



## **Report on Wilton Park Conference WP810**

### **LIBYA: FULFILLING POTENTIAL AT HOME AND ABROAD**

**Thursday 16 – Sunday 19 February 2006**

#### **Introduction**

1. Libya has taken significant steps in normalising its relations with the international community. The decision, in December 2003, to renounce weapons of mass destruction was courageous and historic. It has transformed Libya's standing and afforded the country better international relations and trade. Here, Libya sets a good model for other countries.

2. The importance of dialogue between governments and between government and civil society should be stressed. The 'West' is keen to assist Libya's development and work to increase the benefits of political and economic reintegration to the country. The flows of people and culture are less obvious but also have significant benefits. Acknowledging Libya's efforts, the UK, EU and US are committed to playing a full role in aiding Libya's reform. They are working closely with Libya and are keen to talk of progress and possibilities for the future.

#### **Economic Possibilities**

3. The transformation of the Libyan economy is a major challenge. The Libyan government needs to change from being the dominant economic player to facilitating growth. The government should govern and be an enforcer. Libyan attitudes and skills need to change.

4. A UK-Libya Working Group has been established which looks at useful areas such as banking law. There is a great opportunity for the Libyan government to use international expertise effectively. The new national economic strategy recently

presented by the Libyan government has been welcomed by the UK. Improved political relations are essential to economic improvement.

5. Oil and gas sectors are critical; resources significant and new contracts have been awarded to international companies. However Libya should aim to diversify. More work needs to be done on tourism, health, education and the environment.

6. There has been much financial liberalisation and reform, in particular in the last six months. Foreign investment laws have been relaxed and tax laws reformed. Private banks were legalised in 2005 and foreign banks are now able to invest in Libya. Customs and goods taxes have also been reformed, and it is intended that VAT will be introduced.

7. The improvement of education and creation of local jobs are major goals for the Libyan government. Many foreign companies are trying to substitute local for foreign staff in their operations.

8. In late 2003, the World Bank began dialogue with Libya. The first step, the Country Economic Report, is now complete and has been accepted by both sides. The major areas requiring reform are: using oil revenues for real job and wealth creation; strengthening the management of public finances; reforming the financial sector; and creating a stronger investment climate

9. The capacity of the judicial system to resolve business disputes needs to be improved. Transparency and clear definition is needed throughout. Small and medium sized enterprises (SMEs) are central to the development of the Libyan economy. Risk management processes need to be defined and enforced.

10. State subsidies are a problem which will be addressed soon. There is also much smuggling which distorts the system.

## **The Private Sector**

11. The private sector in Libya does exist but is fairly small. Most opportunities for foreign business are in the public sector, especially the National Oil Company (NOC). Libya has shifted from a central to a more liberal economy and there has been an increase in the private sector. It is now easier to establish private companies. The privatization process in Libya is clean and assets are being sold without any debt burden. This is a complicated process in the absence of a stock market although one has recently been established. Time is needed but the privatization process is promising.

12. Privatization is crucial to allow the emergence of strategic investors. An international competitive bidding process is critical because there is a risk that assets can be sold below their real value. It is possible both to sell at best return to private ownership and ensure employment levels are maintained.

## **Investment**

13. Investment, diversification and increased employment are vital for Libya. A Libyan view is that the UK has seemed reluctant to invest. The UK does put investment in Libya very high on its agenda and has been working to achieve this, for example through initiatives with the Adam Smith Institute and the Law Society. A Libyan-British Business Council has recently been set up and is looking to expand activities. Foreign companies are looking to invest in Libya but need conditions to improve and progress is currently slow. Libya is a difficult market where much work is required to secure business.

14. There is a lack of trust in the Libyan business environment, although this is slowly improving. Libyan banks are very liquid and are encouraging borrowing, particularly the Sahara Bank. The letters of credit process has problems although some find it works well. Credit insurance agencies now have Libyan cover.

15. There is a need to simplify and streamline the approval process for foreign investments which can be very frustrating. There is still uncertainty about foreign participation in certain sectors and restrictions need to be lifted further.

16. The government is keen to give a lead to the private sector and foreign investment. Investment is now possible in downstream activities, including refineries and petrochemicals and also in real estate. There is huge unexplored energy potential and some facilities are not fully used because of the legacy of sanctions. There is a real mood of optimism and progress among Libyans.

