



## **Report on Wilton Park Conference WP924**

### **LIBYA 2020: FUTURE PERSPECTIVES**

**Thursday 17 – Sunday 20 July 2008**

#### **Summary**

There are many areas of mutual interest between Libya and the West; among them, securing Libya's vast natural resources, giving aid to Africa and managing migration. Libya is an increasingly effective international player. -- January 2008 marked the start of Libya's two year position on the UN Security Council, where Libya has already given support to an important resolution on Iran. -- These issues of common concern must be worked on in an atmosphere of goodwill and mutual respect giving due recognition to Libya's cultural and strategic importance.

1. The relationship between Libya and her European neighbours is increasingly dynamic and particularly so with the UK. The UK helps support Libyan positions in Brussels and Washington. Despite 6-8 % GDP growth in 2007, Libya cannot rely long term on the vagaries of volatile oil markets. It must focus on developing the skills of its younger population and on economic transformation. Training is critical. More Libyan students currently study in Britain than anywhere else. Major agreements with BP and Shell have ensured future gas and oil supplies to Europe. Britain provided new tactical communications and data systems for Libya's military in 2008. At the same time, the European Union is negotiating a framework for migration, trade, security and human rights with Libya. A joint maritime patrol has been agreed with Italy and is awaiting implementation.

2. Africa is at the heart of Libya's foreign policy. Managing illegal migration is particularly challenging and Libya is actively involved in persuading young Africans to stay home, mainly through assisted voluntary repatriation (AVR) programmes.

An estimated 1.5 – 2 million migrants are estimated to reach Europe each year. In 2007 alone, the International Organisation for Migration (IOM) helped to return 2000 would- be migrants. As a founder of the African Union and member of the Arab League and key member of the Euro-Med community, Libya can play a pivotal role in spanning the gap between Africa, the Middle East and the West.

3. Since Libya gave up weapons of mass destruction (WMD) in 2003, economic relations have been galvanised. There has been an immense flow of inward investment particularly in the oil and gas sector. Ensuring a competitive business environment where regulations and law are transparent and inspire confidence is essential. Clearer protection and guarantees for investors remains a priority. Britain's Law Society is training judges in dispute resolution and the appointment of a foreign arbiter is being positively mooted. A law to this end is now ready for internal public debate in the People's Congress. However, there has been failure, to date, to sign a double taxation agreement, although there was progress on final texts in the last round of negotiations.

4. Libya has made some progress on human rights, which remains largely unpublicised. There has been unprecedented (albeit discreet) access to prisons for a team from King's College, London which is giving advice on prison administration, health education, overcrowding and rehabilitation.

### **The Economy – Developing Resources**

5. Diversification of the economy began in the late 1990's, amid fears of over reliance on oil. Today, Libya's vast natural resources, raw materials and geographical situation continue to attract external investors. Untapped potential includes the 2000km Mediterranean coastline, a desert and oases rich in gypsum, basalt, diatomite, clay, iron, salt and limestone, easy access to large African and Arab markets, and ample cheap labour. There are 272 projects currently underway involving 40 nations and worth \$4.5 billion. The number of projects will quadruple over the next three years. In 2008, investment was allocated as follows: tourism (48%), services (10%), real estate (10%), agriculture (3%), industry (23%) and health (6%).

6. The new, more favourable investment climate has been vital in increasing output. Law number 5, for the promotion of investment of foreign capital, has exempted production tax on exports, import tax on machine tools and some stamp tax. Investment is open to all, provided mutual interests are served. Those areas of investment particularly sought after are detailed on the website [www.investinlibya.com](http://www.investinlibya.com). Special support is given to start-up businesses, those transferring modern methods of production or improving use of natural resources and those building up technical cadres of Libyans, and contributing to longer lasting economic and sustainable development. Investors are given priority if they increase exports and require a minimal input of hard currency from Libyan partners.

7. Libya's 2006 National Economic Strategy emerged from a consensus to build on strengths, rather than focus on weakness. Libya's aim is to prepare the economy for sustainable growth. To that end, \$40 billion has been spent in 2008 on infrastructure such as sewage and roads. Considerable challenges remain however. The needs of business and society are inextricably linked following the principles of political philosophy laid out by Libyan leader Colonel Muammar al-Qadhafi in his 1975 *Green Book*.

