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ECONOMIC INTERESTS, POLITICAL CONFLICTS, AND EXTERNAL INTERFERENCES:

The Complex Interlocking of the Libyan Crisis

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IN APRIL 2020 OIL PRODUCTION DATA SHOWED A DROP OF MORE THAN 80% WITH A LOSS OF MORE THAN \$10 BILLION IN OIL REVENUES.

In the last days of September 2020, Libya's oil industry seemed to be on the verge of restarting its production after Gen. Khalifa Haftar announced the reopening of the oil fields and terminals that he had occupied and closed in the course of his offensive against Tripoli. The main damage caused by Haftar's blockade is the dramatic plummet of oil production to less than 100,000 barrels per day (bpd) from the previous 1.2 million. The importance of the oil and gas industry in Libya cannot be underestimated since it is the main driver of the Libyan economy and accounts for about 60% of the country's GDP. Oil production revenues and the dividends from oil sales are one of the main causes of the conflict that has been continuously ravaging the country since the fall of Muammar Qadhafi in 2011. The announced reopening represents good news that bodes well not only for a real resumption of political talks between the warring parties, but also for a more general improvement of the economic and social condition in the country, which is now on the verge of collapse.

After the January 2020 blockade, the quick shutdown of oil sales led to a budget collapse: In April 2020 oil production data showed a drop of more than 80% with a loss of more than \$10 billion in oil revenues¹. The economic impact of this stoppage directly hit the Tripoli-based National Oil Corporation (NOC), preventing the company from fulfilling contracts with international oil companies. After so many years of civil war, it has become evident that competition among various actors is principally over the country's resources and control of its financial institutions. According to the 2015 UN-backed Libyan Political

Agreement, the Tripoli government headed by Fayez Serraj retains control of the Tripoli-based NOC and oversees the allocation of state funds deposited in the Tripoli-based Central Bank — these are the two channels through which oil revenues can flow legally and the only two institutions recognized by the UN Security Council². Haftar and the Eastern government accuse Tripoli of mismanaging hydrocarbon revenues and state funds, using them to fund militias backing the Government of National Accord (GNA), and failing to carry out reforms to stabilize the economy. For this reason, the Eastern authorities demand a change of leadership in both institutions: The Central Bank and the NOC³. Indeed, the problem for Haftar has always been that he controlled oil production, but not oil revenues.

After almost a year locked in a stalemate, the situation on the battlefield was reversed in April 2020. Thanks to Turkey's military support, the GNA was able to counterattack and defeat the Haftar-controlled Libyan National Army (LNA) and push them back

¹ Tsvetana Paraskova, "Libya's Oil Production Soars After Blockade Ends," *Oil Price*, September 28, 2019, <https://oilprice.com/Latest-Energy-News/World-News/Libyas-Oil-Production-Soars-After-Blockade-Ends.html>.

² "After the Showdown in Libya's Oil Crescent," *International Crisis Group*, August 9, 2018. <https://www.crisisgroup.org/middle-east-north-africa/north-africa/libya/189-after-showdown-libyas-oil-crescent>.

³ Tim Eaton, "Libya's War Economy: Predation, Profiteering and State Weakness," *Chatam House*, April 12, 2018. <https://www.chathamhouse.org/2018/04/libyas-war-economy-predation-profiteering-and-state-weakness>.



The January 2020 blockade led to a collapse in oil revenues, a devastating hit to the Libyan economy. (Wikimedia Commons)

to the gates of the city of Sirte near the “oil crescent,” a coastal area home to most of Libya’s oil export terminals. The ceasefire proposed by the GNA at the end of August 2020 and accepted by the Tobruk parliament and its spokesman, Aguila Saleh, has restarted the political dialogue between the conflicting parties. Meanwhile, the malcontent of the population in both Tripoli and Benghazi, due to the deterioration of living conditions and lack of economic reforms, led to protests and demonstrations in both cities.

