europeans and other countries.

Q What about Libyan crude oil that's refined in European countries, purchased by these European countries -- refineries there -- refined and then resold to the U.S.? Everybody's saying that there's increasing amounts of that getting into this country, too. Are you asking the European allies at all to forestall or forego or check or certify that those kinds of petroleum products are not coming into this country?

SENIOR ADMINISTRATION OFFICIAL: We will certainly appeal to the Europeans to avoid actions which fall in behind us, that is, to exploit opportunities which we have chosen to forego through this action.

Q Your colleague in his statement and President Reagan in his opening remark that we have here both talk about further steps. And the President says that, "If these steps do not end Qaddafi's terrorism, I promise you further steps will be taken." In view of the fact the U.S. has no diplomatic relations -- today, you're shutting down all economic relations -- is it a fair inference that the further steps would have to be military in some way?

SENIOR ADMINISTRATION OFFICIAL: Well, we're going to take in the first instance diplomatic steps to try and encourage our friends to emulate the steps that we're announcing this evening.

Q Can you tell us --

SENIOR ADMINISTRATION OFFICIAL: There are other options,

MORE

but you can speculate about them as well as anyone.

Q Can you tell us what the irrefutable evidence is that Qaddafi was directly involved in these latest attacks? The President uses the words, "irrefutable evidence."

SENIOR ADMINISTRATION OFFICIAL: Our point is that the Libyans have provided training facilities for terrorists. Abu Nidal, as a group, has been moving its support operations from Damascus toward Libya. In this particular instance, Tunisian passports were confiscated by Libyan authorities and found their way into the hands of those who perpetrated these acts. We don't believe there's any question but what the Libyans are providing logistic training, the financial, and other support to Abu Nidal, among other groups. Abu Nidal perpetrated these two outrages at the airport.

Q Do you have any concerns that --

Q Are you confident that you'll be able to get the 1,500 Americans out? And if not, what will you do about it then?

SENIOR ADMINISTRATION OFFICIAL: Well, I think, as my colleague has explained, these actions are going to have an immediate impact on individuals. I can't really estimate exactly what decisions those individuals will make because there are different categories of Americans there, some of them being spouses of people who've lived there and are perhaps permanent residents. I don't know what decisions they will make.

Q I'm talking about if they want to leave and are prevented from -- are you confident you'll get them out?

SENIOR ADMINISTRATION OFFICIAL: We are going to hold Mr. Qaddafi accountable for the safety of Americans and permitting them to leave as they choose to depart.

Q Well, but considering Qaddafi's unpredictability, do you not have any

concerns that by making their immediate departure such a public issue that you've increased any danger there might be to them?

SENIOR ADMINISTRATION OFFICIAL: We believe for the reasons you've cited that the presence of a large group of Americans places them in certain dangers. And it's the reason why we're eager, through this action, to encourage them to leave. The actions we've taken in the past have not been as convincing as we would have liked.

Q Well, what can we do besides just encourage them to leave? Is there anything that this government can do to ensure their safety or improve the conditions for their departure?

SENIOR ADMINISTRATION OFFICIAL: It's not just a matter of encouraging. As my colleague said, this prohibits a variety of transactions which are required for one's livelihood, subject to penalties if they continue to perform those acts.

Q Penalties if they ever choose to return to the United States.

SENIOR ADMINISTRATION OFFICIAL: If they choose to return, of course.

Q What is the practical effect of --

Q And do you have any concerns that by leaving that they are leaving technological infrastructures -- the oil companies, whatever -- that the Soviets would then just simply appropriate?

SENIOR ADMINISTRATION OFFICIAL: I don't think Soviets. I think the issue is more of what the Libyans will do.

Q Well, what is your level of concern about all of that?

SENIOR ADMINISTRATION OFFICIAL: It is a consideration, obviously. Our concern, as I've said, was that despite the sanctions that were in place, commercial and economic exchanges have been growing. And we think at a time when Qaddafi is perpetrating terrorist actions, that's not in our interest.

Q There's been some question about the advocacy of --

Q -- practical affect on American firms there? What is the practical affect on Americans firms now operating in Libya? What do you expect to happen?

SENIOR ADMINISTRATION OFFICIAL: I'll turn to my lawyer, counsel here.

SENIOR ADMINISTRATION OFFICIAL: Well, I think the practical affect for the corporations is that they have to begin winding down their operations, terminating them effective February 1, '86. Unlike a United States person in Libya who would have to come back to the United States to be brought under the jurisdiction for remaining, corporations are incorporated and headquartered here and appropriate actions could be taken.

Our hope and, in fact, our anticipation is that these corporations will understand the gravity of the situation, cooperate with us in winding down their operations in a way that meets their needs but pays particular heed to the needs of their employees performing under contracts in Libya.

Q Can you define those appropriate actions for us?

Q If you wanted to --

SENIOR ADMINISTRATION OFFICIAL: I'm sorry --

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Q Can you define those appropriate actions?

