



**POLITICAL INSTABILITY AND ECONOMIC  
GROWTH IN LIBYA**

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INTERNATIONAL POLITICAL ECONOMY**

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**POLITICAL INSTABILITY AND ECONOMIC GROWTH IN LIBYA**

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## THESIS APPROVAL PAGE

I certify that in my opinion the thesis submitted by **Asma HASSAN** titled “**Political Instability and Economic Growth in Libya**” is fully adequate in scope and in quality as a thesis for the degree of **Master**.

.....  
Assist. Prof. Sanem YAMAK  
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This thesis is accepted by the examining committee with a unanimous vote in the Department of International Political Economy as a Master thesis. 24/06/2020

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Director of the Institute of Graduate Programs

## **DECLARATION**

I hereby declare that this thesis is the result of my own work and all information included has been obtained and expounded in accordance with the academic rules and ethical policy specified by the institute. Besides, I declare that all the statements, results, materials, not original to this thesis have been cited and referenced literally.

Without being bound by a particular time, I accept all moral and legal consequences of any detection contrary to the aforementioned statement.

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## **ABSTRACT**

Libya, like many other Arab countries has undergone changes that have completely transformed its political history. On February 17, 2011, the Movement for Change in Libya announced its aim to overthrow the regime. Libyan regime was one of the most monopolized military regimes in the world, one of the most dictatorial and hardened in front of any group opposed or contrary to rule of its single leader Muammar Gaddafi.

Today, Libya is deeply divided among because of multiple internal alliances, personal greed and external interventions, making it almost impossible to conceive a stable political and economic future for the country. This instability is not only threatening the integrity and internal fabric of the country, but it has repercussions for the wider region as well. On the economic side the crisis has led to the collapse of the economic structure, productivity, marketing as well as the oil production.

This thesis examines and analyses Libya's economic development under the former authoritarian regime of Gaddafi and the present transitional government, the main political factors affecting the instability of the Libyan economy and appropriate solutions. It also shows the main transmission channels from political instability to economic growth.

**Anahtar Kelimeler:** Libya Government, Libyan Economy, Political Instability

## ÖZ

Libya, tıpkı diğer Arap ülkeleri gibi siyasi geçmişi sürekli değişkenlik gösteren bir statüye sahiptir. Libya'da geçmişe baktığımızda değişim hareketi adı altında 17 Şubat 2011'de mevcut rejimi devirme hareketi başlamıştır. Libya rejimi o dönemlerde otoriter bir rejimdi. Başka bir deyişle yargı, yürütme ve yasama tek bir elde toplanmıştı. Uzun süre boyunca liderliği elinde bulunduran, bir kesim tarafından da diktatör diye tabir edilen Muammer Kaddafi, onun yönetimine karşı çıkan ve tabir-i caizse verdiği hükümlere direk veya dolaylı yolla karşı gelenlere sert müdahalelerde bulunmuştur.

Bugüne baktığımızda Libya'nın çok sayıda iç ittifaklar, kişisel çıkarlar ve dış müdahaleler nedeniyle, orta yerinden bölünmüş bir vaziyette olduğu hemen göze çarpmaktadır. Bu durumda ülkenin istikrarlı bir düzeyde siyasi ve ekonomik gelecek elde etmesi neredeyse imkansız hale gelmektedir. Bu istikrarsızlık sadece ülkenin bütünlüğünü, birlikteliğini, iç kültür ve dokusunu tehdit etmekle kalmamakta, aynı zamanda daha geniş bir alanda yansımalar oluşturmaktadır. Ekonomik krizin oluşturduğu travma ekonomik yapının ve verimliliğin çok ciddi bir biçimde azalma göstermesine ve aynı zamanda ülkenin neredeyse bütün gelirinin petrolle elde edilmesinden dolayı, petrol üretiminin ve pazarlamasının çökmesi neredeyse Libya'nın hiç gelir elde edememesine yol açmaktadır.

Bu tez, Libya'nın Kaddafi'nin otoriter rejimi altındaki ekonomik gelişimini ve günümüzde Libya ekonomisindeki istikrarsızlığı etkileyen başlıca siyasi faktörler olan mevcut geçici hükümeti ve uygun çözümleri inceleyip analiz etme amacındadır. Çalışmada ekonomik büyümeyi mümkün kılacak başlıca dönüşüm yolları konusunda önerilerde de bulunmaktadır.

**Anahtar Kelimeler:** Libya Hükümeti, Libya Ekonomisi, Politik İstikrarsızlık

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## **ABBREVIATIONS**

<b>NTC</b>	: The National Transitional Council of Libya
<b>GNC</b>	: The Libyan General National Congress
<b>CBL</b>	: Central Bank of Libya
<b>LNA</b>	: Libyan National Army
<b>JCB</b>	: Justice and Construction Party
<b>GMR</b>	: Great Man-Made River
<b>LYD</b>	: Libyan Dinar (Currency)
<b>OPEC</b>	: Organization of Petroleum Exporting Countries
<b>SRSG</b>	: Special Representative of Secretary-General
<b>CD</b>	: Council of Deputies
<b>WWII</b>	: World War II
<b>GPC</b>	: General People's Congress
<b>NFSL</b>	: National Front for the Salvation of Libya
<b>ISIL</b>	: Islamic State of Iraq and Levant
<b>DDR</b>	: Disarmament, Demobilization and Reintegration
<b>AU</b>	: African Union
<b>LROR</b>	: Libya Revolutionaries Operations Room
<b>PFG</b>	: Petroleum Facilities Guard
<b>NOC</b>	: National Oil Corporation

## INTRODUCTION

Libya is an Arab country with an important geostrategic location in North Africa. It is surrounded by the Mediterranean Sea on the north, Sudan from the southeast, Chad and Niger on the South, Egypt on the east, and Algeria and Tunisia on the west. Being surrounded by many countries and serving as a gateway to the Mediterranean Sea makes Libya a connecting hub and gives it a lot of influence on North Africa. With an area of 1.76 million square kilometers, Libya is the fourth largest country in Africa. In addition, it also ranks as the ninth among ten countries with the largest proven oil reserves in the world.

Libya's geographic location is of crucial strategic importance as it is located at the intersection of the main trade and transportation routes, not only in Africa but to Asia as well. Thus, Libya has historically served as the connecting hub between Europe and the rest of Africa, with the port of Tripoli always being the linchpin for trade and military campaigns in the past. Moreover, it has a central role in connecting the western part of Africa (Maghreeb) with the east, and in addition Asia, a route that until Middle Ages would extend from Mali and Morocco to China.

According to statistics of the year 2009, Libya had the highest human development index and the fourth highest GDP in the African continent. (Ikejiaku, 2009) This was due to its immense oil reserves and low population density. Libya is also registered as a member in many regional and international organizations, such as the United Nations, the Arab Maghreb Union, Federation of the African Union, the League of Arab States, the Non-Aligned Movement, Islamic Cooperation, Organization of Petroleum Exporting Countries and Common Market for Eastern and Southern Africa among others.

After King Idris I was overthrown by a military coup in 1969, a period of drastic changes began, radically altering the society at all levels. As the most prominent leader of the coup, Colonel Muammar Gaddafi eventually managed to take power and concentrate it all on his hands during the so-called Cultural Revolution.

North Africa witnessed revolutions and popular protests in early 2011, beginning with Tunisia and then spreading to Egypt and a number of other Arab countries. The repercussions of what came to be known as the “Arab Spring” were felt in many Arab countries as people discovered that revolution and protest against existing regimes were a more influential way to get access to freedom, democracy, equality and the rule of law. These protests reflected the will of the people for change and the right to have a say on their countries’ future, things that had been ignored for many years.

Libya, like other Arab countries underwent changes that have transformed its political history. On February 17, 2011, the Movement for Change in Libya began to announce its aim to overthrow the current regime and replace it with one that represented all the people equally and fairly.

In the light of these protests and their breadth, the Libyan army intervened brutally to quell the protests, and as a result civil war broke out between supporters and opponents of the Gaddafi regime. That was a difficult period for the Libyan state and its people because for over the next six months, the tribal nature of the country in some cities played an important role in enabling Gaddafi to prolong the struggle against his rebel opponents until the international community intervened. Strategic bombing by NATO on Gaddafi’s military led to the final collapse of the ruling regime and killing of Gaddafi by the rebels. These important events led to a new era for Libya.

Libyans and the international community thought that the Libyan crisis was heading for a breakthrough. However, the reality was that the overthrow of the ruling regime was the vanguard of a new crisis since as soon as the regime was overthrown, internal conflicts broke out and the leaders of change were divided into factions and parties, some of them political and others armed. Therefore, a set of new civil wars began within the country for territorial and political influence, a long-standing crisis that continues to this day.

Today, Libya is deeply divided with shifting internal alliances, personal greed and external interventions, making it almost impossible to conceive a stable political and economic future for the country. This instability is not only threatening the integrity and internal fabric of the country, but it has repercussions for the wider region as well.

The Libyan crisis has intensified over the past years to reach all aspects of life in the country. The security aspect is considered the most dangerous as the proliferation of armed formations of unknown subordinations and under numerous names, the freezing of the police, and the absence of the army has created a dangerous deterioration in the security situation.

On the political side, the situation has led to the creation of two parallel governments and two parliaments, with centers in Eastern and Western parts of the country, each with its own armed formations and governing bodies. In addition, there are also a number of other independent armed formations under the command of various warlords.

On the economic side, there is a deep crisis that has led to the collapse of the economic structure, productivity, marketing as well as the oil production which is the life artery of the state which depends on oil for revenues in financing the budget and spending. In addition, the value of the Libyan Dinar (LYD) has exceeded the rate of seven to one against US dollar. The country is undergoing a period of severe liquidity crisis, high prices of food and basic commodities, as well as medications and other basic necessities.

The exacerbation of the Libyan crisis and the deterioration of political, economic and security conditions are not limited within Libya's border, but they are spilling to the neighboring countries, particularly Tunisia and Egypt. The case of regime change in Libya, and in particular its more violent shape compared to other neighbors, has accounted for nothing but lack of stability and absence of a unified and inclusive government following in its aftermath.

The uniqueness of this research lays in the fact that it is the first study of the Libyan economy in light of the current unstable political conditions by taking into account the contribution of all political parties without any bias. In addition, this is also the first detailed study of Libya's economic and political situation presented to the English-speaking audiences.

The methodology of this study is based on the compilation and analysis of various data on the Libyan economy, such as oil production and other resources, as well as the



high inflation and the decline of the value of the LYD after 2011 events. Using the data, in this study we will analyze and compare the economic development of Libya under the previous dictatorial regime of Gaddafi and the present under the transitional government. We will examine the main political factors affecting the instability of the Libyan economy, and the appropriate solution by showing the main transition channels from political instability to economic growth. In addition, another important aim of this thesis is to probe the various institutional traits in Libya before and after the revolution in an attempt to find the best policy options for political and economic development in the country.

### **1. Research Questions**

This study aims to answer the following three questions:

Question 1: What is the nature of the Libyan crisis, its causes and internal manifestations?

Question 2: What are the repercussions of the Libyan crisis on its domestic and international economy?

Question 3: What is the future of the Libyan economy in light of the current political challenges?

### **2. Hypothesis**

This study stems from the assumption that there is a correlation between the political crisis of a country and its economic stability. Therefore, we hypothesize that economic development is way better in stable regimes as compared to those in transition.

### **3. Objectives of the study:**

This study aims to achieve the following objectives:

First Objective: To clarify the nature of the Libyan political crisis and explain its causes and internal manifestations.

Second Objective: To determine the repercussions of the political situation in Libya on the economy during the period from 2011 to 2018 and compare it to the economic situation before 2011.

Third Objective: To explore the future of Libya's economy after development of appropriate solutions for the current political crisis.

#### **4. Thesis structure**

This thesis is composed of four chapters;

##### **Introduction**

Introduction presents a brief overview of the research, explains the structure of the thesis, and provides a general outlook on the research procedure. Herein, we also provide some background information on Libya, introducing the questions of research and hypothesis.

##### **Chapter one**

In this chapter, the historical evolution of the Libyan politics and economy before and after 2011 are presented. This chapter provides a comprehensive review based on available literature compiled by scholars, policy makers and other professionals in the field of international political economy on regime change and its implications on the politics and economy of Libya.

##### **Chapter two**

This chapter analyses the repercussions of political instability on the economic situation of Libya after 2011 with an emphasis on the oil sector which has seen waves of uncertainty in production and price, leading to the decline in basic services, high prices and lack of cash.

##### **Conclusion**

This part represents the main conclusions and recommendations of the research. It also summarizes the responses provided to the three questions and the hypothesis of this thesis.

## **CHAPTER ONE**

### **OVERVIEW OF LIBYA'S GEOGRAPHY, POLITICAL AND ECONOMIC HISTORY**

#### **1.1. Libyan Climate and Geography**

##### **1.1.1. Climate**

Temperature in Libya is generally hot during the extended summer months, especially in the desert regions which make up about 90% of the country. Relatively strong winds accompanied by sandstorms occur often, even along the Mediterranean region. Even though the weather is cooler and more humid in the coastal areas during fall and winter, precipitation levels are low and rain fall rare throughout the country.

Temperature distribution also changes with regions, with northern part being in the range of 27-32°C, while Tripolitanian region reaching an average of 40-46°C during summer. Winter, on the other hand, is cooler in the desert with temperatures in the range of -1 to -12°C, while in the north the climate is mostly Mediterranean. Natural hazards come in the form of hot, dry, dust-laden sirocco (known in Libya as the gibli), a southern wind blowing from one to four days in spring and autumn (DiPiazza, 2005).

##### **1.1.2. Libyan Geography**

The terrain of Libya is barren and in certain regions rough, made of characteristic desert features such as undulating and flat plains, depressions and plateaus. There is a single mountain massive on the border with Chad, while the rest of elevations are mostly highlands that dot the landscape of the country. A narrow strip of land used mostly for grazing is found in the southern part, which is then followed by Sahara desert, a vast, barren and sparsely populated area that has very little to offer in terms of agriculture or livestock. The most prominent natural features of the country are its long Mediterranean coast on the north which is the longest in whole Africa and home to countless virgin beaches and Sahara desert further south as shown in figure 1.1. The highest elevation is Bikku Bitti at an altitude of 2,267m while the lowest depression is that of Sabkhat Ghuzayyil at 47m under the sea level (Mattingly, 2003).



**Figure 1.** Map of Libya (Gherbal, 2015).

Area-wise, Libya covers a surface of approximately 1.7 million square kilometers (0.7 million square miles), thus, it is the fourth largest state in Africa and seventeenth in the world. As a comparison, it is slightly smaller than Indonesia and almost equal to Alaska.

While searching for oil in 1950s, the engineers stumbled upon a huge aquifer lying underneath a huge part of the country. The water in this aquifer is thought to have been there since the last ice age and it is currently being pumped through a massive system of pipes to the north of the country where it is used mostly for agriculture and other needs. There are also the famous Arkenu craters near Kufra basin, double-impact craters thought to have been formed by the impact of two meteors. Another important feature of Libya's geography are oasis, which are many and scattered around the country, but the main ones are Ghadames and Kufra.

### **1.1.3. Three regions**

Traditionally, the country has been divided into three regions with distinct topographic features and histories, namely Tripolitania, Cyrenaica and Fezzan. Tripolitania constitutes a strip of land along the coast on the northwest part of the

country, and it is a vital agricultural region where various vegetables and grains have been historically grown. In addition, other crops such as citrus fruits, olives, almonds and dates are harvested in this area. Tripolitania is also the region where the capital city of Tripoli with a third of country's population is located. Geographical features such as limestone hills of Jebel Nefusah and plains arise before leading to the rocky plateau of Red Desert famous for its red rocks.

Cyrenaica is a huge area constituting almost half of the country and is located on the northeastern region. This is the region where Benghazi, the second largest city with an important seaport and oil refineries is located. In the southern part of the coastal agricultural strip, land is elevated and transformed into a rocky plateau that expands down to the south to the Libyan Desert.

