

European Think Tanks Contact Group on Libya: Towards a New Common European Narrative on Libya

by Silvia Colombo and Dario Cristiani



Ministry of Foreign Affairs
and International Cooperation

ABSTRACT

The emergence of a National Unity Government (GNU) led by Prime Minister Abdul Hamid Dbeibeh in mid-March 2021 had initially given rise to cautious optimism for the Libyan transition. Yet, many challenges persist, and this optimism quickly dissipated amidst rising tensions in the economic, political and security domains. Libya remains fragmented among a multiplicity of local actors and exposed to significant external interferences. Grappling with the need to rebuild its infrastructure and revamp the economy, Libya's dire socio-economic and political situation has been further exacerbated by the pandemic. Institutionally, the country has become an arena of power competition, corruption and chaos in the context of the now postponed electoral process. Against this backdrop, the one-year project established a Contact Group among leading European think tanks working on Libya with the objective of forging common understandings and narratives on the Libyan transition, focusing on three crucial dossiers: the democratic transition (and notably, women's representation and participation), migration and socio-economic issues. This paper is based on the finding and the analyses provided by the different group and provide a nuanced picture of the situation at the beginning of 2022. It is important to note, however, that the situation on the ground in Libya is particularly hectic and changes quickly. As such, some of the findings and analyses might be slightly outdated given the rapid changes on the ground.

Libya | Domestic policy | Economy | Migration

keywords



European Think Tanks Contact Group on Libya: Towards a New Common European Narrative on Libya

by Silvia Colombo and Dario Cristiani*

Introduction

When anti-Gaddafi protests broke out in Libya on 15 February 2011, following the unrest that had already toppled the Tunisian and the Egyptian regimes in less than two months, the sense of astonishment and disarray felt by some European governments could not be hidden. Intense bilateral relations had flourished between Libya and its European partners in the aftermath of Tripoli's rehabilitation by the international community since 2004 after decades of ostracisation and sanctions. Italy's bilateral relations with the Colonel and the newly crafted Treaty of Friendship, Partnership and Cooperation between the two countries, signed in 2008 and pompously celebrated the following year upon Gaddafi's visit to Rome, were the flagship example of the intensifying cooperation between Libya and many European governments on the basis of lucrative economic and trade deals and, in the specific case of Italy, the joint need to stem irregular migrations from the Libyan coasts onto the European continent.¹

¹ Sergio Fabbrini, "The European Union and the Libyan Crisis", in *International Politics*, Vol. 51, No. 2 (March 2014), p. 177-195, DOI 10.1057/ip.2014.2, <http://docenti.luiss.it/protected-uploads/701/2017/11/20171114182022-Fabbrini-The-European-Union-and-the-Libyan-Crisis.pdf>.

* Silvia Colombo is a Researcher and Faculty Advisor at the NATO Defense College in Rome and Associate Fellow in the Mediterranean, Middle East and Africa programme at the Istituto Affari Internazionali (IAI). Dario Cristiani is an Associate Fellow within IAI's Global Actors Programme.

This report is the result of several discussions among experts, journalists and policy-makers in the context of the project "European Think Tanks Contact Group on Libya. Towards a new common European narrative on Libya" undertaken over the course of one year (October 2021–September 2022). The report has seen the substantial contribution of Arturo Varvelli, Lorena Stella Martini, Tarek Megerisi and Federico Borsari from the ECFR. It has also benefited from the research and reporting contribution of Giulia Gozzini and Akram Ezzamouri from IAI.

This report is realised with the support of the Unit for Analysis, Policy Planning, Statistics and Historical Documentation - Directorate General for Public and Cultural Diplomacy of the Italian Ministry of Foreign Affairs and International Cooperation, in accordance with Article 23-bis of the Decree of the President of the Italian Republic 18/1967. The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Ministry of Foreign Affairs and International Cooperation.

In addition to calling into question the newly forged bilateral relations between Libya and some European countries, the outbreak of the popular revolt in Benghazi also represented the first test for the foreign policy of the European Union and, in particular, for the Lisbon Treaty, which had entered into force not earlier than on 1 December 2009. In the words of Sergio Fabbrini, Libya was the “first foreign-security test for the Lisbon Treaty [...]. The test was not satisfactory. [...] The EU as a collective actor did come out from the Libyan crisis divided and weak as usual”.² The EU’s appearance as an uncoherent and inconsistent player – a view that is not shared unanimously among all the observers and analysts of its foreign and security policy³ – primarily stemmed from the fact that it has not contributed to strengthening the supranational level vis-à-vis the inter-governmental one in the realm of foreign and security policy by fostering common decisions and committing resources. On the contrary, the process of integration in foreign and security issues has remained extremely superficial and has suffered from the lack of common visions and interests by the member states. Divisions and incoherence have been paramount during the initial phase of the Libyan crisis when the decisional impasse spurred by Germany’s abstention vote in the United Nations Security Council Resolution 1973 of 17 March 2011 left the EU disunited and unable to muster a common response to the escalating violence on the ground, human rights violations and the security threat of spill-over effects onto Europe.⁴ This led France and the United Kingdom to go alone, also in coordination with Italy, under the aegis of NATO.

This initial frustrating experience with the EU’s engagement in Libya was just the beginning of a decade of missed opportunities, disruptive competition among the member states’ visions and strategies, lack of proactive response by the EU to ongoing political and security developments on the ground and ultimately Europe’s loss of credibility when it comes to contributing to easing conflicts and tensions in Libya. This has been all the more troubling in light of the significant strategic interests connecting Libya to several European member states and of growing regional and external competition by other external and regional players over the country as a means to project power.

1. State-building and women’s representation and participation

One of the first policy priorities connecting Libya to its European partners is the issue of how to promote an inclusive state-building process that does not rest exclusively on a delegitimised electoral process. It is clear that the electoral process

² Ibid., p. 177 and 178.

³ For a different view on the EU’s behaviour in the initial phase of the Libyan crisis, see Stelios Stavridis, “EU Incoherence and Inconsistency over Libya: Evidence to the Contrary”, in *Cahiers de la Méditerranée*, No. 89 (December 2014), p. 159-179, <https://doi.org/10.4000/cdlm.7767>.