The eventual success of this ceasefire could lead to an agreement between the main factions on the management and redistribution of economic resources. This eventual agreement in the economic sphere could be an essential first step towards reaching a positive agreement around the

political issues. Nevertheless, albeit essential, the possibility of reaching an agreement remains uncertain because of the complex interlocking of different and often conflicting interests both within Libya and outside of the country. These interests are difficult to resolve due to deep institutional divisions, mistrust accumulated by the failure of the Shkirat agreement, and divergent strategies between Libyan actors and external players.

On Sept. 18, 2020, a very important step toward improving the situation occurred. GNA’s Deputy Prime Minister Ahmed Maiteeq reached a deal with Haftar’s LNA⁴ to lift a nine-month blockade on Libyan oil assets. The immediate effect was that the NOC could gradually reopen the fields and terminals that it designates as being “safe” from armed groups. This first initial opening allowed the

4 Sami Zapita, “Maetig Publishes Details of “Agreement” with Haftar for Resumption of Oil Exports,” *Libya Herald*, September 19, 2020, <https://www.libyaherald.com/2020/09/19/maetig-publishes-details-of-agreement-with-haftar-for-resumption-of-oil-exports/>.



In September, Libya's Prime Minister Fayez Al Sarraj announced plans to step down by the end of October. (U.S. Secretary of State/Flickr)

production of oil to reach 270,000 b/d, up from around 100,000 b/d⁵. Unfortunately, this initial positive step on the economic level has not been matched by an improvement on the political stage, where a new phase of tensions appears ready to emerge among rival factions.

Beyond the decision to reopen the oil fields, the new proposed deal also includes an economic settlement over oil revenues, involving the creation of a mixed joint technical committee with participation of representatives from both regions. This mixed joint technical committee would have the task to ensure fair distribution of revenues, avoiding their utilization to finance militias, and, simultaneously, to resolve financial disputes between the two conflicting sides. This oil deal definitely represents an excellent opportunity for Ahmed Maiteeq, Libya's Deputy Prime Minister, who could

take advantage of this pact to overshadow Serraj and reposition himself within the Tripoli government. At the same time, this deal provides an escape route for Haftar, whose position after the failure of the attack on Tripoli has been faltering in the East, as well as within the ranks of his external sponsors.

However, the Maiteeq oil deal appears to be impractical since the agreement would cancel the debt contracted by the East in years of financial mismanagement and parallel monetary policy by absorbing it within the Western national debt. This means that, paradoxically, the Tripoli Central Bank would have subsidized Haftar's war on Tripoli and all the destruction it caused. Even more serious is the problem linked to the establishment of the joint technical committee, which would infringe on the legal jurisdiction of the Central Bank by directly acquiring oil proceeds to distribute nationwide, thus jeopardizing the

⁵ Aydin Calik, "Libya's One Million Barrel Question," *Mees*, September 25, 2020, <https://www.mees.com/2020/9/25/oil-gas/libyas-one-million-barrel-question/07c92a60-ff41-11ea-93d2-31ba3c73b824>.

independence of internationally recognized Libyan economic institutions. Finally, this agreement, signed in Sochi, appears to be sponsored by Russia and not under the auspices of the UN or the respective leadership of both Libyan governments. This is more than enough to provoke the disappointment of several actors within the GNA, the Central Bank and the NOC.

HAFTAR'S DECLARATION OVER THE RESTART OF OIL PRODUCTION COMES AFTER SARRAJ ANNOUNCED HIS DESIRE TO RESIGN FROM HIS POSITION BY THE END OF OCTOBER.