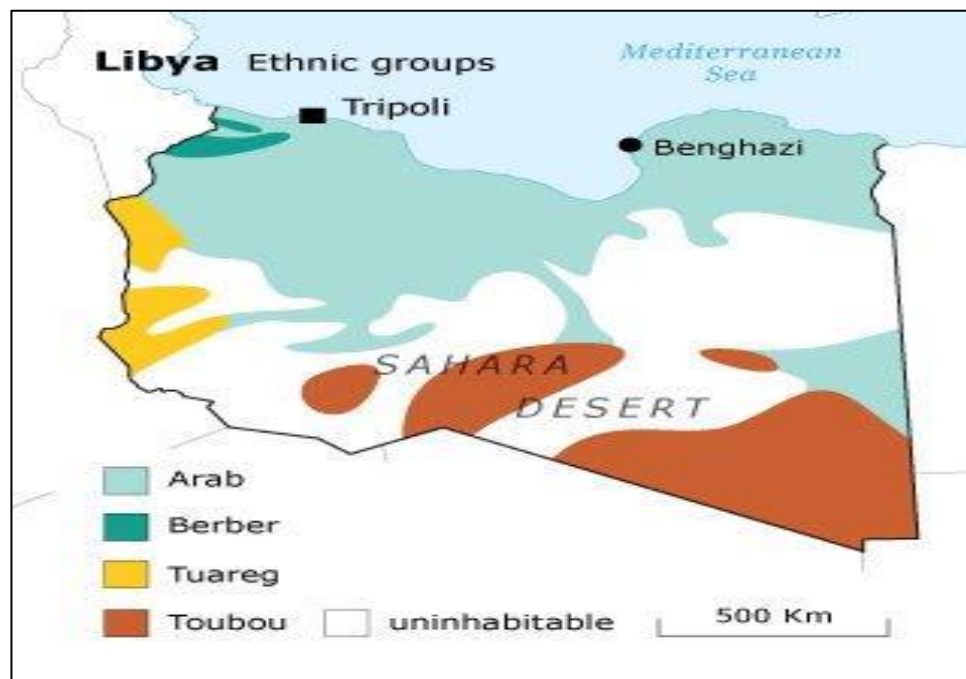
Finally, Fezzan comprises most of southwestern region of Libya and is made up of huge sand dunes (also called ergs). These are the remnants of ancient mountains from almost 600 million year ago that were eroded as a result of the effect of sea water and wind. Despite the desert, there were occasional oases which in the past provided a grazing grounds for nomads (Lawless & Kezeiri, 1983).

#### **1.1.4. Demography**

Given its large territory and small population size, population density in Libya is the lowest in the world and it's not uniformly distributed. Thus, the density for Tripolitania and Cyrenaica is approximately 3 people per square kilometer or 8.5 people per square mile, while that of other less-populated regions is 1.6 people per square mile, or approximately 1 person per square kilometer. Distribution is very uneven, with about 90% of the population living only in less than 10% of the territory, mostly along the northern coastal line. Another demographic characteristic is that more than 50% of the population lives in urban centers, and a majority of this in only two major cities of Tripoli and Banghazi (Ahmida, 1994).

Ethnically, Libyan population is heterogeneous and includes mostly people of Arab, Berber, Tuareg and Toubou descent as shown in figure 1.2. Majority of Libyans are a mixture of Arabs that arrived after the Umayyad's conquests and native Berbers. Another portion are descendants of Turkish soldiers garrisoned in the area who married

with native women. Libya is also home to people of color who are mostly descendants from slaves that were traded in the past from other parts of Africa. Some of them used to work as farmers in oasis and gardens in the south and have settled in those areas since then (Kohl, 2014).



**Figure 2.** A map indicating the ethnic composition of Libya (Whitehouse, McQuinn, Buhrmester, & Swann, 2014)

The southern part of the country is mostly home of the Tuareg, who are mainly traders or herdsman. They are also nicknamed as the "Blue Men of the Desert" because of their characteristic blue clothes which are used by men to cover their bodies. These people live mostly nomadic or semi-nomadic lives and separate themselves from the rest of Libyan society, a feature that has historically characterized them. They are also known to be extremely autonomous and against any interference from others in their affairs, and mostly live in retreats found in Tibesti and Ahaggar mountain in central Sahara.

In Libya there is also a considerable contingent of foreign residents, majority of whom are from North Africa, particularly Egypt and Tunisia, and some from Sub-Saharan Africa. 97% of the population is made of Arabs and Berbers, while the rest includes a multitude of nationalities such as Greeks, Italians, Turks, Maltese, Indians, and Egyptians etc. The official language of the country is Arabic, but Berbers speak their

local languages, a family of languages called Tamazight that is used in North Africa, but is not an official language in the country. Tuaregs also locally use their language called Tamahaq. In addition, Italian is also used sometimes, mostly by the older generations, a remnant of the Italian colonization, as well as English, but very rarely (Salamé).

Libyans pay a lot of attention to family bonds and family is a very important aspect of the whole society. Majority of people live in apartment blocks or big independent housing units. Despite their traditional nomadic past where people used to live in tents, these days Libyans have settled in different towns and cities, leading to a huge wave of urbanization. As a result, the old traditions are slowly fading away and are getting replaced by modern city lifestyle. Still though, there is a small percentage of the population preserving their traditional nomadic lives and living in desert. Majority of the population is employed in various industrial and services jobs, while a small portion is working in agriculture because of the limitations of geography and climate mentioned in the previous sections (Capasso, Czerep, Dessi, & Sanchez, 2020).

### **1.1.5. Libyan Desert**

Libyan Desert is part of the Sahara Desert in North Africa and it covers a vast area of the country, especially the southern and eastern regions. As a result, precipitation is very low and certain areas undergo whole decades without rain, while others experience rainfall once in 5 to 10 years. Temperatures also reach extreme values, such as the case of Al 'Aziziyah, a town west of the capital Tripoli, which in 1922 registered record temperatures of 57.8°C. This is also accepted as the highest recorded temperature in the world. Because of these harsh and arid conditions, surface water is also scarce and found only in certain depressions after digging for few meters, thus making life almost impossible with the exception of few oasis which are generally uninhabited and scattered wherever such water sources are found (Mattingly, McLaren, Savage, al-Fasatwi, & Gadgood, 2006)

## **1.2. An overview on Libya's political history**

### **1.2.1. Classical period**

According to archeological evidence, plains located in the coastal regions were populated in the early eighth millennium BCE by Neolithic people who had already domesticated certain animals and were dealing with crop farming. Their culture and way of life continued to flourish for a long time until it became extinct as a result of replacement or incorporation into the Berber's culture.

During ancient times until the second half of the first millennium, the current area incorporated inside Libya's border had been under the influence of many civilizations such as Phoenicians, Greeks, Carthaginians, Romans, Vandals, and Byzantines. However, except for the ruins left behind by Greeks and Romans at the three important cities of Cyrene, Leptis Magna, and Sabratha, very little evidence is found about these civilizations.

The first to establish trading routes inside Libya were the Phoenicians who were trading goods from the ancient port of Tyre (modern day Lebanon) with the Berber tribes. They went further and formed treaties with Berbers in order to secure exploitation of essential raw materials in the area. Phoenicians also built their biggest colony in North Africa, that of Punic civilization centered on Carthage city (present day Tunisia), but extending on the northern coast of Libya and including cities such as Tripoli (known as Oea), Libdah (Leptis Magna), and Sabratha. They were later known as Tripolis, or three cities, a term from which Tripoli's modern name was derived (Vandewalle, 2012).

According to historical accounts, the Greek colonization of Libya started with fishermen from Crete who visited Cyrenaica during the seventh century BC. Overpopulation in the island of Thera forced them to move to North Africa, and this particular region was the only uncolonized area in the northern part of the continent, thus leading to the establishment of Cyrene city in 631 BC. Within a timespan of less than two centuries, a series of Greek cities popped up in the area, such as Barce (Al Marj), Euesperides (Benghazi), Teuchira (Tukrah) and Apollonia (Susah), in addition to the port of Cyrene. These five cities constituted a whole confederation called the Pentapolis (the five cities) (Nelson, 1979).



With the taking over and colonization of Romans, the two regions of Tripolitania and Cyrenaica became two prosperous provinces of the Roman Empire where major cities and infrastructure was built. Good living conditions, a vibrant urban life with good facilities and birth of small towns are proved by the ruins of the famous city of Leptis Magna and other archeological evidence scattered around the region. Even though there was a flood of artisans and merchants from many provinces of Roman Empire who established themselves in North Africa, the nature of these regions was not changed drastically, with Tripolitania and Cyrenaica preserving their Punic and Greek identities, respectively.

Trade has always been essential for this region, with routes passing through Sahara Desert and extending as far as the Niger River in West Africa. Caravans would return through Garamantian Way bringing gold, ivory and rare types of wood among others, which were being shipped from other parts of the continent and the world. During later periods, another important item to be traded was salt, and when slave trade became common, slaves were transferred through it as well (Lobban Jr & Dalton, 2014).

### **1.2.2. From Arab Rule to Independence**

Libya's conquest by Arabs can be divided into two periods: the first period includes the conquest of Cyrenaica and Tripolitania from 642 to 647, and then the conquest of Fezzan after 660s. As a result, most of the people adopted Islam as their religion and Arabic language as the official language under the Umayyad rule, and Libya had an important strategic position in further conquests of North Africa and Spain.

In the middle of the sixteenth century, Libya was conquered by Ottoman Turks who preserved the status of the three provinces and ruled until the beginning of the twentieth century, with the exception of a period from 1711 until 1835 during which Karamanli dynasty was the de facto ruler of Tripolitania and had influence in the other two provinces.

The sections above provide a brief introduction of Libya's long history from ancient times until the beginning of the twentieth century during which Libya emerged as an independent, modern state. However, the route that lead to the modern state was not

straightforward but the country first had to undergo a foreign invasion and occupation by Italy starting in 1911.

A famous national figure in Libya's modern history is that of Omar Mokhtar, also known as "The Lion of the Desert" because of his valor and resistance against Italian occupation. He was born in Batnan, the Green Mountains of Sirenica in 1858 and was known for his seriousness, perseverance, patience and shrewdness. After Italian occupation of September 29, 1911, he was quick to organize the liberation and resistance movement. He was able to stand against Italy which had a large military arsenal at the time, and managed to inflict heavy losses and painful blows on the enemy. After a long attrition campaign, Omar al-Mukhtar was captured by the Italian forces on September 11, 1931 after being trapped in the area of the Wadi Boutqa and was sentenced to death by hanging. Mokhtar has remained an important symbol of the Arabs' resistance to colonial domination and has been revered as a national hero.

The name Libya as we know of today was first adopted officially by Italy in 1934 based on their vision of recreating the old Roman Empire. National resistance against Italian occupation between the two world wars was led by King Idris I, at that time the emir of Cyrenaica. During World War II (WWII) Libya was occupied first by Italians and then Germans, and after the allied victory against Axis Power the country was administered by France (Fezzan Province) and Britain (Tripolitania and Cyrenaica) until 1951. After the return of Idris from Egypt where he was living in exile in 1947, Italy relinquished all its claims on Libya's territory as a losing party in WWII, opening the road to the creation of an internationally-recognized independent country (Kelly, 2014).

### **1.2.3. Independence**

The first resolution by UN General Assembly hinting at Libya's future independence was passed on November 21, 1949, according to which, Libya should obtain its independence from France and England before the beginning of 1952. Libya was represented by King Idris in all the negotiations that led to its full independence, and according to the agreement it was declared a constitutional and hereditary monarchy.

Thus, at the end of 1951 Libya was declared "The United Kingdom of Libya", a federal government constituted of three provinces under the leadership of Sanusi Said

Muhammad Idris, more commonly known as King Idris I. However, a new constitutional amendment adopted in 1963 changed the status of the kingdom from federal to a “unitary structure” under a new name of “The Kingdom of Libya” (Yurtsever & Abdulkarim).

Apparently, the creation of a new and united states was a success because it united three provinces that had had separate histories and tradition under a single flag, but the new administration proved to be inefficient because they lacked experience in running the affairs of a country. The main reason for this was the colonization of Italy, under which many infrastructural developments took place, but Italians deliberately kept the local population away from political and administrative jobs in an attempt to prevent any potential awareness which could lead to challenges to their rule (Smits, Janssen, Briscoe, & Beswick, 2013). As a result, the institutions and governing bodies of the nascent state were functioning like a mega bazaar with lots of favoritism and corruption, and like the majority of new African states, Libya became an extremely corrupted and nepotic country. This, compounded by the wider regional events and increasing Arab nationalism, a revolutionary undercurrent was created which would soon lead to the overthrow of the monarchy itself (McGlynn, 2016).

#### **1.2.4. Gaddafi’s Period**

Gadaffi and his colleagues (also known as Free Officers) took advantage of a trip taken by Idris outside of Libya in 1969 and overthrew the monarchy in what came to be known as "Operation Jerusalem". The existing political and economic system of Libya was radically changed within the first seven years of revolution by Gadaffi and twelve other army officers who created the Revolutionary Command Council based on the model of Jamal Abdul Nasser in Egypt. Then, in 1977 Gadaffi convened what came to be known as General People's Congress (GPC). In that congress, the establishment of "people's power" was announced and the name of the country was changed into “Socialist People's Libyan Arab Jamahiriya”. In addition, they also agreed to give full power to the GPC in major decisions about countries affairs.

This established Gaddafi as the secretary general of GPC, and by implication, de facto ruler of the country until 1980 when he quit this office. However, this did not mean that Gaddafi had relinquished his grip on the country’s affairs, as he continued to control almost all aspects of the state by building a powerful intelligence and security apparatus,

powerful revolutionary committees, and populism based on Arab Nationalism and Islamic Socialism. Officially, he had no power, but using the above mentioned mechanisms and putting in charge of them trusted people and family members mostly from his hometown of Sirt, made his control on the state absolute.

Another political step he took to further transform Libyan society was the “cultural revolution”, a movement inspired by Mao Zedong’s revolution in China. This revolution was to include almost all aspects of the society such as businesses, schools, public institutions overseeing administrative work and any other organization included in the “public interest” with the aim of ridding Libya of dangerous foreign influences. This process culminated in 1977 when the “people’s power” was finally established, according to which people had to participate in selecting their representatives in CPG.

Things did not turn out to be so smooth, and in 1984 there was a failed coup attempt organized by exiles that had internal support, especially among members of the Muslim Brotherhood and National Front for the Salvation of Libya (NFSL). This failed attempt led to the arresting, interrogation, torturing and execution of thousands. Gaddafi used this occasion to give more power to his revolutionary committees to search, arrest and torture people alleged or suspected to be regime opponents without any warrant or judicial process, but such unlimited powers made revolutionary committees dangerous and a threat to the state itself (Oliveri, 2013).

Due to shortages of goods as a result of international sanctions and setbacks on the war against Chad, popular dissent against the regime started to raise. In 1988 Gaddafi started to reign on revolutionary committees and limited their powers significantly. He then started a set of domestic reforms aimed at increasing people’s satisfaction with the regime, and to show his commitment, he released a number of political prisoners and eased travel restrictions for Libyans to foreign countries. Another important reform was allowing private businesses after banning them for a long time (Chorin, 2012).

Seeing that most of the threats to his regime were coming from Islamist circles inspired by Islamic revolution in Iran or NFSL which became rallying groups of people who were not happy with the regime, in 1980s Gaddafi started a new domestic policy to neutralize this threat at any cost. Many military commanders and ministers were removed from their posts and transferred to other, unrelated positions with the aim of preventing

them from consolidating power and become a threat to the regime. Thus, military which was the pillar of the regime became its main threat, and after another failed coup attempt in 1993, Gaddafi further purged the army of its high-ranking officers and replaced them with members of his tribe or very loyal followers.

