



**Report on Wilton Park Conference WP857**  
**WORKING WITH LIBYA TODAY: INTERNATIONAL AND ECONOMIC**  
**RELATIONS – PERSPECTIVES FOR CHANGE**  
**Monday 30 July – Thursday 2 August 2007**

**Summary**

It is widely acknowledged that Libya's decision to change its relationship with the West was not easy and deserves congratulation. Diplomatic relations between the British and Libyan governments, severed in 1984, were re-established in 1999, when agreement in principle was reached on settling the Lockerbie case. Libya's 2003 decision to renounce weapons of mass destruction (WMD) was a major step forward. Since the lifting of sanctions and Libya's removal, in 2006, from the US list of State Sponsors of Terrorism, there has certainly been growth, with a vista of opportunities opening up. Planned economic reforms include restructuring of banking rules and bureaucracy. Foreign companies outside the highly attractive oil and gas sector are finally gaining the confidence to work with Libya, although corruption and byzantine visa and employment regulations remain considerable obstacles. Commercial legal reform is seen as a prerequisite for progress. Education and training are a priority in shifting the country from a culture of consumption to one of production. Libya is moving slowly towards creation of human rights legislation, with penal reform slated for discussion in the next General People's Congress session. Closer links with the EU are focusing on migration, trade and security. There is a new belief that anything is possible, so long as it does not affect sustainability or security. However, there are those who oppose the changes. It is important to distinguish between those who oppose the government - for example, dissidents - and those within the state system who oppose change because of vested interests.

## **Background**

1. In the 1950s, Libya was amongst the poorest countries in the world, inhabited by nomadic tribes, which moved directly from the desert to welfare without pause. Oil revenues are used to fund the Great Jamahiriya where the government employs 70% of the workforce. A culture of consumption is thus now entrenched. Changing this to a culture of production requires a shift to a knowledge-based economy, for which technical assistance is needed from the outside world.

2. Some in Libya feel that there should have been more compensation for giving up weapons of mass destruction. Despite the argument that giving up WMD is like giving up smoking, in other words 'good for you', Libya does not feel fairly treated. Libya still has a tribal structure and value system, which requires giving without demanding anything in return. In contrast, the West interprets such arrangements as a formal transaction in which one side specifies from the other what it wants in return. There is a strong feeling that compensation should have been received and that this will have repercussions for future developments in Libyan politics.

3. Oil wealth gives Libya power on the international market, but that market is vulnerable to market forces, which are beyond Libya's control. Leadership and ideology interact to complicate the picture. The West must understand the concerns of Libya's leaders and that they may not be in a position to be totally open. Libya cannot operate on the international stage without considering society at home. In a country dominated by ideology, change is slow and the West must understand this. Generic, off the shelf solutions will not work – they must be indigenous. Libya is a special case.

4. The ideology is no longer set in stone. Most of the second half of the Green Book, the economic policies, has been overtaken in reality, although part one will continue to provide a frame of reference.

## **Economic Reform**

5. Some Gulf nations have huge oil wealth, and small populations, others are impoverished with vast populations. Libya falls in between and, as such, must create its own model. Libya has ample resources but at a time of 30% unemployment, wealth distribution is not an effective panacea.

The public sector is weak and overmanned and many government workers are being laid off. In the long run, there is no future for the bloated public sector but there can be no Libyan private sector unless help to develop it is forthcoming. At the moment, this sector is virtually the exclusive domain of foreign companies. The economy must urgently generate job opportunities in the private sector with further diversification away from hydrocarbons. To achieve this, Libya needs to build the knowledge and skills of its citizens and to change the prevailing attitude. Job descriptions and performance measurement should follow. None of this is easy in a country where social equity is of prime importance.

6. Libya's leader, Muammar al-Qadhafi, did not help to create confidence in private enterprise when he stated that there is always the risk that private property will be nationalised. This ambiguity must be clarified: investors – domestic and foreign – need to know where they stand. For their part, foreign investors should be careful not to regard Libya as merely a market or an opportunity. The current thrust of economic reform began in 2002, building on previous measures such as the passing of a new law on foreign investment in 1997 and restructuring of the retail market which dates back to the late 1980s. It is piloted by the National Planning Council, which is responsible for macro issues. Notable changes include financial market reforms, new foreign investment terms, investment policy reforms, the establishment of a Libyan Foreign Investment Board and a privatisation programme. The 'privatisation' of small and medium enterprises (SMEs) in Libya is designed to empower small businesses, and young people in particular, by offering them public money. Outside Libya, there is serious misunderstanding about the term which means widening of Libyan, not foreign, ownership.