8. Up to now, oil revenues have funded the Great Socialist People's Libyan Arab Jamahiriya, as the country was renamed following the 1969 revolution led by Col Qadhafi. This revenue has underpinned a system under which the government has been the chief employer for the vast majority of Libyans leading to a lack of personal drive and absence of entrepreneurial culture which has had a stultifying effect. But there is growing recognition that the eventual depletion of natural resources means this way of life will not be sustainable in the long term. As a result, in March 2008, Colonel Qadhafi, announced a new directive to end subsidies. The government proposes instead, to create wealth through encouraging private enterprise and companies, which are not dependent on hydrocarbons. Skilled individuals and a competitive environment are now deemed necessary to create wealth, sustain recent rapid improvements in housing and health, and compensate for steep cuts in public sector employment. A social safety net for those adversely affected has been set up with funds specifically targeted at the poorest 130,000 families. These are being invested in education, housing, railways, and health. Nevertheless this significant shift

in economic culture continues to generate concerns about job security and some misgiving among the population as a whole.

9. Water shortage is a serious challenge which limits Libya's ability to feed herself and export to her neighbours. Libya needs 1.5 million tonnes of grain a year and produces only 300,000, due to lack of irrigation. The *Great Man Made River*, currently under construction, is a 4,200 km waterway bringing 6.2 million cubic metres daily through the country. The project will provide water for 50 years, and Libya must make provision for the future thereafter. Plans for desalination plants using solar energy are under consideration. Libya is also considering dealing in commodity futures to guarantee essential food supplies.

10. Libya seeks balanced and sustainable spatial development and has solicited worldwide expertise in planning. Historically, the legal premises governing use and ownership of land have led to big delays in executing plans. Agricultural land was urbanised as people built haphazardly and then demanded public utilities. To date, there have been three general planning programmes. The third, the 2006-2030 *National Spatial Policy* focuses on: agriculture and fisheries, housing, transport, tourism and culture, industry and mining, environment and water and a creation of optimum locations for people and their activities. There are now four planning regions (Tripoli, Benghazi, Fezzan and El Khaliz) and 18 sub regions. Sites of special environmental or historical interest, such as the Benghazi wetlands, are to be protected.

### **Islamic Culture, Tradition and Values – the Libyan Way**

11. Since 1969, the “revolutionary principles” have reinforced the culture and traditional values that shaped Libya's identity. Islamic principles govern Libyan life. Koranic Islam, which promotes scholarship, requires the adherent to live a contemplative life and further his understanding of Islam as a way of improving the world. Current Libyan reformation laws and ambitious development plans are all rooted in Islam. Even the environment receives protection under Islam as one of the 70 elements of faith, the first being faith in God. Islamic values sit well with modern life if the emphasis is put on tolerance, reason and respect. Those who speak for Islam must not allow it to be associated with violence.

12. A complicated range of historical influences has ensured that by 2020, Libya will still retain firmly Libyan characteristics with identifiable values and virtues. Libya is proud, unchangingly, intensely and sensitively Arab. Its identity is African, with some Mediterranean background. Today, more Libyan women wear the veil and there is a tendency towards greater religiosity in the observance of Islam. Intellectually, Islam is engaging the popular mind. Future generations must find a way through the potential contradictions created by moves to modernise the state while seeking to retain Libya's unique characteristics.

### **Empowering Civil Society**

13. Civil society is formed by twin threads of historical and social experience, interwoven, in the Libyan case, with tribal patterns. Social networks are not the same as those in place elsewhere and would seem alien to Westerners, indeed, to the early Greeks and Muslims, for whom society is based on the needs of the individual. The function of government in Libya was to distribute wealth rather than to create it and any idea of private enterprise was ruled out. Under the tenets of the Green Book, the government set up a grass roots arrangement for managing power and politics. It could even be argued that this means there is no need for a liberal, democratic, civil society in Libya. In fact, there is now growing recognition of a need for these elements but there are serious challenges in creating a civil society in a country where social associations have been suppressed since 1969. A good start would be for Libyans to shake off the conviction that everything must be resolved by the state. At present, Western-style democracy may be too vague a concept for Libya. The country should continue to develop through free debate in the media and other forums, better education and a growing, educated and questioning middle class.