By the end of 1980's, the country's reputation was reaching new low points because of its involvement in international terrorist attacks such as the bombing of the discotheque in Germany in 1986, and especially the blowing of Pan Am flight 103 over Scotland. US response was prompt with targeted bombings on Tripoli and Benghazi with the aim of killing Gaddafi and precipitating an internal uprising, but both of them failed. There were high casualties among civilians, among them Gaddafi's adopted daughter. The raids led to increased popular anger against US and international community and rallying behind Gaddafi, even drawing condemnation from regimes opponents in exile.

The bombing of Pan Am 103 led to UN sanctions in 1992, and after a long process of negotiations and promises, Libya complied with the terms imposed by UN to lift the sanctions. Thus, in 2003 the regime publicly accepted responsibility for the attack and turned over to Scottish authorities two people suspected of organizing the attack. In addition, it also agreed to pay damages to victims' families. This led to lifting of UN sanctions in 2003 after which the regime declared an end to its pursuit of advanced missile technology and weapons of mass destruction (WMD), a step that was followed in 2004 by lifting of US sanctions and normalization of relations.

This opened a new page on Libya's international relations, a move that started in late 1990's with shifting the focus from subversive activities against west for creating the Arab unification (Pan-Arabism), to multilateral diplomacy with a focus on Africa, where Gaddafi was trying to establish his regional leadership by supporting the idea of Pan-Africanism, emphasizing the African roots and identity of Libya. However, like all other approaches in the international arena, this was not the final policy of Gaddafi, as he frequently changed course, always bringing his regime in a direct confrontation with the west. All international and regional attempts, from uniting Arab-speaking countries, to creation of the African Union, logistic support and funding for terrorists around the world, support for separatist groups in Europe and Latin America, and constant calls for

holly war against and wiping out of Israel, set him into a direct collision course with the major western powers.

All these misadventures and others not mentioned here did not help Gaddafi in creating a united front against western power and influence, be it in Africa, the Arab world or wider, and this lack of support for his ideas came to bite his regime in 2011 when he needed them more than ever in preventing the international community from taking military actions against him and his regime (Siebens & Case, 2012).

Gaddafi and some of his sons were killed by opposition fighters on October 20, 2011 after an airstrike on his convoy leaving Sirtre injured him and killed many among his companions. He was captured by Misrata militia and executed, bringing the civil war to an end after nine months of bloody fighting, or so it was thought at the time. Many started making preparations for a new Libya under representative democracy and rule of law, but the future turned out to be more chaotic and bleak than even the most pessimistic predictions.

### **1.3. 2011 Revolution**

Despite the expectations for a new country, ever since the old regime was defeated and the war was won by rebel forces, the country has been descending into chaos and there seems to be no light at the end of the tunnel. Libya started to be divided among militias representing cities, districts and tribes, while the central government has been unable to extend its authority and unite the country. The battle fronts have already been drawn, and militias of Islamist groups are becoming more powerful every day.

The first free elections for the new parliament after destruction of the old regime were held on July 7, 2012, and the National Transitional Council (NTC), the body charged to run the country until free elections were held, transferred its power to General National Congress (GNC) which was delegated with creation of a representative interim government and drafting a new constitution to be later approved by a general vote in a popular referendum (St John, 2013).

One of the very first major incidents that challenged the authority of GNC was the bulldozing of a Sufi mosque and the graves in its yard in the capital Tripoli on August 25,

2012, an episode called "the most blatant sectarian attack" since the end of the civil war by Reuters (St John, 2015). This was the second time an attack on Sufi sites occurred in two consecutive days. The next attack with major consequences not only domestically but internationally as well, was that on the American Consulate in Benghazi in which the US ambassador to Libya, Christopher Stevens and three other among his personnel were killed by Islamist militants of Ansar al-Sharia, an Al-Qaeda affiliated group in Maghreeb (Gartenstein-Ross, 2013).

Besides deteriorating security situation, political instability was another problem which was going from bad to worse. Thus, on October 7, 2012, then Prime Minister (PM)-elect Mustafa Abushagur, failing to win the necessary votes by the parliament for his new cabinet resigned (Dietrich, 2013). One week later, Ali Zeidan, a human rights lawyer and former GNC member, became the new PM and soon after getting parliamentary approval he was sworn as the first free PM (Perito, 2016). His premiership was short-lived however, as he was forced by GNC to step down on March 11, 2014 due to his inability to stop illegal oil shipments. His replacement was Abdullah al-Thani who even made an attempt at bringing back the monarchy in a bid to unite the country and save it from the looming chaos (Ferrara & Zhang, 2018).

There were new elections on June of 2014 for selecting the members of the Council of Deputies (CD), a new legislative assembly created with the aim of taking over from GNC. However, these elections turned out to be chaotic with many polling stations closed because of violence and threats. As a result, the turnout was low and the main winners were liberals and secularist candidates, a development that alarmed the Islamists in the GNC and prompted them to refuse to recognize CD and declared that GNC would continue carrying out its original functions. To reach their aims, armed militias supportive of GNC occupied Tripoli and forced the newly-elected parliament members to flee to Tobruk (Lacher, 2016).

As a result of this incident, Libya has had two rivaling parliaments ever since, creating a power vacuum which started to be filled by militias affiliated to various tribes and even jihadist groups operating in the country. The most powerful among these were fighters affiliated with Islamic State of Iraq and Levant (ISIL) who fought and took over the cities of Derna and Sirtre in 2014 and 2015, respectively. As a result of ISIL's

advance, Egypt entered the conflict by carrying out airstrikes against ISIL positions in a bid to support the government based on Tobruk (Vandewalle, 2012).

Seeing the deterioration of the situation and the increasing threats of ISIL- and Al-Qaeda affiliated groups in the country, in January 2015 attempts were made to reconcile the two governments and reach an agreement to unify and stabilize the country in what came to be known as Geneva-Ghadames talks. However, GNC did not participate in these talks, further worsening the security situation in the country. Despite the failure of this attempt, diplomatic traffic increased and UN mediated by assigning a Spanish diplomat named Bernardino Leon as a special representative of Secretary-General (SRSG). A number of mediations, meetings and talks brokered an agreement between the two groups in Skhirat of Morocco in early September 2015 (Lacher, 2015).

The authority in Libya today is very weak and unable to completely take control of the security situation. Because of the state's inability to rein in the might of armed militias, crime has become commonplace without anyone fearing punishment or facing any prosecution for their illegal actions (El-Katiri, 2012).

The constitutional crisis in Libya has therefore gained a new dimension, namely the conflict between the political components. The Interim Constitutional Declaration of the Libyan Revolution on 17 February witnessed seven constitutional amendments which led to significant changes in the legal status of political institutions. Thus, constitutional amendments have also disrupted the transition as the conflict over the constitutional framework was the reason for armed conflicts between the two parties that led and contributed to the Libyan Revolution.

A new military campaign waged by a number of rebel battalions composed of ex-army personnel and Islamists to defeat what it calls "an insurgency against legitimacy", was led by the retired Maj.Gen. Khalifa Haftar under the name of "Operation Karma". Only two months later Haftar began operations against the rebels in Benghazi and Tripoli. The operation was launched on 16 May 2014 in the eastern city of Benghazi, where Haftar's forces attacked the headquarters of the rebel and Islamist battalions, after which the operation moved to the capital Tripoli, and then the conflict expanded to many other parts of the country (Pitcher, van der Valk, & Girard, 2018).



Today, Libya is also plunging into a military divide. The Libyan army is in control of eastern Libya where they fight with armed groups in Benghazi. In addition, there are forces loyal to the Presidential Council of the Accord government. The Presidency of the Parliament does not seem to be convinced of the question of a unified army and continues to assert that the only legitimate army is The Libyan National Army (LNA) led by Khalifa Haftar, and Haftar himself also refuses to recognize Wefaq government unless it gains the confidence of the parliament, which has failed to vote and grant confidence to the GNA.

The LNA is stationed east and consists of Special Forces and former officers who defected at the beginning uprising from Muammar Gaddafi and were later joined by the Air Force. Haftar relies west on Zintan which announced its accession to him (Gordon & Oxnevad, 2016). After the dissolution of the Fajr Libya alliance, the majority of armed militias that were in western Libya emerged under his banner but under new names, such as the Central Security and the Anti-Crime Service. All attempts to unite the military forces in the east and west and form a leadership have failed.

#### **1.4. Foreign relations**

Since the formation of the independent Libyan state in 1951, the country's foreign policy has changed frequently depending on the circumstances, interests and politics. Thus, during the kingdom period, Idris was known to be pro-West, but politically the country belonged to the traditionalist conservative block of the Arab League. After Gaddafi came to power, there were major shifts as his main objectives were the creation of Arab unity based on ideas of Pan-Arabism, destruction of the newly-created state of Israel and advancement of the Palestinian cause, support for Islamic cause and ridding Middle East and Africa of the western "imperialist" influences by supporting directly or indirectly certain separatist and terrorist movements. This stance set the regime on a collision course with the western powers, particularly the US. In addition, Gaddafi closed all US and British bases in Libya and nationalized the whole oil sector, affecting the interests of foreign companies which had major stakes in drilling, processing and shipping of oil.

Gaddafi was also one of the main architects of using oil as a weapon of war against the support of US for Israel in the later war against Arab countries. He believed

that stopping oil flow to US markets in 1973 would persuade US and other western allies to end their support for Israel. He also rejected the ideas of Communism promoted by the Soviet Union and came up with what he claimed to be his original political and economic system following a middle course between the two poles of the time.

He also involved Libya directly into foreign conflicts, such as that in Uganda in 1978 when he sent troops to back Uganda's leader Amin against his Tanzanian enemies. Amin attempted to annex the province of Kagera in northern Tanzania but failed and fled the country seeking political asylum for approximately one year. In addition, Gaddafi supported the nationalist separatist movement of the Polisario Front which was fighting against Spanish rule in 1976. As a result of that war, the front declared the creation of the Sahrawi Arab Democratic Republic (SADR) which was promptly recognized by Libya in 1980 as the legitimate government in Western Sahara region. Because of this, Libya was declared a "state sponsor of terrorism" by the US Department of State in 1979 (Minnerop, 2002).

This and other accusation of state-sponsored terrorism prompted Libya to further remove itself from the western hemisphere. The situation became aggravated further after Libya's complicity in the bombing of Berlin discotheque where two US servicemen were killed was finally proved, leading to aerial bombardment by US against military targets in Tripoli and Benghazi in April 1986.

Further, a joint investigation by federal prosecutors in the US and Scotland indicted two intelligence officers from Libya for their involvement in planning and supporting the bombing of Pan Am Flight 103. Six more Libyans were later tried in absentia for another bombing, this time the UTA Flight 772. Libya's refusal to comply with the demands of the UN Security council to turn over the suspects for trial in Scotland, pay compensation to the families of the victims and immediately stop any kind of support for terrorism led to sanctions which continued unabated until 2003.

In 2003, after the invasion of Iraq by the US and heavy pressure by many other countries, Libya made a U-turn on its foreign policy. The regime suddenly accepted responsibility for the bombing of Flights 103 and 772 and announced that it would comply with all demands of UN Security Council. In addition, it also announced complete cessation of the WMD research and development program, and expressed its

willingness to start a new page with the west, including the US. This was welcomed by many countries and hailed as a victory for diplomacy. Afterwards, “The Libyan Model” became a common phrase in international relations showing the power of negotiation in solving major problems without the need to resort to the more difficult and dangerous military options. As a result, the US State Department removed Libya from its list of state sponsors of terror and the two countries formally re-established diplomatic relations by opening embassies after a long time of absence in 2006 (Pienaar, 2008).

### **1.5. Economy**

Today, Libya’s economy is heavily reliant on oil, but this was not the case when the country was formed. During the post-independence period, the economy was mainly based on agriculture and livestock. Agriculture was the main supplier of the industry and it employed more than 70% of the workforce in addition to constituting about 30% of the GDP (Yousef, 2005). One major problem was that the yield was heavily dependent of the climate conditions as modern technology was absent. In later years, despite the heavy investments, the contribution of agriculture on the GDP fell drastically, even though the sector still employed a significant workforce.

The zones where agriculture could be developed were very limited because of the desert. Thus, a narrow strip of land on the northern coast as well as some isolated oases in the desert was the main regions where farmers could grow certain products and livestock. In addition, lack of modern technology, high levels of erosion and a tribal way of dividing the land made agriculture very inefficient. Irrigation was a big problem because there were no rivers and hydroelectric power very scarce. The huge aquifer under the desert was discovered years later, and even if it were known at the time, the technology of extracting and transporting as well as investment power for the immense projects necessary to achieve this were practically absent.

If we were to talk in the modern sense, Libya had no proper industry. There was no coal and hydroelectric power to produce energy. Mining industry was very underdeveloped and Libya had very few minerals to extract and export as raw materials. Later, with better technology, large amounts of iron ore were discovered in the southern and central region of Wadi ash-Shati. Thus the country lacked both industry and proper

agriculture, and as a result it had very little product to export in exchange of commodities from industrialized countries.

Another major problem after the independence was the wide scale of illiteracy, which in turn led to low skilled labor and almost complete absence of technical expertise for the post WWII economy. This lack of skills among the workers persisted for a long time until 1980s, and despite the huge amounts of money invested on training a modern workforce, the country was still dependent on borrowed workforce from other countries.

Urbanization was also very low, and a large segment of the population was still living in traditional tribal and nomadic/seminomadic ways. Birthrate was high, leading to a population explosion which further compounded the economic problems and strained the weak agricultural sector, pushing many unskilled people to migrate to cities in search of a better life, but there was no easy solution.

If we were to analyze the capacity of Libya from the resources point of view, whether they were natural or human, we would conclude that the future of the country would be bleak. During 1950s and 1960s, the deficit of the country was mainly filled by international agencies, and particularly by the US and Italy. Because of the problems mentioned above and deep corruption within the state, it was impossible for the international community to come with a comprehensive plan to pull the country out the difficult situation it was in. The lack of governing experience made it impossible for the governing bodies in charge to efficiently use and allocate the resources provided from outside.

## **1.6. Discovery of petroleum**

In the first decade after petroleum was discovered, the nature of Libya changed completely. Now the country had two separate economies which were functioning in parallel, one based on petroleum and the second on other sectors. Practically, there was no real connection between these two economies except for the small contingent of local workers employed by major oil companies involved in exploration, drilling and marketing of the oil. Locals were in very low positions, generally hard laborers because all the decision-making involving finances and all sorts of planning were made outside the country. In exchange, the companies paid a small portion of their huge profits to the

government in form of taxes and royalties. Besides some increases in the amount of taxes and royalties over time, the situation remained the same until the overthrow of monarchy in 1969 (Edwik, 2007).

All these arrangements ceased to exist after the military coup orchestrated by Gaddafi and the free officers. The administrative apparatus and personnel of the previous government were fired and oil companies were alerted about huge amounts of unpaid taxes and royalties. Another radical step was the new policy of major government takeover of the private and foreign businesses, and oil was one of the main targets of the new “Libyanization” policy, according to which foreign workers in essential sectors of the economy were to be replaced by locals. This process continued further in 1970s until the total nationalization of all assets of oil companies was completed.

The government started to apply pressure on oil companies to increase royalty payments and increasing the percentage of locals in the decision making process. In this way, towards the end of 1974, many companies had either been totally nationalized or the government had become major shareholder and had major role in decisions related to oil production, processing and transportation systems. Despite these measures and the vital role that oil gained in Libya’s economic viability, even by 1987 the country was still heavily reliant on foreign companies for their expertise on exploration, drilling, processing, and oil fields and installation management, not to mention here the design and manufacturing of spare parts (St John, 2008b).

Starting with 1972 and using the large amount of income first in the form of royalties and then directly from oil trade because of the nationalization, the government came up with ambitious plans for economic development based on the model of Algeria. According to this model, the heart of the economy would be heavy industrialization and petroleum and its related industries would have a central role in financing this new economy. The two major goals of this plan were economic diversification and decreasing reliance on imported goods. This led to a significant decrease of imported products starting by the end of 70s.

