

# BTI 2010 | Libya Country Report

<b>Status Index</b>	1-10	<b>4.49</b>	# 97 of 128	
Democracy	1-10	3.20	# 116 of 128	➔
Market Economy	1-10	5.79	# 61 of 128	➔
<b>Management Index</b>	1-10	<b>3.05</b>	# 113 of 128	

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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**Key Indicators**

Population	mn.	<b>6.2</b>	HDI	<b>0.85</b>	GDP p.c.	\$	<b>14364</b>
Pop. growth	% p.a.	<b>1.9</b>	HDI rank of 182	<b>55</b>	Gini Index		-
Life expectancy	years	<b>74</b>	UN Education Index	<b>0.90</b>	Poverty <sup>2</sup>	%	-
Urban population	%	<b>77.4</b>	Gender equality <sup>1</sup>	<b>0.61</b>	Aid per capita	\$	<b>3.1</b>

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

## Executive Summary

Since the revolution on 1 September 1969, Libya's authoritarian political system has shown considerable stability, despite many institutional transformations, tensions and conflicts with foreign nations, including war with Chad, conflict with the United States, and U.N. sanctions from April 1992 to April 1999. As in the past, Libya's political evolution is currently dominated by revolutionary leader Muammar al-Qadhafi, who determines the main direction of policy. It should be noted, however, that in doing so he must take into account the interests of the country's largest families and tribes. Al-Qadhafi has determined the country's political and economic evolution since 1969. This includes the reforms instituted between 1987 and 1992, those put in place after U.N. sanctions were suspended in April 1999, as well as the enforcement of reforms after U.N. sanctions were lifted in September 2003. Reforms were initiated with the objective of restoring Libya's full scope of action. At no time did political reform aim at a democratization of the political system in accordance with Western criteria. The population's only means of participating in the decision-making process remains the People's Congresses, which are controlled by the Revolutionary Committees. The only improvement since 1999 has been an increased tolerance for interest articulation. However, it should be noted that the lack of political challengers has softened the state's handling of political dissent. Examples include the release of political prisoners, a curtailing of the use of torture and the abolition of the People's Court. These measures could be reversed at any time. According to official discourse, the trend toward a free market economy, first witnessed in the late 1990s, has become irreversible. The desire for foreign investment and the subsequent impulse toward further economic reforms are poised to improve the economic framework and render it more efficient in the process. The European Union, and especially Italy, is about to intensify collaboration with Libya in regard to the growing number of migrants who attempt to travel from Libya to Italy. The United States has sought to normalize relations with Libya, and in September 2008 U.S. Secretary of State Condoleezza Rice met al-Qadhafi on a landmark visit to Tripoli. In December 2008, a U.S. ambassador was finally sent to Tripoli. The deeply politicized case of five Bulgarian nurses and a Palestinian doctor accused of deliberately spreading HIV was solved in July 2007, and the

medics were transferred to Bulgaria. In August 2008, Saif al-Islam al-Qadhafi, one of al-Qadhafi's sons and the executive force behind the gradual opening up of Libya, declared his step back from matters of the state. However, on 1 September 2009, al-Qadhafi will be in power for 40 years and huge celebrations are expected.

## History and Characteristics of Transformation

The almost four decades of revolutionary history in Libya should not be viewed as one monolithic period, but rather as several stages of political and economic development. According to one widely accepted analysis, there have been three recognizable political phases. In the first phase, lasting from 1969 to 1970, a new political and organizational model was sought to overcome the shortcomings of the preceding monarchy. In the second phase, which lasted from 1971 to 1975, the Arab Socialist Union was established as the sole political party, based on the Nasserite constitutional model. In the final phase toward the end of 1975, the Nasserite model was replaced with an officially sanctioned, vertically organized system of "direct democracy" based on elected executive People's Committees responsible to legislative People's Congresses at the national, regional and local levels. In this last phase, the Nasserite model was abandoned because of problems such as a parallel bureaucracy in the form of the Arab Socialist Union.

This third system, which has been in place for almost three decades, is grounded in resolutions passed by "the masses," or "Jamahir" in Arabic. Thus, in Libya, the state is referred to as the "Jamahiriya," or "state of the masses," though it should be noted that the word is often translated into English as "republic." The Jamahiriya has itself been through various phases, albeit without significant change to its central mechanism of governance, marked by al-Qadhafi's control of the system through "Revolutionary Leadership." The following is an account of significant events, measures and stages that mark the period from 1975 to 2005: In 1975, Part I of the Green Book was put forward as the ideological basis of the new political system, which was then established in 1976. On 2 March 1977, the "Proclamation of Rule by the Masses" was issued, functioning as a written constitution. In 1977, al-Qadhafi's loyal followers formed the Revolutionary Committees, which remain active to this day. The original task of the committees was to establish the political system, but members have increasingly controlled the system and shut out the political opposition, effectively dissolving it. In 1979, al-Qadhafi declared himself "Leader of the Revolution." Structurally, this designation made him a political and ideological figurehead who operates outside the People's Congress/Committee system, influencing it through the Revolutionary Committees, which he controls. In 1987, following military losses in Chad, the international financial crisis of 1986, and a generally deplorable state of domestic affairs, political and economic reforms were instituted. These reforms included limiting the authority of the Revolutionary Committees, lifting travel restrictions, and reinstating private enterprises nationalized in 1979. By the early 1990s, political reforms were abandoned or discontinued in

response to increased Islamist violence toward the secularist-oriented Jamahiriya government, as well as to the imposition of U.N. sanctions in response to Libya's implication in the 1992 Lockerbie bombing. Reforms were cautiously reinstated in 1999, following the state's repression of militant Islamist groups and the de facto lifting of U.N. sanctions. Libya's relationship with the West has clearly improved in the wake of a series of diplomatic endeavors, with the visible effects including the official lifting of U.N. sanctions in September 2003, Libya's cooperation with the United States in its "war on terrorism," and the official renunciation of weapons of mass destruction in December 2003.

These developments have also prompted internal economic reforms. There has been a noticeable push forward in political reforms during the period under review, although they still remain secondary to economic reforms. However, in December 2008 Libya announced that the country's first constitution since 1969 will be drawn up soon.