17. The NOC is not the only investment opportunity. Defence equipment is another and there are opportunities for developing Libyan infrastructure, especially energy generation and distribution. There could be future opportunities in the Great Man Made River Project (see 65 below).

18. Proper protection of intellectual property rights is crucial, but is currently absent in Libya.

19. Some foreign investors have experienced difficulties. British American Tobacco spent two years struggling to establish their investment. This was seriously delayed by the slow procedure of granting a licence by the General People's Committee which was hampered by divided interests. A Coca Cola bottling enterprise was closed down by armed men acting for Mutasim Qadhafi, fourth son of Libya's Leader, Muammar al-Qadhafi. Complicated vested interests are still influential.

## **Banking**

20. It is well known that Libyan banking needs reform and that foreign banks must be allowed into the sector. There was a history of foreign banking involvement in Libya until nationalisation in 1970. The nationalised banks were initially well run by Libyan bankers who had previously been well-trained. The government began to intervene more and standards deteriorated in the 1980s. The Central Bank regained control over financial regulation in the 1990s and has managed well with the assistance of the World Bank.

21. There is a great need for foreign investment to ensure a proper banking system. Foreign banks are now allowed but under Central Bank control. One way in for foreign banks is to buy into Libyan banks. There has been a concern that

domestic banks would be hurt by the intervention of foreign banks, but allowing in one or two foreign banks to operate would not be problematic.

22. It takes time for confidence in banking to be regained. Even certified cheques are not accepted in Libya and it takes years for accounts to be audited. Hard decisions need to be taken and reform is essential.

## **Tourism**

23. There is enormous potential for tourism in Libya with its historical sites and desert. Currently there are significant obstacles. Visas are difficult, tourist visas are not efficiently handled and consulate services understaffed. The infrastructure is not geared for tourists.

24. One of the larger growth areas is in cruises – which avoids the problems of poor hotels and food. Libyan airlines also need to improve as does ground transport. Few hotels outside Tripoli are fit for tourists. Attitudes must change too. Tourists are not spies or annoying foreigners but guests.

25. The government does recognise the importance of tourism for employment or in providing an alternative to oil income. Current economic reforms are hitting the Libyan regions very hard, making employment from tourism even more significant. Prime Minister Shukri Ghanem is emphasising the importance of tourism, giving it the status of a very significant non-hydrocarbon earner.

26. The role of the government is crucial as provider of infrastructure, underwriter of credit, guarantor of investments and encouraging the bureaucrats to act well towards tourists. At last tourism is being taken seriously but is it being treated seriously enough for widespread improvements to be made.

27. Libya needs to compete with Morocco, Tunisia and Egypt and to learn how to handle tourism and cultural issues. Even Algeria has three times as many people working in tourism as in Libya. However, Libya is targeting adventure and cultural tourists, not mass tourism, so there is no direct competition with them. Independent tourists are discouraged.

28. Environmental damage is a serious concern. The natural damage caused to the Fezzan region, home for some of the most beautiful scenery in the Sahara, by vehicles on the dunes is alarming. There is a desperate need to protect these sites. Coastal sites are also under threat from natural erosion and hotel and harbour building as at Sabratha and Appollonia. Growing tourism adds to the pressure at all these sites. The sites must be well maintained as tourism is Libya's greatest long-term asset. Libya should be wary of the deals it signs with tour companies as these are not all eco-friendly.

29. The UK and other countries have been too focused on Tripoli in their activities. There is a need to invest in other parts of the country, especially Benghazi.

30. Libyan businessmen still struggle to obtain UK visas and the procedure needs to be eased and made more efficient. Libya has improved its visa regime and foreign businessmen who are regular visitors have few difficulties. There are still problems with first time visitors, tourists and researchers and Libya is working to solve these.

## **Energy**

31. High oil and gas prices afford Libya an opportunity for new investment and to develop technology. Almost all international oil companies have been involved in bidding for contracts since sanctions were lifted. There have been significant developments in the last two years.

32. Libya's future production is expected to rise dramatically. There is capacity to double oil production in the next 25 years, making Libya one of the few countries where this is possible. There is a need for substantial investment and new technologies to make this happen.

33. There have been two successful rounds of EPS4 bids with great interest and many new entrants. Shell is the only major oil company committed to sizeable exploration in Libya. This is because there are low investment shares so prices must be high and exploration great for investment to be worthwhile.