The current phase of development started to take shape after 1981 during which oil prices fell drastically due to many factors. Given that Libyan economy was heavily based on oil, the decrease in price sent shockwaves to the economy, and by 1985 the

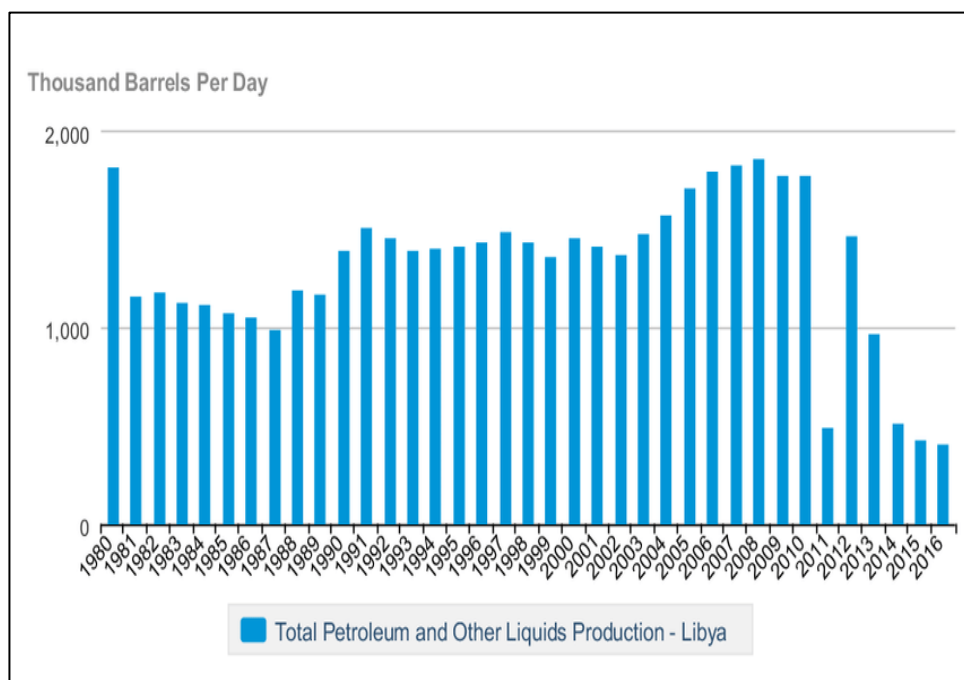
revenues from oil reached the lowest point since the price shock of 1973 when the Organization of Petroleum Exporting Countries (OPEC) cartel was created. Given that oil revenues constituted 57% of the GDP in 1980 and reached as high as 80% later on, the price shock caused a major economic contraction. The GDP fell by 14% within a single year after 1980, a decline that went on for many years ahead until the end of 1986. This caused major limitations on government spending on its megaprojects, decreased the availability of imported commodities and products, and created problems for the government to repay its debts, significantly lowering the standard of living within the country (Allan, McLachlan, & Penrose, 2015).

This crisis forced the government to reflect on and revise the way they took policy and economic decisions because the financial situation limited its ability to achieve its targets. As a result, the finances that went into investment on development projects were revised and designed in a more careful way by weighting their cost-benefits to increase the efficiency as much as possible. This also marked the end of the easy money period which reigned supreme in Libya during the 1970s.

Discovery of oil played a major role on economic policy. Thus, on the 1973-75 development plans, priority was given to the agricultural sector, while industry came to the second place. The GDP increase for this period was 9.2%. On the other hand, for the two subsequent economic plans covering the 1976-1985 periods, priority was given to the industrial sector and the increases in GDP reached very satisfying levels of 21% and 23%, respectively. This economic development was going in parallel with an explosion in birth rates though, so the conditions did not improve as much as they were expected.

These two development plans were aimed at accelerating the industrialization of the country, and they were a turning point for the economy. However, as mentioned before, despite heavy investments reaching annual costs of 157.4 million LYD, or a total of 4249.9 LYD for the period 1969 to 1996, the returns were not as expected by the People's Committee in charge of central planning (Masoud, 2013). One main factor for this negative outcome was the major decrease in oil prices which led to huge declines on the country's GDP from 77.4% that it was before the oil crisis in 1973, to as little as 27.9% in the year 2002 (N. Aimer, 2017). According to a study, a decrease by 10% in the oil prices led to a decrease by 3% on Libya's GDP (St John, 2008a).

The next economic plan was that of the 1996-2000 period, aiming at transforming the economy and society and putting heavy emphasis on service and manufacture sectors. According to the planners, this plan would decrease the reliance of the country on imported goods by increasing local production capacity. To achieve this, 11 million LYD were invested on industrial and agricultural sectors, especially on staple food. Details were as follows: 5.5 million LYD were allocated to industrial and minerals sector, the same amount for agriculture and livestock development, and 170 million LYD was the investment in fisheries (Allan et al., 2015).



**Figure 3.** The Libya crude oil production from 1980 to 2016 (N. M. M. Aimer & Moftah, 2016).

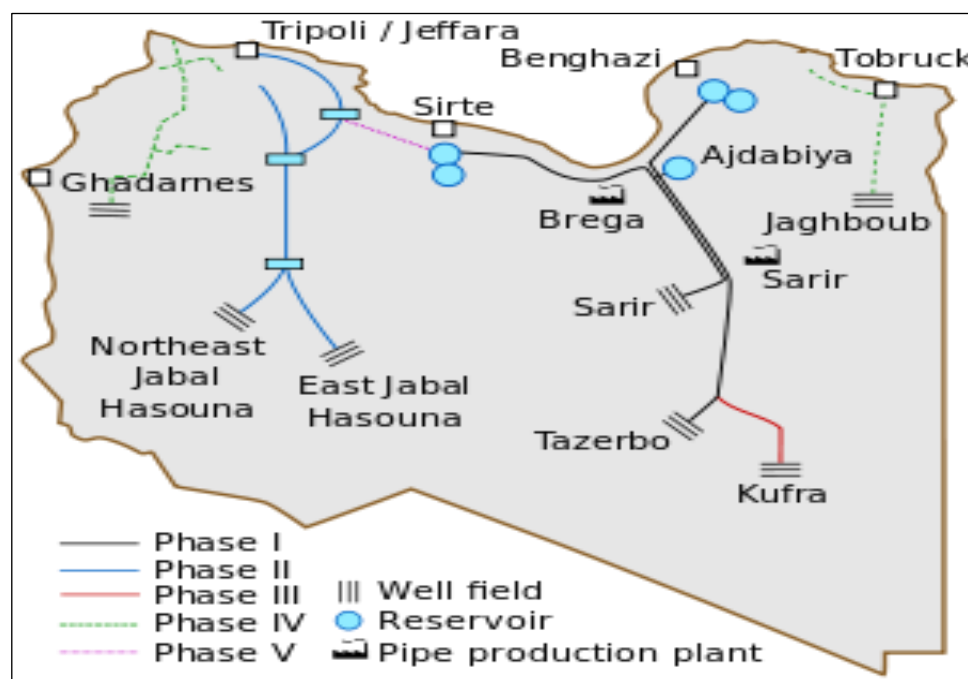
Despite great expectations in revenues from the industrial sector, it did not surpass 3% growth and the total local production was below 8% during 1970s. These figures once again showed that the industry was heavily dependent on oil, and reduction in the prices of the later affected investment capacity in buying raw materials which are at the heart of any industry (Chivvis & Martini, 2014).

In the year 2003 Libya saw a new economic revival, partly because of increased oil revenues, and partly because of its changing stance on international arena. The GDP

was also estimated to have increased by 2.7-3.8% from the previous year's 0.2-1.5%. The increase continued in 2004, with a real increase in GDP by 2.3-2.6% and inflation of 1.9-3.5% for consumer prices (Elbeydi, Hamuda, & Gazda, 2010). Despite this economic revival, unemployment remained a huge problem because the population size was increasing faster than creation of new job opportunities. Another problem was the poor infrastructure of the country, corruption and arbitrariness in governmental decisions, lack of transparency in the legal system, heavy government involvement in public sector and lack of private ownership, and government-funded mega projects such as the "Great Man Made River" (Triki, 2017).

### 1.7. Great Man-Made River (GMR)

GMR was one of the most ambitious projects in Libya's history. It is a network of pipelines buried underground that bring fresh and high quality water from the Saharan desert to the rest of the country to be used for domestic, industry and agricultural purposes. Initially, the project was planned to be much bigger and have additional distribution routes, but some of them were never realized. Despite these setbacks, it has been supplying the rest of the country with essential water for drinking and irrigation. After the project was put into life, many agricultural areas in the north became less reliant in desalination plants and rain-dependent aquifers near the coast (figure 1.4).



**Figure 4.** Great Man-Made River of Libya (Masoud, 2013).



## **CHAPTER TWO**

### **POLITICAL INSTABILITY AND ECONOMIC GROWTH**

There has been a long history of political instability in Libya, and this has negatively affected its socio-economic performance. The country has lived under dictatorial rule for more than four decades. Libya was isolated for long periods of time in the international arena because of the reckless and aggressive behavior of President Muammar Gaddafi. These long isolation periods affected Libyans not only politically, but socially and economically as well.

#### **2.1. Global Policy**

During Gaddafi's rule, Libya had built alliances with many countries and organizations, however they were fragile and unsustainable and most fell apart because of conflicting political decisions on the side of Gaddafi's regime. Initially, the main aim of Libyan foreign policy was a heavy focus on building alliances with eastern Arab countries, the AU, and western Arab countries, such as Tunisia, Algeria, Morocco and Mauritania. Additionally, Libya became a member of the League of Arab States on March 28, 1945, and has been a member ever since (MacDonald, 2015).

It was in military alliance with Egypt, Sudan and Syria but left it after Egypt changed stance and recognized the state of Israel in accordance with American quests. Then, Gaddafi shifted his focus and became involved on the affairs of Yemen and Ethiopia. During Gaddafi's rule, the country was suffering from continuous clashes and conflicts with many of the Arab states, including its neighboring Tunisia, Egypt, and Sudan (Hamada, Sökmen, Zaki, & Hamada, 2020). As mentioned previously, Libya became actively involved in Ugandan-Tanzanian war in 1979 when Gaddafi sided with Uganda. In accordance with the regime's war on American imperialism, Libya also became involved in the wars of Vietnam and Cambodia, although indirectly, and took a more active role in the civil war of Lebanon in 1980. In return, the country benefited only little from all these international misadventures, gained a bad reputation in the international arena, and lost a lot of money and people as well. Moreover, it entered a phase of constant conflicts and clashes with some Western countries (Anderson, 1987). Leading to imposition of international sanctions and even direct military action in the

form of air strikes on Tripoli and Benghazi in 1986. Sanctions were also expanded to include a complete halt on direct exports and imports from Europe and US, as well as restrictions on trade contacts and travel related activities with other countries (Blanchard, 2010).

## **2.2. Political Transition**

One of the most important obstacles in creating a democratic and all-inclusive Libyan state after the revolution of 2011 was the “interim constitutional declaration”. The roadmap for Libya’s transition was drafted by NTC which acted as an umbrella organization including all those who led the uprising against Gaddafi and won the war. NTC was also recognized by international organizations as a legitimate political body representing all Libyans. Despite the high expectations and the public hype, dissenting opinions started to surface by critics who rightly pointed out major flaws and the impossible nature of the draft to reach its set goals. The first truly free elections in the history of the country were held in July 2012, just 10 months after the previous regime was declared to be over. Finally, after 42 years of one of the worst dictatorships imposed by a single man, his family, and a group of close aides and an additional eight months of civil conflict, Libya was holding democratic elections. Despite the apparent success, deeply the country was weak because of the lack of experience in politics and civic life. There were no powerful institutions to navigate the situation during this critical period of political transition (Elferjani, 2015).

Western countries which created the international coalition under the umbrella of NATO for deposing Gaddafi did not have any plans for disarmament, demobilization and reintegration (DDR) of thousands of experienced and well-armed fighters who were part of various militias, thus giving them a chance to organize themselves into larger and more powerful groups that would play a major and mostly disruptive role in the future politics of the country. Despite the efforts of a number of interim governments to integrate these fighters into a centralized army controlled by the government, they have to a large degree failed because of deficiencies in implementing DDR and lack of reform in the security forces. In the contrary, transitional authorities turned a blind eye in implementing proper DDRs, leading to wholesale inclusion of militias in the army and

creating various problems in the chain of command, loyalty to the state and subordination to military commanders (Dessi & Greco, 2018).

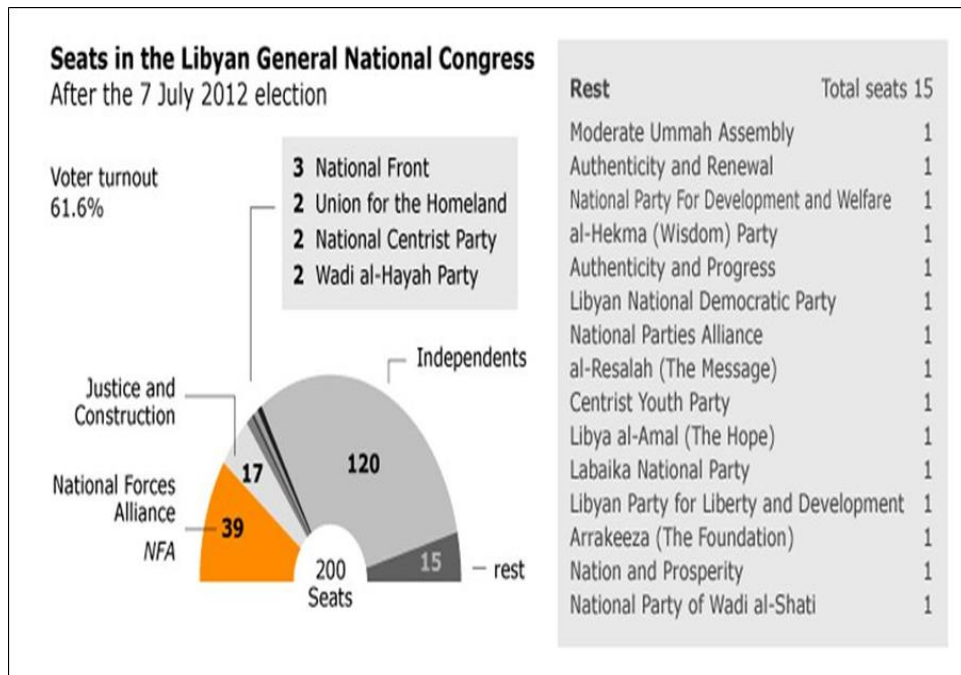
Even to this day, the political and security landscapes are localized, fluid and fragmented. Loyalties can be bought and are frequently shifting between various locales, tribes, regions and ethnic groups according to the best interests of those in charge. Such fractures started to become clearer by 2014, but they were significantly accelerated after the new civil war that commenced with the launch of a new military operation against the government of Tripoli by Haftar. This triggered another battle in the capital between various militia groups for its control, making the divides and distrust even worse.

The NTC led by Mustafa Abdel Jalil continued to run the affairs of the country after the success of the revolution, before the Libyans voted on 7 July 2012 for the first parliamentary elections. As a result, on August 8, 2012, the NTC formally transferred power to the newly-elected GNC in a move that many believed would end the conflict in Libya, would smooth the transfer of power to an elected government, and would lead the country into a new phase of political security.

### **2.2.1. The Legislative**

The July 7 elections for the GNC marked a milestone as they were the first free elections after 6 decades since the foundation of the independent Libya. Election for membership in GNC was according to a dual voting system. According to this approach, 80 seats were chosen by proportional representation in 20 constituencies under a party-list system. The other 120 seats were chosen by 69 multiple-member constituencies. In order to ensure equal representation for men and women, parties had to alternate the ordering of both sexes (figure 2.1).

The two major winners in these elections were the National Forces Alliance (NFA) which was a liberal alliance led by Mahmoud Jibril who served as the wartime rebel Prime Minister with 39 out of 80 party-list seats, and Justice and Construction Party (JCP), a party leaning towards Muslim Brotherhood with seventeen seats. Other minor winners were the National Front Party (NFP) with only three seats, the National Centrist Party and Union for Homeland, and the Wadi al-Haya Party for Democracy and Development, with two seats each (St John, 2012).