The year 2007 was dominated by concerns over six foreign medical workers convicted of conspiring to deliberately infect 426 Libyan children with HIV in 1998. The international community and medical authorities disputed the convictions, and argued that the HIV infections were caused by preexisting conditions of poor hygiene. The medics were sentenced to death in 2004. In 2006 they were sentenced to death again following an appeal and a retrial. On 15 July 2007, the relatives of the HIV-infected children formally dropped their demands for execution of the five Bulgarian nurses and Palestinian doctor. A financial settlement was reached out of court, in which the relatives of each child would receive \$1 million in compensation. On 17 July 2007, the death sentences were commuted to life in prison. The medics were transferred to Bulgaria and pardoned by President Georgi Parvanov on 24 July 2007. In October Bulgaria decided to remit Libya's debt from the Communist era and contribute money to an international fund for support of the children infected in Benghazi. Libya was interested in resolving the case amicably with Europe, particularly for trade reasons. In July 2007, Cécilia Sarkozy visited Libya twice and played an important role concerning the release of the medics. In France she was accused of circumventing the authority of Foreign Minister Kouchner. However, in doing so she promoted French-Libyan economical ties.

On 4 September 2008, U.S. Secretary of State Condoleezza Rice met al-Qadhafi on her historic visit to Libya. The relationship between the two countries had begun to develop when Libya renounced banned weapons programs in 2003, and as compensation claims were settled during the following years. In December 2008, the first U.S. ambassador to Tripoli in 36 years arrived in Libya.

## Transformation Status

### I. Democracy

#### 1 | Stateness

There have not been any problems regarding stateness since Libya gained independence in 1951. The state has an unrestricted monopoly on the use of force, challenged only in the 1990s by Islamist groups.

Monopoly on the use of force

All citizens have the same formally defined civic rights, and the nation-state is widely accepted as legitimate. Definitions of and qualifications for citizenship are politically irrelevant. It should be noted that the Berbers – which constitute approximately 20% of the population, though this figure is contested – have expressed reservations about the dominant Arabic emphasis in language and tribal lineage and the discrimination against the Berber language. However, in August 2007, Berber activists were allowed to hold a congress in Tripoli for the first time. Prime Minister al-Baghdadi al-Mahmudi and Saif al-Islam al-Qadhafi visited Berber regions and launched economic projects there. In November 2008, six people were killed in gun battles that broke out between the Toubou and the Zawia tribe in Kufra in southeastern Libya. Officials said that a “minor incident” had been exaggerated by reports from abroad. In fact the non-Arab Toubou tribe is fighting against the same discrimination the Berbers are suffering from.

State identity

The political process is secularized, though the state and official state religion (Islam) do occasionally overlap. The government is legitimized by Islam in the sense that the People’s Congresses are said to be an implementation of the Islamic principle of consultation, as prescribed by the Quran (Sura 42, verse 38).

No interference of religious dogmas

The nationwide administrative system has extremely bureaucratic tendencies and is involved in jurisdictional disputes. However, it suffers from widespread corruption and low technical skill levels. The introduction of a regional administrative level, the Sha’biyat, has not improved the efficiency of the administration. Public safety and rule of law are largely guaranteed. Criminal activities are said to have increased mainly due to migrants from sub-Saharan Africa. As in March and September 2008, al-Qadhafi asserted in November 2008 that the abolishment of several administrative institutions including some ministries is beyond discussion.

Basic administration

## 2 | Political Participation

Every four years the membership of the Local People's Congresses elects by acclamation both their own leadership and secretaries for the People's Committees, sometimes after many debates and a critical vote. The leadership of the Local People's Congresses represents each locality at the next level of the People's Congress, and has an imperative mandate. The members of the National General People's Congress elect the members of the National General People's Committee (the Cabinet) by acclamation at their annual meeting. The most important recent meeting, which took place in Sirt in early March 2007, was the 30th anniversary of the establishment of the Libyan Jamahiriya and the annual meeting of the general people's congress. One year later al-Qadhafi used this annual conference for saying that it was time for his long-isolated nation to open up to the world and that one day Libya would not need him as leader. Furthermore he stated that all citizens had the right to benefit from the oil funds ("They should take the money and do whatever they want with it").

Free and fair elections

While there is discussion regarding who will run for executive offices, only those approved by the revolutionary leadership are eligible for election. The government administration is effective as long as it operates within the context of the revolutionary leadership's directives. The revolutionary leadership has absolute veto power, despite the constitutionally established people's democracy and alleged rule of the people.

There is a dual governing structure in Libya. The "revolutionary sector" comprises Revolutionary Leader al-Qadhafi, the Revolutionary Committees, and the remaining members of the 12-person Revolutionary Command Council, which was established in 1969. The revolutionary leadership established in 1969 is not elected and cannot be voted out of office, as they are in power by virtue of their involvement in the revolution. The revolutionary sector dictates the decision-making power of the second sector, the "Jamahiriya Sector." Making up the legislative branch of government, this sector comprises Local People's Congresses in each of the 1,500 urban wards, 32 regional Sha'biyat People's Congresses and the National General People's Congress. These legislative bodies are represented by corresponding executive bodies (Local People's Committees, Sha'biyat People's Committees and the National General People's Committee/Cabinet).

Effective power to govern

Political parties were banned by the Prohibition of Party Politics Act Number 71 of 1972. According to the Association Act of 1971, the establishment of NGOs is allowed. As they are required to conform to the goals of the revolution, however, the number of NGOs in Libya is small in comparison with that in neighboring countries. Unions do not exist as such. However, the numerous professional associations are integrated into the state structure as a third pillar, alongside the

Association / assembly rights

People's Congresses and Committees, though it should be noted that they do not have the right to strike. Professional associations send delegates to the General People's Congress, where they have a representative mandate.

The government controls the state-run and the semi-autonomous media. Any articles critical of current policies are requested and intentionally placed by the revolutionary leadership itself, often as a means of initiating reforms. In cases involving a violation of these "taboos," the private press, such as the Tripoli Post, has been censored. The violation of taboos is therefore highly unusual and Libya's journalists practice a distinctive self-censorship. If a taboo is violated, it is done so, for the most part, with the state's blessing. For instance, in the 1980s, an article criticizing the army (entitled "al-Jaish – Hashish wa-Taish," or "The Army: Hashish and Carelessness") was launched by al-Qadhafi in conjunction with his aim of restructuring the army. In April 2007, for the first time since 1969, Libyan journalists, writers and university professors launched an appeal for press freedom. In August 2007, two new "private" dailies were created, Oea and Cyrene. Together with the Libyan television channel Al-Libiyah, also new, they belong to Al-Ghad Media Group, owned by Saif al-Islam al-Qadhafi, who has repeatedly outlined the need for the emergence of an independent press. Starting in January 2009, Libyan secret service hackers broke into six Libyan opposition web sites. Exiled Libyans writing for Libyan opposition websites face police questioning and imprisonment.