### **Human Rights and Transparency**

14. Respect for human rights forms the basis for civil society. As yet, there is no obvious incompatibility between human rights and Arab/Islamic culture in Libya. However, Law 71, article 3 forbids support of any organisation that opposes the revolutionary principles. Libya remains a closely monitored society with a legal ban on support for any organisation that opposes the revolutionary principles. Members of independent political groups are subject to arbitrary arrest and unfair trial. Political

prisoners have disappeared or been given disproportionately harsh sentences. Torture is still used. The Abu Saleem prison massacre in 1996 remains unexplained and families of victims still have no idea how many died. In 2005, Human Rights Watch (HRW), the U.S.-based international non-governmental organization that conducts research and advocacy, visited Libya and demanded an end to the death penalty, so far, with no result. A death sentence prescribed by law is absolutely incompatible with empowering a civil society. Meanwhile, EU and US normalisation of relations with Libya are progressing, with limited focus on human rights issues. HRW recognises the strategic and economic importance of good diplomatic relations, but human rights are not an “add on” and should be seen as an integral part of any agreements on trade, counterterrorism, and migration. HRW recognises that when it comes to these issues, no country can claim to be totally “clean” The US is not fully “clean”, for example, over the issue of Guantanamo Bay base internees. But failure to respect human rights encourages criticism from the West. There have been some positive signs such as the role played by the Qadhafy Development Foundation in helping to secure the release of six foreign medical workers last year who had been held since 1999 on charges of infecting children with aids deliberately.

15. A developed civil society provides a defensive bulwark against abuse by other interests – for example, state or government officialdom and business. Lack of accountability can lead to abuse. Corruption – the abuse of public power for private gain - comes from, and feeds off, dysfunctional situations. Picking up on that dysfunction, and curing, it will do more for Libyan society than any other change. Libya is still rated very low by the international monitoring organisation Transparency International (TI) on its ‘Corruption Perception Index’ (CPI). This discourages investors who remain sceptical of improvements. Budgetary openness is particularly desirable and will help Libya. In this respect, the extractive industries transparency initiative (ETI) which focuses on economic accountability for oil mining, may be especially useful.

### **Working with Libya on Health**

16. Healthcare standards in Libya have improved greatly with expenditure of 3.8% GDP in the first half of 2008. In addition to general health problems, uncontrolled migration has led to a resurgence of previously eliminated diseases such as TB.

Libya must also make provision to deal with global pandemics such as SARS, H5N1 and HIV/Aids. A UK/Libyan partnership, established in May 2008, formed a joint healthcare task force to focus on disease surveillance, primary care, postgraduate and management education, and development. Partnerships and collaborations have been flourishing in many hospitals throughout Libya. A new, 24-month fellowship programme for overseas doctors will be announced in the near future. The London hospitals, Great Ormond Street for Children and Moorfields Eye Hospital, have agreed joint projects with experts from Libya and the UK Health Protection Agency. The main priority is to promote and accelerate the partnership programme while removing any remaining obstacles.

### **Developing the Financial Sector**

17. Banking in Libya is now very diversified, with three banks state owned, five virtually private, nine totally private, 19 foreign owned and three owned with foreign participation. Total assets were 31.6 billion Libyan dinars (l.d.) in the first quarter of 2008, representing a 65.6% rise since sanctions ended. Libya also has five insurance companies and a stock exchange established in 2006, which lists seven companies with a total asset value of 1.2 billion l.d. Notable challenges have included the privatisation of the Sahara and Wahda banks and the further privatisation of the two remaining public banks into one giant Jamahirya Bank. Other specialised banks include a real estate bank, a development bank for small business, and an agricultural bank with a collective annual allocation of \$3billion. A social development fund and an economic fund hold significant stakes in the Sahara and Wahda banks. A new law (5) allows for the independence of the central bank, the recognition and introduction of international standards, an electronic payment system, supervisory standards and risk management technology. Law 25 adopts effective principles of banking supervision including adopting international accounting and reporting standards. Long standing technical cooperation from the International Monetary Fund (IMF) has improved Libya's ability to conduct monetary policy. A site in central Tripoli has been designated to become an international financial hub for North Africa, with banks and investment banks, dealing rooms and consultancies offering professional financial services. A healthy, open vibrant banking system is an absolute prerequisite for the entrepreneurial society Libya wishes to become.