SENIOR ADMINISTRATION OFFICIAL: Appropriate actions that the corporations should take?

Q No, that you should take --

Q You'd take if they resisted.

SENIOR ADMINISTRATION OFFICIAL: Well, again, I think that it would be premature to speculate on that. I think, at this point, the appropriate thing for us to do would be to give all the corporate individuals and others involved a briefing very similar to this on why we're taking these steps and exactly the extent of the sanctions. I think if we found instances where corporations or others willfully were avoiding these, there are, again, criminal provisions in the statute and I think that would have to be something we would engage the Justice Department in discussion about.

Justice has been fully involved in the preparation of this and knows full well that economic sanctions are involved.

Q Are you really giving them enough time?

Q If you want to isolate him as a pariah, why rule out military action?

SENIOR ADMINISTRATION OFFICIAL: We haven't foreclosed any options.

Q This order declares a national emergency. What's the emergency? What is the emergency under which you act here?

SENIOR ADMINISTRATION OFFICIAL: We think the emergency consists of the intensification of terrorist activity. And we chose to invoke the authorities that are imbedded in that particular act.

Q Can we get a list of the corporations from you?

SENIOR ADMINISTRATION OFFICIAL: I think the best place would be to get that from the Commerce Department. They've assembled a list, I think, of at least the 35 major corporations.

Q Are they here -- now?

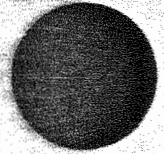
SENIOR ADMINISTRATION OFFICIAL: I don't think there's anyone from Commerce here.

THE PRESS: Thank you.

END

6:59 P.M. EST

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET



- O - OUTGOING
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Name of Correspondent: Naru Chew

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Subject: Executive Order: Economic Sanctions against Libya

ROUTE TO:	ACTION	DISPOSITION	
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code Completion Date YY/MM/DD
<u>CU HOLL</u>	<u>ORIGINATOR</u>	<u>86101107</u>	<u>1 1</u>
	Referral Note:	<u>for F3/A signature</u>	
<u>CUat 18</u>	<u>D</u>	<u>86101107</u>	<u>S 86101107</u>
	Referral Note:		<u>11a.m</u>
<u>CUat 04</u>	<u>I</u>	<u>86101107</u>	<u>C 86101107</u>
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- A - Appropriate Action
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- C - Comment/Recommendation
- R - Direct Reply w/Copy
- D - Draft Response
- S - For Signature
- F - Furnish Fact Sheet to be used as Enclosure
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Comments: _____

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/7/86 ACTION/CONCURRENCE/COMMENT DUE BY: 11:00 A.M. TODAY

SUBJECT: EXECUTIVE ORDER: ECONOMIC SANCTIONS AGAINST LIBYA

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STEELMAN	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	CLERK	<input type="checkbox"/>	<input checked="" type="checkbox"/>
KINGON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments/recommendations by 11:00 a.m. this morning. Thanks.

RESPONSE:



U.S. Department of Justice

Office of Legal Counsel

Office of the
Assistant Attorney General

Washington, D.C. 20530

The President,

The White House.

My dear Mr. President,

I am herewith transmitting a proposed Executive order entitled "Prohibiting Trade and Certain Transactions Involving Libya."

This proposed Executive order was submitted by the Department of State and has been forwarded for consideration of this Department as to form and legality by the Office of Management and Budget with the approval of the Director.

The proposed Executive order is approved as to form and legality.

Respectfully,

A handwritten signature in cursive script that reads "Charles J. Cooper".

Charles J. Cooper
Assistant Attorney General
Office of Legal Counsel



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 6, 1986

MEMORANDUM FOR THE PRESIDENT

FROM: James G. Baker III
Director

SUBJECT: Proposed Executive Order Entitled "Prohibiting
Trade and Certain Transactions Involving Libya"

SUMMARY. This memorandum forwards for your consideration a proposed Executive order, submitted by the Department of State, that would impose a total ban on direct commercial transactions, financial transactions and travel to and from Libya because of the actions and policies of the Government of Libya in support of international terrorism.

BACKGROUND. The proposed Executive order would invoke the President's inherent authority to conduct the foreign affairs of the United States and his authority under the International Emergency Economic Powers Act, the National Emergencies Act, and the Federal Aviation Act to restrict most trade and other transactions with Libya, because of the actions of the Government of Libya in support of international terrorism. By signing the Executive order, the President would determine that the actions of that Government constitute such an extraordinary threat to the foreign policy and economy of the United States that a declaration of national emergency is appropriate. In the view of the Department of State, current conditions are sufficient to warrant declaration of such an emergency.

The proposed Executive order would sharply reduce American trade and other transactions with Libya, including a ban on the following economic relations:

- direct export and import trade with Libya, except for humanitarian assistance;
- grants of new loans, other extensions of credit and transfers to Libya, Libyan controlled entities, or Libyan nationals, and of property other than their previously owned assets;
- performance of service contracts in Libya; and
- aviation and maritime service, and, with limited exceptions, all travel-related transactions except for journalistic activity.