**Figure 5.** The Libyan General National Congress (GNC) (Langhi, 2014).

The rest fifteen parties won one seat each. The seat of the prime minister was first taken by the Mahmoud Gabriel until October 23, 2011, and followed by Ali Tarhouni as PM-designate until November 24 of the same year. Later, Abd al-Rahim al-Kibb became prime minister from November 24, 2011 to August 8, 2012. Under the GNC, al-Kibb remained in office until November 14, 2012. In October 2012, Mustafa Abu Shaqour failed to secure a sufficient majority of GNC members as head of government, so this position was taken by human rights lawyer Ali Zaidan who was sworn in the constitution in the same month. Zaidan continued in this position from November 2012 until March 2014 when GNC removed him from office by a vote of confidence, thus opening the way for Defense Minister Abdullah Al-Thani to take over the president's duties until a new prime minister was elected (Fasanotti, 2017).

Later, Abdullah Al-Thani was elected prime minister on March 11 and continues to hold the office to date, despite the election of Ahmed Maitiq and his swearing-in on May 25, 2014. A decree by the Constitutional Court on the illegal nature of electing Ahmad Maitiq for office lead to a stifled political situation, which created two blocks: the coalition dubbed "Libya Dawn", and the forces gathered around Haftar, whose offensive

codenamed Operation Dignity lasted for the whole of 2014, setting the stage for a new civil war in the country.

### **2.2.2. Political Parties**

After the revolution of 2011, many political parties were created in Libya and it is beyond the scope of this thesis to mention them all. Therefore, here we will briefly concentrate on the most important ones.

- **The National Forces Alliance (NFA)**

NFA is a union of many other organizations and independent candidates established in 2012. The leader of the party is Mahmoud Jibril who bases the party's ideology in Islamic foundation, but of a moderate direction. They advocate Sharia law as the basis for the political future of Libya (Pack & Cook, 2015).

- **Justice and Construction Party (JCP)**

JCP is the political wing of Libya's Muslim Brotherhood. The party was established in March 2012 and is led by Mohamed Sowan. During the 2012 election it received 10% of the popular vote and obtained 17 seats out of 73 candidates.

- **The National Front Party (NFP)**

NFP was formed after the NFSL was dissolved in 2012 after a long and sometimes bloody struggle against the Gaddafi regime since 1981. The party is led by Mohamed Magariaf and its basic ideology is liberal progressivism and empowerment of women in the political and social spheres of the country. During 2012 election it won 4% of the general vote and 3 seats out of 45 candidates.

- **Union for the Homeland Party (UHP)**

This party was founded by the grandson of Swehli who was in turn the founder of the Republic of Tripolitania in 1918. The party is based in the city of Misrata and in 2012 election it won 4% of the general vote and 2 seats out of 60 candidates.

- **National Centrist Party (NCP)**

NCP was founded in 2011 by Ali Tarhouni who was the interim oil minister. The party is of moderate Islamist leaning and in 2012 election it won 4% of the votes and 3 seats in the parliament.

- **Wadi al-Haya Party for Democracy and Development**

This party is based in the southern province of Fezzan and in 2012 elect it won just 0.47% of the national vote and 2 seats in the parliament (Lacher, 2013).

### **2.2.3. Background of discontent with General National Congress**

As mentioned previously, Libya was ruled by the GNC at the beginning of 2014 after it won the elections in 2012. GNC was not a homogenous group, but it was constituted by NFA and JCP which failed to reach political consensus among themselves on some issues of vital importance facing GNC. Some of the highly contentious problems were the political isolation law and the deteriorating security situation, hampering the progress of GNC in achieving its number one priority which was drafting the new constitution of the country. The matters were also complicated by other elements of the GNC, such as members who were part of Islamist conservative parties and revolutionary groups. Some others had conflict of interest because they were affiliated with militias and were accused by their opponents for corruption by funneling public money to their militias and turning a blind eye to kidnappings and assassinations done by their group members.

### **2.2.4. Expansion of armed groups during the GNC's term**

The interim government and the GNC were blamed by the public for failing to carry out their duty and deteriorating security situation, and although they tried to take

the militias under control, all the efforts failed because for the reasons mentioned above. One of the first cities in which security reached a chaotic level was Benghazi, where kidnappings and assassinations became daily matters and GNC was first blamed for overlooking the worsening situation in the east, but it soon turned out to be a problem across the whole country. Some of the most famous incidents were the assassination of US Ambassador in Benghazi in 2012 by Ansar al-Sharia and the kidnapping of PM Zeidan by a group called Libya Revolutionaries Operations Room (LROR) in 2013. In January 2014, LROR did another audacious kidnapping, this time of Egyptian diplomats, and in 2014, a group of protestors linked to the group stormed the parliament, killed two lawmakers and wounded a number of others (Wehrey, 2014).

#### **2.2.5. GNC extends its mandate without elections**

As 2014 which was the deadline for dissolving the GNC was approaching, GNC voted for extension of its powers for minimum one other year on December 23, 2013. The decision caused concern among the population and was accompanied by small protests. Then, on February 14, 2014, Haftar ordered GNC to dissolve and asked for the formation of another committee for organizing and overseeing the new elections. This call prompted GNC to accuse him of a coup attempt against the government and it continued to hold its governing functions, leading Haftar to start Operation Dignity on May 16, plunging the country into a new civil war (Jebnoun, 2015)..

#### **2.2.6. Parliament versus the GNC**

About a week after the start of the Operation Dignity, on May 25, 2014, GNC came out with the decision of holding new elections on June 25, 2014. The elections were held, but the turnout was just 18% and Islamists were the main losers. As a result, they accused the new parliament of being controlled by Gaddafi's supporters, so they went back and started backing the GNC after it was officially dissolved. The situation further escalated and on July 13, Islamists based in Tripoli and Misrata started operation Libya backed by their militias and occupied the international airport of Tripoli after taking it over from Zintan militias on August 23. This incident was followed by regrouping of the Islamists who had rejected the June election and voting to create an alternative governing body to the House of Representatives centered in Tripoli. Furthermore, they also elected Nuri Abu Shamin in the post of the president and Omar Al-Hassi as PM. After these

developments, most of the members of the House of Representatives fled to Tobruk and joined Haftar, later nominating him for the position of the general commander of the army (Boussekoum Barkat, 2019).

In Tripoli, the High Court dominated by GNC announced the dissolution of the parliament on November 6, a decision that was rejected by the House of Representatives as illegitimate because it was taken “under threats”. After the two factions of in charge of Operation Libya and Dignity agreed on a ceasefire on January 16, 2015, the country was finally divided into two parts, each led by its own government in Tripoli and Misrata, while on the other hand, the international community recognized the government of Tobruk led by Abdullah al Thani (Analytica, 2019).

### **2.3. The Emergence Two National Conferences**

Afterwards, two national conferences were held separately from each other. First, the General National Congress, which was turned into a proper parliament elected an advisor to Aqila Saleh in eastern Libya who fully supported the Haftar military operation. The second was the new GNC, chaired by Nuri Abu Sehamin who was the last president of the GNC until the elections in western Libya. This assembly announced the rescue government leading to the formation of Dawn of Libya in Tripoli which was taken over by Omar Al-Hassi in September 2014, and then in March 2015, Khalifa Al-Ghuwail was appointed as Prime Minister.

### **2.4. Khalifa Haftar**

Khalifa Haftar formed and trained the Libyan National Army (LNA), which was formally known as "Libyan Arab Armed Forces". Haftar was a former high ranking officer in Gaddafi's army, but he was later accused of forming a coup against Gaddafi and was tried in absentia and sentenced to death. After the former regime fell, he returned from the US and became the general commander of LNA. Things turned to his favor when a group of officers based in Tobruk and those in control of a significant portion of the oil infrastructure announced their support for him. Their decision was followed by commanders of major militia groups in Benghazi as well, and support for him extended in further areas such as Bayda, 125 miles east of Benghazi (Engel, 2015).



On the other hand, a small part of the Libya Shield Force that had not joined the Islamists announced their decision to join LNA. On May 16, 2014, Haftar's forces launched a combined air and ground assault on Benghazi, targeting militias and other armed groups inside the city. The attack occurred without permission from the central government in Tripoli, and it was followed by Haftar's security forces storming the parliament building. The Libyan government described this action as an attempted coup against the elected government.

Since these incidents, Haftar continued to expand, train and equip the LNA by recruiting new people to his army and expanding the territory under his control. He even claimed in 2017 to have created a modern army of 60.000 strong. He later set his sights on Libya's petroleum and in 2018 he started military operations on the Oil Crescent, the heart of Libya's oil near Sirt and seized it from Ibrahim Jadhraan who was in charge of the Petroleum Facilities Guard. After a long march to southwest Libya through Fezzan, he decided to march and finally capture the capital Tripoli, a decision that awarded him the title of Field Marshal (Harchaoui & Lazib, 2019).

In his long fight against many groups, including terrorist and especially the Tripoli government which is backed by Muslim Brotherhood, Haftar has become a hero and has earned the support of many countries such as Egypt, Saudi Arabia and United Arab Emirates, as well as Russia and France. This is happening despite the public proclamation that these same governments support UN's mission in Libya whose special envoy backs Tripoli's Government of National Accord (GNA), led by Fayez al-Serraj. Besides monetary support, these countries have been supporting Haftar with weapons and military advisors to train the LNA. On the other hand, US has been keeping its distance from this conflict since the murder of its Ambassador in Benghazi.

Meanwhile, the western part of Libya is ruled by a new interim government which included the elected House of Representatives in the east and the GNC supported and formed under the supervision of UN in 2016 called GNA. GNA is still seen as the only UN-recognized government in Libya, but this status has not changed its perception in the eyes of Tobruk government. Thus on April 2019, Haftar launched another operation as an attempt to capture Tripoli and give an end to GNA (Analytica, 2019).

The matter is further complicated as both fighting sides are backed by other international actors. Thus LNA is mainly backed by Saudi Arabia and UAE, while GNA by Turkey and Qatar. The former claims to protect the democratic nature of Libya which was usurped by GNC (the precursor of GNA) and it wants to save the country from terrorists, while GNA claims to defend the revolution of the people and stop the reinstatement of dictatorship. Despite international efforts for dialogue, no breakthrough has been achieved.

Many experts believe that a decisive winner of the war would be able to unite the country and create stability, and some countries such as US, France and Russia have been playing with the idea of backing Haftar, while Turkey and Qatar are investing heavily on the side of GNA, the UN-Backed government. These conditions will prolong the conflict for a time indefinite, making the situation even worse in the future (Shay).

## **2.5. ISIL Appears in Libya**

After the fall of the Qaddafi's regime, Libya became a stronghold for many extremist groups, including many who support Islamic law and governance in the Islamic Maghreb. 2014 saw the first ISIL appearance in Libya, when a number of foreign fighters who went to Iraq and Syria returned to their hometowns in the city of Derna in eastern Libya. A few months after their return, these fighters formed the Youth Council of Islam and announced their allegiance to ISIL leader Abu Bakr al-Baghdadi.

ISIL has always been seen as coming from abroad and has been foreign to Libyan tribal society (Schnitt, 2015). However, the organization achieved notable successes in the coastal city of Sirte, where it quickly managed to control an area that extends along the Mediterranean coast for a distance of more than 200 km and is called the state of Tripoli. The area around Sirte is a relatively large area the organization controlled outside Iraq and Syria. For the western region of Libya, ISIL cells are located in the cities of Tripoli, Misrata and Sabratah. ISIL units also appeared in the south, where the organization is seeking to establish the third area of Al-Khilafah in Libya (Fezzan Province). The first ISIL leader in Libya was Abu Nabil Al-Anbari, also known as Wissam Najm Abd Zayd al-Zubaydi. After Zubaidi was killed in November 2015 in an air strike by U.S. forces, ISIL announced in March 2016 the appointment of his successor, Abdul Qader al-Najdi. Current estimates of the number of ISIL fighters in

Libya vary greatly: the United Nations estimates nearly 3,000 people and the CIA 6,500, while the number rises to 10,000, according to estimates by the French authorities. The poor security situation, the loss of border control, and the inability of the Libyan political elite to prioritize stability rather than internal fighting contribute to the consolidation of ISIL in Libya (Pack, Smith, & Mezran, 2017).

## **2.6. The Former Head of the Petroleum Facilities Guards (PFG), Ibrahim Jadhran**

In July 2013 started what came to be known as the second civil war of Libya when Ibrahim Jadhran leading the Petroleum Facilities Guard (PFG) broke up with the western government and imposed his own rule on three major oil facilities. He justified the takeover by using the anti-Brotherhood rhetoric and federalist sentiment to take control of Es-Sider, Ras Lanuf and Zueitina oil terminals and imposing a blockade until his demands were fulfilled (Fitzgerald, 2016).

His main demand was for the GNC to give over power to Libya's jap place of Cyrenaica in matters of oil trade. According to the head of Libya's National Oil Corporation (NOC), during the blockade the losses were on the range of \$30 Million a day. The blocked took a heavy toll on the country's financial situation, leading to a significant decrease in foreign exchange reserves from \$108 billion in 2013 to as low as \$57 billion in 2016 (N. M. M. Aimer, 2016).

The situation became more serious when he used the historical suffering of the Cyrenaica region under the rule of Gaddafi and demanded a federalist system with a possibility of declaring independence. To this end, he even hired lobbyists, the most famous of them the Canadian Ari Ben-Menashe to loby on his behalf in Russia and USA for a federalist Libya. He also attempted to sell oil in illegal ways via the channels of NOC by creating a parallel oil and gas trading agency in Benghazi.

Selling the country's oil via unofficial channels was an unprecedented event because oil constituted up to 60% of the country's GDP and as a result it drew heavy criticism to the point of prompting the PM Zeidan to threaten attacking any tanker

carrying oil from the Gulf of Sidra. These warnings did not stop Jadhran from carrying out his illicit trade in 2013 and 2014 (Szczepankiewicz-Rudzka, 2016). Despite some successful actions by the GNA's naval forces, Jadhran used various ways to get away with illicit oil trade, such as the case of the Morning Glory tanker which was registered in UAE and made its way with more than \$30 million in crude oil. This was the first of many such events that were to take place in the future, where UAE used oil trade to financially back eastern Libyan factions against GNA. After Zeidan was ousted and fled to Germany, GNA send a new force called Libya Shield to take the oil facilities back from Jadhran, but the fighting ended unsuccessfully and the militia had to retreat. However, substantial damage was done to the oil facilities by the heavy fighting (Van Genugten, 2016).

On the other hand, Jadhran was in good terms and had a military alliance with Haftar and kept the oil facilities under blockade until 2016. However, towards the end of 2015, the strongman of eastern Libya started to turn on his formal ally and managed to convince the tribe of Magharba which was the main backer of Jadhran to turn on him. As a result, LNA took control of the oil facilities on 2016 and the profits of oil trade started to flow through Tripoli's Central Bank of Libya (CBL).

## **2.7. The Nature of Foreign Intervention in Libya in 2011**

As a result of internal and external political events during the Arab Spring, Libya witnessed an international move to implement an air embargo. This international action was under the banner of NATO and a number of other countries, and went through several stages which will be explained in detail in the following subsections.

### **2.7.1. The First Requirement: NATO and the Parties to Foreign Intervention in Libya**

The issuance of Resolution number 1973 by the UN Security Council to impose an air embargo on Libya in order to protect civilians with all necessary measures was the first spark for international intervention in Libya under the banner of NATO. As both Western and Arab states called for implementation of the resolution, many countries announced their willingness to participate in the implementation of the resolution and the military operations were given several names such as Harmattan by France, Ellamy by

Britain and Odyssey Dawn by the US. These military operations started on March 19, 2011 after long deliberations among NATO member states because of past intervention experiences and crisis managements. For that, an international conference was formed, and it was agreed that the decisions of the alliance should be taken by unanimous vote of all states without any objection, in the contrary, the decision would be overturned (Chivvis, 2019).