⁴ Stefano Marcuzzi, *The EU, NATO and the Libya Conflict. Anatomy of a Failure*, London/New York, Routledge, 2022.

needs to go hand in hand with a real and effective national reconciliation process. National reconciliation should address the issue of the political economy of the conflict that is what keeps it alive as everyone is earning from this overall context. National reconciliation should come before and not after the constitutional process. The constitutional process, which will take presumably at least one year, seems perpetuating the ideal condition for interested stakeholders to stay in power while disposing of the country's resources with no approved budget. Their main goal is maintaining power and control, while extracting wealth and resources (economic, natural, etc.) from the country for their own personal or constituencies' interests. As previous experiences have also demonstrated, the constitutional process is too polarising and divisive.

To accomplish this state-building process, some people tend to advocate for the need of a new roadmap. Actually, there is already a viable path to follow, which is the Berlin Process. The death of the Berlin Process would mean the death of multilateralism and an incentive for regional and international actors to unilaterally meddle in Libya's domestic affairs. It is possible to use some of the instruments originally envisaged by the Berlin Process to foster state-building. It was supposed to be a comprehensive process; yet no integration between the three tracks: political, military and economic.

- *Military*: is advancing, albeit humbly.
- *Economic*: has been frozen, hijacked by the international economic working group → is not Libya-led anymore.
- *Political*: the government that has been selected by this track is drafting policies in contravention to the policy recommendations advanced by the economic track. Populist government, flooded with corruption → lack of legitimacy, both locally and internationally since there is no clear mandate and accountability.

Ultimately, state building should erode the power structures that are responsible for the conflict and keep it alive. This means that it is not necessary to target the individuals representing such power structures, it is best to deal with the power structures directly. Against this backdrop, the focus on elections might not be the right solution. During the past years, elections have triggered very diverse reactions. According to some views, elections remain the best option as they would address the challenge of legitimacy. In light of the derailment of the electoral process in late 2021, the fact that elections are delayed risks aggravating the legitimacy crisis. Postponing elections indefinitely will open the door to more instability and conflict.

According to other views, holding elections should not be the main priority and the issue of contention. Holding elections at all cost might represent a trap: without a solid legal basis and without the erosion of the existing institutions based on impunity and corruption, it is difficult to create an environment that is conducive to free and fair elections. Along the same line, elections are regarded as a peace-building tool. Yet, the solution in Libya should come from state-building and democratic tools and solutions, combined in a hybrid strategy. One proposal would be to create a Covenant setting a shared, rights-based approach and outlining

the parameters of the future government's actions both at the political and the economic levels. This would also be useful for the international community that would also have a point of reference to make the government accountable.

Given these alternative points of view, an area in which progress could be made and that would contribute to laying the groundwork for an inclusive, rights-based approach in Libya is represented by the role of women in the transition. This would be a policy priority Europeans could exploit to address the problems regarding Libyan women's representation and participation as well as to develop a constructive approach with the Libyans. Among the challenges facing Libyan women, a few stand out as particularly daunting:

- *Institutional gaps and narratives*: Dbeibeh has failed in maintaining the promises of having at least 30 per cent women representation quota within his cabinet and he has often made use of misogynist narratives.
- *Security*: proliferation of weapons, proliferation of crimes against women and no investigations against them, legitimization of armed groups, online violence, offline violence also against women who are engaged in public activities. This results in women's being pushed out of the public scene.
- *Financial and economic constraints* limiting women's participation.
- *Political culture and religion*: a large segment of the Libyan population believes that the UNSCR 1325 on Women, peace and security (WPS) is contrary to the Islamic law and offends Libyan customs and culture. The overall political culture is masculine-centric and the religious discourse is frequently deployed to suppress women in the public space. Concretely, a return of child marriages has been observed, leading to school dropouts among young girls.

This situation raises the need to bring women back to the political agenda and to develop a long-term process with an important bottom-up dimension.

To support women's representation and participation, a series of direct and indirect steps should be undertaken. First, the justice system should be strengthened and more awareness about women's rights should be promoted. Second, on the basis of the UNSCR 1325 an Action Plan on Women, Peace and Security in Libya should be implemented entailing a series of actions to promote women's equality (quota system, guarantees in the future Constitution). Several projects in the WPS domain have been carried out under the aegis of some EU countries (such as The Netherlands, Finland, Germany); yet, they did not translate into track-one, decision-making processes, despite the money spent on these programmes. Power lies in circles where women cannot compete, such as the military. Third, given the current circumstances greater women's participation in Libya can only be fostered by focusing on the economy, namely on the business sector and on supporting women's entrepreneurship and projects with the involvement of civil society organisations. This approach should have two components: on the one hand, to connect women across different parts of Libya and on the other, to provide education and capacity-building opportunities not only in the political realm but also in the economic one.

Yet, according to some, capacity building is not the right solution. It is not only a matter of giving seats (i.e., quantity), but, chiefly, of listening to women and giving them a role (i.e., quality). It is not only about the number of women involved but about the real degree of their participation and involvement in the political process. Subsequently, there is an urgent need for a more comprehensive approach: women should be included in the discussion agenda and prioritised and protected more at each stage of the overall process. Instead, the approach that has been adopted so far has marginalised them. As a result, they have started being tokenised, with parties using and exploiting them and their participation to get more privileges and benefits. Hence, also the international community's approach towards women's issues should be reformed. Women's representation and participation is not a goal in itself; it is rather a means towards a more balanced and sustainable state-building process. It is important to develop a gender-sensitive and feminist-based agenda tailored to the Libyan context with a major place within the peace process and political transition. Again, we go back to the key issues that are accountability, protection and resources: it won't be possible to meaningfully empower women without disempowering warlords and armed groups.

2. The migration challenge

When addressing the thorny issue of migration related to Libya, the first question to raise is: Is this situation structural, or can the political economy of migration actually change once there are functioning institutions in the country?

History shows that even with more or less functioning institutions, the issue of migration flows arriving from Libya can continue to be problematic, although in different ways. The migration challenge is thus not necessarily related to the current situation of instability and lack of governance. In the past, Gaddafi used to exploit the "migration card" in order to get advantages from the international community, primarily the EU.