7. Infrastructure has received most investment, in particular in the areas of higher education and health, as recognised by the United Nations Development Programme (UNDP). Libya expects to spend 100 billion Libyan Dinars over the next five years on infrastructure, including new airports, harbours, a coastal highway, 450,000 houses, hospitals, 'smart schools', railways and universities. The vision and strategy, begun in 2005, is to be completed by March 2008 and was drawn up by a multidisciplinary, multinational team. The aim is to position Libya on the global map by 2025 with a distinct identity, role and brand of economy.

8. The National Economic Development Board furthers these aims through national programmes of capacity building and wealth distribution and foreign direct investment. The intention is to give the Libyan workforce expertise and an incentive to produce, rather than to consume. The core of this is to change the mindset through education. The notions of initiative, risk and growth are not embedded in the Libyan psyche and a new entrepreneurial paradigm must be built. Ireland is viewed as a shining example of how to create a knowledge economy.

9. Avenues for stronger cooperation with the outside world is a way ahead. Improving the investment climate, sorting out tax assessments and dealing with corporate governance issues are some of the areas of advice offered by the OECD investment programme to Libya. Once national reforms are in place, investment will come and Libya must steer its policies towards this, while ensuring that they are still in the best interests of Libya. Malaysia and China have both succeeded by developing and implementing their own policies.

### **Foreign Investment**

10. A secure business environment is of paramount importance for foreign investors and requires legislative reform. Movement of capital is now much more flexible and free but there are still problems. Libyanisation, the process of employing and training a Libyan for every expatriate brought into the country, is not working. Taxation must be reassessed. Highly complex visa application processes make it almost impossible to move personnel freely. Such policies should not be changed unannounced. This is important for Libya too and can lead to great successes as seen by BP and the Libyan National Oil Corporation signing a new agreement in May.

11. Not all western models are suitable as paradigms. It is not necessarily in Libya's interests to incorporate the democratic model, which several delegates pointed out appears only to work when the results are what the West wants. The West's refusal to deal with the democratically elected Hamas party in Palestine is an example.

12. Unusually, Libya does not need inward investment for liquidity; instead it is needed to energise industry, particularly hydrocarbons, which suffered greatly under the embargo. A new website [www.investinlibya.com](http://www.investinlibya.com) aims to encourage foreign investment in industry, agriculture, health care and services and will keep investors informed of new laws and regulations through the Libyan Foreign Investment Board (LFIB). However, potential investors should know that it is unfair to hope for fast profits and those projects that fail to meet economic development targets or have a negative impact on Libyan society will not be looked upon kindly. At the same time there is an understanding that Libya's success will be determined by the willingness of business to invest and the final test is whether those businesses believe they can make a profit.

13. The Libyan British Business Council supports UK-based partners in Libya and offers information and project advice, which gives potential investors extra edge and confidence. Paramount concerns are finding a good product, the right partner and a good lawyer. It is important to commit for the long term and go in through the front door rather than through local intermediaries. Other advice is to get payment as far as possible in advance and to do research, which always avoids conflict. Most of all, it should be remembered that there is always an underlying logic and decisions are not based merely upon caprice. Some describe Libya as a "social democracy with lots of oil".

### **Legal reform**

14. Legal reform is needed to encourage foreign investment in Libya. A joint study with the Law Society identified three main areas which need particular attention – banking, foreign investment law and dispute resolution. At present there is no clear regulation of company ownership in Libya and corporate status is ill-defined. There are gaps regarding Islamic finance vehicles. Banking requires supervision, independence and consolidation. Dispute resolution requires an arbiter, external models to work by and ratification by both sides. All require training and human capital. Libya should be aware that being required to sign up to a treaty does not denote lack of trust. It is possible that being closed off from the outside world for so long makes it harder for Libya to accept external norms. Transparency is comforting for potential foreign investors.

Knowing how the decisions are made is almost more important than the decisions themselves because they show where Libya is going and who makes the decisions. The result is less anxiety about the pace of reform. The Libyan Diaspora is particularly useful in this regard; and is willing to discuss and push for reform.