18. In 2006, Libya set up a Sovereign State Fund (SSF) using a percentage of the nation's oil revenues. The objectives are to secure financial stabilisation in a volatile, oil-dependent economy. A support mechanism to cope with unforeseen changes in demand is vital; to preserve the rights of future generations as a bequest. Oil cannot be left in the ground where competition may eventually render it worthless; to limit treasury expenditure without prior planning and economies have an infinite absorption capacity. Since the imposition of external sanctions, when the National Bank loaned the government 70-80% of GDP, there has been a law against incurring individual debt in Libya. Through the SSF, the treasury has revenues which can be reinvested (annual funding requires 1,750,000 barrels per day at \$65 per barrel).

### **Legal Requirements**

19. Doing business in Libya is perceived to be an unpredictable process and dispute resolution is of paramount importance. It is strongly felt that the decision to embrace globalisation leads to a need for legal and contractual arrangements. A clear framework of laws, enforceable in a transparent and just manner is a necessary prerequisite. While parts of Libyan law use the Napoleonic code, which complements existing systems well, a review by the British Law Society recommended three areas for improvement; a framework of laws, enforcement of those laws and development of expertise and capacity. It is a matter of choice how this works. In the view of the Law Society, the ideal is an integrated system, whereby local legal and justice sectors evolve together. However, other countries have parallel systems, which run alongside domestic law. For example, Qatar handles disputes under English law by English judges. The success of any system is more to do with whether courts function efficiently in a timely manner. It is not viable to have to wait 30 years to see how a case turns out.

### **Developing the Energy Sector**

20. Libya has 1,300,000 sq km reserves of crude oil and current reserves of 4.464 billion barrels. Currently, production stands at 1.83 m barrels per day, with two million per day projected by mid 2008 and three million by 2012. Liquefied natural gas (LNG) is being pumped at a rate of 2700 million cu ft per day. Offshoots of the oil industry include naphtha, ammonia, polyethylene, polypropylene, ethane and natural gas separation facilities, a factory to crack ethane, and an ethylene plant.



21. Libya needs more secure energy policy which is responsibly managed. There is a general perception that supply is tight. By 2050, 9 billion barrels of oil are projected annually, but resources are harder to find, more depleted and deeper than previously explored. For example, some rigs are drilling 6km deep. Libya is well positioned as the third largest global producer of liquid natural gas (LNG) and has development agreements with Shell which go beyond technology, encompassing road safety, health and safety, employment, recruitment, cross-posting, training and vocation, contracting procurement, livewire sponsor training and skill sharing.

22. Russian attempts to set up a strategic relationship with Libya over LNG are seen as an early attempt to create a gas cartel. The Russian energy giant, Gazprom, has been seeking to engage Libya for three years for a gas OPEC and is proving a tough negotiator. There is, in reality, scant chance of establishing a gas cartel. In the case of oil, there is a direct correlation between operation and prices. Gas operates on much longer terms and a global gas market suppliers' group will be harder to operationalise. Libya is seen as being pushed into a relationship with Russia, which is not what the West was expecting. The supply of gas to Europe is particularly important with an underwater pipeline being planned with the EU. Algeria is the one real alternative provider. Russia's ambition may well be to demonstrate that it is a global player once more.

23. In principle, Libya's National Oil Corporation still operates state assigned concessions. Yet two massive concessions awarded to BP in 2008 have proved that bilateral deals are possible. However securing contracts is getting tougher and there is always a tendency to renegotiate deals. This resource nationalism (where producer nations assert their economic sovereignty, and capture as much of the revenue as they can) is seen as an inevitable concomitant of the nature of the oil industry ('the obsolescing bargain'). If renegotiation is a necessary part of the deal, it can be mitigated through long-term relationships, as seen with Occidental Oil. Bidding wars are tougher due to Gazprom's involvement. Contracts, once divided 50:50, are now split 72:28 in Libya's favour. .Libya does want and need partners but, increasingly, on its own terms. This is not, however, deterring aspiring associates.