The proposed order would be implemented by regulations to be issued by the Department of the Treasury, in consultation with the Department of State.

The proposal will require other affected agencies to take appropriate measures within their authority to carry out this Order, including the suspension or termination of licenses or other authorizations to do business with Libya in effect as of the date of the Order.

Time has not permitted the formal circulation of the proposed Executive order to the affected agencies for comment. However, based on policy decisions reached at the NSPG meeting on January 6th, the proposal has been revised so that Libyan assets in the United States will not be frozen, and to permit a brief delay before certain prohibitions in the Order take effect. Based on statements by representatives of the affected agencies at a meeting convened by the Department of State on January 6th to obtain informal comments on the order, I believe that none of the affected agencies has any objections to the proposal, as revised.

RECOMMENDATION. I recommend that you sign the proposed Executive order.



U.S. Department of Justice

Office of Legal Counsel

Office of the
Assistant Attorney General

Washington, D.C. 20530

MEMORANDUM

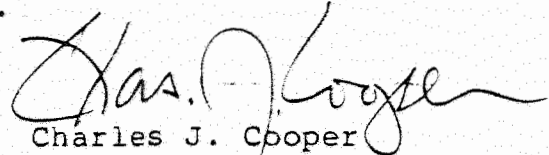
Re: Proposed Executive order entitled
"Prohibiting Trade and Certain Transactions
Involving Libya

The attached proposed Executive order was submitted by the Department of State and has been forwarded for the consideration of this Department as to form and legality by the Office of Management and Budget with the approval of the Director.

The proposed Executive order will declare a national emergency pursuant to the International Emergency Economic Powers Act of 1977, 50 U.S.C. 1701 et seq. Using authorities granted under IEEPA, the President will impose certain economic sanctions on Libya. It should be noted that IEEPA imposes on the President certain reporting requirements with respect to Congress. The proposed order also relies on section 504 and 505 of the International Security and Development Cooperation Act of 1985, Pub. L. No. 99-83. Section 504 authorizes the President to prohibit the export of goods to Libya and the import of goods from Libya. Section 505 authorizes the President to prohibit the export of both goods and services to any nation that sponsors terrorism upon submission of a report detailing the circumstances justifying the exercise of this authority. Finally, the proposed order references section 1114 of the Federal Aviation Act, as amended, 49 U.S.C. 1514, which authorizes the President to suspend air services to any nation upon a determination that the nation is supporting terrorism.

In the limited time available, we have reviewed the domestic law ramifications of the proposed order and have concluded that the President is authorized to use the aforementioned authorities to impose these sanctions. We have no reason to believe that the order is inconsistent with the international obligations of the United States, but it would be advisable to seek the views of the Department of State on this question.

With these considerations, the proposed Executive order is acceptable as to form and legality.

A handwritten signature in cursive script, appearing to read "Chas. J. Cooper".

Charles J. Cooper
Assistant Attorney General
Office of Legal Counsel



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 6, 1985

Hon. Edwin Meese III
Attorney General
Washington, D.C.

Dear Mr. Attorney General:

Enclosed, in accordance with the provisions of Executive Order No. 11030, as amended, is a proposed Executive order, submitted by the Department of State, entitled "Prohibiting Trade and Certain Transactions Involving Libya".

The proposal, which was submitted by the Department of State, would prohibit various forms of commercial, trade, and travel-related transactions with Libya, as described in greater detail in the attached memorandum from the Director to the President.

In order to implement the prohibition on these transactions, it will be necessary for the President to invoke the provisions of the International Emergency Economic Powers Act. In the view of the Secretary of State, the policies and actions of the Government of Libya constitute such an unusual and extraordinary threat to the national security and foreign relations of the United States that declaration of a national emergency to deal with that threat is appropriate.

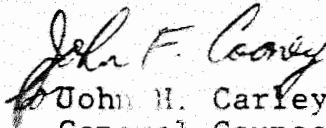
The White House Office has requested that the proposed Executive order be processed as promptly as possible, so that the President may consider the proposal on Tuesday, January 7th.

In order to comply with the notification provisions of IEEPA, after signing the proposed Executive order, the President also must sign the attached notification letter, informing the Congress that he has exercised his authority under that statute and stating the reasons why he believes such action is necessary to deal with the unusual and extraordinary threat to the United States.

Your staff may direct any questions concerning the proposed Executive order to Mr. John F. Cooney of this office (395-5600).

The proposed Executive order has the approval of the Director of the Office of Management and Budget.

Sincerely,


John F. Cooney
General Counsel

EXECUTIVE ORDER

PROHIBITING TRADE AND CERTAIN TRANSACTIONS INVOLVING LIBYA

By the authority vested in me as President by the Constitution and laws of the United States of America, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), sections 504 and 505 of the International Security and Development Cooperation Act of 1985 (Public Law 99-83), section 1114 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1514), and section 301 of title 3 of the United States Code,

I, RONALD REAGAN, President of the United States of America, find that the policies and actions of the Government of Libya constitute an unusual and extraordinary threat to the national security and foreign policy of the United States and hereby declare a national emergency to deal with that threat.