Crucial, in this sense, was what happened after 9/11. After the atrocious terrorist attacks that hit the United States, Gaddafi took a number of decisions that put Libya on a completely different path, further proof of his capacity for reinvention and survival. He decided to disband his weapons of mass destruction programme. At the same time, he started working to open up Libya's ailing oil sector and economy to foreign investors, reversing its previous policy of supporting terrorist groups in the region and Europe. He even supported the American war in Afghanistan and the creation of AFRICOM.

However, in those years, the EU countries substantially changed their approach to Libya not necessarily because of the shifting international behaviour of the Libyan leader. The EU did so once it became clear that Gaddafi had the capacity to manage the flows of migrants from the Libyan coast, *de facto* externalising the control of the EU frontiers. This was a sort of *informal devolution* of powers that Gaddafi exploited over the years to extract concessions and benefits from Europe, namely the lifting

of sanctions. This significant policy shift of the EU vis-à-vis Libya, was thus not driven by the shifting Libya's international behaviour, although there was enough on the plate to justify such a shift, but more by the Libyan promise to help prevent North African migrants and asylum seekers from crossing the Mediterranean onto European soil.

Against this backdrop, Italy was particularly active. Starting from 2000, Italy and Libya boosted their cooperation on issues connected to irregular migration. In that year, they, first finalising a general agreement to fight terrorism, organised crime and illegal migration. In the coming years, as Libya was being readmitted in the international community, the collaboration broadened. In 2003 and 2004, they signed deals concerning a readmission agreement, border guard training programmes, the construction of detention centres and the funding of deportation schemes.

Starting from 2004, and consistently over the following years, Gaddafi used the migrant issue to extract concessions and money. This even led him to sign a "Treaty of Friendship" with Italy in 2008. Still in 2010, a few months before the beginning of the Arab Spring uprisings, Gaddafi was still threatening European leaders, demanding around 5 billion euro a year to stop illegal African immigration.

In those years, he was describing an apocalyptic picture for the future as, in his words, millions of Africans were ready to come to Europe, depicting a "Tomorrow Europe [which] might no longer be European, and even black, as there are millions who want to come in. [...] We don't know what will happen, what will be the reaction of the white and Christian Europeans faced with this influx of starving and ignorant Africans", also drawing a parallel with the barbarian invasions.⁵

However, only a few months after these declarations, the situation changed drastically. Following the general wave of uprisings sweeping through the Middle East and North Africa, which started in Tunisia in December 2010 and culminated almost a month later in the dismissal of the regime of Zine Abidine Ben Ali, the outbreak of the revolution on 17 February 2011 represented the beginning of the end of the Gaddafi's regime. Its 42-year ruthless dictatorial regime, the so-called *Jamahiriya* (an Arab neologism standing for the Republic of the masses), based on a combination of *divide et impera* policies against tribes and political groups and robust economic development came to an end between August 2011, when the regime irreversibly collapsed as the rebels made their way to Tripoli, and 20 October 2011, when Gaddafi was killed.

While initially the – more or less – smooth process that brought to the first elections since the 1950s, held in July 2012 to elect the General National Congress (GNC), suggested that Libya could move toward a brighter and more stable democratic

⁵ "Gaddafi Wants EU Cash to Stop African Migrants", in *BBC News*, 31 August 2010, <https://www.bbc.com/news/world-europe-11139345>.

future, troubles started almost immediately after. In May 2013, the GNC passed the Political Isolation Law, banning anyone involved in Gaddafi's regime from participating in the government for 10 years. Theoretically, this was a measure taken to protect the revolution but it had instead triggered the reaction of a large number of crucial leaders within Libya, who feared that their political role may be jeopardised.

The following year, with the launch of the so-called "Operation Dignity" by field Marshall Khalifa Haftar, Libya entered in a total new phase of its history. The actions of Haftar brought to the division of the country in two governments and the start of a civil war that, in different ways and peaks of intensity, is lasting still to today.

This passage is essential to understand the current situation also looking at the issue of migration. Over the past ten years, there has been a worrisome crystallisation of this situation of perennial chaos, with militias gradually extending their control over migration's political economy. Against this backdrop, thus, there is a clear need to reform the security sector and rebuild Libyan institutions since state has no real power on militias and armed groups on the ground. over the last decade, exasperation of the situation of migrants and refugees. Undoubtedly, migratory movements were present even under Gaddafi's rule, as explained at the beginning of this chapter. However, the actual situation of systemic and ruthless exploitation is linked to the current political status of the country. In this sense, elections – even if successful – will not necessarily address the migration issue and crimes committed against migrants if problems with impunity are not solved. Without tackling this impunity, arresting, investigating and without accountability, even if having a new, legitimate, and unitary government put in place, nothing is going to change. For migrants, the lack of legal protection and recognition, harassment and violence are the norm and take place in an environment of factual and legal impunity.

Despite the dire situation on the ground, Libya is still attractive for migrants and refugees. Still in 2022, there has been a consistent rise of arrivals to Italy from Libya, in spite of increasing pullbacks and interdictions, but with a shift in the nationalities of migrants. The component from Sub-Saharan Africa has declined, and now migrants arrive mainly from Bangladesh, Egypt, Tunisia. The nexus between Sahel and Libya has been affected by migration policies on the Libyan side and the dramatic destabilisation of Sahel (epidemic of *coups d'état*, causally related to EU militarisation policies that also affected migrations).

As such, to summarise, there are elements of continuity and change with the past.

Continuity	Changes
• Interdependence between Libya and the EU in migration management (leverage dynamics). Gaddafi was the pioneer of this model of migrants' exploitation, yet the EU has fuelled the mechanism through its policies (inward-looking and defensive approach that has sharply affected the impact of its policies also elsewhere). • Lack of legal framework to categorise migrants. Libya does not recognise refugees in the country → no protection.	• In the past, there was a state-centred migration management/control ≠ now: intricacy of non-state actors and a plethora of entities involved → the overall picture is much more complicated. • Accordingly, the level of impunity and accountability has changed. • Influence of international actors (issue of priorities: broader commitment to implement extensive reforms and renovate institutions instead of promoting short-term approaches + Search & Rescue responsibilities).