Freedom of  
expression

### 3 | Rule of Law

Despite significant improvement since the 1980s regarding the rule of law, Libya still shows considerable shortcomings in this area, as exhibited by instances of imprisonment without trial, torture and insufficient separation of powers. However, Libyan tribes are powerful, insofar as al-Qadhafi's Qadhdhadfa tribe is small and relies on a confederation with other tribes in order to remain in power. This fact evokes compromises.

Separation of  
powers

While a separation of powers between the legislative and executive branches exists to some degree, the judiciary is not independent, as it remains subject to "revolutionary control." However, this applies only to court proceedings on political issues; common criminal proceedings such as those for murder, robbery, larceny or traffic violations, and proceedings relating to matters of personnel statutes are not subject to political influence. The most recent example of how the judiciary can be politically influenced was the case of the five Bulgarian nurses and the Palestinian doctor sentenced to death in Libya. They were set free for political reasons and "blood money."

Independent  
judiciary

The revolutionary leader (al-Qadhafi) does not have a direct legislative role and does not sign executive orders. However, the revolutionary leadership can intervene in the legislative, executive and judicial arenas. When certain procedures and regulations are activated, the relevant body will take suitable action or will issue appropriate texts such as laws or decrees. No formal controls are placed on the revolutionary leadership, and the desire to maintain power governs its activities. Corruption is a serious problem that, while denounced at the highest levels, is tolerated to a certain degree because the most corrupt people – the members of the revolutionary committee movement – are the regime’s biggest supporters. As such, although anti-corruption laws do exist, they are not enforced.

Prosecution of  
office abuse

Civil liberties are respected only in principle. In reality, the judiciary is controlled by the state, and there is no right to a fair public trial. Citizens also lack the right to any input in the government’s decision-making processes. The freedoms of religion, association, assembly, press and speech are restricted. Independent human rights organizations are prohibited, and Libya continues to have a poor record in the realm of human rights, despite the promulgation of the Great Green Human Rights Charter on 12 June 1988. In practice, this declaration does nothing to prevent numerous and serious abuses, including poor prison conditions, arbitrary arrests and detentions, prisoners being held incommunicado, and political prisoners being held for many years without charge or trial. Concerning the civil rights of women, the state does not do enough to protect women and girls against violence, including rape and spousal abuse, which seems to be widespread. Ethnic and minorities suffer from discrimination, and the state restricts the labor rights of foreign workers.

Civil rights

#### 4 | Stability of Democratic Institutions

The institutions established in 1976 as part of the Jamahiriya government have functioned as envisioned at the time. The basic People’s Congresses meet three times yearly (one time for national issues), and a National General People’s Congress is held annually (at the time of this writing, the most recent meeting was in Sirt in early March 2008, for the 32nd orderly session). Suffrage is universal but also compulsory, meaning that all Libyan men and women over the age of 18 are required to participate. Manipulative intervention by the General Secretary of the General People’s Congress, as well as the Revolutionary Committee’s control of discussions have to date prevented the system of direct democracy from truly functioning. Nevertheless, the revolutionary leadership prefers not to issue resolutions in a blatantly authoritarian manner, but prefers to make it appear that resolutions are the result of the direct democratic process.

Performance of  
democratic  
institutions

There is no modification of the political system in sight. To the contrary, in January 2005, al-Qadhafi urged the United States to adopt the Jamahiriya model of direct democracy for itself.

Commitment to  
democratic  
institutions

## 5 | Political and Social Integration

Political parties were banned by the Prohibition of Party Politics Act Number 71 of 1972.

Party system

Outside the government-sponsored system of political participation, representation of special interests is minimal. Associations are exceptions to this rule, particularly those that operate nationally, such as the General Administration for Drug Control or the General Union for Youth, the latter being of importance for al-Qadhafi's son Saif al-Islam, as demonstrated by his address of this union in a speech on 23 August 2006, explaining his ideas on reform. In later speeches to the group in 2007 and 2008, he addressed the same topic. Because of the prevailing tribal system, there is little need for socially oriented self-help organizations. By contrast, there are well-established organizations for professionals, for high school and college students, and for women, including numerous local women's organizations that are members of the National Women's Union. Professional organizations vary widely and regulate matters specific to their areas of concern. They represent profession-specific views at the General People's Congress, but are also used, as needed, as instrumental bodies by the revolutionary leadership. This results in an asymmetrical relationship between revolutionary leadership and professional organizations.

Interest groups

No information is available regarding popular political opinions or positions on individual issues. This is due to a lack of public opinion polls, a lack of freely operating NGOs, the Local People's Congresses' restricted ability to articulate political will, and the 1972 ban on political parties that stated "establishing a party equals an act of treason against the unity of the people." Insofar as opposition can be articulated in the form of poor attendance at the Local People's Congresses, it can be assumed that the prevalence of political indifference and even opposition approaches between 50% and 80% of the population. Figures on election turnout, such as the most recent elections to the People's Committees, held in 2004, are unpublished. That said, strong family and tribal ties, still very important as a cornerstone of individual action, see to it that Libyans take advantage of the resources of the rent-seeking state to the greatest extent possible through a presence in the system's institutions and bodies – among others through the very influential Social People's Leadership Committees, established in 1994.

Consent to democratic norms

In August 2007 Saif al-Islam al-Qadhafi underscored the need to draw up a constitution that might be called the "Jamahiriyan Pact." However, his father's leadership and the influence of Islamic Shari'ah law will not be up for discussion. More than one year later (November 2008) Saif al-Islam said he expected the constitution to be adopted by the 40th anniversary of the 1969 revolution. At the time of writing, it was not clear whether this might rather be a "social charter,"

drafted on the initiative of al-Qadhafi's son Saif al-Islam, for defending human rights. At the end of February 2009, the draft constitution was slated to be presented to the People's Congress.

