Reforms in Libya Still a Long Way Off

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In early 2003, few people would have predicted the changes which were about to happen in Libya with regard to its external relations. Since then, Libya has come a long way towards its international rehabilitation by resolving the major international disputes affecting the country, including the Lockerbie case; the lifting in 2003 of the sanctions imposed by the United Nations to this country in 1992 and 1993; Libya's announcement, three months later, of its intention to scrap its programme for weapons of mass destruction; the subsequent gradual removal of US bilateral sanctions, including trade, diplomatic and military sanctions; and the decision by the European Council in October 2004 to lift all economic sanctions and the arms embargo which has been in place for 18 years. But Libya's turnaround in its relations with the US was the most decisive factor for its full rehabilitation. On May 15th 2006, the US administration announced that it was removing the Maghrebi country from the list of states sponsoring terrorism (in which it was since 1979) and that it was restoring full diplomatic relations with Tripoli. In spite of major progress achieved in three years and the promises for change made by the Libyan regime, the reforms implemented thus far have been limited and have focused on the economic sphere, so as to attract direct foreign investment, especially in the oil sector. The Libyan regime made important political concessions to Western countries, but hardly any with regard to Libyan nationals and to introducing political reforms and improving the country's human rights situation.

The Political Situation

The Jamahiriya (state of the masses) system was created by Colonel Gaddafi in 1977 in line with the "third universal theory" which he expounds in his Green Book, which enables him to control the entire political system and to prevent the emergence of any other centre of power, however modest. To this end, all the changes that are constantly introduced in the system are aimed at consolidating his authority as the "Guide of the Revolution".
Gaddafi's decision in early March 2006 to replace Shukri Ghanem, a liberal technocrat who is an advocate of a market economy, with a new Prime Minister, Baghdadi Mahmudi, less enthusiastically in favour of reform, allowed him to present it as a victory for the old guard's sui generis and long disaccredited system of "people's power" versus more pragmatic sectors. Ghanem was then appointed President of the National Oil Corporation (NOC). These changes would also indicate a repositioning of the candidates to succeed Gaddafi (who was born in 1942 and has been in power since 1969), which would imply a loss of influence for his son, Saif al-Islam, more in favour of introducing certain reforms in the system and who is often – although unofficially –presented as the candidate to succeed his father.
For a long time, Gaddafi has been able to contain the threat of Islamic fundamentalism, and his regime has closely collaborated with Western countries to combat this phenomenon. However, in mid-February 2006, a series of violent demonstrations took place in Benghazi and other cities; there were clashes between the police forces and demonstrators enraged by an Italian Minister's TV appearance in his country with a T-shirt decorated with media cartoons satirising the prophet Mohammed. At least 11 people were killed and hundreds were injured during the riots in

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which religious radicals and regime opponents took part. In spite of this, opponents in Libya do not appear to be in a position to challenge the existing political system. In June 2005, close to 300 exiled opponents of the Gaddafi regime gathered in London for a "National Conference of Libyan Opponents" to demand Colonel Gaddafi's resignation and that the 1951 Constitution be restored. However, they have been historically divided, and do not appear to attain the unity required to present a coherent alternative to the current regime.

The Economy and Hydrocarbons

The Libyan economy is almost entirely dependent on hydrocarbons. The country saw a major economic growth (over 6% in 2006) due to improved oil revenues as a result of an increase in prices. This situation has afforded Libya enough cash liquidity (over 59,000 million dollars in foreign reserves at the end of 2006) to implement a wide range of economic policies to encourage the entry of foreign companies. NOC accounts for around 95% of the country's foreign currency revenues. Libya is the second-largest crude oil producer in Africa, with an estimated 1.7 million barrels per day in 2006 (considerably less than the 3.2 million barrels which it produced in the early 1970s). Furthermore, it has proven oil reserves of 41 billion barrels, which amounts to almost half of the total proven oil reserves in the African continent.
Libya needs to attract investors in the oil sector as it is vital for the economy of the country, and as long as it is not capable of diversifying its sources of income. In fact, the survival of the Gaddafi regime may depend on its ability to produce more oil and gas. The Libyan Government expects to increase oil production to 3 millions barrels per day by 2015. In order to achieve this and recover from the negative effects of over two decades of embargo and sanctions, Libya needs to attract more than 30 billion US dollars in foreign investment and modern technology. Oil production and prospective licensing has increased lately, while there is greater competition between international companies to obtain NOC concessions.
The economic and commercial opportunities currently offered by Libya, following years of sanctions and with huge revenues from hydrocarbons, are considerable and have a highly lucrative potential. Recognition of the need to privatise ("expanding the base of property owners," in the official discourse) implies recognition of the failure of the economic model in place since the 1970s, as well as the insufficiency of the reforms implemented since 1987. At the same time, abolition of one of the maxims of the Green Book, whereby workers are "partners, not wage-earners," opens the door to changes in other revolutionary principles. However, the repeated promises of economic liberalisation focused on diversification, privatisation and structural streamlining have not been effectively implemented outside the oil sector.
Libya and Spain have mainly economic relations. In 2006 Spain's imports from Libya amounted to over 2.647 billion euros while its exports were only of 84 million euros. These figures show a significant trade deficit of over 2.563 billion euros. Most imports from Libya consisted of fuel oil and lubricants, amounting to almost 10% of Spain' total imports of crude oil.