However, there are several constraints on the ground:

- No legislation on asylum in Libya;
- Libya has not ratified the Geneva Convention on the status of refugees;
- The uncontrolled situation in the south, as there is more than 2,000 km with no state presence and more than 20 armed groups controlling border transit points;
- After Gaddafi's fall, the spread of weapons and the proliferation of armed groups → Libya lost its credibility with the neighbouring countries.

2.1 Macro-political economy of human trafficking

There is thus the need for a more holistic view, considering that Libya is a transit country for now – in the future it might become more a destination, once stabilised. This means that the majority of migrants that are crossing the southern borders are willing to reach Europe. Anyone crossing Libyan borders is illegal since there is no legal framework and they are prey of militias and gangs as soon as they enter the country. While we tend to refer to the Mediterranean dimension of migration, we should also look at its southern aspect. Here there is a geographic challenge: even a fully functioning Libya would struggle to effectively patrol and monitor the Sahara borders since it is a tremendous challenge in itself. This is a problem not only for Libya, but for all countries in North Africa, including Algeria and Morocco, share. Smuggling activities, carried out by militias and armed groups, are part of the plundering of resources that has characterised the socio-economic and political situation of post-revolutionary Libya.

They are so entrenched in the local economy that, over time, they have become socially accepted and perceived as legitimate as they provide an essential lifeline to local communities and protect them. Indeed, smugglers are pushed to embrace this business due to the economic crisis in the South while migrants themselves

also tend to see smugglers positively as, for them, they are “good people”. helping them to reach the North.

As such, there is a redefinition of the market: some networks have evolved into transnational consortia, based on local and transnational needs, with broadened smugglers’ logistic capabilities, as they have a greater capability of assessing the territory, while there is also a militarisation of the trafficking. All these dynamics led to ousting smaller operators and concentrating smuggling in the hand of few.

When Gaddafi was in power, migration management was centralised: he managed to control tribes at the borders. Now, it is pure business: militias are real mafias, more similar to Camorra groups operating in Campania, Italy, in the Eighties. Sometimes local authorities are involved in these businesses, while their allegiances with other central actors change or evolve. For instance, in the south many armed groups are allied with Haftar and other Eastern forces, and it is arduous to understand all these connections and changing loyalties (also due to their transnational nature).

Against this backdrop, the question is: is there anyone with the tools and interests to curb and fight this business? Could they influence actors on the ground?

External actors do have an influence, especially those providing funds. Before the actual arrival of Turkey, mercenaries from Syria were deployed by Turkey not only to fight Haftar, but also to create a local tool to counterbalance militias in Tripoli, as they were acting independently from Ankara’s schemes. However, migration has remained outside since there was no intention to bother militias about business (a crucial point to understand why Tripoli’s militias became so powerful, especially as of 2017). No force on the ground was able to counterbalance their power. Militias basically evolved into mafia-like groups with the complicity/silence of local and international authorities.

2.2 The role of EUBAM

The European Union Border Assistance Mission (EUBAM) mandate is not dealing with migration per se. Its mandate includes: (1) border management; (2) law enforcement; (3) criminal justice.

Until 2020, it worked on a general reform of borders (White Paper) that has never been approved by the Government despite its vital role in reorganising and reforming the border strategy. Indeed, border agencies are deeply fragmented and dysfunctional and do not have the capacity to deal with borders. There is a lack of surveillance in southern and western borders, where state is basically absent. Borders are thus out of control. The situation on the ground is that more than 2,000 km of desert borders out of Libyan and other neighbouring countries (Niger, Chad, Sudan) control.

Need for a European strategy for borders. It should be sustainable in the medium-long term. Not based on spot measures yet focused on specific activities.

Preliminary preparation of staff in Tripoli and training. Inclusive strategy owned by Libyans and with the support of the international community. It will take a long time; temporary solutions are short-sighted and risk to be detrimental to long term stabilisation. However, a euro-centric approach as the situation is much more complex. Regional patterns of economic migration never completely stopped (e.g., labour migrants from Niger: a quarter of migrants in Libya is from Niger and they do not arrive to Europe). As such, it is not only about Europe. Libya is not only a transit country, yet it already represents a destination country, although this is not as significant as we expect to be in a few years, particularly if Libya finally stabilises. It is not accurate to highlight an alleged deterministic link between instability in the country, the rise of migrants/refugees' flows and the role of Libya as a transit country. From this perspective, there is the need to adopt a broader perspective, taking into account regional dynamics related to socio-economic development and changes. Need to redefine EU understanding of migration phenomenon in North Africa.

2.3 The European legal and institutional framework to deal with migrations from Libya: What is missing and how to make it more human rights-centred?

Crucial starting points: (1) Need for a long-term set of policies and vision for border management. This also applies to migration + avoiding emergency-based approaches (migration not as a crisis phenomenon); (2) Need for an integrated European approach to border management and to the migration issue; (3) Agency: Libyans involvement in addressing this issue. The whole process should remain in Libyans' hands with the EU support.

The EU has a weak position as it still does not have a common EU asylum and immigration policy; member states proved to be unable to reach an agreement; EU political situation is tense and there are tensions between member states, with the EU having the tendency to outsource migration management to third countries. Migration remains hugely divisive within the member states.

The EU institutional and legal framework remains Eurocentric, and this undermines its efficacy:

- Most attention is paid to migration to Europe, not considering internally displaced people in Libya or mobility in other areas;
- A wide gap between what the EU and member states stand for (i.e., respect for human rights, protection of refugees, fight against human trafficking) and how all this *de facto* works, the reality of its actions. Libya is a very dark example, where European often turn a blind eye on the harsh reality on the ground. The situation here is too evident to ignore it;
- Focus on migration is only one part of the problem;
- Externalisation is problematic – the partnership with third countries has been one of the main strategies to manage the migration crisis; it worked from the point of view of lowering the number of arrivals, yet it increases the risk of instrumentalisation/ weaponisation of migrants (see Turkey, Belarus).

The EU framework is still actual or should we rather talk about cooperation among some member states?