I hereby order:

Section 1. The following are prohibited, except to the extent provided in regulations which may hereafter ~~be~~ issued pursuant to this Order:

- (a) The import into the United States of any goods or services of Libyan origin, other than publications and materials imported for news publications or news broadcast dissemination;
- (b) The export to Libya of any goods, technology (including technical data or other information) or services from the United States, except publications and donations of articles intended to relieve human suffering, such as food, clothing, medicine and medical supplies intended strictly for medical purposes;
- (c) Any transaction by a United States person relating to transportation to or from Libya; the provision of transportation to or from the United States by any Libyan person or any vessel or aircraft of Libyan registration; or the sale in the

United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Libya;

(d) The purchase by any United States person of goods for export from Libya to any country;

(e) The performance by any United States person of any contract in support of an industrial or other commercial or governmental project in Libya;

(f) The grant or extension of credits or loans by any United States person to the Government of Libya, its instrumentalities and controlled entities;

(g) Any transaction by a United States person relating to travel by any United States citizen or permanent resident alien to Libya, or to activities by any such person within Libya, after the date of this Order, other than transactions necessary to effect such person's departure from Libya, to perform acts permitted until February 1, 1986 by Section 3 of this Order, or travel for journalistic activity by persons regularly employed in such capacity by a newsgathering organization; and

(h) Any transaction by any United States person which evades or avoids, or has the purpose of evading or avoiding, any of the prohibitions set forth in this Order.

For purposes of this Order, the term (any) "United States person" means any United States citizen, permanent resident alien, juridical person organized under the laws of the United States or any person in the United States.

Sec. 2. In light of the prohibition in Section 1(a) of this Order, section 251 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1881), and section 126 of the Trade Act of 1974, as amended (19 U.S.C. 2136) will have no effect with respect to Libya.

Sec. 3. This Order is effective immediately, except that the prohibitions set forth in Section 1(a), (b), (c), (d) and (e) shall apply as of 12:01 a.m. Eastern Standard Time, February 1, 1986.

Sec. 4. The Secretary of the Treasury, in consultation with the Secretary of State, is hereby authorized to take such actions, including the promulgation of rules and regulations, as may be necessary to carry out the purposes of this Order. Such actions may include prohibiting or regulating payments or transfers of any property or any transactions involving the transfer of anything of economic value by any United States person to the Government of Libya, its instrumentalities and controlled entities, or to any Libyan national or entity owned or controlled, directly or indirectly, by Libya or Libyan nationals. The Secretary may redelegate any of these functions to other officers and agencies of the Federal government. All agencies of the United States government are directed to take all appropriate measures within their authority to carry out the provisions of this Order, including the suspension or termination of licenses or other authorizations in effect as of the date of this Order.

This Order shall be transmitted to the Congress and published in the Federal Register.

THE WHITE HOUSE,

DRAFT

Corrected
to Ziegler
State
Ben Jarratt
456-2950
White House

THE WHITE HOUSE
Office of the Press Secretary

BRIEFING
BY SENIOR ADMINISTRATION OFFICIALS
ON THE SANCTIONS AGAINST LIBYA

January 8, 1986

The Briefing Room

5:05 P.M. EST

MR. SPEAKES: Two things. First of all -- on the record, and then we'll go on background -- on the record, as you know, consultations have been proceeding today with a number of governments, both really on a world-wide basis, briefing them on our actions taken against Libya.

We have indications from a number of important countries that they have been studying with deep interest our actions involving Libya. We are not free to indicate exactly what their information is because it has come to us on a diplomatic and confidential basis. But we are pleased and we believe that we have caught their attention on what we consider a very serious matter, and these -- our information is under study in these various capitals. So far so good on our consultations.

Q Are there any countries who have publicly rejected -- in other words, West Germany -- any of the countries that you have all been reporting, are they, would you say, in a reconsidering mood?

MR. SPEAKES: We have seen press reporting, although I don't have anything that I can report to you specifically on the Canadian government indicating that they were reassessing their position and would consider our --

Q They've said that? Publicly they are saying that?

MR. SPEAKES: I believe so, yes.

Q Anything from Britain or West Germany or --

MR. SPEAKES: Don't have anything I can be specific on.

Q When you say "studying it" does that mean to imply that they are considering going along with the boycott?

MR. SPEAKES: I can't indicate what they might do. I don't know what they might do.

Q Any government through diplomatic nicety would try and understand wouldn't they?

MR. SPEAKES: Well --

Q I can't think of the word --

Q Come on, Ira, let's get that announcement.

MR. SPEAKES: Okay. As you --

Q Excuse me. Larry, let me ask you just one thing. I assume that you are suggesting that they have done more than just

MORE

received a report and are --

MR. SPEAKES: What -- we have a feeling that they are taking very seriously our briefings on what we consider an important matter.