34. The current bidding framework led to unrealistic bids and inactive exploration, causing Libya to fail to meet its exploration targets. There is concern that with the high number of new entrants and the requirement that the NOC be involved in each, the NOC will be overstretched.

35. There are great opportunities for developing gas resources. Exports of Libyan gas through pipelines will double by 2030. Libya has even more significant growth potential in Liquid Natural Gas (LNG) as global demand for this is set to increase substantially. There is massive demand potential for LNG in the US and great opportunity for Libyan exports there. Much of Libya's gas reserves are undeveloped or unexplored. This is changing rapidly with vision and commitment from the government and NOC. The Sirt basin has enormous potential. Even with considerable growth in local demand, there are ample resources for export. LNG will attract higher foreign investment than pipelines.

36. Oil and gas have seen unprecedented activity in the last two years. The challenges are whether Libya can launch a bold initiative to take advantage of high prices, attract investment and close the gap on its targets. The previous EPS4 round did not help increase productivity levels. A new approach is needed to maximise investment. Libya has the potential to be one of the top ten energy producers in the world.

37. The whole industry needs to increase its workforce. Educating the young can provide the resources the emerging industry needs.

## **Reform and Development**

### **Human Rights**

38. Improvement of human rights is very much in Libya's interest. The UK has ongoing concerns about human rights issues in Libya, but does recognise recent positive developments. The Revolutionary Courts have been abolished and a dialogue has opened between Libya and Amnesty International and Human Rights Watch. The UK is working with Libya on human rights issues, for example on prison reforms. Links between human rights and economic progress are important. There

are serious concerns in the UK and other EU member states about the case of the five Bulgarian nurses and a Palestinian doctor, accused of deliberately infecting children with AIDS, who were sentenced to death.

39. There has been increased acknowledgement by the Libyan authorities of the need to reform. Some have criticised Libya's will to reform as 'window dressing'.

40. Substantive improvements have been made, including the move to legislate reform, the release of political prisoners (although conditioned on future non-involvement in political activity). Further reforms have been announced but there are questions over their implementation. The death penalty remains and is still applied although Mr Qadhafi is said to oppose it. Efforts have been made to prosecute torturers but it is very difficult to verify statements and torture continues. Returnees from exile have had assurances of safe conduct, but then have been arrested and arbitrarily detained.

41. The rule of law, particularly freedom of expression and freedom of association, does not consistently apply. However; is unfair at this stage to consider the reforms as window dressing, but given the legacy, greater access to detainees must be given to allow confidence.

42. The revision of the penal code is a positive step, but it is not clear if it will be completed satisfactorily. The independence of the judiciary must be consolidated at all levels and greater civilian and judicial control over the security forces is needed.

43. Britain and Libya agreed a Memorandum of Understanding in 2005 on the deportation of suspects to Libya by which Libya undertakes not to carry out torture. There are concerns this memorandum will not be adhered to. The key question is independent monitoring. The Qadhafi Foundation in Libya will be the lead agent but others can also be involved. A UK court has to be convinced that there will be no improper punishment, detainment or torture before it will agree to a deportation. If there are accusations of torture, the UK can commission an independent expert assessment. It is entirely in Libya's advantage to adhere to this agreement and in the last few years, Libya has a very good record of delivering on its promises.



44. Assurances by Libya of fair treatment of suspects of terrorism have been scrupulously followed.

45. The case of the Bulgarian and Palestinian medics accused of infecting children with AIDS, should never have happened and does not help Libya's international image. A victim mentality persists in Libya, dating from colonialism, the US bombing raids in 1986 and a belief in foreign conspiracies. Such claims are unacceptable and there has been a good response from the Libyan authorities. It is hoped that this will be resolved shortly. The resulting diplomatic row could have been avoided had the rule of law been respected.

### **Political Reforms**

46. To some, it appears that the desire to reintegrate Libya into the international economy has afforded Mr Qadhafi some leniency in respect of demands for political reform. The underlying assumption of western engagement, that economic reform will spill over into political reform, is questionable. Both the Libyan government and foreign investors were criticised for passively accepting the fallacy of 'reform' in Libya and sidestepping any real discussion of political reform. The engagement of economic reform in Libya only strengthened the existing system, disregarding any question of its validity and the need to address *its* reformation or any discussion about an alternative structure.