## **Libya's International Relations**

24. Libya has always had close relations with Africa, based on the existence of old trade routes that passed through the ancient city of Ghadames, deep in the desert, to the African continent beyond. Today, Libya is involved constructively in Chad, Sudan, Central African Republic, Democratic Republic of Congo, Eritrea, Mali, Somalia, and Sierra Leone. Libya is a contributor to joint funds to reconstruct Sierra Leone and Senegal. A recent goal is to link African countries through Tripoli as an aviation hub, using the Libyan-based airline Afriqiyah, rather than the current arrangements passing through Europe. Libya is also dedicated to building institutions of the African Union such as a Central Bank, an Investment Bank and a Monitoring Fund and encouraging financial cooperation between countries. Libya already invests in 29 African countries through more than 1000 'stations' in a network stretching from the Atlantic to India. Libya has skills sub-Saharan Africa needs and can assist with development, particularly with upgrading education standards. Libya's expertise in water management services is especially needed at the end of the new trans-Saharan road, a modernisation of the old caravan route. Food aid, development projects, a man made river back to Timbuktu, schools, hospitals, healthcare, water wells, mobile hospital vaccinations, scholarships and vocational training, generation, transport and distribution of power supplies are all priorities. A mega dam is being built in the Congo, costing \$40-\$50 billion, aimed at powering central and northern Africa and reducing deforestation. Private investors so far have spent \$350m on 368 projects.

25. China is regarded as the 'elephant in the room'. With 40 African partner countries, China avoids political interference but seeks influence through handing out largesse such as new football stadia in Burkina Faso and Gabon. While these projects are completed fast and on budget, little concern is paid to the environmental implications which should be a consideration. There are also problems in trying to create jobs for Africans when Chinese undercut pay levels. For every African trained by the Chinese, there are 10 Chinese workers.

26. Libyan state internal and external security are monitored by the National Security Committee (NSC), a strategic institution established in 2006 which determines and assesses all questions relating to the security of the Jamahiriya. The

overall aim is to create one homogeneous and harmonised entity. The NSC is the most influential institution and strategic safeguard of Libyan individuality and has a vital and central role as a focal point for coordination and channelling of information. Internally, the NSC protects the body of the state. Economic security priorities include safeguarding economic, industrial and food resources and water security is also a vital issue. External priorities include land borders, territorial waters and airspace, with a mandate to eradicate terrorism and extremism without prejudice.

27. Relations with the wider international community are volatile. Libya has agreements with many countries. Oil resources make Libya an attractive emerging economy. American and European oil companies are well settled and secure in the exceptional facilities offered. There is a large Libyan investment in Europe, Arabia and Africa in all sectors. The EU has excellent relations with Libya, with all 27-member states supporting free trade. In 1999, the EU lifted all sanctions except the export of military equipment. Joint achievements include a huge new underwater energy pipeline to Europe, cooperation on fighting illegal migration through the North African coastal gateway, and bilateral and people-to-people educational visits. In 2007, a memorandum of understanding was signed with the EU, agreeing that Libya should be included as a special case in the Mediterranean. There is an urgent need for overhaul of visa laws. A one-year multi visit visa has been promised and is being progressed.

28. Certain core priorities are vital in the West's relationship with Libya: prevention of weapon proliferation; strengthened counterterrorism cooperation over extremist threats; prevention and resolution of conflicts in, for example, Darfur, Chad and Sudan where Libya provides active mediation; energy security; and ensuring effectiveness of international institutions (Libya's position on the UN Security Council for two years demands clear choices; the African Union needs to be made more effective, an agricultural framework is needed with the EU and the UMED potential programmes on migration and trade are needed).