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Associational  
activities

## II. Market Economy

After two decades of comprehensive state socialism ("People's Socialism"), Libya has initiated a cautious series of changes that have accorded the private economy greater political status, broken up monopolies, permitted foreign investment in Libya, and are reforming its economic system. Indeed, these changes have all come within the past seven years, in large measure as a result of the economic consequences of U.N. sanctions. The implementation of reforms still depends on how forcefully al-Qadhafi supports the contents of reform. Acknowledgement of the free market is continuously growing. Figures on income distribution do not exist. Although Libyan society has traditionally tended toward egalitarianism, there is an unmistakable tendency toward an expansion of lower income levels and the development of a small group of profiteers capitalizing on the process of economic transformation. In order to develop the stock market set up in 2007, Libya plans to sell shares in state-owned companies, and the state-run Economic and Social Development Fund aims to offer 15% of 10 different companies to foreign investors.

### 6 | Level of Socioeconomic Development

The revised UNDP 2008 Human Development Index (HDI) ranks Libya in 52nd out of 177 countries. As such, the country is at the top of its "level," particularly when compared with elsewhere in the Middle East and North Africa (MENA) region (excluding the Gulf States). The revolutionary leadership's policies regarding the advancement of women have largely eradicated gender discrimination, while social exclusion due to poverty and lack of access to education is nearly nonexistent since health, education and social equality are high priorities. Average salary levels are

Socioeconomic  
barriers

not substantially above the basic guaranteed salary, although at the beginning of 2007 some public sector salaries were increased by 110% and petroleum sector salaries to 275%. Still, even at this salary level, civil servants are forced to take second jobs or find other ways of earning money, setting the stage for a high proclivity to daily low-scale corruption that has been harshly criticized by al-Qadhafi. There is no east-west disparity within Libya, despite an uneven population distribution in which population is concentrated in the greater Tripoli area in the west. If any disparity exists, it is between north and south, as goods are often in short supply in the vast desert regions of the south. In November 2008, fighting by the non-Arabic Toubou tribe in the southern town of Kufra was reported. Like the Berbers, the Toubous are discriminated against by the Libyan state.

A plan to reduce the state payroll of one million employees by 40% in 2007 was not implemented. In September 2007, a decree approving a 25% salary increase and a housing allowance for the national teaching staff was issued. In March 2008, various secretaries of the General People's Congress discussed the privatization of the whole of the state sector, with the aim of creating new jobs for new graduates and reducing unemployment, and therefore encouraging a culture of independence and enterprise. In November 2008 al-Qadhafi again stated that oil revenues would be distributed directly to the population. The March 2008 Wealth Distribution Program (WDP), initially estimated at an amount of \$20 billion to \$25 billion, was reduced to the final approved sum of \$3.8 billion, to be disbursed in the form of cash and shares in projects. The size, form, and modalities of the annual distributions in the years ahead are still under discussion.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	30498.1	41743.1	49710.7	<b>58333.3</b>
Growth of GDP	%	5.0	6.3	5.2	<b>6.8</b>
Inflation (CPI)	%	-2.2	2.0	3.4	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	1.2	2.5	4.2	<b>8.0</b>
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	4616.0	14945.0	22170.0	<b>28453.9</b>

		2004	2005	2006	2007
Public debt	\$ mn.	-	-	-	-
External debt	\$ mn.	-	-	-	-
Total debt service	% of GNI	-	-	-	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.1	1.7	1.6	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.2	1.7	1.2	1.1

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

## 7 | Organization of the Market and Competition

Despite being ideologically prone to market intervention, the Libyan government, thanks in large part to high oil profits, has facilitated a free market framework with a well-developed infrastructure and diversified petrochemical industry. Efforts at industrial reform outside the petrochemical sector have so far yielded little progress. Nevertheless, detailed concepts about future adjustments to the economy do exist (Libya is launching a huge domestic investment program of \$150 billion for urban planning and infrastructure projects). In addition, Libya will invest about \$100 billion abroad within the next years.

Market-based  
competition

In November 2007, a second Economic Forum was held in Tripoli, followed by a high-level meeting on expected investments in Libya including airports, ports, schools, universities, hospitals, power stations, hotels, tourist sites, creation of free zones and other modernization projects. However, delays are likely at all levels. Despite reforms in economic policy already in place, only al-Qadhafi has the authority to decree reforms and to order their implementation. But even al-Qadhafi cannot pursue the correction of existing problems single-mindedly, since he must take the political and social consequences of reform into consideration. In March 2006 Libya replaced the reform-minded Prime Minister Shukri Ghanem with his deputy, al-Baghdadi al-Mahmudi. Ghanem, whose policies were popular with business people, was put in charge of the oil sector after he lost a fight with the

conservatives who dominate the People's Congress and the Revolutionary Committee. While Libya continues to have a centralized economy, the revolutionary leadership has advocated investments of higher productivity and greater efficiency in the past years, and private enterprise is spreading into an increasing number of sectors. The state encourages collective or cooperative private property, and companies owned by their workforce, which fit ideologically with al-Qadhafi's version of socialism. Bureaucratic regulations and the lack of a legal framework often hinder quick implementation. As such, the 2009 "Heritage Foundation/Wall Street Journal Index of Economic Freedom" categorizes Libya as "repressed" and ranked it at 171th place out of 179 countries, but also states that the country's score is 4.8 points higher than the previous year, reflecting a major improvement in trade freedom. It is important to note, however, that al-Qadhafi's ideological positioning is becoming increasingly flexible. For instance, al-Qadhafi now mentions the concept of "tashakuriyat," or the acquisition of companies by employees, not only in the context of people's socialism but also in the context of people's capitalism.

In October 2007, the Libyan Investment Authority (LIA), which was established in 2006, started to deploy its \$40 billion in capital (a figure that by 2009 had already risen to \$70 billion) on international markets. In January 2008, Libya hosted a conference on Islamic financial services, with the aim of finding new methods of generating money and promoting investments. In March 2008, the \$41 billion budget for 2008 was passed by the Libyan "parliament," the General People's Congress.

Progress has been made only to the degree that the revolutionary leadership has broken up monopolies (by revoking the exclusive privileges of state-owned companies and banks) and has tolerated private business activity. Numerous industries – including crude oil production, aviation and energy production – remain state-owned.

Anti-monopoly  
policy

However, in June 2008 Libyan financial authorities decided to sell two main banks to local investors, though barring foreigners from buying bank stakes for at least three years. In 2009 the state-owned National Commercial Bank and the Al Joumhouriya Bank might be privatized. Furthermore, Shukri Ghanem, the chairman of Libya's state-owned National Oil Corporation (NOC) believes that NOC and an international oil company might merge within the next five to ten years.