15. Corruption is a great problem in Libya, as elsewhere. Speakers agreed that “corruption is the only critical mass in Libya today.” Embedded in the culture, corruption penetrates the grass roots and become very difficult to tackle. Currently, the longer negotiations take, the more the middleman earns. Tendering must be a straightforward business and total transparency is needed. In the short term, it was generally agreed that the state can only deal with corruption by competing with it. For example, people should be rewarded for informing the authorities. They would get the same amount promised by corrupt officials, and companies would be promised special attention in exchange for whistle blowing. There should be a vested interest in embracing the new system. In the long term, corruption should be tackled via the mosque, school and home.

## **Migration**

16. Migration is of great concern and not only to Libya. For Libya, geography is destiny. The long desert border with its harsh environment is impossible to patrol. Libya is likened to a crossroad without traffic lights, both a transit and destination country for migrants. They come to escape conflict, to find work, a better life and access to the benefits of the economy. Traditionally they come also because Col. Qadhafi invited them although he recently suggested that it is now dangerous and there are no opportunities.

17. Illegal migrants in Libya are thought to number 1 million but some estimates are twice as high. Regular migrant workers are welcome in agriculture and construction. However, there are political, cultural and health risks, particularly when, as now, illegal migrants comprise one sixth of the population. They cannot be relied upon as a constant supply of labour as many intend to move on to Europe.

18. Illegal migration can break a nation and Libya is concerned about its scope. Despite the great oil and gas reserves, only 4% of the country is arable and water is limited. The Libyan government has a responsibility to protect the interests of those

whom they serve. Many believe illegal migrants are associated with drugs, human trafficking, violent crime and illiteracy. It is feared law enforcement will be overwhelmed. If Libya allows refugees, there must be an international fund to finance them.

19. Illegal migration is a problem for Europe too and the EU is seen to cooperate strictly in its own interests. The dangers of Islamist fundamentalism is described as the “only carrot we (Libya) have to make Europe cooperate”. Libya does not want its borders open to individuals which constitute potential or actual threat to national security. Libya wants to be a modern, tolerant and enlightened state.

20. The International Organisation for Migration suggests long term, medium and short term action to tackle migration. Long-term solutions include investment in countries of origin to affect the root cause. For example, providing electricity to high emigration areas will remove a ‘push factor’. Also, consultation and harmonisation of political dialogue and establishment of durable reintegration systems are needed. Medium term solutions include organised labour migration by home countries and receivers, alien law revision and health monitoring for reappearance of diseases thought to have been previously eradicated. Short-term solutions include humanitarian assistance to return and reintegrate, border management including assisted voluntary return centres and information campaigns and capacity building for management of counter trafficking.

## **Security**

21. The North Atlantic Treaty Organisation (NATO) and Libya have historically been enemies but, since 1999, NATO no longer regards the world solely through a military prism. Though not a global policeman, NATO aims to promote security and stability actively and to that end it set up the Mediterranean Dialogue in 1995. This is a cooperative framework to establish new relations between NATO, North Africa and the Middle East and to enhance mutual understanding and transparency. Algeria, Egypt, Israel, Jordan, Mauritania, Morocco and Tunisia have joined and can ask for advice on a wide range of issues including fighting terrorism, crisis management, defence issues, training and education.

22. As a very large country with a small population and enormous resources, Libya's main concern is that it is surrounded by countries in exactly the opposite situation. They have given up weapons, thereby becoming potentially vulnerable to aggression and violent Islamist organisations. In a 2004 memorandum of cooperation, Britain offered to advise on controlling land and sea borders, working within the restrictions still imposed at that time by the arms embargo. The interdiction of Al Qaeda and the legitimate defence of sovereign Libyan territory are priorities. The resulting cooperation on counter terrorism has been excellent. Since then, there has been a robust partnership focusing on training, defence sales and passing on expertise, such as systems engineering. Britain can sell weapons systems to Libya if they are deemed not to affect regional security. This agreement has kept on course because both sides wanted it. Regional security and stability, counter terrorism, and the creation of a North Africa standby brigade are current priorities. In addition, there are a number of Libyan officers currently training in York.

### **Health**

23. Libyan health policy is that healthcare should be free of charge to all, guaranteed by the state and with equality of access to all healthcare systems. Life expectancy in Libya is high and infant mortality is decreasing. In a 2006 memorandum of cooperation, Britain and Libya established a joint healthcare task force with the aims of developing primary health care, developing and educating management and increasing postgraduate education with links to Royal Colleges. Currently Libyans go straight to hospital for tertiary, specialist care if they are ill; the bilateral health partnership is currently making good progress in establishing primary care – the general practitioner as the first port of call. In addition, Great Ormond Street Hospital sent a team over in May 2007 to produce a needs assessment of the Benghazi Children's Hospital, where the local HIV infection began. This initial work is being followed up.

