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From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Thursday, June 7, 2012 4:51 PM
To: H
Subject: FW: From HRC friend

FYI

-----Original Message-----
From: Stevens, John C
Sent: Thursday, June 07, 2012 3:32 PM
To: Sullivan, Jacob J
Subject: RE: From HRC friend

Jake- The para's regarding the late Shukri Ghanem ring true to me. He was close to Saif and was reported to be involved in shady oil trades. Not one Libyan I have spoken to believes he flung himself into the Danube, or suddenly clutched his heart in pain and slipped silently into the river. Most believe he was silenced by regime members or else by foreign mafia types.

I'd like to get the views of my FCS colleague on the other aspects of your report and will get back to you soon with his thoughts.

BTW, Chairman Abd al Jalil accepted my credentials today in a short ceremony, so I'm official now.

Regards, Chris

-----Original Message-----
From: Sullivan, Jacob J
Sent: Thursday, June 07, 2012 3:38 AM
To: Stevens, John C
Subject: From HRC friend

Chris - checking in with you on this report. Any reactions?

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. During mid-June 2012 senior Libyan intelligence and security officials received confidential information from INTERPOL and the Austrian State Police indicating that both organizations believe that the drowning death of former Libyan Prime Minister and Oil Minister Shokri Ghanem in Vienna during late April 2012 remains highly suspicious, and their discreet investigations will continue.
According to a very sensitive source, until the investigation is complete, the Austrian authorities will continue to state publicly that they believe that it is most likely Ghanem committed suicide by throwing himself into the Danube River as a result of a prolonged, serious illness.

2.
According to this source, INTERPOL provided the Austrians with sensitive evidence indicating that when Ghanem headed the Libyan National Oil Corporation (NOC), he authorized the delivery of crude oil shipments to overseas oil companies, prior to the completion of proper sales agreements. The firms included PetroChina and Sinopec's trading

company, Unipec. In March 2012 the National Transitional Council (NTC) interim Government of Libya requested that Interpol detain Ghanem for questioning in this matter.

At the same time sensitive sources in Libya and Austria indicate that the NTC planned to use Ghanem as a prosecution witness in the trial of Saif al-Islam Qaddafi, the former heir apparent to the late dictator Muammar al Qaddafi, who, among many other things, is accused of corruption in administering the oil industry during his father's rule.
The trades in question took place between June 2008 and 2010, and were first raised with the NTC by NOC's former head of marketing Najwa el-Beshti.

3.
According to this individual, el-Beshti first raised the matter during the Qaddafi regime.
After a cursory investigation, Qaddafi's investigators declared that there had been no sale of oil without prior contracts, as is now alleged.
The investigators, whom the NTC officials believe were protecting Ghanem and Saif al-Islam, did admit that, despite repeated warnings from NOC's contracts section, the firm's trading arm was regularly selling oil at less than the market price. The Qaddafi investigators concluded that the traders understanding of oil pricing was poor but not criminal.
Again, NTC officials now say that this investigation was designed to divert attention from Saif al-Islam's activities. The Qaddafi-era investigation focused on the supply of two cargos of crude oil to ExxonMobil in 2008 made below the contracted quality, leading to a loss of almost $4 million. At that time the U.S. firm demanded compensation from the NOC.

4.
In the opinion of these sources, the NTC authorities believe that in fact there is a different, more problematic situation at play regarding oil trades that involved the sale of Libyan crude oil at less than the market price. They believe that part of the difference may have been paid by the oil companies into bank accounts other than those controlled by the NOC.

5.
These same sources note that unlike the Government of Russia, China indicated earlier this year that it was not prepared to return to Libya to pursue some of its 50 planned projects worth $19 billion. The Chinese authorities stated that they were concerned by the security situation and difficulty in obtaining valid visas for their workers.
However, NTC sources in Tripoli indicate that before returning to Libya, Beijing is actually demanding compensation for losses suffered during the revolution. One the most important Chinese projects was the $12 billion 3,170 mile national rail network.
According to sensitive sources, Chinese firms were contracted to build most of the project, with Russian firms supporting the effort. As the 2011 revolution against Qaddafi develop, the rail network was put on hold last March, through a combination of budgetary constraints and lingering NTC antipathy for the Russian and Chinese support of Qaddafi during the revolution. These individuals note that despite these complications, Unipec and PetroChina have continued to buy Libyan crude oil.

6.
(Source Comment: These dealings with large foreign firms have also served to alarm Libyan businessmen, as they attempt to step up operations in the wake of the revolution.
According to a very sensitive source, Tripoli's Chamber of Commerce, Industry and Agriculture is continuing to protest to the NTC Government regarding the new ministerial decree that enables foreign companies to more easily establish Libyan joint ventures, branches and representative offices in most sectors, including oil and gas.
In the opinion of this individual, these businessmen are telling Jalil that their principle concern is Article 9 of the Ministry of Economy decree number 103, which permits outside companies to establish branches in a range of industries, including the oil sector. The Chamber's president Khalil Mahfouz told Jalil that member businesses fear for the future of Libyan oil service companies, if foreign firms are permitted to compete on a level playing field. Mahfouz also stated that senior members of the chamber met with Industry Minister Dr. Muhammad Mahmoud Al-Fteissi and further meetings were expected prior to the national election in late June.)

7.

In the opinion of these sources, the open nature of Decree 103 surprised both the local and foreign business communities, who were expecting a continuation, with a few amendments, of the conservative and protectionist legislation put in place under the old regime. These Libyan businessmen admit that there are still a dozen sectors where foreign partnerships are proscribed, including retail and wholesaling, import, catering, agencies and distributorships, auditing and legal practices, quarrying and contracting and construction for contracts worth less than LD 30 million. However, the Chamber of Commerce fears that the government may open up these areas as well. These individuals are concerned that they will lose out, now that foreign firms will no longer going to be obliged to have local agents. The leaders of the Chamber believe that overseas competition is likely to damage the business of less efficient Libya companies. In response, the NTC points out that firms that can form successful partnerships with outside concerns are likely to benefit in terms of management know-how and technology transfer.

8.

(Source Comment: Jalil discussed this matter with is senior advisors, and according to a sensitive source, expressed concern that many of these local businesses will support conservative Islamist candidates in the coming elections, if they fear losing business to foreign firms.)