In general, a shift toward less state control over the economy is underway. In a report published in 2007, the IMF praised the Libyan authorities for their achievements in economic diversification, citing the rapid growth in non-oil activity (7.5%) and robust growth in oil production (4.7%) in 2006. Annual inflation rates increased substantially from low levels in the first half of 2007 to about 11% in the third quarter of that year due to the increase in public wages and the price of

Liberalization of  
foreign trade

imports (especially food). Following the normalization of relations with the United States and the European Union in 2007, foreign investors' interest increased noticeably, especially in the hydrocarbon, banking and infrastructure sectors. Nevertheless, the economy remains heavily dependent on hydrocarbon resources and is largely state controlled. By 2012 oil production is projected to almost double (to about 3 million barrels per day), provided that advanced exploration and extraction techniques by international oil companies are utilized. However, the worldwide recession and the cut in OPEC's quota put Libya's production goals at risk.

Libya's financial system is outdated and highly centralized. In 1970, the government nationalized all banks, and private ownership of financial institutions was not officially permitted until 1993. Libya's first small private bank since 1969 was allowed in 1996. An active central bank and other government-owned financial institutions dominate the banking sector. Two state-owned banks were privatized in the 2007 – 2008 time period. Two of the remaining three public commercial banks were merged in April 2008. Many regional banks also merged into one bank. In conjunction with financial institutions from the United Arab Emirates and Qatar, an agreement has been reached to establish two new banks. In March 2007, the Libyan Stock Exchange opened in Tripoli (with its main branch situated in Benghazi), directed by Suliman Alshohmiy. In January 2009, the upcoming merger of three Libyan credit institutions into a single investment bank in Tunisia was announced, with the aim of supporting projects in both countries.

Banking system

## 8 | Currency and Price Stability

In 2007 and 2008, Libya's central bank pursued consistent inflation and exchange rate policies. As an institution, it was protected from ideologically motivated interference in much the same way as was the crude oil sector. Although the Libyan economy strengthened further in 2007, it could not hold off an acceleration in inflation. The inflation rate in Libya increased from 6.2% in 2007 to 10.4% in 2008, according to the Libyan Central Bank, largely driven by higher food prices and increased public expenditure. In blocking al-Qadhafi's Wealth Distribution Program, Libyan Central Bank governor Farhat Omar Bin Guidara explained in November 2008 that doling out large sums of money to Libyans would cause the value of the Libyan dinar to drop, and therefore fuel inflation. Prime Minister al-Baghdadi al-Mahmudi argued for giving Libyans shares in their country's banks, plants and telecommunications companies instead. The IMF welcomed the authorities' decision to limit the Wealth Distribution Program in 2008, but encourages rent-seeking activities instead.

Anti-inflation /  
forex policy

Libya's previously overvalued currency was standardized and adjusted to a more realistic exchange rate against the dollar in 2002. In 2007 the Libyan dinar

Macrostability

appreciated by 4% against the U.S. dollar, and in 2008 one U.S. dollar was worth 1.19 Libyan dinars. In April 2008, Russian President Vladimir Putin visited Libya and agreed to write off \$4.5 billion of Libya's Cold War-era debt in return for military and civilian contracts with Russian companies. Given the high price of crude oil in 2005 and 2006 (Libya's 2006 GDP was \$50.3 billion), Libya's foreign currency situation is still considered excellent. Despite higher oil revenues, Libya's fiscal surplus in 2007 narrowed to 26% of GDP, in comparison to 35% in 2006.

## 9 | Private Property

Attacks on private property in the early 1980s, legitimized by the publication of Part II of al-Qadhafi's Green Book in 1978, have ceased and have even been reversed to some extent thanks to the reform initiatives introduced in the 1990s, which even included the return of houses to their previous owners. The current politically motivated support of private enterprise offers additional protection for rehabilitated owners. Following modifications to the Estate Property Law in 2004, the private ownership of more than one accommodation unit is allowed – a modification which came about due to an urgent need for 200,000 accommodation units to rent to Libyan as well as foreign residents. Land ownership is increasing quickly, and it appears unlikely that the government will renationalize the private property that now exists, even that which has been granted to foreign companies. For the nationalization of property the state sometimes paid compensation, supervised by a certain institution ("lajna ishraf ala al-tauwidat").

Property rights

The state subsidizes the purchase of companies by their workforce (private collective ownership) through an extension of credits. Act No. 21/2001 has been modified correspondingly. Foreign private investment in Libya was made possible by modifications to Investment Act No. 5/1997, and levels have continuously risen since then. In March 2008, the Libyan government gave its state-run investment fund complete control of its European refining company, Tamoil. The aim of this move was to encourage Los Angeles-based U.S. private equity group Colony Capital to buy a 65% stake in Tamoil for \$3.5 billion.

Private enterprise

## 10 | Welfare Regime

The Libyan population has two types of social security: citizens are protected both by largely intact family relationships or membership in a tribe, as well as by an extensive social security net and subsidy policy that, despite forced cutbacks, has remained a high priority for the revolutionary regime since 1969. Free education, near-free health care, health insurance, social security, and subsidies for basic foodstuffs and fuel are part of the government's welfare policy, and every Libyan citizen has access to these benefits. According to the U.N. definition, poverty does

Social safety nets

not exist in the country; no Libyan must subsist on less than \$1 U.S. dollar per day. However, there are an estimated two million African migrants living in Libya without any public social net.

Equal opportunity in education is offered by the welfare state, and more than 50% of students in some courses of study are women, even though family relations can restrict women's access to the job market and traditional social behavior and values result in gender-based discrimination. Although more Libyan women (as of 2008) are venturing from home in search of work, decades of reforms aimed at gender equality have obviously failed. Women complain of antiquated male attitudes towards them, since Libyan men are not yet used to seeing more women in public. This is less true in the political sphere, where the revolutionary leadership has strongly supported women's participation. In November 2006, the Libyan General People's Committee raised monthly social pensions from 90 Libyan dinars (\$72) to 130 dinars (\$104) for people without dependants, 180 Libyan dinars (\$144) for two-member families and 220 Libyan dinars (\$176) for families with three or more members. In January 2007, the Libyan General People's Committee passed a decree – which came into force retroactively, on 1 January 2007 – setting 250 Libyan dinars (\$200) as the minimum wage for employees of companies and institutions that are not paid from the public treasury. Parties subject to the minimum wage increase include individual, family or association activities, joint ventures, public, joint and foreign companies as well as the other institutions governed by the provisions of Law 21 and its rules concerning the operation of economic activities. Legal immigrant workers, and especially the approximately two million illegal immigrants from sub-Saharan Africa who have lived in the country since the end of the 1990s, face a relative disadvantage when compared to permanent residents. Unlike black Libyan citizens, they also face substantial levels of racial discrimination. In September 2000, some immigrants were even killed in the city of Zawiya, and others are jailed and executed for all kinds of acts.