47. There is no freedom of the press, no freedom of expression and no collective organisation. The state controls all society and organisations. There is a debate on whether to have a written constitution or to keep the human constitution (Mr Qadhafi "the Leader"). There is still heavy reliance on revolutionary legitimacy. There is no clear indication from Mr Qadhafi of his desire for political reform and he has even been hesitant on the matter of economic reform.

48. The reformers in Libya are a group around Shukri Ghanem's office and Mr Qadhafi's eldest son, Seif al-Islam Qadhafi, who set up the Qadhafi Foundation to that end. But Seif himself has no position or political standing. The considerable potential for a reform movement has been discussed, but it is not yet even visible.

49. The concept of civil society has been introduced into the debate only recently. There has been fierce opposition from dogmatics wedded to the Green Book who have made accusations of treason.

50. The prospects for true reform look bleak and the signs are that the position could even get worse. Politically, Mr Qadhafi is likely to continue resisting more than cosmetic change, even though pressures may build for the government to lend substance to some claims that political reforms are underway. But there is not despair, only frustration.

## **Education, Health and the Environment**

### **Education**

51. The development of Libya's education sector is a positive demonstration of a particularly productive bilateral relationship with the UK.

52. The estimated 3500 Libyan students constitute the largest single community of Arab students currently studying in the UK. The majority of these students are funded by scholarship programmes run by the Libyan Higher Education Ministry, or by organisations such as the NOC. There has, however, been a recent and noticeable increase in the number of privately-funded students studying abroad.

53. Libya provides an important market for the UK education sector. In a consultancy effort led by the British Council, the UK is currently assessing the development needs of Libyan education in the fields of school, higher and further education, as well as teacher training.

54. The lack of foreign language skills in Libya is a significant and visible challenge. In 1986 the instruction of foreign languages was abandoned by government decree and only recently revoked in 2004. Arabic remains the only legal language of instruction in Libyan schools, but English is now part of the national curriculum from the third grade onwards.

55. There are several (private) foreign schools in Libya, where the language of instruction need not necessarily be Arabic. Enrolment at these schools is intended only for foreign students, or for Libyan students continuing their education from abroad. The quality of education in such schools can be criticised. They are reported to operate with no current regulation and use poorly trained teachers, with no monitoring of their performance.

56. As a potential area of foreign investment/ entrepreneurship therefore, the feasibility of private education is questionable. There is a possibility of exporting 'sister' campuses of British and American universities to Libya, but this would only be possible after significant and demonstrable improvements in the Libyan education sector.

57. The British Council is in the process of drawing up an agreement with the Libyan government to place 22 language professionals in Libyan universities. Immediate plans also include the establishment of a teaching centre for English in Tripoli in September 2006 to meet the strong local demand for quality language courses. These are arguably small steps, but the onus will be on Libyans to improve their standards of education and continue training from within.

58. The issue of the Berber community's right to education in their own language remains unresolved.

## **Health**

59. There is an urgent need for equipment and health experts in Libya.

60. Health Law 106 guarantees 'health to all by the state', but the current health infrastructure in Libya is poor. The successful development of this field is contingent on the unification of the various health services currently operating in the country.

61. There are at present 102 hospitals and 154 basic health centers in Libya, in addition to 177 privately run health clinics and 439 pharmacies. Private health care provides an alternative source of health care and improves accessibility to medicines.

62. Over 60% of Libyan medical staff are trained in the UK and play an important role in health sector institutions. There are approximately 3000 Libyan doctors currently working in the NHS, of which the Libyan government is proud. Nevertheless, when addressing the problem of a medical 'brain drain' there is a strong Libyan desire to have Libyan doctors abroad return home. Developments in the health care system and improved medical equipment could tempt them back. Teaching programmes are now being promoted and strengthened in Libya.

63. Suggested areas for cooperation include the development of health services, research facilities and continuing/increasing educational collaboration. The involvement of medical and pharmaceutical companies in such areas should be encouraged and the potential for foreign/private investment in hospitals is widely acknowledged.

### **Natural Resources and the Environment**

64. The major concerns of the Libyan General Water Authority are water depletion and water security. 95% of Libya is desert and the country has no permanent rivers. The rapid development of coastal areas and growing population (approximately 6 million), have placed a severe strain on the coastal water supply.