### **2.7.2. The second requirement: the humanitarian and legal reasons for foreign intervention (The Security Council Resolution 1970)**

The Security Council convened and after long deliberations on February 26 2011, unanimously acknowledged the daring situation in Libya. Based on the “Rome Statute of the International Criminal Court” and the provisions of chapter seven of charter of the United Nations, member states decided to impose international sanctions on the Muammar Gaddafi’s regime and authorizing the Criminal Court to carry out an international investigation into the crimes committed by Gaddafi forces against Libyan civilians (Vicente, 2012). Therefore, the resolution provided for the following actions:

- Referral of the situation to the International Criminal Court: to investigate the crimes committed by Gaddafi’s forces against civilians.
- Arms embargo: Through this process, all member states would take whatever action they deemed necessary to prevent the supply or sale of weapons and war related materiel to Libya.
- Travel ban: 16 people from Libya, among them Gaddafi, his sons, and other close aides were banned from traveling.
- Assets Freeze: Member States agreed to freeze without delay all funds, assets, and other financial and economic resources found within their respective countries that were either directly or indirectly helping the regime (Hehir, 2013).

### **2.7.3. The third requirement: the economic reasons for international intervention in Libya**

Economic interests are the primary driver of many international operations and Libya was not an exception. International intervention in Libya was closely related to economic interests as the Libyan oil represents the most prominent needs and reasons for the intervention of some of the countries participating in the air embargo and the implementation of Security Council Resolution 1973 since the country is pumping about a third of the daily oil needs for countries such as, France, Germany and Italy. According to experts, the importance of the Libyan oil does not lie in its quantity, but mostly in its special quality as it is of the light type, and these countries wanted to secure their oil interests in Libya (Du Plessis & Louw, 2011).

In addition to oil, there were a number of other reasons including:

- Maintaining economic gains in Libya

Many of these countries had investments and real estate in Libya, as well as huge companies especially in the field of oil and exploration, so not participating in the campaign against the regime carried out the potential risk of losing these investments or their facilities could be subject to destruction.

- Relieving the financial crisis and creating new markets

The financial crisis was one of the reasons for Western countries to intervene in Libya, because in this way new markets would be open to these countries and they would divert the attention of their internal economic issues to intervention. As intervention is considered to be a precursor to illegal trade that generates huge funds for some countries in addition to the processes of laundering money and other operations that contribute to the creation of wars, and intervention in Libya was an opportunity to activate these operations to ease some of the burden on those governments from their financial crisis.

- Gaddafi economic policy

This is considered by many analysts as the primary reason for the international military intervention in Libya, as Gaddafi's economic policies in recent years were

creating a sort of marginalization for western industrial companies. This was in contrast to Chinese and other countries such as Indian and Filipino, which were carving a larger part of the Libyan market. Another major factor was Gaddafi's Golden Dinar project, which he advocated in many occasions as an alternative currency to dollar and euro in oil transactions. In addition to Libya, he was trying to convince other Arab and African countries to start using this form of currency. Moreover, via Golden Dinar currency, he was trying to establish a unified African Market independent of the rules and conditions of US and EU (Engdahl, 2016).

## **2.8. The Results of Foreign Intervention in Libya in 2011**

### **2.8.1. Political and Military Results**

The fall of the city of Sirte, the death of Gaddafi and the Declaration of Liberation were of the most prominent political and military outcomes that were achieved thanks to international intervention in Libya. However, the intervention contributed greatly to the spreading of chaos, especially on the borders, as securing the borders became one of the largest problems for the country. Even now, border control is one of the major challenges for the country as it is making Libya an appropriate place for arms and drug markets, as well daily illicit trade in fuel and goods, with serious consequences for the country in particular, and whole region in general, as Libya has become a safe haven for arming, training and activity of terrorist networks that pose a threat to neighboring regions and the world.

### **2.8.2. Financial and Economic Consequences**

There is no doubt that the events in Libya and international intervention led to local and wider economic losses, both for the Libyan economy, whose rate has been declining dramatically, and for the European economies that depend on Libyan oil.

### **2.8.3. Social and Humanitarian Results**

As stated before, the primary objective of the Security Council's adoption of Resolution 1973 was to take all the necessary measures to protect civilians at risk of

attacks. NATO aircrafts carried out 17,939 armed sorties in Libya and used precision-guided munitions, but despite the precautions taken, there were many deaths among civilians and much damage to civilian infrastructure, especially in the areas under Gaddafi's control and those who were supportive or suspected of being his aides.

## **2.9. Foreign Actors in the Libya Crisis After 2011**

After months of fighting, Haftar attacked the city of Tripoli which was under the rule of the UN-recognized GNA. In the wake of the recent escalation of hostilities, the United Nations has welcomed calls from international community, especially Turkey and Russia to force all the parties involved in the conflict to find a roadmap for peace by negotiating on table and avoid turning Libya into a second Syria (Jacobs, 2015). Currently, there is an ever increasing number of foreign powers interfering in Libya's internal matters, and the main players will be explained below.

### **• United Arab Emirates**

Many experts consider the UAE to be one of Haftar's main supporters, because they are providing him with various weapons, including advanced ones which is a violation of the 2011 UN arms embargo which was enforced when the uprising for toppling the regime started. They also provided significant air support for the LNA during its offensive against Tripoli. According to a UN report on November 2019, UAE has also supplied Haftar with the advanced Russian-made "Pansir S-1" air defense system installed at Al-Jafra base near the town of Gharyan (Analytica, 2020).

### **• Egypt**

Like UAE, Egypt's aversion to the Muslim Brotherhood (MB) has made the country a natural ally of Haftar. As soon as President el-Sisi came into power after a successful military coup which toppled the democratically-elected and MB member Mohamed Mursi in 2013, he declared the group a terrorist organization and prevented all its political and social activities. For Cairo, the UN-recognized GNA's makeup, which includes many groups allied to the Brotherhood and their participation in the political decision-making of the country is a major red line and a cause to throw its support behind Haftar's forces (Dessi & Greco, 2018).



- **France**

Even though publically the French Premier Macron has been calling for a peaceful resolution of the Libyan civil war, the diplomatic efforts give another impression. France seems to lean on Haftar and it has supported him on many occasions, such as blocking statements of the EU parliament to force the military commander to stop his assault on Tripoli. Such actions have led the leaders of GNA, especially Sarraj to accuse France of being the supporter of dictators. There are also claims that France is backing Haftar with military equipment, mostly based on an incident in 2016 when a military helicopter belonging to the French forces crashed near Benghazi killing two military personnel (K. Mezran & Varvelli, 2017).

- **Russia**

In the same line with France and other countries, Russia has in many occasions publically called for mediation and diplomacy to solve the conflict in Libya, but it has been backing Haftar for a long time. On one occasion, it blocked a statement by UN Security Council calling on Haftar to stop his military actions against GNA in Tripoli on April 2019. In addition, Russia has a military footprint in Libya by using mercenaries of a private contractor military company called Wagner group fighting alongside Haftar against GNA (Analytica, 2019).

- **United States**

US government was among the first to support the elections of 2015 that led to the formation of GNA and it is interested in the overall stability of the country in order to prevent another ISIL base in Africa. However, after Trump was elected president he declared that the US did not want to play any active role in Libya. However, after Haftar launched the military campaign against GNA, Trump had a phone call with him and praised Haftar for his active role in fighting terrorism and protecting the oil resources of Libya, sending mixed signals about the role of US in the current conflict.

- **Saudi Arabia**

According to an article published on Wall Street Journal, Saudi Arabia had paid Haftar millions of dollars to fund his military campaign against Tripoli after the later

visited Riyadh in March 2019. Saudis, just like Egypt and UAE sees Muslim Brotherhood as a national security threat, therefore they have taken a more active role in funding the war against GNA.

- **Sudan/Jordan**

Among the countries that have taken an active role in the Libyan civil war is North Sudan. Mohamed Hamdan Dagalo who is in charge of the Rapid Support Forces (RSF), a paramilitary branch of the Sudanese Army composed of Janjaweed militias which fought in Darfur conflict, was accused by UNSC for deploying troops to Libya in violation of sanctions. According to a report by The Guardian, as many as 3000 Sudanese military personnel were actively fighting along Haftar forces. In the same report, Jordan was also mentioned of supporting LNA in matters of military training (Winer, 2019).

- **Turkey**

In contrast to these countries, Turkey has been supporting the GNA since it was formed in 2015 both by funds as well as militarily by sending advisers and military equipment. This comes as no surprise since Turkey has been backing its Muslim Brotherhood allies all over the Arab world. In 2019 Turkey started to deploy troops on the ground after an agreement with GNA involving Libya's coastline and mutual security cooperation, among others. According to Erdogan, the aim of Turkey was preventing a humanitarian tragedy, not active participation on ground, but reports of deployment of Syrian Jihadists have surfaced all over the media, and there is growing fears of turning Libya into a second Syria (Mansour, 2019).

- **Qatar**

Qatar is also on the same camp with Turkey in backing the GNA and its Muslim Brotherhood allies, but its role has been mostly financial, and recently it has taken a more passive role with diplomatic backing. Qatar was heavily involved in the overthrow of Gaddafi, but has since changed stance. Doha sees no problem in backing the moderate Islamist elements of GNA and sees them as a balance against Saudi-Egypt-UAE-backed Haftar.

- **Italy**

Italy is one of the countries that has preserved strict neutrality in the Libyan conflict. It supports the UN-backed GNA, but its stance has been clear that Libya's future depends on a comprehensive and all-inclusive agreement between all sides that will best represent and protect the interests of all sections of the Libyan society, and given its former role as colonizing power, they are in a position to understand very well the consequences of doing otherwise (K. K. Mezran & Miller, 2017).

## **2.10. Skhirat Agreement**

A major event that reshaped the internal conflict in Libya was signed in Skhirat of Morocco in December 2015. Despite the hopes for a breakthrough, it made the situation more volatile. A year before that, the conflict was raging between two competing parliaments and the two governments linked to them. Today, the conflict is going on between the supporters and opponents of the agreement, and both parties are heavily armed.

A presidential council was established with a weak executive authority that assumed its functions in Tripoli in March 2016. This council was tasked with forming a government of national unity and the Supreme Council of State, which was made up of former members of the GNC. It stipulated that Parliament should continue as the only authority that can approve the government of national unity, but it has yet to deliver on its promises. Consequently, the institutional structure was not complete and it led to distorted results, while supporters and opponents of the Convention adhered to legal technical considerations to support their positions.

In the period between February and September, the forces of General Khalifa Haftar who rejects the agreement, managed to expel his opponents from Benghazi and seize a large part of the "Petroleum Crescent" in the Gulf of Sirte, where they can extract oil and gas, in addition to the presence of oil refining and export facilities. Meanwhile, the coalition that controls militias in western Libya and nominally operates under the authority of the Presidential Council, with US air support took control of most of Sirte which was captured by ISIL in March 2015 and had been under its control ever since.

A group of majority Western countries led by the United States, called for unconditional support for the council and recognized the national unity government that formed it. Given that this group prioritized combating ISIL and controlling the flows of migrants and refugees, it preferred to continue on the Skhirat roadmap, if necessary, without the consent of the House of Representatives, betting that if governance improved in the western part of Libya, the eastern part would join in. However, Haftar's steadfastness undermined that hypothesis.

On the other hand, another group of countries led by Egypt, UAE and Russia prioritizes the LNA led by Haftar as the nucleus of the Future Army and expressed concern about the impact of Islamist militias control over Tripoli. This group which is ostensibly interested in finding a solution to the divisions that plagued Libya, openly supports the peace process, but it undermines it and does not provide a tangible alternative. As a result of these disagreements, the prospect of achieving the objectives of the Skhirat agreement such as preventing further military confrontation and saving the country from total financial collapse are increasingly out of reach (Blanchard, 2016).

## **2.11. The Political Crisis and Their Effects on the Libyan Economy**

Libya has had many experiences of political instability with major impact on its economy throughout the last decades, and a detailed history will be given in the following sections. The first one occurred in the period 1980-1992, when the US government put sanctions on Gaddafi's regime for his involvement in activities mentioned in the previous sections. The second period is that of the joint US-UN sanctions in 1992-2004. And finally, the worst period is that of the Arab spring that started with the uprising against Gaddafi and his overthrow by the protesters, and the turmoil that has been going on ever since.

### **2.11.1. The US and the UN Sanctions**

When the Gaddafi's regime came to power in September 1969, the relations between USA and Libya started to fluctuate over time. These fluctuations and challenges were due to the regime's ideology and opinions about the revolutionary movements in many places around the world as the Libyan regime was backing many movements which had ideological clashes with the western countries. The attitude of the regime toward the

USA was quite unique and the Palestinian-Israeli conflict was one of the main reasons for the deterioration of relations between them, especially because of the support from Libya to the Palestinian groups fighting against Israel by means of money and military training. In addition, the regime supported the Irish Republican Army and the Japanese Red Army. In Africa, Gaddafi's regime helped in some ways the civil war in Chad and Polisario movement against the Moroccan government.

Then came the announcement that the Libyan government would nationalize all foreign oil companies. This was another reason for the difficult relations between the two countries during the 1970s, especially because at that time the US was getting large amounts of oil from Libya. Also, there were more than 2000 Americans in Libya and most of them worked in the oil sector (Bruce St John, 2007). Moreover, there were more than fifty American companies working in oil production, and for these reasons, the relations with Libya were very important to the USA.

Due to high oil revenues, Libya was getting huge amounts of cash which was flowing to the government coffers through the oil sector and the country tried to use those revenues to embargo oil sales on the US and the Western countries. That was a big concern for the former, especially when Gaddafi's regime was talking about nationalizing the natural resources, including the oil sector and supporting the actions against the US in the Middle East (Zoubir, 2006).

When the American hostage crisis started in Iran in 1979, the US was informed that it would happen in Libya too because the regime had agreed with the revolutionaries in Iran at that time. The American Embassy was attacked on December 1979 in Tripoli. This attack worsened the relations further, and the Libyan government announced that Libyan people supported the revolution in Iran and they had the option to do as they saw fit within their own country.

That worsening in the relations between Libya and the US during the 1970s led the later to impose some sanctions against Libya, which started by imposing a ban on the trade in services and projects and on the export and import from Libya. In addition, the ban included the energy sector, and the US stopped providing any technology or goods to the sector for the exploration and production of oil. Another covert action undertaken the Libyan regime was the December 1988 explosion on Pan Am en route to New York from

London, in which 244 passengers died in the town of Lockerbie. The consequences of these actions led to imposing other sanctions from the United Nations on March 1992, which passed two resolutions, 731 and 748, and included the imposition of an air embargo on Libya, the prohibition of supplying aircrafts and provision of services or any components of the aircraft. The UN commanded Libya to stop supporting terrorist organizations around the world, but as Libya refused to comply with these resolutions, a year later the UN reacted by adopting a new resolution number 833 in 1983 (Bortz, 1993).

The Libyan people and the economy were hurt during that period of sanctions as they were the reason for delays in oil production increases, leading to the halt of many projects across the country and taking a tragic toll in all sectors. Due to the dependency on oil sector, the country faced a big challenge to export its production especially because of the ban from the US. In addition, many American companies when they left, they took the technology and know-how with them so the exploration and production did not increase. Moreover, the import of goods and services became more expensive, leading to increases in inflation.

Another reason for economic instability during that period was due to some economic policies introduced by the government as a means of controlling the difficult situation created in Libya with an estimated loss of \$33 billion. Non-oil sectors were also hurt due to the sanctions, and the growth in those sectors was less than 3 % (Bertelsmann Stiftung, 2010). During the 1990s, the Libyan economic growth was 0.7% in 1996, 0.6% in 1997, and 0.5% in 1998 (Ali, 2001).

There were many attempts and negotiations by the Libyan government through international mediators to lift the sanctions. Although the country had gone through several difficulties, at the end of the 1990s and the beginning of the last decade of the 20<sup>th</sup> century, sanctions from both, the US and UN were lifted. In 2003, Mohamed ElBaradei (UN coordinator) and some inspectors arrived in Libya to inspect four previously undeclared nuclear projects (Zoubir, 2011).