Equal opportunity

## 11 | Economic Performance

In macroeconomic terms, Libya's economy suffered for over a decade due to U.N. sanctions throughout the 1990s, and as a result of the financial crisis resulting from the rising price of raw materials in the 1980s. A rigid austerity policy restricting imports and cutting expenses reversed the negative GDP growth trend in 1999. Nevertheless, growth remained too low to provide competitive salaries in a number of important sectors. This was particularly true in the non-crude oil sectors, where annual growth was less than 3%. Libya's economic performance has also deteriorated in terms of deregulation, dismantling entrenched bureaucratic structures, and optimizing production and management processes. Corruption and mismanagement obstruct performance. The government's decision in December

Output strength

2003 to cease all activities in the “Acquisition of Nuclear and Chemical Weapons of Mass Destruction” was a welcome step in economic terms. Throughout the year 2004, Shukri Ghanem, former Secretary of the People’s Committee, complained repeatedly of his lack of authority to fill executive posts with competent persons who enjoyed his confidence. Ghanem’s removal in March 2006 showed that not all members of the General People’s Congress shared his ideas about the necessity of economic reforms. Economic decision-making can and does lead to positive results, albeit mostly when the government comes under duress. Once economic costs become too high, decision makers tend to bow to the central bank’s advice and realign economic policy, often revising the interventionist practices of the past. The National Planning Council meets several times a year with the aim of planning economic development. However, the council has largely been deadlocked, and thus ineffective, as reformers and non-reformers have blocked each other.

## 12 | Sustainability

The Libyan revolutionary leadership is aware of the finite nature of its crude oil reserves, and as a result has been trying since the 1980s to improve the country’s agro-industrial basis. In particular, the “Great Man-made River” (GMR) project, which taps fossil water reserves for use in large-scale agricultural colonization in western Libya, is of major significance in terms of sustainability. Despite environmental protection laws passed in the 1990s, there are still considerable legislative shortcomings in the industrial sector, in waste disposal and in recycling activities. The General Environmental Authority, established in 2000, has begun operations. The position of Secretary of the Environment was created as part of the General People’s Conference and operated between 2001 and 2003. In 2003, the responsibility for the environmental protection was delegated to the regional level, the Sha’biyat People’s Congresses. Implementation remains problematic, however, as have the creation of environmental norms. While international environmental agreements have been signed selectively, the Convention on Biological Diversity was approved in 2001, and the Kyoto Protocol on 24 August 2006. In September 2007 Saif al-Islam al-Qadhafi unveiled an ambitious plan to conserve the country’s Mediterranean coastline and to draw eco-tourists to Libya, which he plans to transform into an ecologically friendly tourist destination.

A sophisticated education and health care infrastructure is in place nationwide, each ranking among Africa’s best, with numerous clinics and 15 universities. However, the quality of education and medical treatment lags behind the status of the infrastructure – a fact dramatically revealed by the HIV/AIDS scandal in Benghazi and the existence of contaminated blood banks. Figures for education expenditures are unavailable, but remain at a high level. So far, few forward-looking technical or industrial research facilities have been established. Existing facilities are state-run,

Environmental  
policy

Education policy /  
R&D

with a few exceptions such as the Academy for Higher Studies in Tripoli. In 2008, Austrian Hill International announced that it would provide pre-construction and design management services (with a one-year contract valued \$11.5 million) on behalf of the Libyan Ministry for Higher Education, in connection with 27 new university campuses. The \$5 billion program is slated for completion by December 2011.

## Transformation Management

### I. Level of Difficulty

While there is no chance of institutional reform in the political sphere (such as the relegalization of political parties) and a certain degree of dogmatism is noticeable in the Jamahiriya governmental structure, this is less the case in the economic sphere. But though the economic arena is becoming decreasingly ideologically based, al-Qadhafi's Wealth Distribution Program clearly indicates that the ultimate aim is the implementation of the Green Book dictum "authority, resources and weapons belong to the people." The disequilibrium between the strong oil sector and the scarcely developed non-oil sector nurtures public pressure for the distribution of oil revenues. One structural problem has to do with the high level of volatility in the legislative branch. The fact that many laws are modified shortly after being passed results in administrative confusion.

Structural  
constraints

Owing to the lack of political parties, the limited number of civil associations and the fact that occupational associations have been absorbed into the political system, civil society in Libya can be seen as either co-opted or nonexistent. As a consequence of their long experience with repression, the population is apolitical and oriented primarily toward family and clan.

Civil society  
traditions

There are no irreconcilable ethnic, religious or social cleavages in Libya. The Berbers, which constitute approximately 20% of the population, have some reservations about the dominant Arabic emphasis in language and tribal lineage and the discrimination against the Berber language. The Toubous in the southeastern part of Libya have started to fight against discrimination, with conflict particularly intense in November 2008. Migrants from other African states in transit to Europe are associated with increasing levels of theft and violence, and there are relatively frequent tensions and clashes between Libyans and migrants.

Conflict intensity

## II. Management Performance

The period under review, from 2007 to 2009, was characterized by a number of positive developments, including the current and projected high level of currency inflows derived from oil exports (amounting to \$50.32 billion in 2006), a per capita income of \$7,290 in the same year, a lack of ethnic/religious strife (conflict with Islamist groups has been avoided since the end of 1996), negligible polarization in the distribution of goods, a nationwide (albeit bureaucratic) civil administration and an unmitigated state monopoly on the use of force. Taken together, these factors combine to create positive conditions for modernization and low structural constraints on governance. According to a report published in 2006 by the National Economic Strategy Team (NEST), entitled “National Economic Strategy – an assessment of the competitiveness of the Libyan Arab Jamahiriya,” mismanagement and the lack of trained personnel account for ongoing difficulties, rather than the lack of planning or strategic concepts. On 23 February 2007, the Libyan Economic Development Board (LEDB) was launched as a result of an assessment led by the NEST. The LEDB will lead the execution of initiatives aimed at addressing critical economic priorities such as promoting small and medium-sized businesses, developing human capacity, and strengthening public-private partnerships.