65. The existence of vast fossil aquifers in the south and south-east areas of the country prompted the building of a huge pipeline to 'bring water to the people', and transport water from basins in Kufra, Marzuk Sirt and Jufra to the northern coastal belt to provide water for the country's inhabitants and for irrigation. Started in 1983, the Great Man-Made River project is currently the largest engineering scheme in the world. On completion, it will have the capacity to transport 6 million cubic meters of water daily.

66. The environmental impact of the Great Man-Made River Project is deemed 'limited', as the pipelines cut across scarcely populated areas. However, there is a call to enforce regular submissions of environmental impact assessment reports. As regards the sustainability of this project, Sahara water is a non-renewable source meaning that 'every litre used today is lost tomorrow', but the water supply in these basins is estimated to last for 4680 years.

67. The Libyan authorities are also involved with the Nubian Sandstone project – promoting data exchange between Chad, Egypt, Sudan and Libya. This is proving to be a successful example of Libya’s international cooperation.

### **Oil and Gas**

68. There is a need for reliable information about the environmental impact of oil and gas operations in Libya.

69. Significant threats include: pollution, waste discharge, pipeline maintenance and drilling accidents. Pollution has the potential to cause social unrest.

70. Verba Oil was heavily criticized for its lack of social responsibility and disregard for the environment, exemplified by the waste disposal in Waha field. The NOC was also criticized for its seeming disregard of environmental responsibility.

71. The implementation of safeguards and policies should be enacted at the institutional level by the General Environmental Agency and General Water Authority, but the onus is on the oil companies to be aware of and be responsible for the environmental impact of their operations.

72. Recommendations to reduce adverse environmental impact include making environmental Impact Assessment forms a necessary requirement, and an overriding principle of government/corporate engagement; institutional cooperation to exchange information; greater investment in research and development and oil and gas companies should engage with and involve local inhabitants.

### **Engaging with the West – Economic Perspectives**

73. The key challenge for the Libyan economy is diversification. Thirty percent of the active population is reportedly unemployed. Oil production does not create many jobs. This poses a formidable challenge and requires the creation of infrastructure and enterprise development.

74. The tourism industry offers huge potential for potential growth.

75. Libya needs to overcome its residual isolation and actively engage in regional operations and initiatives. Investors need to understand what drives the Libyan government and reciprocally, the Libyan government needs to understand the expectations of investors. Encouraging steps have been taken and an institutional framework is developing, demonstrated by the creation of a strategic/economic planning board, a foreign investment board, and an ownership transfer board. The opening up of the country is itself dependent on increasing Libya's own confidence to do so. The emphasis should be on implementing small but achievable steps with intermediate results on which further momentum can be built. Reforms need to set realistic objectives and achieve short-time goals.

76. Libya has undertaken ambitious new policies in a surprisingly short time but challenges remain and foreign investment outside the oil and gas sectors remains slow. Efforts are stifled by obstacles in financial sector development, legislation, and governance.

77. Libya suffers from an inflated and unpredictable bureaucratic machinery on which 60% of government revenues are spent. There is an urgent need to streamline public administration.

78. The role of the Libyan Investment Board needs to be significantly strengthened. It is imperative that this has a strong position in the Libyan government.

79. Corporate legal infrastructure is inadequate. This needs to be improved to provide transparency and predictability to both domestic and foreign investors; the protection of property rights and dispute settlement are fundamental. The General Planning Council and the British Law Society are developing a legal reform project in which linkages to the Middle East and North Africa (MENA) Investment Programme could be made.

80. The reform of current investment laws is a contentious issue. To foreign investors, Law No.5 is considered the basis of the Libyan Foreign Direct Investment

regime. In addition to providing sufficient information on laws and regulations affecting investment, a review of this legislation could be useful to increase its effectiveness and provide a more enabling environment for foreign investment. On the other hand, Libyans stress that the legal framework is significantly wider now and that it is based on more than just Law No.5. In addition to Law 65 there are contractual obligations under which the government has spent tens of billions of dollars in the past three decades.

81. There is wide acknowledgement that financial sector development should concentrate on the development of effective frameworks and policies for entrepreneurship and the Small and Medium Enterprise (SME) sector.

82. Ownership and regulation in Libya should be separated urgently. Public banks, currently owned by the Ministry of Finance, need to be privatized.

### **Relations with the EU**

83. The year 2004 marked a turning point for European engagement with Libya. Since repealing the restrictive measures enforced in 1992/1993, a progressive relationship continues to develop. Planned areas of cooperation include: energy, terrorism, regional stability, and Africa.