24. Further priorities include establishing a directorate of public health, a health protection agency with policies on infection control and infectious diseases and more educational development. Professional pay needs to be increased. Currently, doctors and nurses 'moonlight' at several jobs to make ends meet. Planeloads of Libyans go abroad for medical care.



This exodus will decrease sharply as domestic services improve. Big hospitals take all the money while primary care starves and it will take courage to reverse this because the results will not be immediate.

### **Looking Ahead**

25. North Africa has an enormous appetite for change despite the apparent immobility of ageing regimes. Libya needs to renew thinking about what is needed, which has been suppressed for so long. Geographical cohesion under a regime is not the same as popular commitment. Identity is a very big issue in the Middle East. Libya straddles various worlds and clichés about it reflect real issues. Libya has a long continuity as a society with a sense of depth but no national tradition of 20<sup>th</sup> century organised government free from constraints. This creates tension. New political programmes, new aspirations and new rights are all called for. After the era of Arab nationalism in the 1960's, there is now a shift to religious language as a criterion for framing nations. Globalisation is now significant but it is a two edged sword demanding transparency and accountability, and will cut through sovereignty. There is a yearning in the Arab world for a new system, yet the tribe and the clan provide good bases for organising society and government. Defence and security will provide legitimacy; economic development is secondary. There is a great imperative for Libya to decide if it can adapt, promote and provide a model for other countries. The constitution proposed by Col Qadhafi's second son, Saif al Islam al Qadhafi, provides an opportunity to escape the old system but it will have to embrace Islamic inspiration, and clarify the relationship between the state and religion, because religious fundamentalism is spreading rapidly as a political trend. No one will square all circles. Perhaps the best hope is for a minimum of instability and a system which is not doctrinaire but pragmatic. It must work for most of the people most of the time.

26. Libya should not look back at the 1990s embargo with bitterness. A sense of grievance is bad currency and is backward looking, like the feeling that others will look after Libya in order to keep the international order going.

27. Political reform is essential. There is an absence of sense of direction, with competing duties, different agendas and no consensus. Chaotic and incoherent policy-making arises from a mismatch between responsibility and authority. An efficient legislative body with power to enact laws and an independent judiciary are needed. Personalisation of authority at all levels within institutions creates instability. Development projects are sometimes chaotic, hastily designed and unevenly distributed, with undue emphasis on the cities.

28. It is mistaken to assume the Green Book Centre is propaganda for the Leader. It is a major Libyan studies centre, a think tank examining policy and strategy analysis, a promoter of human rights, and the publisher of hundreds of books. The Green Book Centre is not against change or reform. The Libyan economic and social system has changed. It is not easy to move from absolute control to a free economy.

29. The 'elephant in the room' is continuing strong opposition to reform. There are people with a vested interest in an unreconstructed Libya. Some in the revolutionary committees pursue personal advantage. It is important to distinguish between opponents of reform, hardliners, and opponents of government (dissidents). While it was agreed this conference had held an impressive depth of discussion, a great sign of progress would be the attendance of a member of the opposition in a future conference.

## **Human Rights**

30. Several human rights treaties are explicitly recognised by Libya and ratified. The human rights organisation, Amnesty International in parallel with Human Rights Watch, has two main areas of concern; the justice system and freedom of association and expression. They are pleased to report that the people's courts, where trial without due process took place, were abolished in 2005. Amnesty is now looking for penal reform through a new penal code due next session and a reduction in capital punishment with the aim of abolishing it. They call upon Libya to abstain, rather than vote against, the UN moratorium on the death penalty. Torture and inhumane detention must cease and cases should be aired in public as the rule, rather than the exception. Amnesty hopes that legislative reform will remove the laws against peaceful gathering - dissidents are currently facing trial for attempting to organise a demonstration in June and there are rumours of deaths during prison

uprisings. No independent organisation is working to promote human rights in Libya – the last time Amnesty and Human Rights Watch were invited to Libya was in 2005. They are keen to return.

31. The British Government regards as right and workable a programme for Deportation with Assurances, whereby Libyans suspected of association with terrorism-related activities could be deported back to Libya on the explicit understanding reached between the two governments that they will not be victimised. Human Rights Watch disagrees vehemently.