There is a system, which is problematic – based on a systematic use of violence on migrants; stable, as no actor has an interest in breaking it, not even external actors, fragile – exposed to the risk of instrumentalisation. In European capitals the dominant mood is that there is no alternative, what can be defined as the tunnel vision. What is missing is that migration can also be a solution Libya is not only a transit but also a receiving country. One million workers would be needed for Libya's reconstruction → enormous potential for migration patterns in Africa (it matches the economic needs of several migrants currently in Libya). There is the need to reactivate the idea that a developing and stable Libya is also the only way to break this vicious circle. Risky externalisation and delegation of violence to proxies risks bringing destabilisation and militarisation.

What can the EU do for Libya?

- First, consider stability/needs in Libya, then, in Europe → Libya first!
- EU has no strategy for the South, for borders, for migration → need for a change.
- Performed actions are divided and not clear – lack of clarity in the mandate → resistance by the Libyan counterparts.
- Training is missing as IRINI Mission – which has never been accepted by Libyans – failed in providing EU-funded training to actors involved in SAR operations → detrimental effects in terms of protection of human rights (see below).

2.4 Human rights violations

Eu policies succeeded in stopping migration flows, but this has come with dire consequences in terms of human rights violations, aggravated by conflict, security vacuums and lack of legal framework. Counter argument: the training of the Libyan Coast Guard is to search and rescue those at sea; there are no other forces entrusted with patrolling and rescuing people in need in other contexts We failed in institution building and SSR still, the Coast Guard is the only institution that has been built up in Libya (which suggest what the priorities are in the EU approach).

From this point of view, the EU need to stop of cooperation as it stands today. There is the need for a reassessment by the EU and its member states around what their policies have done in terms of human lives in Libya/ these policies have contributed to the destabilisation of the country and what has occurred might be defined as crimes against humanity (with the EU "complicity"). Establishing policies that are human rights-centred and reframing EU approach through, for instance, Re-establishment of quotas to allow safe evacuation of people or promoting the Establishment of safe and legal routes from origin countries, thus disempowering and curbing illicit trafficking and criminal networks.

Internal and external dimensions of the migration issue are intertwined:

- Migration as a topic is taking hostage the whole EU foreign policy towards

Libya. Since 2015, the migration trauma has been dangerously normalised → Migration is ONE of the issues at stake in Libya.

- Link between internal and external dimensions of the EU migration policy. When things don't work on the internal side, the EU tends to channel energies on the external dimension. Yet, by delegating more to external actors, the risk of instrumentalisation increases as you are more exposed and vulnerable to third actors.
- This might also lead to connivance in human rights abuses as a result of delegating migration management to a country with no legal standards.
- EU as a migrant management actor lost legitimacy.
- Internal dimension of the EU migration & asylum policies is shrinking.

3. The economy

3.1 Libya as a rentier state: The background

In Libya, for decades, before the revolution, two key factors defined Libya's economy: the dependency on hydrocarbons and Colonel Muammar Gaddafi's distinctive economic policy approach. Overdependence on oil has led to substantial fluctuations in real GDP growth, with oil revenues relying on two main variables: the global prices for oil, which are structurally volatile; and OPEC quotas. These fluctuations are still visible today. In those years, there were also a number of structural economic planning problems typical of the Gaddafi era. The latter included the adoption of quasi-socialist policies and abrupt transformations, resulting in low levels of private-sector activity that had a negative impact on the involvement of foreign companies in the country. This last element did not change significantly after the revolution, and it is part of the debate here on the problems the economy faces nowadays.

In the first two decades of his rule, Gaddafi's Libya was characterised by the pursuit of radical socio-economic policy, based on programmes of redistribution. However, years of economic mismanagement and international isolation led the regime to shift its approach at some point. In those years, it was becoming obvious that this path was increasingly unsustainable. Thus, Gaddafi opted for a more pragmatic attitude. The regime thus launched an uncertain process of liberalisation.

In the late 1980s, forced by the domestic impact of the global economic recession, Gaddafi had to adopt what can be considered the Libyan version of *Perestroika*, centred around a greater role for the private sector mixed to limited political reforms. Modernising the economy, reducing the dependence on its hydrocarbon sector, and boosting economic growth were some of the most critical issues that Gaddafi's regime attempted to tackle. The pursuit of economic reforms became more significant after 2001, as Libya aimed at capitalising on its return to the international community following the 9/11 attacks.

In the early 2000s, government debt was close to 100 per cent of GDP (including contingent liabilities such as unfunded social security liabilities), but this was not acknowledged by the government. This ratio had fallen prior to the revolution, given the strong growth in the economy. In the meantime, the uncertain political and security situations mean that necessary long-term budgetary planning is virtually impossible.

The trend towards a more accommodating commercial environment, which began in 1999, continued (albeit very slowly) until the war in 2011 and the ensuing regime change. In 2004 and 2007, the former authorities adopted a series of reforms to liberalise the commercial environment, including the launch of a Libyan Economic Development Board, which, in addition to coordinating the activities of different government departments, is also charged with easing the bureaucracy faced by investors wishing to conduct business in Libya. In addition, easing foreign-investment barriers and the slow-moving privatisation process have benefitted the commercial environment. However, in spite of these reforms, the commercial environment under Gaddafi remained particularly troublesome, characterised by rampant corruption and widespread cronyism. For the average Libyan citizens, the economic reality of common Libyan citizens was rather different and it was one of the key factors exacerbating the unsustainability of Gaddafi's regime.

The major problems affecting the state of Libyan economy were:

- the lack of an inclusive and sound policy of wealth re-distribution;
- the increasing problems related to youth unemployment and the demographic challenges;
- the dependence on external shocks, typical of all the oil-economies;
- the presence – and the deepening – of strong regional economic cleavages;
- the weight of tribal allegiances and political loyalties on distribution logics;
- the neo-patrimonialist nature of Gaddafi's regime.

However, at the dawn of the revolution, the economic picture *per se* was not particularly negative.

According to the official data available, Libyan overall pre-conflict economic picture was not that bad, above all if compared to other Arab and African countries. The latest Public Information Notice released by the International Monetary Fund on 15 February 2011 – just two days before the actual, formal eruption of the crisis – provided a rather positive assessment of the Libyan economy.⁶ According to this notice, Libya recorded a strong macroeconomic performance. Non-hydrocarbon growth was solid, growing by 6 per cent in 2009 and 7 per cent in 2010. Real GDP contracted by 1.6 per cent in 2009, as a result of the decline in hydrocarbon output to match the OPEC quota and the more general weakening of energy demanded

⁶ IMF, *Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation with the Socialist People's Libyan Arab Jamahiriya*, 15 February 2011, <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn1123>.

related to global economic downturn. However, the following year the pace of economic growth was robust, and growth was estimated at 10 per cent, strengthened by a sharp increase in oil production and the broader global economic recovery.