84. The EU has played a positive role in helping assisting domestic reform. Achievements so far have been focused on providing assistance with HIV/AIDS and migration. The EU is also happy to engage in civil society projects in Libya if the Libyan government is willing.

85. The EU has provided one million Euros to support improving standards in Benghazi hospital. The European Commission is currently working closely with the Libyan Government to implement an action plan to help provide medical assistance to the children, hospital staff and families involved in the case of the Bulgarian and Palestinian medics, assuring appropriate care to the patients infected by HIV. Successful cooperation in this field looks set to continue as the EU hopes to assist Libya establish a national AIDS prevention and treatment programme.

86. EU consultations with Libya are underway to adopt a joint action plan for cooperation on migration issues. A budget for technical co-operation with Libya is also under discussion but there is no guarantee that it will be forthcoming. However the EU does currently finance two programmes ANEAS and ARGO.

87. The underlying objective of EU policy towards Libya has been Libya's full accession to the Barcelona Process, accepting Libya's legitimate reservations with the Process, and acknowledging Libya's preference for the Five plus Five initiative. There now needs to be a new framework for Libyan-EU discussions.

88. After initial scepticism about Libya's increasing involvement in African affairs, the international community has come to appreciate the importance of Libya's involvement in Africa and looks forward to a closer partnership to help maintain regional peace and stability. Libya's desire to host an upcoming EU-African conference is welcome.

89. The EU requires a coherent energy policy. One suggested collaboration is for Libyan involvement in the integration of EU and Maghreb electrical networks.

90. The future of EU-Libyan relations is buttressed by willingness on both sides to continue engagement. Undeniably, the EU does face cultural difficulties in its relations with Libya. Both sides are starting to get to know each other and would benefit from more exchange of information. Any question of potential discord over respective EU-Libyan relations with Israel was dismissed.

### **Relations with the US**

91. It is necessary to appreciate the extent of past difficulties between the United States and Libya in order to appreciate the recent significant progress in relations made in a relatively short time.

92. When beginning US-Libyan re-engagement, scientific cooperation was considered a natural area for collaboration. The United States provides technical assistance to support peaceful alternative opportunities for scientists and engineers



which have been affected by Libya's decision to abandon the development of Weapons of Mass Destruction (WMD).

93. There is currently an American liaison office in Tripoli and the US is looking to re-establish full diplomatic relations and to re-open an American Embassy. In the meantime both sides are aiming to continue increased contact between Libyan and American societies through corporate, governmental and educational interaction.

94. The US is currently assisting with humanitarian projects, health care delivery and disease prevention projects, as well as educational opportunities for Libyan students in the United States.

95. The last official obstacle to full normalisation of US-Libyan relations remains the removal of Libya from the American list of state sponsors of international terrorism. The United States, and international community are aware of Libyan expectations for this to happen, and assurances have been made that this would happen soon. The White House is said to be waiting for the most opportune time to notify Congress in order to minimise the risk of rejection or pushback of the request - acceptance of which is the last remaining pre-requisite.

96. Any American insistence that Libya's decision to renounce its WMD programme was an unintentional consequence of the US-led invasion of Iraq was flatly rejected. Although publicly declared in 2003, this was a result of a long process of secret negotiations with the United States which began in 1992. The retention of Libya's terrorist status is seen by some as a factor that gives the United States continued leverage over the Qadhafi regime.

97. Reported Libyan involvement in a plot against the Saudi regime was dismissed as hype. One Libyan 'suspect' is still imprisoned, serving a 22 year sentence, but he is actually being held because of his financial dealings with the Libyan regime during the time of sanctions.

## **Managing Migration**

98. Migration is recognised as a serious problem in Libya. The country is facing a massive influx of immigrants, particularly from Sub-Saharan Africa, and this is leading to economic, political and social difficulties.

99. Libya lacks the organisational capacity and management skills to deal effectively with immigrants. Flows in and out of the country are poorly controlled and not well known.

100. In 2004, Libya joined the International Office of Migration (IOM) which has a mission in Tripoli. The IOM is currently engaged in several areas of cooperation including capacity building, an information campaign, border management and political dialogue.

## **Illegal/Irregular Migration**

101. Given its proximity to Europe, extensive and porous borders (over 4000km), and lack of border management capacity, Libya is a major transit country for illegal and irregular migration.