On April 2004, Gaddafi arrived in Brussels to discuss the Euro- Mediterranean partnership and to discuss the conditions for Libya to join the partnership. For the world organizations, members of the World Trade Organization started membership negotiations with Libya. The President of the US Bush declared that the actions of Libya “would be responded to in good faith” by his government (Bahgat, 2005). He signed the executive order lifting traveling ban to Libya and allowed US companies to return to the country after decades of absence. In addition, commercial activities were allowed, including financial transaction and investment. His decision allowed the US oil companies to sign contracts with the NOC in Libya for exploration and production in the country. These companies included ConocoPhillips, Marathon Oil and Amerada Hess, which were suspended due to the sanctions. He also released \$1.3 billion in frozen assets, and on February 2005, the State Department confirmed that the US was willing to fully normalize its relations with Libya.

On May 2006, the US announced that it would open its embassy in Libya and the country would be removed from the list of state sponsors of terrorism. Two months later, Libya was removed according to regulations related to terrorism sponsoring in exchange of \$10 million payment for each family of Lockerbie victims. In 2007, British Prime Minister Tony Blair visited Libya to meet with Gaddafi where he described the relations between UK and Libya as “completely transformed” and the two countries as strong partners in counter-terrorism and defense fields. After the meeting, the two countries signed a new agreement including £450 million investment in gas exploration projects with the potential to rise to £ 13 billion (Bob-Milliar & Bob-Milliar, 2013).

### **2.11.2. The Impact of Political Conflicts during and after the Arab spring**

From March to October 2011, Libya faced the most difficult period in its history since independence, both economically and socially. During this time, many people lost their jobs because of the war across the country. Most of the foreign oil companies left the country, leading to the first major reduction in oil production since it was discovered in 1958. With oil production decreasing to less than a hundred thousand barrel per day (bpd), it reached the lowest level of 0.27 million bpd due to the conflicts around the major oil loading ports in the eastern part of the country. Because of the dependency on

oil sector and sanctions from the UN on the Libyan government and its money reserves in international banks, the Libyan economy went into free fall.. The GDP fell by 62% and the non-oil sector decreased by 52% while the nominal GDP fell to \$35 billion in 2011 from \$75 billion in 2010 (M Khan & Milbert, 2014).

At the end of 2011, the NTC took the regions of the country and the UN recognized it as the legitimate representative of the Libyan people. As soon as NTC came to power, it started to control the whole country and all resources in Libya, and the economy improved after the end of war in 2011 with oil production increasing to 1.47 mbpd and the GDP by over a 100%. The Nominal GDP reached \$81 billion and the fiscal balances registered surpluses of 21% due to the increase in oil production. Libya was able to continue to get a higher GDP growth if the country had political stability (Mohsin Khan & Mezran, 2013).

The subsidies for essentials such as electricity, food and fuel were further raised to 11% and 14% of the country's GDP in 2012 and 2013, respectively. Despite the troubles with economy, salaries were increased by 30% in the public sector in 2011 to be followed by a further increase of 27% and 20% in 2012 and 2013, respectively. This pattern of economic boost and its reflection on development and public spending was maintained throughout 2013. Despite the dire infrastructure of the country and needs for at least \$75 billion for its reconstruction, 80% of total expenditures were budget and 20% capital. The budget approved by the transitional government for the year 2013 was \$57 billion, a 14% increase compared to 2012. Meanwhile, in the same year, government spending was the highest in the history of the country with 70% of the GDP, a value that was also one of the highest in the MENA region. However, the revenues of the government did not pass \$40 billion, so in order to fix the fiscal deficit, it had to start using its international monetary reserves, leading to huge losses in foreign exchange reserves, up to \$7 billion a day during 2013 (St John, 2013).

In 2013, a group of militia closed the largest oil fields in the western Libya because of political differences with the central government. The production decreased and they stopped the export and oil production from the fields of El Sharara and El Feel. In the eastern part of the country, another militia from Ajdabiya led by Ibrahim Jedran closed the two main ports of Es Sider and Marsa El Brega which were the main ports for



oil export to the world. In addition, another militia closed the Ras Lanuf’s petrochemical industry in that area which produced 220 thousand barrels of oil per day. Due to these conflicts between the government and the militias, oil production decreased to 0.41 million bpd. That affected the Libyan economy and fiscal situation in the country very badly. On July 2014, the Prime Minister Abdullah Al Thani from the Libyan government and Ibrahim Jedran signed an agreement according to which oil ports would start to export again and the government would pay the money to the group in exchange (Mahbob, 2017).

**Table 1.** Oil production (2012 – 2015 million barrel per day)

Year	2012	2013	2014	2015
Oil production	1.755	0.363	0.175	0.146

Table 2.1 above shows how the conflicts which started in 2013 impacted oil production. However, these kinds of agreements did not help the Libyan economy because the people who were fighting in 2011 continued to demand money from the government from time to time. The government was unable to find any solution for years. Moreover, due to the unstable conditions in the oil fields and the political situation, many other organizations began to assert themselves in the country’s political and economic life. The oil sector became the goal for ISIS who thought that Libya had political instability and lots of natural resources, a situation that would help the organization to provide money to its members. ISIL came to Sirit, a city close to the major ports and fields of oil in the country and it started to fight with the petroleum facilities guards to get control of the oil fields. They fought near Es Sidra and Ras lanuf which contain 80% of Libya’s oil reserves. That was another reason to decrease the oil production and oil workers suffered because of these conflicts. In addition, foreign oil companies left the country causing an increase in unemployment rate.

On September 11, 2016, LNA fought with Jaderan’s group to take the Ras Lanuf and Elsidra terminals. After a period of back-and-forth fighting, Hafter announced that LNA had taken the oil fields and oil ports and they would recall the National Oil Corporation (NOC) to come and manage the resource production and exploration. A few days later, Mustafa Sanalla who headed the NOC in Libya came to the oil fields in the

eastern part of the country and announced that the oil sector would be run by the NOC and the revenues would go to the Central Bank of Libya in Tripoli. On Monday, May 1, 2017, Sanalla announced that oil production in Libya was increased to 750 thousand barrel per day for the first time since December 2014. In addition, he announced that the NOC was still working to increase the oil production from all the fields in Libya including the western part. On June 30, he demanded from the politicians to find a solution to the political crisis and create one unified government to represent the Libyan people and run the natural resources in the country (Vandewalle, 2018).

### **2.11.3. Libya Public Finance**

Economic improvement had an impact on the public finances of the country. Public revenues almost tripled in 2017 to 22.3 billion LYD from 8.6 billion a year earlier. The positive dynamic remained in the first half of 2018, with public revenues reaching 16.7 billion LYD. Oil revenues in the first half of 2018 reached 15.6 billion, which is more than double the 6.8 billion revenue in the first half of 2017. Share of oil revenues in 2017 was equal to 86 percent, and in the first half of 2018 it accounted for more than 93% of revenues. Deficit of the government budget was estimated to be 26 percent of the country's GDP in 2017. As was reported by the World Bank, the deficit is being financed mainly through cash advances from the Central Bank of Libya. The domestic debt quickly increased to reach 59 billion LYD by the end September 2017 up from 1 billion LYD in 2010. However, a large decrease of budget deficit to 0.2 billion LYD was reported by Central Bank in the first half 2018. Despite subsidies, increasing total public expenditure from 5.7 billion LYD in 2016 to 6 billion in 2017 (share in total expenditure decreased from 20 to 18 percent), it is still far from 2015 (8.2 billion) or 2014 (12.4 billion) levels. Slight increase of subsidies could be observed in the first half of 2018 to 3.2 billion LYD, but the efficiency of public subsidies is unknown (Cevik & Rahmati, 2018).

### **2.11.4. Main Sectors of Industry**

Libya has a labor force of 2.5 million out of its 6.5 million population. Agriculture's share in Libya's economy is negligible, accounting only for 1.3% of GDP in 2017, and employing 7.7% of the workforce (Kreiw & Faragalla, 2019). Its main products include wheat, barley, olives, dates, citrus, vegetables, peanuts, and cattle. Arid

climate conditions and the poor quality of the soil severely limit agricultural production as shown in table 2.2.

Industry is the backbone of the Libyan economy because of the strong petrochemical sector. It accounts for 52.3% of GDP, and employment 26.5% of the active population. Production includes petroleum, petrochemicals, aluminum, iron, steel, food processing, textiles, handicrafts, and cement. Services on the other hand, account for 46.4% of GDP and their share in total employment has risen to 65.6% (N. Aimer, 2017).

**Table 2.** Employment by sectors (Indicators, 2018).

<b>Breakdown of Economic Activity By Sector</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>
<b>Employment By Sector</b> ( <i>in % of Total Employment</i> )	11.2	25.4	60.9
<b>Value Added</b> ( <i>in % of GDP</i> )	1.8	77.5	19.9

### **2.11.5. Description the living conditions and the economic situation in Libya in 2019**

In 2019, Libya entered its eighth year of lack of confidence and chronic struggle. With its financial system in crisis, fundamental infrastructure broken, safety threats and excessive shortages of coins liquidity, the future potentialities of the Libyan population has been undermined and their livelihoods and access to basic social services severely affected.

In the capital Tripoli, the brand new war has been persevering without a result in sight for over three months after it started and there are developing fears that an extended urban struggle lies in advance. Meanwhile, tens of hundreds stay displaced in other components of the country. Casualties are regularly mounting within the Japanese and southern parts of the city and as many as 90,000 human beings are anticipated to have already been displaced, even as tens of lots may be trapped in their neighborhoods. Due to indiscriminate assaults, it's far more and more risky for clinical employees to help the wounded (Deeb, 2019).

To sum up, Libya's economic system, almost completely depending on oil and fuel exports, has struggled on the grounds that 2014 because of security and political instability, disruptions in oil productions, and decline in global oil expenses. It showed incredible boom in 2017 amid improved political situation and safety preparations; but, recuperation slowed substantially in 2018, and become recession in 2019 (-19.1%). IMF forecasts zero growths for the approaching years. Continued inflation and low oil manufacturing have exacerbated poverty in a country already ravaged via civil battle and repeated terrorist attacks. The Tripoli authorities has carried out an energetic policy of job creation mainly within the public region, however in step with Ministry of hard work, unemployment charges reaches high as 18%, one of the highest in the international, and about half of all younger humans and 1 / 4 of girls stay unemployed (Kouton, 2019).

**Table 3.** Major macro-economic indicators

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP ( <i>billions USD</i> )	30.56	40.95	33.02	34.08	35.00
GDP ( <i>Constant Prices, Annual % Change</i> )	64.0	17.9e	-19.1	-0.0	0.0
GDP per Capita ( <i>USD</i> )	4,739	6,288e	5,020	5,129	5,217
Inflation Rate (%)	28.5	9.3e	4.2	8.9	6.5
Current Account ( <i>billions USD</i> )	2.41	0.89	-0.10	-3.95	-3.95
Current Account ( <i>in % of GDP</i> )	8.4	1.5e	2.9	-4.2	n/a

Source: IMF – World Economic Outlook Database, 2016 (Global, 2016).

## 2.12. Overview on Libya's oil and gas production

Libya as a member of the Organization of Petroleum Exporting Countries (OPEC) holds the largest proven oil reserves in Africa and is an important contributor to the global supply of light, sweet crude. Libya's oil production has been impressively restored after months of conflict and insecurity. However, as mentioned in the previous sections, considerable uncertainty surrounds the future of the oil sector and the political regime that will govern it (figure 2.2).

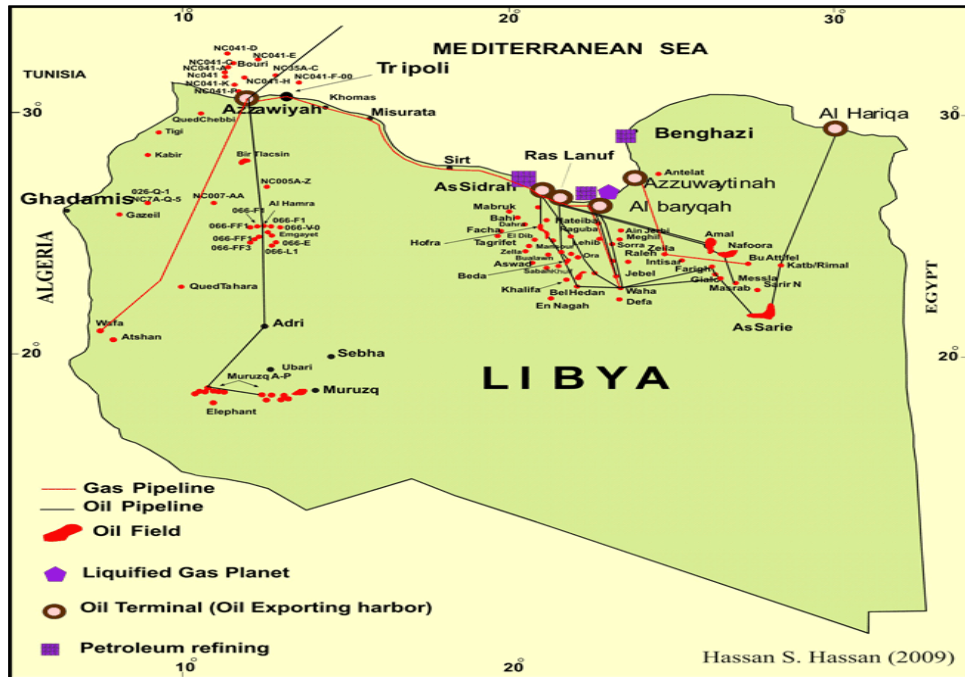


Figure 6. Libya oil and gas fields (Hassan & Kendall, 2014).

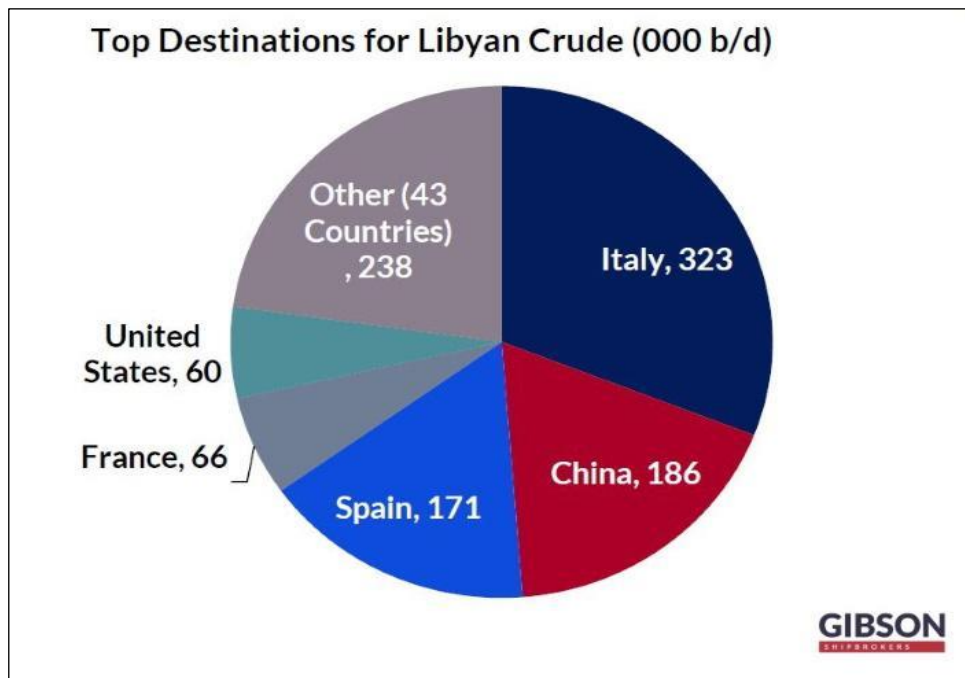


Figure 7. Libya's oil exports by destinations (Arezki et al., 2018).