SENIOR ADMINISTRATION OFFICIAL: Now, on background, we have my colleague. We have just issued an Executive Order, which the President signed in the Residence about a little less than an hour ago that freezes government assets of the Libyan government in the United States. He will explain it to you as a senior administration official.

SENIOR ADMINISTRATION OFFICIAL: As the President indicated yesterday, both in the written materials that were shared with you, and, also, during the course of the press conference last evening, there was to be a continuing assessment by U.S. government agencies of the situation regarding Libya with possible action to be recommended to him.

As a result of this continuing assessment, the President signed this afternoon an Executive Order freezing Libyan government property, principally assets held in U.S. banks -- in the branches of U.S. banks overseas. This step was taken as a precaution as we evaluate Libyan reaction to the sanctions that were imposed yesterday.

I'd want to stress that this is a freeze, not a seizure. These assets remain the property of the Libyan government. Also, although it extends to U.S. branches overseas, this is not a sweeping extraterritorial order. It does not extend to U.S. subsidiaries.

Why don't I just stop there and take your questions.

Q But can you do it with the amount of these assets? Can you give us any dollar figure?

SENIOR ADMINISTRATION OFFICIAL: I would think -- the best figure that I could give you, Chris, would be in the hundreds of millions of dollars.

Q How much of that in the U.S.?

Q Is that just in the United States or that include the overseas also?

SENIOR ADMINISTRATION OFFICIAL: U.S. and overseas combined.

Q -- the U.S.?

SENIOR ADMINISTRATION OFFICIAL: Say again.

Q How much in the U.S.?

SENIOR ADMINISTRATION OFFICIAL: I don't have a breakout on that. I'm sorry.

Q Am I right in thinking that this is -- when you say it's a precaution that basically what you're saying is if they start nationalizing U.S. property, this is our wedge, but we're not intending to seize their property at this point?

SENIOR ADMINISTRATION OFFICIAL: Well, I don't think we're intending to seize their property at any point. We're freezing at this point as a precaution. And I think we'd have to take a look at what range of actions they might take.

Q Against what? As a precaution against what?

SENIOR ADMINISTRATION OFFICIAL: I think it'd be a precaution against a Libyan reaction or set of actions that would place in jeopardy U.S. assets in Libya.

Q Is this based on intelligence? In other words, was this precaution taken today because of information we're getting over Libyan intention or things that have been said there?

SENIOR ADMINISTRATION OFFICIAL: This was based, Andrea, on just this continuing reevaluation. And in the course of that -- I'm sorry, not reevaluation, the continuing assessment. That assessment is based upon information we receive from all sources and has to do not just in this area, but all areas, as the President

instructed us to do.

Q -- yesterday.

Q Is it information that follows the press conference? In other words, is this based on information on things that have happened since the President's announcements?

SENIOR ADMINISTRATION OFFICIAL: Well, again, I think the assessment that the President asked be undertaken had actually been set in motion before the press conference. And so it's based on information that we have received, again, from various sources recently. I wouldn't characterize it as before or after the press conference.

Q Was this suggested by business people who have assets in Libya?

SENIOR ADMINISTRATION OFFICIAL: Not to the best of my knowledge. I have not received any such suggestion myself, nor know of anyone inside the government who had received that suggestion.

Q Is this something that was considered but just wasn't ready to be done yesterday when the other actions were set into place? Or is it something that was considered in the last 24 hours, let's say?

SENIOR ADMINISTRATION OFFICIAL: I think there has been from the start a range of actions considered, as my colleague indicated yesterday, political, military, diplomatic, economic. This is one option that has been available from the beginning. It was decided yesterday that the package of options recommended to the President that resulted in the Executive Order was what should be recommended to him at that time. It was decided today to make this further recommendation.

Q It was decided today --

Q What's tomorrow?

Q -- to do the freeze? I mean, there wasn't a decision yesterday that said we're going to put out this initial set of steps and then tomorrow we're going to hit them again with the freeze or the assets?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Do you have any handy comparison between the magnitude of the assets we're -- the Libyan assets we're freezing compared to the magnitude of American assets that are vulnerable in Libya?

SENIOR ADMINISTRATION OFFICIAL: I don't. I wish I had that to give to you. Again, I think the Libyan assets,

both here in the United States and in U.S. branches overseas, would be in the hundreds of millions of dollars. The U.S. assets in Libya, however, are not liquid assets in general. They are, primarily, fixed assets. You get into questions there -- market valuation, book valuation, and of course, they're private assets, rather than anything that is under any form of government control. I just don't have those comparisons at this time.

Q What is your fear -- is it your fear that with the deadline that you've established that companies will have to leave rather quickly and might be forced to leave without having settled their accounts with the Libyans and that all of that would be left up in the air and this is somehow a way of holding some assets aside in case it is not settled to the companies' satisfaction?