This recovery also increased the inflow of oil revenues, boosting the fiscal surplus. External current account surplus was at 20 per cent in 2010. At the end of 2009, Libya had 2 billion US dollars operating in foreign direct investment (FDI) in Libya and almost 2 billion US dollars in process. Moreover, according to the Human Development Index released that year, Libya ranked 53 out of 169 countries, performing better than its immediate neighbours and many Arab countries.⁷ Libya's total foreign assets were estimated at some 170 billion US dollars and about 15 billion US dollars were unfrozen by the countries meeting in Paris in early September that year. However, the revolution, two civil wars, oil blockade and the adverse influence of external meddling change this picture drastically.

According to a recent World Bank assessment, the present economic outlook for Libya is burdened by a number of different crises, including: the persisting civil conflict, the adverse effects of the Covid-19 pandemic and most recently, the impact of the Russia-Ukraine crisis. Although, over the past two years, the actual civil war has become less intense, the Libyan economy has been battered by the conflict. GDP per capita estimates in 2021 stood at about half of its value in 2010. Since 2020, the population has been hit by multiple waves of the Covid-19 pandemic and the authorities have struggled to cope with these waves amid a toxic mixture of incompetence and mismanagement. In addition, food insecurity has deteriorated further amid the impact of the Russia-Ukraine crisis and the resulting shortages and price increases for staple foods in the domestic market.⁸

3.2 Libya's rentierism today

Still today, in a rentier economy like that of Libya, the redistribution of oil revenues is crucial. Here, the institutions controlling the revenues have the power to regulate oil income and rent distribution. As such, theoretically, it is of uttermost importance to achieve the neutrality of financial institutions. This is, however, easier said than done. Being a rentier state, Libya is a country in which the economy is extremely dependent on political dynamics and external factors. Although there has been no attempt to diversify the economy – which is already difficult in normal conditions, and it has been almost impossible in the last 11 years, we are witnessing the emergence of a new generation of people in Libya that does not necessarily expect salary coming from the rent extracted from natural resources. Yet, oil remains fundamental for Libya. Many observers thought that the oil era was over when oil was traded at a negative price and then with the oil blockade. Now we are in a

⁷ UNDP, *Human Development Report 2010*, 1 January 2010, p. 142, <https://hdr.undp.org/content/human-development-report-2010>.

⁸ World Bank, *Libya Economic Monitor. Summer 2022*, September 2022, <https://www.worldbank.org/en/country/libya/publication/libya-economic-monitor-september-2022>.

completely different situation, and oil has shown that it remains a highly relevant resource, especially for an economy like that of Libya. Nevertheless, Libya cannot only rely on its usual oil rent, because what is happening is contingent rather than structural.

What does it mean for young Libyans to do business in the country? Those willing to start a business face several day-to-day challenges, including:

- *Unemployment*: Libya has been grappling with unemployment for decades, which has been exacerbated by security issues and a lack of long-term development plans or programmes to tackle it.
- *Decrease in FDI projects* due to overall policy uncertainty and insecurity.
- *Proliferation of militias and armed groups*: this context can incentivise young people to join these groups due to the financial rewards they offer.

More and more Libyans want to migrate to find other opportunities abroad. That being said, despite a problematic entrepreneurship ecosystem with many weaknesses and obstacles, there is a positive aspect: the strong resilience and strength of entrepreneurs themselves.

The major impediments to the entrepreneurship/business ecosystem include:

- *Regulatory framework*: Starting a company is extremely difficult, especially for young people. There are no laws for patents, intellectual ownership, or data protection, leaving many ICT and technology-related projects unprotected. The process of starting a company is time-consuming, requires multiple partners, and involves cumbersome procedures, with no willingness or capacity to reform it.
- *Limited and insufficient access to finance*, which remains informal. Young people need their own capital or savings, or loans from family and friends. There is no plan, design, or legal framework to provide funds for start-ups, such as loan or financing schemes. The requirements for bank loans are infinite, making it difficult for young people to obtain financial assistance.
- *Lack of support systems*: Incubators lack funds and sustainability and are not up-to-date with global trends. There is no proper incubator system in Libya due to the absence of a legal framework regulating and supporting their activity.
- *Public sector monopoly*: The state dominates the whole opportunity for private enterprises, limiting the areas where entrepreneurs can excel. A state-led and dominated economy is a central issue.
- *Elite capture/corruption*: Corruption favours those who already have favourable access to financial institutions, government contracts, and business opportunities. This is now the norm in Libya and a serious obstacle for Libyans to have a fair environment in which to thrive and compete.
- *Lack of sound economic policies and political will to change things*: There have been no attempts or willingness to change this ineffective system and implement policies that enhance entrepreneurship.

3.3 The issue regarding mentality

There is another issue that Libyans have identified, which is related to “a matter of mentality and culture”. It is not only about the economy; it is a broader problem regarding the overall structure of Libyan society, culture, and institutions that do not allow young Libyans to create and work. The brain drain phenomenon is already happening, and it will soon become even more significant. This is not just because people cannot afford the cost of living, but because there is no space for young people to use their enthusiasm and drive to initiate successful initiatives.

However, the diaspora communities might have a potentially positive spillover effect. Their experience abroad and exposure to different environments might create opportunities for those who are staying in Libya, promoting new businesses, and forging a new entrepreneurial approach. The role of the diaspora needs to be further investigated in future analysis.

Part of this problem regarding mentality is also linked to institutional culture: institutions do not give importance to entrepreneurs. Entrepreneurship is only understood as opening shops and performing little activities, rather than building an entrepreneurial system. Policymakers do not prioritise entrepreneurship since there are generational issues and cultural impediments. In Libya, youth and women do not hold much weight in decision-making, and this is reflected in institutions. Young people try to speak their minds, but policymakers do not listen and understand them. Entrepreneurship is seen as launching micro-businesses, and it seems to be conceived more as a poverty reduction programme.