102. Illegal migration is clearly perceived by the Libyan authorities as a growing threat. The costs of returning illegal migrants caught in the country are borne by the Libyan government. There is an urgent need to control it and manage its impact, especially with respect to the transit trade (the facilitation of illegal migration through transit countries) as this is often funded through crime.

103. Libya is a major transit country *towards* Europe, a popular route being from Libya to Sicily and Malta. From an EU perspective, the situation is very serious contributing to increasing pressure on EU external borders in the Mediterranean.

104. An action plan for EU-Libyan collaboration is currently being discussed. The Libyans are ready to move beyond dialogue and eagerly want to enter into a concrete programme of cooperation.

## **The Security Dimension**

105. Libya has taken significant steps to improve its international image and demonstrate its commitment to the abandonment of terrorism. Libyan actions have been, and continue to be, serious and credible.

106. Libyan cooperation in international security is focused in three main areas: counter-terrorism, counter-proliferation and assistance in Africa.

107. Libya's renouncement of its WMD programme helped to expose the nuclear black market and has provided vital and otherwise inaccessible information about the proliferation of nuclear weapons. It has also significantly helped the West to understand the extent of the Iranian nuclear programme

108. Libya has become a leading player in maintaining peace and security in Africa. Most notably, the Libyan government continues to play a significant and helpful role in facilitating the provision of humanitarian assistance to Darfur refugees and dialogue of the Tuareg tribes. While there is no official Libyan interest in participation in African Union peacekeeping forces, Libya's political and financial involvement is set to Africa continue.

## **Islamists**

109. Libyan concern was raised about the ability of Libya's own security forces to restrain the Wahhabist threat domestically. Islamic fundamentalism was not known before the 1990s. The upsurge of activity has been linked to the economic difficulties suffered during sanctions. Much of the tension was eased with the subsequent lifting of sanctions and liberal spending by the government, but the threat remains and there exists a strong underground network. Wahhabism has had some success at infiltration and recruitment lies in the failure of the government to provide employment for the young. The tactics of the security services also push young people towards fundamentalism.

110. The Libyan public is reportedly concerned by the potential negative consequences of the government's increasing collaboration with the US. Increased

US-Libyan relations might in fact be more harmful to Libya's own security situation and increase the risk of domestic terrorist activity.

111. Libyan military personnel continue to train abroad in the UK, Italy and Russia. While there will not be a return of permanent foreign bases to Libya, the possible use of Libyan facilities is currently under consideration by the US.

## **Conclusions**

112. International relations with Libya are undergoing a process of normalisation, albeit very slowly.

113. Reforms need to start being implemented and immediate efforts should be directed towards the public sector, i.e. and legislation such as law number 15 (the unfreezing of salaries).

114. Can these ambitious reforms really be implemented? It can happen but it is taking a while and it is very difficult to get new thinking into a country with such strong state control and where individuals and private companies have not been allowed to make profits. Confidence is the key and the rule of law and respect for property rights is crucial. The continued existence of discretionary administrative decisions hits confidence.

115. Shukri Ghanem has admitted that he is not yet winning the reform process, but remarks that it is only the third round of a fifteen round fight. The political will to change exists and "the Leader" knows that private business is essential. Reformist, economically literate leaders are in positions of responsibility and much positive thinking is being done. Reform will not be quick or easy but it is heading in the right direction and will happen.

116. There is a head of steam behind sensible reform building, but there are three factors which slow the process ideological hardliners; the reluctance of the centre to give up power; and vested interests.

117. There is an urgent need for the Libyan government to confront vested interests, where internal jealousies, greed and corruption have an adverse impact on perceptions of the Libyan business climate and discourage investors from continuing to operate in an unpredictable and difficult environment.

118. Libyans may not feel that they been sufficiently compensated for their efforts, but they need to understand that Britain in particular has gone to great lengths to help Libya's re-integration into the international community. The Ministry of Defence, Department of Health and Department of Education were all urged *directly* by the Prime Minister's Office to assist with Libya's development. These efforts should in turn be duly acknowledged as both serious and credible.

119. What happens when Mr Qadhafi's tenure comes to an end? Is Seif al-Islam the heir apparent? Not necessarily, nor should this be taken for granted. The leadership success is not considered a pressing problem. A much more pertinent question is whether the period of Jamahiriya "direct democracy" will draw to a close and whether the future lies in a Libyan republic.

**Robert Lowe**  
**March 2006**

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