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Michael House,
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From Lord Sieff of Brimpton

PERSONAL

25th April 1984

Robin - I do
not recall the
part marked
* - was it
true?
no

Dear Prime Minister,

In view of what is happening at present I enclose some notes I made twelve years ago, which I discussed with Mr. Heath when he was Prime Minister, and some notes I made four years ago; these have relevance to today's events.

I am sending a copy of these notes, in case they are interested, to Geoffrey Howe and Antony Acland.

I greatly enjoyed lunch on Sunday. You were in splendid form -

With all good wishes

Shane

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Following the terrorist Carlos' attempt to assassinate Teddy Sieff in December 1973 and a member of Special Branch saying to me shortly afterwards: "I suspect the terrorist was in the Libyan Embassy within 30 minutes", I tried to find out what motivated the Libyan leader.

The attached note is the result and is applicable today.

NASSER - GADAFFI - LIBYA

Nasser wrote a book on revolution. He withdrew it from circulation. Nasser's 'Philosophy of Revolution' was based on a theory called 'The Three Circles'. The first circle was that Egypt as the centre of the Arab world from Morocco to Iraq should boss the Arab world. The second circle was that Egypt was the centre of the Moslem world from Nigeria to China; therefore Egypt should lead the 600 million Moslems. The third circle was that Egypt was at the centre of Europe, Asia and Africa and being in this pivotal central point should have a major input in anything to do with the three Continents.

Nasser did very little for Egypt. He played a role as a Third World leader. He fought wars against Israel and her neighbouring Arabs. The Egyptian casualties in the wars were heavy. He left Egypt a poorer country because of population growth and minimum attention to agricultural and industrial development.

People who knew Nasser said he had considerable magnetism; he had a disciple a generation younger, Gadaffi. Gadaffi already had much money from oil revenues. He lead two million people with a low standard of education. Gadaffi admired Nasser as a revolutionary; he wanted a union between Egypt and Libya when he would become Nasser's heir and eventually play a leading world role. Much as Nasser wanted Gadaffi's money, and had much from him, in the end Nasser couldn't take the idea of union; it was never consummated.

Then Gadaffi turned elsewhere to look for development and paid the Tunisian Foreign Minister, acting Head of State when President Bourguiba and his Prime Minister were abroad, to agree a union between Tunisia and Libya. This lasted a week; as soon as Bourguiba and his Prime Minister returned the Foreign Minister was sacked and the union dissolved.

Gadaffi decided that the only way he would become a force in the world was as a financier and promoter of revolution and terrorism; he financed terrorism from the Philippines to Ireland. In 1974, having much information, I discussed with Mr. Heath the breaking off of all diplomatic ties with Libya. I said: "The facts are as I stated Prime Minister and I am sure you know them as well as I do"; to which he said: "Well, what do you think we ought to do?". I said: "We ought to break off all diplomatic relations; no ships in and out, no planes in and out, withdraw our Nationals".

I gave as one important reason Gadaffi's support for the IRA. Britain had captured a ship as it left Libyan waters with IRA trained terrorists, money and arms all supplied by Libya on board.

At that time Libya had expropriated British Petroleum without compensation and ignored the ruling of the International Court at the Hague. A week earlier they had prohibited unilaterally about 50% of British exports to Libya. When I

said we should break off diplomatic relations Mr. Heath said to me: "France won't follow us". I said: "Well Prime Minister, somebody has to take the lead in these matters. France will follow what she considers her interests". And he said: "Where will we get our oil from? We get 12% from Libya". I said: "I've already had some discussions on supplies of oil". I had discussed this with the Shah who said Iran would be happy to supply us.

Nothing resulted from that meeting.

Some years later in 1980 or 1981 an Iranian friend told me: "You know that Khomeini has paid \$800 million to Arafat". I said: "I don't believe it. I am sure they are giving him money but on that scale". He said: "No, \$800 million has gone from the central bank to Arafat."

About two weeks later a reliable Iranian source, who didn't know the first one, said: "You know that Iran has paid out \$800 million". I said: "Yes, I understand to Arafat". He said: "No, you've got it wrong; \$350 million to Arafat and \$450 million to Gadaffi."

I said: "Why should Khomeini's government pay \$450 million to Gadaffi who has much wealth?". He said: "They're not paying it to him, they're merely repaying the loan." I said: "What loan?". So he said: "Gadaffi not only financed Khomeini in France but, as I told you some months ago, Gadaffi supplied the money in Iran to help foment the revolution against the Shah. Gadaffi was a major factor in the Shah's overthrow and Khomeini's accession to power."