32. The lack of even a semi free media is considered to be the worst characteristic of modern Libya. There is no local media information and no foreign news, so the rumour mill runs rampant. Freedom of expression is much improved but still difficult to realise fully because it is not yet enshrined in any kind of charter.

33. Saif al Islam is viewed as the major modernising force now decoupling society from ideology. Under his leadership, the Qadhafi Foundation for Development is training judges, lawyers, guards and police officers and has launched initiatives to support non-governmental organisations (NGOs) and civil society. A media arm is under development.

## **Water**

34. From the early 1950s, the quality of Libyan water has declined, due mainly to seawater intrusion. Some 95% of the population live in the coastal plain and deeper and deeper wells have to be sunk. Last year alone, 200 drilling licences were issued and water in the Benghazi and Tripoli basins is running out. Instead, Libya is tapping ancient subterranean basins of fossil water, 12,000-24,000 years old, which lie under the desert. Six separate underground conduits carry water northwards through the Great Man-Made River. This fossil water is non renewable but there are vast quantities the size of Germany and 300m deep. This is cheaper than desalination plants, 70% of which are not functioning. There is an urgent need to manage water differently and recycle it for irrigation. In Islam, water is a gift from God and cannot be sold but companies can charge for transport.

## **Antiquities**

35. Libya's architectural heritage is lavish. There are four World Heritage Sites – Cyrene, Leptis Magna, Sabratha and Ghadames – within its borders. Nomads, Phoenicians, Greeks, Romans, Arabs, Turks and Italians have all left their mark here. For a country that is cash rich and employment poor, this presents a great opportunity to create jobs in tourism. However, there is no record of what exists and the huge boom in building and oil exploration is likely to destroy the fragile relics that remain. Already the undersea remains of Appollonia, the greatest port in the ancient world, are threatened by coastal erosion. Raw sewage has polluted the Fountain of Apollo and rubbish tipping devastates an intact Hellenistic city abandoned in 250 BC. There are ways to preserve it; (in situ, in museums and by record ) but action is needed. Seismic testing for oil is particularly damaging and the National Oil Corporation (NOC) and the Department of Antiquities need to co-operate on this issue.

## **Education**

36. Libya's first faculty of arts was opened in Benghazi in 1955, followed by the faculty of science in Tripoli in 1957. Currently there are 1.2 million students, 59% of whom are women, studying at University. The staff to student ratio is 1:16. The majority of foreign study programmes are undertaken in the UK, where there are very low dropout rates. There is an urgent need for investment and good management in higher education. Libya plans to create 21 universities by 2008, with a system to guarantee national standards and accreditation to international standards. Curriculum development, infrastructure, and homogenisation of all graduate institutions are priorities. The Irish model is much admired in Libya.

37. Britain aims to further such progress through partnership and provides help with the legal basis for Universities, admissions, adequate funds, autonomy, quality assurance, internal governance, and employment of staff. The most pragmatic and quickest step would be to improve teacher training. An area of concern is the number of non-accredited Universities in Libya and elsewhere, where higher degrees are virtually for sale.

## **Conclusion**

38. The general consensus is that the atmosphere in Libya is transformed and that Libyans are able to be more open about sensitivities and constraints. Libyan relationships with other countries tend now to be partnerships of equals. Following the appointment of Mr Brown as Prime Minister, the evidence of sustained UK commitment to Libya is still there. The British Council is doing significant work, particularly with English teaching. The French are due to provide a civilian nuclear reactor and help with preservation of antiquities. Libya has still not signed up to the EU Barcelona Agreement, mainly due to the presence of Israel, but seeks to create with the EU a unique framework for enhanced Libya/EU relations.

## **Action points**

39. Action points suggested by participants include:

visa reciprocity; enshrining human rights in Libyan law; formal protection of antiquities and protocols for oil companies to follow; more good hotels, meaning competition for the Corinthia Hotel; step-by-step removal of penalties for expression of critical views; liberalisation of civil society laws prohibiting freedom of association; liberalisation of internal media; invitation to the National Planning Council to give public information on future trends in commerce; take the 2025 plan forward; invite more Libyans with the power to effect change to the next Wilton Park conference; move from emergency management of migration to an agreed policy on migration; and encourage political reform.

**Suzy King Patterson**  
**September 2007**

Wilton Park Reports are brief summaries of the main points and conclusions of a conference. The reports reflect rapporteurs' personal interpretations of the proceedings – as such they do not constitute any institutional policy of Wilton Park nor do they necessarily represent the views of rapporteurs.