### 14 | Steering Capability

Since assuming power, the revolutionary leadership has formulated specific goals and pursued them consistently. In addition to social equality, these goals predominantly relate to national and economic self-determination and the effort to efficiently achieve self-sufficiency in food needs. These goals explain the high priority given to the Great Man-made River (GMR) project and the slogan “power, wealth and arms in the hands of the people.” In principle, al-Qadhafi’s often-stated goal of promoting Libyan development must be taken seriously. The revolutionary leadership sets strategic priorities and attempts to integrate them into its ideology. This is demonstrated in Qadhafi’s support for a people’s socialism compatible with the Jamahiriya model, while, at the same time, remaining pragmatic and willing to repeal politically motivated measures when necessary.

Prioritization

The political leadership is not prepared to carry out all measures “optimally,” that is, to formulate all objectives on the basis of pragmatic considerations. As such, contracts in the economic arena are sometimes awarded on the basis of political rather than economic criteria.

Implementation

It is not always easy for outside analysts to determine the motives behind individual decisions, though most are associated with a “revolutionary” rationale. In light of the political situation, decisions are largely predictable. As such, the homogeneity that characterizes decision makers and the hierarchical structure with al-Qadhafi at the top ensure that inefficiencies related to inconsistency, such as conflicting measures implemented by various sub-centers, occur seldom or not at all. Furthermore, the political role played by the People’s Congress/Committee system should not be overlooked. As he previously had, on 2 March 2008, al-Qadhafi appeared before the People’s Congress to elaborate on the structure and the functioning of the Jamahiriya model, thereby confirming it. Irrespective of the consistency with which political and economic goals are pursued, the inability to eliminate bureaucracy and inefficiency in the structures of civil administration is one of the system’s primary downfalls.

Policy learning

## 15 | Resource Efficiency

The continuing lack of transparency during the period under consideration means that only conditional statements can be made about the effective use of financial resources and budget funds, the majority of which are earned from the export of crude oil. Furthermore, a large portion of Libya’s financial resources go toward political or politically motivated expenditures with no immediate effect on economic growth, such as the Islamic mission (for example, the second meeting of an Evangelical Christian-Muslim Dialogue in January 2008), the defense and support of liberation movements, the global diffusion of ideology, the International Revolutionary Committee Movement, and the Community of Sahel-Saharan States (CEN-SAD), including the financing of this regional organization’s general secretariat. In addition, billions of dollars were disbursed up until 2008 (in October 2008 Libya finally fulfilled “100% justice” by paying another \$1.5 billion into a compensation fund for victims of the Lockerbie bombing) as payment for terrorist attacks in previous years (Lockerbie, LaBelle, UTA air crash). Military expenditures have jumped markedly, to \$1.3 billion in 2005, due to rising oil revenues. In July 2007, after the freeing of the Bulgarian medics, France and Libya signed a secret defense cooperation agreement, which included the purchase of military material and training for Libyan special forces. In 2008, Libya opted for closer military cooperation with Italy and Russia. In April 2008, Germany’s BND foreign intelligence service admitted that it was not actively involved, but had shadowed training seminars for members of an active or former elite German police unit that had moonlighted for a private security firm in Libya between 2005 and 2006.

Efficient use of assets

It remains to be seen whether the allocation of \$20 billion to the GMR project will have been a wise economic or business investment. Politically motivated

expenditures such as those mentioned above are not the only expensive projects under way; economically motivated institutions, such as the Libyan Investment Authority (LIA), which originally had an estimated \$40 billion (this is expected to reach \$70 billion in 2009) under its command, also funds costly projects. As a holding company, LIA (established in 2006) manages government investment funds in various areas including real estate, infrastructure, oil and gas, shares and bonds, and agriculture – and is considered to be one of the less transparent sovereign wealth funds worldwide. The Economic and Social Development Fund (ESDF) is also managed by LIA and is responsible for substantial assets earmarked to benefit Libya's poor.

Despite explicit planning and reform objectives by the National Planning Council and the Higher Council for Oil and Gas, the unwieldy nature of the People's Congress/Committee system produces considerable inefficiency in practice. While acknowledged by the state auditing authority, attempts to mitigate this inefficiency have generally fallen short.

Policy  
coordination

The Anti-Corruption Committee established in 1994 has not yet been able to significantly stem widespread corruption. Despite strict legal measures, the patronage-oriented tribal social structure and the need for material goods prevents progress in this area. However, fighting corruption is highly selective and politically motivated. The activities of the "Iijan tathir" (purgation committee) in the mid-1990s represent a powerful example of this tendency. On 14 February 2009, al-Qadhafi again said that the planned reconfiguration of the government is aimed at ridding the state of entrenched and widespread corruption.

Anti-corruption  
policy

## 16 | Consensus-Building

There is no general consensus among the population on the continued political and economic evolution of the Jamahiriya system because some, including members of the Revolutionary Committees, remain committed to a state-run economy or oppose initiatives aimed at further opening foreign policy, and feel that permitting foreign investment is damaging to national sovereignty.

Consensus on goals

Those remaining committed to a state-run economy and the Jamahiriya system do not constitute "veto actors" as such. But the fact that the revolutionary leadership must consider these positions in the course of policy-making prolongs the reform process. However, despite the presence of dissenting voices, much of the public is genuinely committed to reform.

Anti-democratic  
veto actors

There are two irreconcilable positions taken by would-be veto actors in the political arena. The first is in the religious sphere, in which Islamic groups label al-Qadhafi a heretic. Since the end of the 1980s, they have demanded that Shari'ah law be

Cleavage /  
conflict  
management

adopted, replacing secular governmental structures. While there is no doubt that the secular governmental model will remain, the revolutionary leadership has reacted to this position with widespread repression, branding Islamic groups as heretics or as the “new charlatans.” The second point of contention relates to democratic transformation, and creates tension between the revolutionary leadership, which supports the existing system, and the opposition, which demands basic freedoms such as the right to form parties and freedom of speech. Here, too, the opposition has been forced to give in and has either withdrawn into exile or been neutralized by repression. The “Gaddafi International Charity and Development Foundation” has repeatedly mediated in conflicts (e.g., in the Philippines).