1) *Social protection system*: In 2021 there was no budget agreement and this inevitably affects the reliability of the system as a whole. In theory, there is a good social protection system in Libya, and entrepreneurs who engage in the formal market (another issue) can access all social protection measures provided by law. However, as demonstrated by the Covid-19 pandemic, many social protection schemes are not implemented effectively. There are often well-written law provisions, yet when it comes to implementation, it's another thing. But at least, they are available, so it might be easier to build upon them.

2) *The reform of the banking system*: A reformed banking system might alleviate some of these challenges. There are many international initiatives working on the reform of the bank sector, including an EU project that managed to get a decree from the Central Bank of Libya (CBL) stating that all banks should have a unit to support small and medium-sized enterprises (SMEs). Nevertheless, if there were real interest from the World Bank and the International Monetary Fund to work with the CBL, they could push for some of the reforms and make them happen. The CBL sets the regulations and establishes how it all works, but international institutions also have an influence on this, for example, in terms of corruption policy and security issues. Some requirements should be imposed on the CBL and other commercial banks that rely on the movement of money outside the country, since Libya depends on imports. The international community might work to push

these banks to operate in a fairer way and encourage people to deposit money in those banking institutions.

3.4 The oil sector

The oil sector is crucial to Libya's economy, with a large proportion of its revenue coming from the sector. Despite the world's efforts to reduce reliance on fossil fuels, oil and gas remain particularly relevant. In 2021, Libya was the seventh-largest crude oil producer in OPEC and the third-largest total petroleum liquids producer in Africa, after Nigeria and Algeria, according to the EIA.⁹ At the end of 2021, Libya held 3 per cent of the world's proved oil reserves and 39 per cent of Africa's proved oil reserves, with 48.0 billion barrels of oil reserves, representing 39 per cent of the continent's total reserves. The Sirte Basin, which contains 80 per cent of Libya's oil reserves, and the Murzuq Basin in the southwest account for most of the country's oil production capacity. However, ongoing civil unrest has limited exploration and development of its reserves since 2011, as most of the Libyan territory is still unexplored. Over the past ten years, insecurity has prevented a large-scale exploration programme.

Before the revolution, several large foreign petroleum firms, including Royal Dutch Shell, Repsol YPF (Spain), and Eni, which has been operating there since 1959, operated in Libya. However, the conflict has seen opposition forces set up a rival firm, AGOCO, which has responsibility for production in the East, while the National Oil Corporation (NOC) oversees the West. The domestic refining industry requires an overhaul, with five domestic refineries having a combined capacity of about 400,000 barrels per day when they operate with no issues. Libya's fiscal policy is almost entirely dependent on its oil and gas exports, with the oil industry accounting for over 90 per cent of the government's budget, and the tax base remaining narrow, with most taxes collected from external trade.

Oil production capacity in Libya has become unpredictable due to political and security issues, with production going from 900,000 barrels to 1.2/1.3 million since 2020. Although the NOC currently has plans to increase production up to 2 million barrels, technical and commercial issues, and the emergence of parallel governments leading to further instability, pose challenges. Boosting production requires proper funding, and failure to secure investments will likely result in further damages to infrastructure and inability to attract the know-how and technologies needed to upgrade the oil sector. Other issues, such as logistics and private companies' capacity to build infrastructure, need to be analysed, and the situation on the ground continues to worsen each year since these problems have never been addressed.

⁹ US Energy Information Administration (EIA), *Country Analysis Executive Summary: Libya*, last updated 9 May 2022, <https://www.eia.gov/international/analysis/country/LBY>.

3.5 The EU example and involvement

The movement of money, people, goods, technologies, and know-how are key areas in which the EU has been successful. However, Libya is struggling with all of them. Business needs capital that can freely move, but there are currently conflicts between different institutions and hierarchical structures in Libya, undermining security and bureaucracy. Although the National Oil Corporation (NOC) has maintained unity, this is not a priority, particularly when considering the potential crucial role Libya might play both onshore and offshore in the context of the European energy crisis. Urgent reforms in the movement of capital, people, and know-how are needed, including enhanced access to the market and to the country (visa).

The NOC aims are to increase production, particularly with gas, looking at local requirements and European standards. The capabilities to expand are there, but the will of state actors and public figures is crucial. However, the energy conundrum is never mentioned from the European side, even though the oil sector still generates revenue at this moment. Thus, although there is a need to invest in the diversification of the Libyan economy, if the oil sector is not kept running, there will be no diversification at all. Energy is a central issue, but it is not recognised as such. Working on energy has a cascade effect on many other domains and levels, demanding a lot of cooperation across different fields. Investments are needed from both the inside and the international community.

3.6 Connections between the Libyan economy and international business environment

Despite Libya's potential to be an economic powerhouse in the region, its instability has hindered its capacity to diversify the economy and create a macro-economic environment that would attract much-needed foreign investments. Last year, with the establishment of the GNU, many US companies showed interest in investing in Libya, but the ongoing chaos risks hampering that progress. The main hurdles that international companies face in Libya are:

Lack of a politically stable business environment: The Libyan bureaucracy is a major problem, with continuously changing administrations making it difficult to navigate administrative and banking issues and build trustworthy relationships with interlocutors. International investors are frustrated with how slow the Libyan government makes business-related decisions, and questions and concerns are raised about who will be in power, how this will affect national budget approval, and how long this standoff will last. Corruption is also an issue.

Concerns about safety and security of assets: After a decade of instability, companies have reservations about putting properties and people on the ground, as critical infrastructures are potential targets of armed groups. The opening of the US embassy in Tripoli would increase the perceived security of US investors.

Inefficient payment process: The dysfunctional banking system and dinars black market are the most pressing issues for US companies. Getting paid for work that has already been done is a major concern, and corruption is once again a source of concern. A lot of companies establishing business activities in Libya are trying to be paid upfront, but it is a complicated process with a lack of transparency in procedures. It is not only the bureaucracy per se, but first and foremost, its fragmentation resulting from the multiplication of different and competing actors and authorities on the ground. It is about who to talk to, and the subsequent fear of talking to the wrong person for the stability of the business. It is a toxic mix of sclerotic bureaucracy inherited from the previous regime and fragmentation resulting from the civil war and the past ten years.