## 2.13. Analyzing the Libyan Economy as a Result of the Repercussions of the Political Crisis

The factors that affected the Libyan economy as a result of the repercussions of the political crisis that it went through during the time period from 2011 to 2019, as well as the period before 2011, analyzed through application of annual data retrieved from the International Monetary Fund (IMF), the Bureau of Statistics Central Bank of Libya, National Oil Corporation, and many other sources, were evaluated and the solution proposals were presented. The findings of the analyses that were done using the dataset, requires Libya to work on restructuring its economy in a way that reduces dependence on the oil sector.

### 2.13.1.Libya's crude oil production

The time series plot of the oil production in Figure 2.4 show that prior to the 2011 war, Libya produced 1.65 million barrels per day (bpd) of crude oil, in 2011 oil production decreased to 0.465 million (bpd) because of political conflicts, which started on February 2011. In 2015, production fell to 400,000 (bpd) in. However, in December 2016, production rose to over 700,000 (bpd) following Haftar's seizure of the oil crescent. Oil production was stable during 2017-2018, while in September 2018, Libya crude oil production reached the highest monthly level for the last years, up to 1.0 million (bpd)

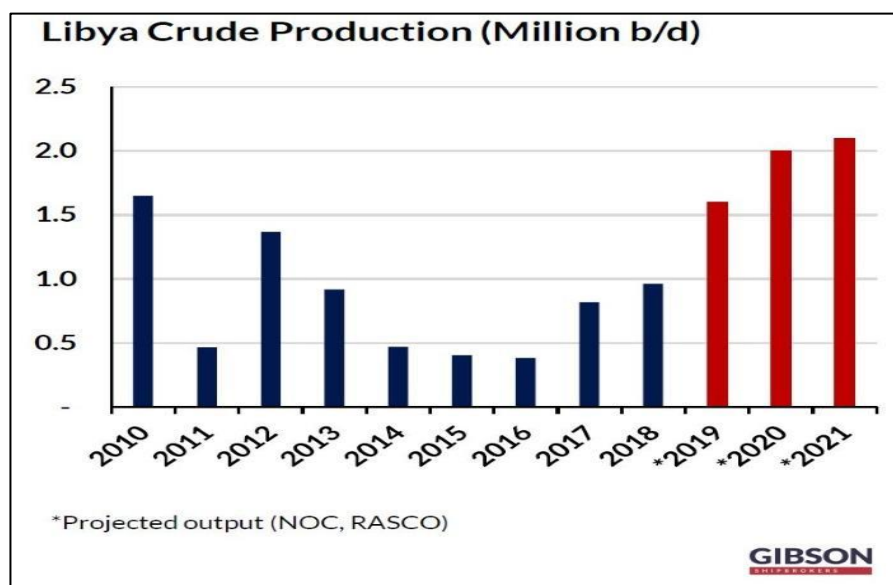


Figure 8. Libya's crude oil production (BenZeglam, 2018).

### 2.13.2. Economic Growth (GDP)

Economic growth which is the economic progress of a nation was measured using real gross domestic product (GDP) which takes into account of inflation. Economic growth can negatively linked with positive changes in an exchange rate when it is highly financed by imports which are not contributing to the productive capacity of the economy. Thus expectations are high that an improvement in the value of the Dinar against the USD will cause major changes in GDP. The following table shows changes in Libya's economic performance since the period 1980-2014 (Bala, 2017).

Gross Domestic Product of Libya grew 7.9% in 2018 compared to last year. This rate is 561 -tenths of one percent less than the figure of 64% published in 2017. The GDP figure in 2018 was \$48,364 million; Libya is number 87 in the ranking of GDP of the 196 countries that we publish. The absolute value of GDP in Libya raised \$17,807 million with respect to 2017.

**Table 4.** Gross Domestic Product of Libya (Indicators, 2018).

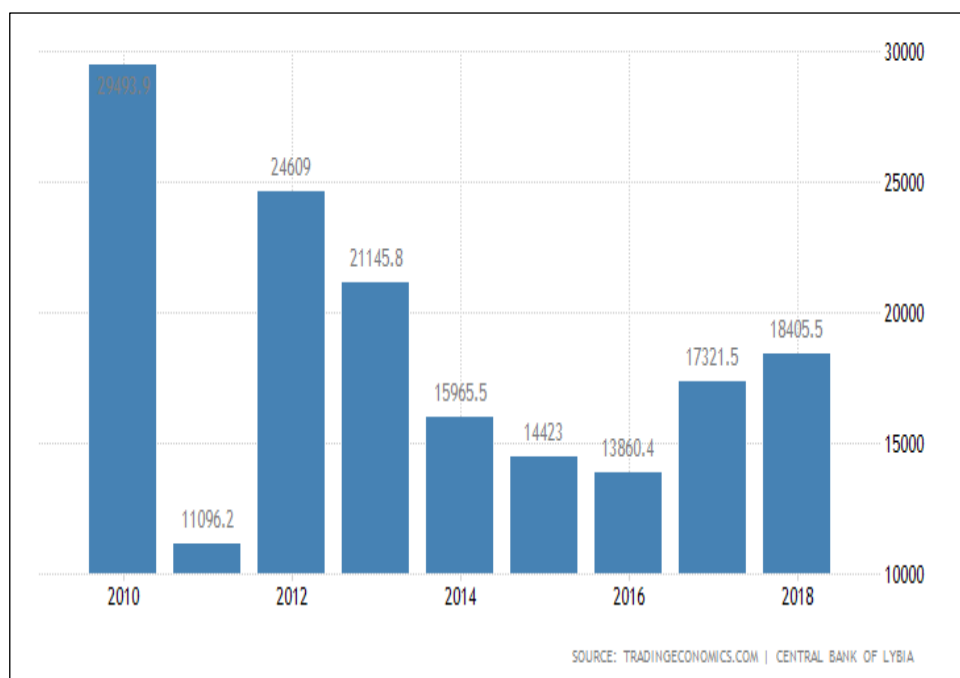
Date	Annual GDP (million \$)	GDP Growth (%)
2018	48,364	7.9%
2017	30,557	64.0%
2016	18,539	-7.4%
2015	17,194	-13.0%
2014	24,262	-53.0%
2013	51,896	-36.8%
2012	79,759	124.7%
2011	31,999	-66.7%
2010	68,974	3.2%

### 2.13.3.Libya GDP Per Capita PPP

The time series plot of the GDP per capita in Figure 4.2 show a high level of GDP per capita in 2010. The reason for the high GDP is that the oil production increased in this period and the UN and the USA removed the sanctions, and a lowest value of 11096.2 in 2011 when the war started in the beginning of that year and due to the decline



in oil production and also there was political instability. In 2012, GDP growth increased when oil production increased, then from 2012 to 2016. GDP growth drop after that when the main terminals for oil were closed in the western part of the country because of the political conflicts as shown in figure 2.5.



**Figure 9.** GDP per capita in Libya (Cevik & Rahmati, 2018).

#### 2.13.4. Balance of trade

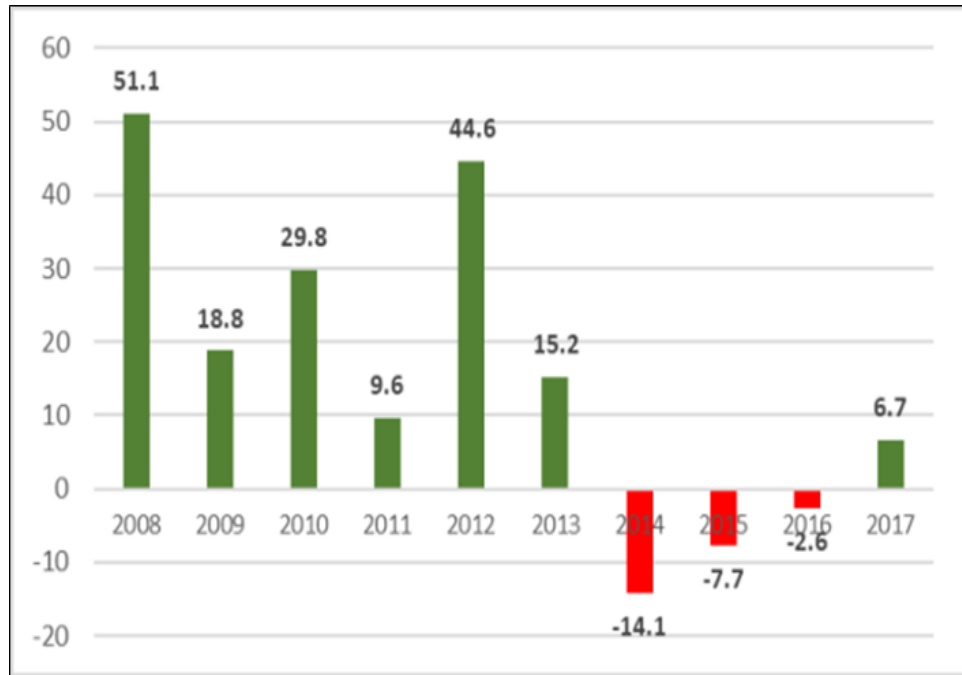
Libya recorded a trade surplus of LYD 6.7 billion in 2017 after 3 years of negative balance (figure 2.6). The country runs trade surpluses as a result of significant exports of oil. Export levels more than doubled in 2017 when compared to 2016, while imports increased only slightly by 9.3%. Increase of export and trade balance could have positive effects on the exchange rate. On the other hand, Libya is highly dependent on the import of food and other consumption commodities. The imports indicator is one of the key indicators used to estimate consumption in the country. Despite the increase in the amount of imports in 2017 to LYD 13.2 billion, it is much less than what it was in 2015 (LYD 22.7 billion) or 2014 (LYD 38.6 billion).



**Figure 10.** Libya balance of trade, LYD billions (Eaton, 2018).

### 2.13.5. Currency Exchange Rate

Official currency exchange rate in Libya during 2017 was stable with around 1.3-1.4 Libyan dinars per US dollar (USD/LYD). However, in the parallel market, the exchange rate reached its peak at 9.2 USD/LYD in November 2017. Improved economic performances in 2017 led to a strengthening of the Libyan dinar on the parallel market in early 2018. Meanwhile, in May the Libyan dinar on the parallel market devaluated 7 percent when compared to April 2018 and reached 6.8 per US dollar. Despite the decrease of crude oil production in June-July 2018, the exchange rate seems to be stable even with a slight strengthening to 6.4 per US dollar in August. In September 2018, the Central Bank of Libya imposed a new 183 percent tax / levy on the official sale of foreign currency (N. M. M. Aimer & Moftah, 2016). The levy applies to official foreign currency sales and does not apply to the black market exchange rate. The new foreign currency levy in effect devalues the Libyan dinar and raises the exchange rate of 1 USD to LYD 3.90 from the official LYD 1.38 per dollar exchange rate. Following modifications of the exchange rate policy coupled with increasing oil exports, the value of the Libyan dinar appreciated on the parallel market to 5.3 against USD in October 2018 (figure 2.7).



**Figure 11.** Exchange rate dynamics, USD/LYD (Ben-Naser, Bhattarai, & Elheddad, 2018).

### 2.13.6. Inflation Rate

According to the Statistics and Census Bureau of Libya, inflation rate in 2017 was recorded at 28.5 percent, following 25.9 percent in 2016.<sup>10</sup> On the other hand, food inflation rates were higher with 35.1 and 29.8 percent accordingly. However, during the first four months in 2018, inflation started to slow down each month, reaching 12.1 percent rate in April 2018 compared to April 2017, while food inflation was recorded at 18.3 percent. The inflation rate in Libya was recorded at 8.6 percent in September 2018 and costs of food increased 13.4 percent in September of 2018 as compared to the same month in the previous year. The highest level of yearly food inflation was recorded in December 2017, when it reached 49.7 percent (Bala, Chin, Kaliappan, & Ismail, 2017).

## CONCLUSION

It is no secret that the Libyan state has been suffering from political instability since 2011 and political and economic divisions within institutions since 2014. Matters have become even more complicated from the raging civil war which has been continuing since April 2019, with repercussions on public life, services, and the national economy in general.

The country still suffers from widespread power outages caused by shortages in fuel used for producing electricity. Living conditions, including access to clean potable water, medical services, and safe housing have all been in decline since 2011. Oil production in 2017 reached a five-year high with daily average production rising to 879,000 barrels per day accelerating the growth of GDP, but it was not sustained for long.

As the oil sector is the major source of growth, economic activities remain constrained by recurrent clashes around oil infrastructure aiming to take control of oil fields and processing plants. Recently, Libyan economy suffered three simultaneous strikes, namely civil war, Corona virus, and the collapse of oil revenues due to price slump, pushing the country towards the worst financial crisis in decades. In a recent report, the World Bank expected that the real GDP of the Libyan economy would shrink by 19.4% in 2020, the highest contraction in the Arab world.

The Central Bank of Libya showed that the country's foreign exchange reserves fell by the end of April 2020 to \$76.8 billion from the former \$134.5 billion at the end of 2010. In addition, the Government of National Accord (GNA) reduced the general budget (also known as financial arrangements) in Libya for the year 2020 to 38 billion dinars, equivalent to \$27.14 billion, while the public budget deficit is about \$20 billion.

In order to maintain the foreign exchange reserves of the country in face of the crisis due to civil war, the Coronavirus pandemic and collapse of oil revenues, austerity policies need to be kept in place and people are required to literally tighten their belts in the hope of soon seeing a flash of light at the end of the dark tunnel.

The biggest danger for Libya is that it could quickly face an expanded conflict. If international actors remain involved in the issue, Libya could resemble the Syrian scene, with years of massive influx of arms and a rapid spread of dispersed foreign mercenaries. If international support for Libyan actors diminishes or stops, domestic complaints will be brought to the fore, violently. While the disintegration of these alliances resulting from the situation could crystallize a local war of attrition, the increased internationalization of the conflict would lead to the fragmentation of the entire Libyan social fabric and the displacement of hundreds of thousands and many, many more deaths.

In this study we propose a consensus framework that would end the political divide between Eastern and Western Libya in order to save the country from total economic collapse. This framework will serve as the linchpin to introduce the necessary reforms to rebuild the country and open multiple avenues for a better economic future to catapult Libya from its current failed state to the stage of developed countries since it has all the natural and human resources to do so.

Our recommendations for bringing a political a sustainable solution and rebuilding the economy of Libya can be summarized under two groups: Political and Economic. As part of political measures to be taken as soon as possible, we recommend that:

- 1.** All Libyan political and military parties shall bear the responsibility of preserving the unity of the country and preventing its division on political, geographical and tribal bases.

- 2.** The State should create a new, flexible government that is tolerant, all-inclusive and representative of the whole society to create unity in diversity and ensure control of all parts of Libya and its borders.

- 3.** All military operations between the parties should come to a halt and all militias should be disarmed and dismantled as they are the main instigators of violence and the cycle of fighting inside Libyan territory.

- 4.** Extend the central government's sovereignty on all state institutions, restructure the army and unify all national security institutions under a single command which will be held accountable to the legal system and the people.

5. Co-operation to counter the threat of extremism and terrorism, promote a spirit and culture of moderation in society.

6. Regional parties and neighboring states must immediately stop supporting various factions in Libyan crisis with weapons and ammunition according to their agendas. All disagreements among political parties should be settled through political dialogue and principles of democracy.

In addition, also recommend the following economic measures for the country to get out of the economic debacle it is at the moment.

1. The Libyan economy is almost exclusively dependent on oil revenues to finance the various developmental processes and ongoing state expenditures, therefore oil has huge direct and indirect effect on all economic sectors. Therefore, national income sources must be diversified and more investment is necessary in non-oil sectors for a more sustainable future.

2. The elimination of monopoly and the integration of the national economy with the world economy based on modern scientific principles and organized according to clear, specific and well-established standards, while working to unify the institutions of the divided state.

3. Improving the performance of the banking sector and activate the stock market according to international standards under the authority of the Central Bank. Additionally, liberalizing trade and opening the Libyan market to the forces of supply and demand.

4. More investment on human resources such as education, development, vocational training, management development, etc.

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## **CURRICULUM VITAE**

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