Little in the way of civil society exists in Libya, and there is thus no participation of civil society in the political process.

Civil society participation

One indication of a turn away from previous policies came at the end of 2004, when al-Qadhafi directed the General People’s Congress to establish a committee tasked with settling existing disputes with elements of the opposition living in exile, in order to facilitate these individuals’ return to Libya. However, despite some movement with respect to the freeing of political prisoners, the abolition of the People’s Court and the opening of prisons to outside inspection, a more general liberalization of the right to assembly remains unlikely.

Reconciliation

## 17 | International Cooperation

Libya is very skeptical of integrating international assistance into the domestic reform agenda, but is quite aware of the advantage of international know-how and increasingly seeks out analyses of its domestic issues that have been conducted externally. Due to Libya’s excellent financial situation, it is not dependent on international donors. The government does not refuse advice in instances where it considers this necessary. As a result, Libya cooperates with the World Bank and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and sought advice from the Monitor Group on Saif al-Islam al-Qadhafi’s National Economic Strategy. In May 2008, the State University of Milan, the University of Brescia and the Academy of Graduate Studies in Janzur (Libya) signed an agreement to reform the Libyan penal code, which was originally inspired by the old Italian penal code. In addition, the new constitution concept was drafted in cooperation with European experts.

Effective use of support

In the mid-1990s, the revolutionary leadership initially concentrated its international efforts on cooperation with sub-Saharan African countries and Libya’s immediate neighbors. Following the suspension of U.N. sanctions in April 1999, Libya formed a general policy of reconciliation with foreign powers, with the objective of regaining full diplomatic authority in dealing with foreign nations.

Credibility

These measures resulted not only in the restoration of full diplomatic relations with the EU member states (including state visits during 2003 and 2004 by the prime ministers of Italy, Spain and Britain, as well as by the German chancellor and the French president), but also with the United States, resulting in the resumption of diplomatic relations and the lifting of U.S. sanctions in 2004. In 2006, the United States finally removed Libya from its list of state sponsors of terrorism. For its part, the United States expressed appreciation for Libya's support in its so-called war on terror. In any event, the trend of moderation in Libyan foreign policy is unmistakable, and has opened the door to increased international economic cooperation.

Although the lifting of U.N. sanctions in September 2003 provided some relief, continued U.S. sanctions limited Libya's ability to reform its economic policies. Crude oil production suffered in particular. To overcome these sanctions, the Libyan revolutionary leadership took steps at the end of 2003 to end Libya's isolation vis-à-vis the United States and other Western countries. These steps included the cessation of activities aimed at acquiring weapons of mass destruction (WMD), the exposure of a network engaged in smuggling nuclear materials, a declaration of integration with the Union for the Mediterranean, good neighbor policies (many of which were already in force) such as conflict management in Darfur and the Côte d'Ivoire, participating in the Community of Sahel-Saharan States' (CEN-SAD) development activities, settling disputes with Germany arising out of the attack on Berlin's La Belle disco, with France in relation to the UTA airline attack, and paying compensations in connection with the Lockerbie dispute. In January 2008, the Libyan border customs decided to elicit a €1,000 deposit from every Algerian traveler, probably with the aim of checking the flow of illegal immigration into Libya. However this practice was replaced in May 2008 by the requirement that foreigners, including Maghrebians, acquire a visa for entry. In general Libya has never had a better relationship with its neighbor states. However, al-Qadhafi accepts the Arab League only conditionally (as it did not support Libya during the Lockerbie conflict, and has not solved the problems between the Palestinians and Israel) and therefore continues to strengthen and enhance the status of the African Union, for which he is serving as elected leader from February 2009 to January 2010.

Regional  
cooperation

## Strategic Outlook

Libya's democratic transformation has seen a brief and asymmetrical evolution since the end of U.N. sanctions in 1999 and the resumption of reform efforts. So far, little has changed in the political arena and, as in the past, the revolutionary leadership stands in the way of any true freedom of expression, civil society development, or political participation. Libya has taken the first steps toward liberalizing its economy and implementing market economy mechanisms. However, the revolutionary leadership will determine whether and how this trend will continue based on political and security considerations, and assessments of its own ability to retain power. In both the political and economic spheres, the existing powers are so strong that even the revolutionary leadership must take them into account. As such, it could not initiate radical changes even if it wanted to do so. No progress will be made toward democratic transformation in Libya as long as the dual structure of revolutionary and governmental sectors remains in place, with the revolutionary sector dominant and free of any formal checks and balances. Furthermore, Libya will be able to meet performance criteria only when political institutions with democratic instead of revolutionary legitimacy are created, and the government is consistently responsible to voters. Until that time, only rudimentary reforms in the rule of law, the balance of power, and the implementation of a private enterprise system can be expected. The possibility that this transformation will come from within is currently small, as the necessary actors are not in place. The substantial revenues from crude oil sales, and the welfare state's subsequent ability to buffer economic problems, also reduce the pressure to operate efficiently. The means available at present for promoting the process of democratic transformation from abroad are limited. Since U.N. sanctions were lifted in 2003, and the prospects for economic cooperation between Libya and Western business (including the return of U.S. oil companies) have improved, neither the United States nor Europe possesses a suitable means of applying political pressure. To the contrary, following its return to the international community in 2003 – 2004, Libya is now seen as a guarantor of stability, especially given the difficult circumstances in the broader Middle East region. This calculus includes Libya's key position with regard to illegal immigration to Italy. In July 2007, Libya reached an agreement with the European Union on a stricter control of its borders. Libya is taking advantage of the fact that Europe depends on it to curb illegal immigration into Italy, which increased by 107% between January and September 2008 (although to the Canaries it fell by 65% in 2007). Libya's leadership clearly stated that the migrant problem would not be solved by greater patrols, but by improving conditions in Africa, and that Libya would not accept any law based on repression or that dealt with African migrants, including children and disabled people, as criminals. This type of stance shows the country exerting power to prove its importance.

There is also little reason to expect that the Libyan opposition living in exile will be able to exercise any influence, as it is fragmented and enjoys little support inside Libya itself. It has also lost support among Western third-party entities that have resumed contact with the Libyan government, including the United States and the European Union.