Foreign companies have had to deal with bureaucracy and corruption in Libya, which has been a major hindrance to their operations. However, foreign companies also have a responsibility to contribute to the status quo, and what they can do is press their own governments to act to enhance the process of political stabilisation in Libya. Major foreign companies could put pressure on the Libyan government to shape economics, trying to push for more stability in order to penetrate the market. This would be a positive step and would encourage more foreign companies to invest in Libya.

However, sometimes there is no interest in intervening, as some international actors benefit from the current situation. The issue is not only related to business, but also concerns how external actors deal with the situation on the ground. For example, some EU states have relations with certain militias to address short-term issues, such as migration, which contributes to maintaining the status quo mentality among external players involved in Libya.

Private companies could be a major driver of development and contribute to much-needed diversification in Libya. However, there is a lot of work to be done internally to promote entrepreneurship and SMEs and encourage private businesses to invest there. A change in mentality is needed, which will not occur until there is stability and the rule of law in Libya.

Broadening the view on economy: It is important to broaden the discussion on the economic dimension of Libya as the country has been suffering from more than 10 years of conflict, despite not being poor. Categories of people have been suffering economically and materially, and we should shed light on the consequences of this scenario, such as corruption, lack of legal framework, lack of access to financing, and conflict on ordinary people's everyday life. When dealing with the economic dimension, we should consider three levels: the humanitarian dimension, economic leverage, and long-term development of Libya. First, to improve the condition of the population and use economic measures to accelerate the end of the crisis, inducing players involved to agree on a breakthrough. The Libyan Investment Authority, which has a huge amount of assets frozen abroad for a long time, can potentially play a crucial role in injecting liquidity and financing investments in the country. We need to set conditions for a Libyan government to

access these assets and extra liquidity as an incentive to accelerate the end of the crisis. The financial sector remains a big issue, and foreign investors can play as an incentive to accelerate the end of the crisis. Libya is not in a macroeconomic crisis as it has resources, high GDP growth, and a surplus budget. However, it is primarily suffering from problems related to resource management and on-and-off conflict issues. Access to money and redistribution of benefits is one of the key drivers of this conflict, and thinking of these issues from a conflict resolution perspective can be helpful.

Role of external players: Several foreign interferences in Libya are influencing the business ecosystem. One of the greatest impediments to foreign investments for the EU and the West is the continuous presence of Russia in Libya. The Ukraine crisis might be seen as an opportunity to collapse the Russian ability to exert influence in Libya and across Africa, creating a more positive environment to attract investments and bring back Western investments into Libya. However, the EastMed part of the conversation is missing, and this is very negative since you cannot maximise production from that area without engaging Turkey.

Relaunching the economic track: The economic track in Berlin was not as central as it should have been. It was not valorised. Although there were 7 major points in the Berlin final statement concerning economic and financial reforms, and a roadmap produced by the LPDF again with 7 major points and many details, all this work was not taken in consideration, let alone implemented. There was only emphasis on unifying the CBL and rationalise the public budget. The economic track is missing its opportunity. Relaunching the economic track is critical as it was not valorised, and there is a need to integrate the economic discussion on the path towards political instability.

We need to refocus the conversation on Libya on something more relevant and substantial than the election date, and the current window of opportunity is closing as the debate is not on these focal points but elsewhere.

Conclusion

The elements that must be taken into account when forging a new narrative on Libya are:

- Move beyond an emergency-based approach and invest in long-term solutions for Libya, which will have a secondary effect on stability in Europe.
- Prioritise Libyan interests first and develop a clear, integrated, long-term vision for Libya.
- Adopt a more holistic approach to border management that looks to the South and takes a regional approach. This includes improving surveillance through the use of technological tools and sharing expertise and responsibilities with other states, such as Niger, Chad, and Sudan authorities.
- Avoid waiting for the EU27 to move forward together, as progress has been slow since 2015.

- Cooperate and do more with front-line countries such as Italy, Spain, Greece and Malta, as well as Germany, which is also sharing responsibilities.
- Give more voice to Libyan stakeholders in the new narrative framework, as the debate has been dominated by non-Libyan voices, which hinders the understanding of what is happening on the ground.
- Increase engagement and visits of foreign investors to understand the local business environment and how it works. Without a local presence, it is difficult to understand the real situation. By having companies on the ground, they can better exercise anti-corruption policies, choose local partners and find local talents to work with.

Updated 23 July 2023

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*AffarInternazionali*), two book series (*Global Politics and Security* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via dei Montecatini, 17 - I-00186 Rome, Italy

T +39 06 6976831

iai@iai.it

www.iai.it

Latest DOCUMENTI IAI

Director: Alessandro Marrone (a.marrone@iai.it)

- 23 | 16 Silvia Colombo and Dario Cristiani, *European Think Tanks Contact Group on Libya: Towards a New Common European Narrative on Libya*
- 23 | 15 Karolina Muti, Ottavia Credi e Giancarlo La Rocca, *Il sistema-Paese Italia di fronte alle sfide dello spazio: tra space economy, cooperazioni internazionali e cybersecurity*
- 23 | 14 Michelangelo Freyrie, *Industrial Production in Support of European and Transatlantic Defence*
- 23 | 13 Elio Calcagno and Alessandro Marrone (eds), *The Underwater Environment and Europe's Defence and Security*
- 23 | 12 Federico Castiglioni, *A Stronger Italian-German Partnership: Closer Cooperation in Time of Energy Crisis*
- 23 | 11 Akram Ezzamouri and Miriam Zenobio, *EU-Tunisia Relations: Unpacking the Conundrum*
- 23 | 10 Matteo Bonomi, Luisa Chiodi and Irene Rusconi, *New Visions for the Western Balkans: EU Accession and Regional Security*
- 23 | 09 Leo Goretti, *La sicurezza italiana e la guerra contro l'Ucraina: i punti di vista degli esperti*
- 23 | 08 Manuel Herrera, *The War in Ukraine and the Future of Non-proliferation and Arms Control in the European Continent*
- 23 | 07 Dario Cristiani, *Europe's Evolving Order and the War in Ukraine*