29. Relations with the US remain sensitive, although a legacy of differences is slowly being resolved. Libya's official recognition by the US was extended when the WMD programme was stopped and was followed by the 2006 removal of Libya from

the list of state sponsors of terrorism. However, the appointment and confirmation of a US Ambassador to Libya is proving a long and drawn-out process. It remains difficult to obtain visas. Libya condemned the 2001 Al-Qaeda attacks on America and expressed concern about internal tensions in the Philippines, Afghanistan and Algeria. But there is a perception within Libya that it has received little in return for giving its international support. In addition, the US and the EU sometimes appear to consider Africa a sphere where they can interfere with impunity. The US is thought to ignore pan African organisations, especially during conflicts. Using the African Union to channel grant aid should be considered. Libya should also receive more recognition for its own role in facilitating development in Africa. Differences remain over economic reforms, transparency, law reforms and human rights. However, relations have progressed significantly since 2004 when the USA had more sanctions against Libya than against Iran and Iraq. A science and technology agreement covering education, trade investment, customs and border training and economic sectors was signed in 2008. Libyan students increasingly study in the USA. US Secretary of State, Condoleezza Rice, visited Libya in September 2008. A compensation agreement for the 1976 Tripoli raid was agreed in October.

30. There is no substitute for cordial dialogue and discussion. Libya's relations with the West are likely to remain vulnerable with temporarily dangerous points of escalation. The case of the murdered English policewoman, Yvonne Fletcher, the Lockerbie plane bombing and tension over the imprisoned medical workers mentioned above have all contributed to a stop start relationship. Permanent diplomatic consultations and meetings are needed, especially with regard to terrorism, sea pollution, coastal protection and migration.

## **Migration**

31. It is widely acknowledged that Libya has a permeable border, by any standards, and that it is impossible to close. However it is the main transit route to the EU for illegal immigrants, currently thought to total 1.5 – 2 million each year. The cost is high in injuries, sickness and, sometimes, death. Although the International Organisation for Migration (IOM) has exhaustive plans of action, lack of resources cause difficulties. It is important to maximise the IOM's limited resources. There is an assisted voluntary repatriation (AVR) centre in Tripoli but it is a casualty ward and not

a final solution. In IOM's view, migration management in Libya should include the following elements: labour schemes for migrant workers, border management, development of practices and responses, counter trafficking, asylum laws and controls, more AVR centres, a plan for prevention of mass migration (including education as to dangers of other countries) integration and health issues (particularly the resurgence of diseases thought to be eradicated). Training of religious personnel and capacity building are also necessary.

### **Safeguarding Libya's Heritage**

32. Libya's archaeological heritage is under threat. Coastal erosion is having a major impact on some spectacular archaeological sites and other treasures are suffering from Libya's economic resurgence. Despite laws stating that all antiquities belong to the Libyan state and that it is against the law to damage them, it can appear as though archaeology is holding back development which creates jobs and wealth. This is not the case. Libya's heritage is, potentially, a greater source of employment than any other economic sector. There are more Roman remains in Libya than in Rome, Apollonia is the most intact Hellenistic harbour in the world, and there are ancient caravan routes and untouched cave paintings. All are worth saving and many visitors come to see them. Archaeologists do currently work with building contractors to co-ordinate their activities as much as possible but more impact assessments should be made before excavations start and relevant new laws need firm implementation. The UK ethos of 'polluter pays' can provide a useful example – the government as the funder of last resort. It is not necessary to destroy artefacts – careful rerouting of building work can often avoid it. Where there is no choice, preservation and recording can mitigate the effects. From the educational perspective, publications produced by the UK Society for Libyan Studies' and other such organisations could be translated and given to schoolchildren to encourage appreciation of their heritage.

### **Conclusion**

33. Recurring themes in the informal Libya-Wilton Park dialogues include the need for dialogue and partnership, to set a framework for relations based on the principles of equality, trust and goodwill. Libya will endeavour to unravel and ratify visa difficulties, double taxation rules and investment protection agreements. Myriad links

between Libya and the rest of the world on migration, health, African development, human rights and politics are too important to let slide. Establishing condition for free trade and securing administrative and legal transparency are overriding concerns, especially in the area of the new gas and oil pipelines. Developing contacts with other nations is paramount – especially in the fields of education and developing human. Those with the US require particular attention. Strengthening of institutions, including the African Union and UN Security Council will have lasting global benefits. The Libyan interpretation of Islam can also prove valuable in the current international context. Libya is firmly committed to counter-terrorism based on the position that Islam is a religion of peace and that no one should kill in its name.

Suzy King Patterson

November 2008

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.