Libya in the Euro-Mediterranean Context

In spite of there being a large number of issues of mutual interest, Libya's relations with the EU are still anomalous. Several European countries that have commercial relations with Tripoli are regarded as Libya's main trade partners. However, Libya is the only Mediterranean country which does not have formal relations with the EU since, among other reasons, the European Commission does not have a permanent delegation in Tripoli (although since May 2005 it has a non-resident ambassador). Libya currently has the status of an observer country in the Euro-Mediterranean Partnership (EMP). In 2004, Libya declared its interest in becoming a full member of the EMP, although it has not yet formally applied.
Together with Syria, Libya is the missing link in the EU's Project for creating a Euro- Mediterranean Free Trade Area by 2010. The reason given by the Libyan authorities for its absence is that Libya cannot participate in an initiative whose final purpose is to create a "zone of peace, stability and security in the Mediterranean" while one member continues to occupy the territory of another (in reference to Israel's occupation of the Palestinian Territories). In fact,

Libya knows that it can achieve much of what it needs from Europe bilaterally without committing itself to the Barcelona *acquis*. Likewise, Tripoli already enjoys in practice all the advantages of a free trade area with the EU, since its energy exports are not submitted to tariffs.

The line taken by the European Commission of implementing a realistic, conditional and progressive approach towards Libya, although perhaps necessary in the current conditions, runs the risk of offering Tripoli a version of the EMP à la carte. In some European circles it is believed that Libya's active involvement in the 5+5 Group (which includes the five Maghrebi countries – Algeria, Libya, Mauritania, Morocco and Tunisia – and five European countries – France, Italy, Malta, Portugal and Spain) serves for it to become gradually involved in political dialogue, as a previous step to its full integration into the EMP. However, the European Commission recalls that the EU has 27 Member States. If the EU's ultimate aim is Libya's full integration in the EMP and in the European Neighbourhood Policy (ENP), it may need to explore incentives relating to access to European technical aid, as well as the possibility of participating in regional infrastructure projects or joint initiatives to support development in Africa, currently an area of the greatest priority in Libya's foreign policy.

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Once again, Libya's relations with Western countries are not free of controversy and mutual accusations, as is seen in the case of the five Bulgarian nurses and the Palestinian doctor who were imprisoned in February 1999 and later sentenced to death, accused of spreading the AIDS virus to hundreds of patients in the Benghazi children's hospital. The EU and other countries have repeatedly expressed reservations as to the trial process. Although the Supreme Court in Libya overturned the death sentences in December 2005 and ordered an inquiry of the trial process to determine whether there were procedural flaws, the Tripoli Criminal Court confirmed the death sentences on 19th December 2006, a few days before Bulgaria's accession to the EU. According to a study published in *Nature* magazine twelve days before the sentence was made known, the AIDS epidemic in the Benghazi hospital broke out one year before the incorporation of these members of staff. This matter is still generating tension between Libya and the international community in view of the arbitrariness of the trial process, the lack of cogency of the prosecution evidence and the utilisation of the case to distract the attention of the Libyan population.

Not Fully Normalised

The reforms thus far implemented in Libya have been limited and have focused on the economic sphere. It is unlikely that reform will be accompanied by any significant political liberalization. There are still many obstacles which hamper the full normalisation of Libya's foreign relations. These obstacles are linked to the nature of Libya's political regime and to a mutual distrust as a consequence of the country's isolation period. Some recurring problems include the lack of coherence in the design and application of policies, bureaucratic red tape, the high degree of administrative discretionality, the lack of transparency, difficult access to information and the existence of an unpredictable legal system and a deficient banking system. All of these factors make the country less appealing than it could be from a business standpoint. It is unlikely that all of these obstacles will disappear in the short term, although Libya will try to make gestures towards boosting the confidence of foreign investors.

Once Libya has received the *certificate* of rehabilitation from the international community, a new climate of cooperation with its neighbouring countries is required in order to ensure the development of Libya's constructive potential, both at home and abroad. This cooperation should not be limited to economic and security issues. An adequate framework for normalizing Libya's relations with its neighbours is its full integration into the Barcelona Process. In Spain's favour is the absence of recent conflicts or of a colonial past with this country of the Maghreb (unlike other European countries such as Italy, the UK, France and Germany). For Spain it is important to boost bilateral relations and to partly correct its high trade deficit with this country.