

RELEASE IN FULL

CONFIDENTIAL

October 22, 2011

For: Hillary
From: Sid
Re: Intel on new Libyan government; conflicts with Belhaj

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. On October 21, 2011 Ali Tarhouni, Libya's interim Minister of Finance and Oil stated in confidence that when President Mustafa Abdel Jalil and the National Transitional Council (NTC) begin to form a new government on October 22 and 23 he will press to separate the Finance and Oil ministries. According to this individual, Tarhouni believes that the combined ministry prevents him from giving full attention to either portfolio. He also believes that having the two issues under one ministry creates internal complications that hamper the function of each. Tarhouni stated in confidence that while the Finance Ministry must be dedicated to the careful management of the country's budget, the Oil Ministry should be aggressive and innovative in dealing with their foreign partners and customers. The two ministries must deal with each other as equals, and if they are under one minister, one or the other will suffer.

2. According to this individual, Tarhouni, who is an economist and academic by profession, has been told by Jalil that he will remain as Minister of Finance, while Abdulrahman Ben Yezza remains the leading candidate to become Oil Minister. Speaking in strict confidence, this source stated that BenYezza is a long time associate of Jalil, who asked current Prime Minister Mahmoud Jibril to bring him into the government in early September 2011. Jibril did not debate this idea, but delayed making a decision, telling his closest associates that BenYezza, who is a senior executive with the large Italian Oil firm ENI SpA, represents the past in Libya's dealings with foreign oil companies, and that he preferred someone with an academic background in finance and economics fill the position, rather than an "oil man". For this reason he insisted that Tarhouni maintain his double portfolio until the security and political situation in the country stabilized.

3. At the same time, according to Tarhouni, Jalil discussed the matter at some length with Abdullah al-Badr, the Secretary General of OPEC, who has advised that while a separate Oil Ministry is the best course, it is important for that Ministry to be focus on supporting Nuri Berruien, the Chairman of the Board of Directors of the National Oil Company (NOC). Al-Badr

believes that the NOC should have full authority to manage the oil industry, and deal with foreign energy firms. Later, in a private conversation, al-Badr told Tarhouni that Jalil shares his views on this matter. At the same time they are both concerned that rivals on the NTC, led primarily by General Abdel Hakim Alamin Belhaj in Tripoli, and Hassan Ali al-Darwa, the NTC leader for the City of Sirte, will press for greater government control of both the oil and banking sectors under a new Libyan Government.

4. Jalil is also concerned that as the country moves toward national elections in May or June of 2012, Belhaj and other groups on the NTC will campaign against the interim Government, saying that, like former leader Muammar Qaddafi, they are allowing foreign interests to dominate the country's natural resources. Jalil stated that if they do choose BenYezza or another technocrat with experience in a foreign firm as Oil Minister, that person will become the focus of this campaign. In addition, according to this source, Jalil fears that Berruien will also be a target of these attacks. In this regard Jalil indicated that he needed Tarhouni to remain in government, complaining that Jibril, while a good and honest man, had been too weak to deal with these complications.

5. (Source Comment: According to this very sensitive source, Jalil is concerned that Belhaj and his heavily armed troops in Tripoli and the Western part of the country, as well as the members of other regional and ethnic militias, will attempt to use the threat of force to impose their views on the NTC in the run up to the national elections. Jalil repeated that he is also concerned that these forces inside of the NTC want to establish a strong national authority in an effort to control the activities of foreign banks, corporations, and energy firms while managing and limiting the ability of these foreign institutions to influence the day to day life of the Libyan people. In Jalil's opinion this approach will only serve to delay the stabilization and reconstruction of the country. In a passing comment, Jalil added that he had not considered any role for former Chairman of the NOC Board of Directors, Shukri Mohammed Ghanem, particularly given the latter's close ties to the Qaddafi family. Jalil added that while he himself had been Minister of Justice under Qaddafi, he had maintained a professional distance from the internal machinations of the late dictator's family. Ghanem, on the other hand, was seen as confident of the family members, particularly Qaddafi's son Saif al-Islam Qaddafi. According to this individual, Ghanem's renunciation of Qaddafi and flight to Tunisia in June 2011 has not changed the opinion of Jalil and other NTC leaders in this regard on this matter.)