SENIOR ADMINISTRATION OFFICIAL: I think that's generally correct. I certainly wouldn't characterize it as a fear, but I think there is concern about U.S. assets and, as was stated yesterday, individuals who remain behind in Libya.

Q How long is this likely to go on?

SENIOR ADMINISTRATION OFFICIAL: That's difficult to foresee. I think you would always like to have economic sanctions in place only as long as is necessary to accomplish the effect intended. I think it will be with us for some time, but it's difficult to predict how long that time would be.

Q I'm not clear. Are we talking about just financial assets or all Libyan --

SENIOR ADMINISTRATION OFFICIAL: We're talking about all Libyan government property. And I stress the distinction between Libyan government and then privately held property, but it's Libyan government property. Our estimates, although not precise, indicate that there are relatively small amounts of fixed assets, as primarily liquid assets in the United States.

Q Could I follow-up on this? Is it legal, and is it under consideration to take action against Libyan nationals in the United States? Is that something that could be done?

SENIOR ADMINISTRATION OFFICIAL: Oh, I think there would certainly be a legal basis for doing it, and again, I'd rather not discuss what options may or may not be under consideration. But certainly, there is a legal basis.

Q Are you ratcheting every day -- is that something likely to happen tomorrow if there's a --

SENIOR ADMINISTRATION OFFICIAL: I'd rather not speculate on what's going to happen tomorrow.

Q Can you explain again why -- the timing? If this was an option from the beginning, why is it that it was not presented in the initial package? Explain the timing, why this came a day later?

SENIOR ADMINISTRATION OFFICIAL: Well, again, I think from the start there has been not only the development, but the consideration of various options. The decision that was made by the policymakers and ultimately endorsed by the President, was to go as far as yesterday's Executive Order indicated. The decision was taken today to take this additional step, and again it's just based on a continuing assessment and re-assessment of the facts -- watching, again, all sources of information we get, with particular attention to the Libyan reaction to the sanctions that are in place.

Jerry?

Q Would you say or would you characterize this as the toughest action that the United States government has taken so far?

SENIOR ADMINISTRATION OFFICIAL: I don't think I'd characterize it that way, Jerry. I think the series of steps that have been taken by the U.S. government, starting actually in 1981 with the cut off of Libyan crude, and then Libyan refined products and then the export-import ban of yesterday, and this one -- cumulatively are certainly a very tough set of economic sanctions -- as tough as any that we have in effect. I wouldn't characterize this one as being tougher than any of the others, particularly again when the valuation is in the hundreds of millions and certainly there was that kind of drop off in the petroleum business over the course of the previous four years.

Q Are you asking European banks and the banks in our allied countries to do the same thing with Libya's assets?

SENIOR ADMINISTRATION OFFICIAL: No. Well, let me say, we at the Treasury are not. I think, as part of the consultations with the Europeans and other allies indicating the steps that we have taken, we certainly think that the threat presented here is one shared at least as much, if not more, by them. And certainly we'd like to see them take some steps in the directions that we are. But at this point, we are dealing primarily with U.S. banks and through them, with their overseas branches. We're not dealing with overseas banks, that is, foreign banks, at all.

Q We're dealing with foreign governments who have banks and in asking our allies to join us in these concerted actions, is one of the points our diplomats are making that we would like them also to freeze Libya's assets significantly.

SENIOR ADMINISTRATION OFFICIAL: I'd have to defer to State on that. I would certainly say where I was making a presentation to foreign government, I would indicate this step having been taken by the President -- one that we think is necessary in the national security interests of the United States and that I, from a personal perspective, would think they would find in their national interests. But as the President indicated last night, they have to make that judgment on the basis of their own national interest, which includes an economic component.

Andrea?

Q Do you know if most of these liquid assets are "in the overseas branches" or are in the United States?

SENIOR ADMINISTRATION OFFICIAL: That's very hard to tell. As best I understand the system, the word liquid aptly applies here, in that since the European banking system closes six hours before ours, what you see is a lot of movement back and forth between the European banking system and the American banking system. And while a substantial portion may have been in Europe, principally in London earlier in the day, they could be back here later in the day. The ability to break it out of the aggregate figures that we have seen is very difficult. So, I can't give you that answer.

Q But what you're doing is simply freezing it so that it cannot be withdrawn?

SENIOR ADMINISTRATION OFFICIAL: That's correct. Withdrawn or -- that's right -- withdrawn in straight terms, transferred, say, to another bank outside our jurisdiction.

Q Did you have evidence after the Executive Order that the Libyan government was trying to remove some of their assets and was that a factor in today's decision?

SENIOR ADMINISTRATION OFFICIAL: Well, I don't want to

really get into specifics. The assessment that we were undertaking, again, began days ago -- continued through yesterday and today. There's been a constant evaluation, re-evaluation of the information that we've received. I can't answer that specifically.

Q What kind of reaction --

Q You said a few minutes ago that there's concern not only about U.S. assets that remain in Libya, but also U.S. individuals there. Is this precautionary step, this freeze of assets, also designed to give us possible leverage against Libya should Libya refuse to permit the exit of Americans?

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SENIOR ADMINISTRATION OFFICIAL: When I made that remark I was keying back into remarks my colleague had made last night regarding the safety of U.S. persons. As we indicated, we hold Colonel Qaddafi responsible for those citizens. I'd have to refer you to the State Department as to that particular question, although certainly the safety of the Americans, as well as concern about the assets and so forth, is driving all of the decisions that we're making.

Q But would it be fair to say that this would permit us to have a little bit of leverage in case Qaddafi does mess around with Americans?

✓

SENIOR ADMINISTRATION OFFICIAL: I would probably prefer to use the term insurance and I wouldn't key it so much to the Americans, but rather to the range of ~~view as~~ interests involved in Libya.

U.S. ^

Q Can we get back to the timing here a minute? It doesn't make sense to me unless you are purposely dribbling this out. Is that what you all are doing?

SENIOR ADMINISTRATION OFFICIAL: No.

Q I mean, you are not sort of raising the stakes every day?

SENIOR ADMINISTRATION OFFICIAL: No.

Q I don't understand why if you've been monitoring this all along and nothing in particular happened between last night when he announced that set of actions, and today -- why this was not in last night?

Well, again without accepting the hypothesis that was contained in your question, I would just say that

I would think that what you would want the President of the United States to do is to make his decisions based upon policy recommendations grounded upon the best factual information that we can receive. Facts come to your attention on a continuing, evolving basis and I think the decisions that were made yesterday were based upon sound policy bases, sound factual bases, and they continued.

Q Okay, so --

SENIOR ADMINISTRATION OFFICIAL: We were driven a little bit yesterday by the timing of the press announcement, ^{and} time that we needed to get information to you. We worked all through the evening and into today on, not just this, but on a range of options. I think that the timing is not as much an incident of the sequence that you indicated, but, rather, the cause of this continuing evaluation.

Q So, you got more information in between, say, last night and now which moved this decision into action.

SENIOR ADMINISTRATION OFFICIAL: We did get more information between last night and today.

Q Well, did it -- did that information, though, move the decision on the action up. I mean, did something --

SENIOR ADMINISTRATION OFFICIAL: That information contributed to the decision.

Q And when did this --

Q In weighing the consequences of this, did you find out whether or not the oil companies involved actually own reserves in Libya and if they do, don't they amount to literally hundreds of billions of dollars?

SENIOR ADMINISTRATION OFFICIAL: Hundreds of?

Q Billions of dollars.

SENIOR ADMINISTRATION OFFICIAL: The figures that I have seen concerning U.S. government -- excuse me -- U.S. holdings over there are not in the hundreds of billions of dollars. Again, I don't have a precise figure on those, but, again, it was not in the hundreds of billions.

Q -- hundreds of millions?

Q But, my question is --

SENIOR ADMINISTRATION OFFICIAL: I think hundreds of millions would be much closer.

Q So this is a potential leverage quid pro quo for American assets in Libya?

SENIOR ADMINISTRATION OFFICIAL: I wouldn't walk you away from that conclusion.

Q But did you have any information, pressure or appeal from oil companies and others to have --

SENIOR ADMINISTRATION OFFICIAL: None of which I'm aware. None of which I'm aware and, certainly, none that I know of that were made to the senior officials with whom I've been dealing on this.

Q Could I ask about the status of the application of yesterday's actions on American citizens who are spouses of Libyans in Libya -- dependents and so forth. I mean, are they required to leave? And, also, is it your understanding today that the Americans who work for this Brown and Root project may be prohibited from

participating in it, but that the action would not stop the project per se from going forward if it was through a foreign subsidiary.

SENIOR ADMINISTRATION OFFICIAL: Well, on the second part, it would prohibit U.S. persons and U.S. equipment being involved in the project, either through equipment contracts or service contracts. As to your first question, when -- are you saying if an American citizen is over there married to a Libyan woman --

Q Yes.

SENIOR ADMINISTRATION OFFICIAL: -- and has children with perhaps, dual nationality?

SENIOR ADMINISTRATION OFFICIAL: There is no exception in the Executive Order -- or in the implementing regulations for that.

Q So, they would be subject to U.S. penalties?

SENIOR ADMINISTRATION OFFICIAL: Potentially. It's possible there could be some licensing actions in the future.

Q So you would --

SENIOR ADMINISTRATION OFFICIAL: Now, again, let me just say, that's an important point that was just made. We put out

an Executive Order -- excuse me -- the President issued an Executive Order yesterday, and regulations followed. Those regulations and the Executive Order are the marching instructions for the people involved.

However, the Office of Foreign Assets Control, which is part of the Department of Treasury, is the place that has been receiving calls and inquiries today from businesses, individuals, and others, asking precisely what this means. And one of their responsibilities is to license certain activities, which in some cases might be seen as exceptions to it. Certainly, the situation that you posit -- which has a humanitarian element to it -- I think if you look at the tenor of the order -- would be one certainly that would require Foreign Assets Control to take a careful look at the situation.

Q Why didn't the President's Executive Order exempt --

Q Are you suggesting that Brown and Root might be right?

SENIOR ADMINISTRATION OFFICIAL: No, I was talking on -- Andrea, I answered his question in reverse order. I was talking about the first part where he was --

Q The dependents, not --

SENIOR ADMINISTRATION OFFICIAL: That's right.

Q -- the licensing of --

SENIOR ADMINISTRATION OFFICIAL: That's right.

Q -- the Korean subsidiary?

Q Why didn't the President's order exempt dependents for those very --

SENIOR ADMINISTRATION OFFICIAL: I'm sorry. This is yesterday's order?

Q Right. For those very humanitarian reasons. Is it this -- this Executive Order --

SENIOR ADMINISTRATION OFFICIAL: Well, I don't think the President's order needed to get into that kind of detail. Again --

Q Well, it did for journalistic purposes. I mean, he's -- there were explicit exemptions in terms of carrying out business.

SENIOR ADMINISTRATION OFFICIAL: Well, that's right. And I think when there are policy-level exceptions they should be taken to the President, the decisions made by him. I think some of this sort, which are more humanitarian and personal in nature, that's why the President has subordinates in the Secretary of the Treasury and the Director of the Office of Foreign Assets Control.

MR. DJEREJIAN: We'll take two more questions.

Q Sir, is there anything that we can do now that was not done against the Iranians in terms of economics -- actions?

Q -- they didn't freeze --

SENIOR ADMINISTRATION OFFICIAL: No, there was a freeze on Iranian assets, too. The difference there was that the freeze extended to all entities within U.S. jurisdictions, that had that sweeping extraterritorial reach to subsidiaries.

I would think that the two orders are very similar to one another in terms of their reach, with that one exception; that is, that it does not reach U.S. subsidiaries -- wholly owned subsidiaries abroad.

Q Sir, you said --

Q How were the banks notified -- the financial institutions notified of this? And given the liquidity that you described earlier, isn't there a possibility that most of the assets will have been moved before banks know about this formally?

✓ SENIOR ADMINISTRATION OFFICIAL: Well, the Federal Reserve Bank in New York acts as the fiscal agent in the United States. It is primarily through the Fed of New York that we would get instructions to its member banks and through them their branches overseas. As to what will happen with the assets, how much is moved and so forth, that's something, I think, we'd have to look at in historical terms. And I mean in days, not weeks or months.

Q Well, are there some penalties for a financial institution making a last minute move? I mean, is there some --

SENIOR ADMINISTRATION OFFICIAL: Certainly, there would be penalties attendant to a banking or other institution disregarding the order signed by the President. It goes back to the range of civil and criminal sanctions that were mentioned in the briefing yesterday.

Q So, a move made after the order was signed, even if they hadn't been formally notified of it, could trigger penalties?

SENIOR ADMINISTRATION OFFICIAL: I would certainly think so. It gets back to the maxim of ignorance of the law is no defense. And the President has signed this. It's in effect. We're taking the steps that we can.

Q When was this decided?

MR. DJEREJIAN: That's it. That -- this'll just go on forever.

Q Was this an interagency meeting today?

THE PRESS: Thank you.

END

5:26 P.M. EST

Dear :

Pursuant to section 204(b) of the International Emergency Economic Powers Act, 50 U.S.C. 1703, and section 301 of the National Emergencies Act, 50 U.S.C. 1631, I hereby report that I ~~have~~ signed Executive Order No. 12544 blocking all property and property interests of the Government of Libya and the Central Bank of Libya that are in or come within either the United States or the possession or control of United States persons, including overseas branches of United States juridical persons. In this Order, I have authorized the Secretary of the Treasury, in consultation with the Secretary of State, to employ powers granted to me by the International Emergency Economic Powers Act to carry out this direction.

at 4:10
p.m. on
8, 1986

A copy of this Executive Order is enclosed. The Order took effect upon signature.

✓ This order does not apply to the property of Libyan citizens or entities not controlled by the Government of Libya. Moreover, the Order does not confiscate property of the Government of

Libya. Such property will continue to belong to the Libyan Government, and financial assets held in U.S. banks and their branches overseas will continue to earn a commercial rate of interest as appropriate.

I have taken these further steps pursuant to the national emergency I declared in Executive Order No. 12543 on January 7, 1986. My reasons for taking these actions are set forth in my letter to you of January 7, 1986, reporting the measures taken in that Order. Based on a continuing assessment of the situation, the steps taken ~~today~~ became necessary to carry out the purposes of that Order. They are not intended to deprive the Government of Libya of property but rather are to help assure the orderly management of the dissolution of the United States economic ties with Libya and to protect against the possibility of unlawful Libyan actions which adversely affect American interests.