The oil controversy will inevitably weigh on the apparently reactivated political dialogue, as the next struggle seems to be over oil revenues funneled through the Central Bank. Haftar's declaration over the restart of oil production comes after Sarraj announced his desire to resign from his position by the end of October⁶. This action will inevitably bring out deep internal tensions within the various components of the GNA. At the same time, Abdullah Al-Thani, prime minister of the Eastern-based government, resigned from his position following public riots over corruption and deteriorating living conditions in Benghazi. In the midst of this confused

scenario, rogue militias, criminal organizations or terrorist groups could take advantage of this political vacuum and increase their activities, particularly in Southern Libya. Despite the proliferation of official meetings and under-the-table deal-making, either led domestically or sponsored by international actors, the situation within the Libyan context seems more fragmented than ever with GNA and LNA supporters no longer cohesive but internally divided and in competition for diverging interests.

THE EXTERNAL ACTORS AND THEIR CONFLICTING INTERESTS: WHO ASPIRES TO GAIN WHAT?

In light of these internal tensions, local actors increasingly need the support of external players to gain more leverage in this complex and unstable political landscape. As a consequence, the influence of foreign sponsors continues to weigh on the Libyan theater, dragging the conflict into regional tensions and making it one of the most dramatic on-going proxy wars in the world. On the verge of reactivating political dialogue between parties, foreign powers such as Egypt, Morocco, Turkey and different international organizations appear committed to sponsoring the different intra-

⁶ "Libya's UN-Backed PM Al-Sarraj Says he Plans to Quit," DW, September 16, 2020, <https://www.dw.com/en/libyas-un-backed-pm-al-sarraj-says-he-plans-to-quit/a-54955557>.



GNA President Faiz Al Saraj meets Turkish President Recep Tayyip Erdogan in Istanbul, 2020. (pm.gov.ly)

Libyan political talks⁷ aimed at seeking a common institutional framework for future developments.

The United Arab Emirates (UAE) is, without doubt, one of the main external actors interfering in Libya. The Emirats' interest in Libya goes back to the days of the revolution in 2011, during which it backed anti-Qadhafi's rebels. This action of the Emirates in supporting the rebels has continued until now, but support has only gone to faction who opposing the Islamist component of the rebel forces. The main motivation of the UAE's action in Libya — among other interests, especially economic interests — is its hostility towards any form of political Islam, as well as the UAE's ambition to become a relevant active geopolitical player⁸. Because

of this, the UAE will support any actor that could prevent the ascent to power of any Islamist party in any Middle Eastern country. The UAE is having a difficult time in reconciling its official position of supporting the UN-sponsored GNA (reiterated in January 2020 at the Berlin Conference), with that of breaking international laws, in particular the arms embargo on Libya, by continuing to arm Haftar's forces⁹.

Egypt is another extremely important actor in the Libyan crisis. The official motivation for Egypt's support of Haftar's adventure is necessary to keep stable and secure its western border with Libya. Undoubtedly in Cairo's mind are the many economic advantages and possibilities that could derive from Egypt's control of Libya. After Haftar's

⁷ On September 6, 2020 in Bouznika, Morocco; on September 17, 2020 in Geneva, Switzerland; on September 23, 2020 in Cairo and on September 27, 2020 in Hurghada, Egypt.

⁸ Mohamed Eljarh, "Turkey's Intervention in Libya Disrupts the UAE but Opens the Door for Russia," *The Washington Institute*, June 1, 2020, <https://www.washingtoninstitute.org/fikraforum/view/Turkey-Intervention-Libya-UAE-Russia-USA-Middle-East>

⁹ Ruth Michaelson, "Turkey and UAE Openly Flouting UN Arms Embargo to Fuel War in Libya," *The Guardian*, October 7, 2020, <https://www.theguardian.com/global-development/2020/oct/07/turkey-and-uae-openly-flouting-un-arms-embargo-to-fuel-war-in-liby>.

defeat in June 2020, in order to protect the position of its ally, the Egyptian regime declared the line that goes from Sirte to Jufra, where Haftar forces were regrouping, as a red-line not to be crossed by GNA forces; violation of this position would trigger a strong military reaction by Egypt¹⁰. When the truce around Jufra and Sirte seemed to hold, the Egyptian President Abdel Fattah al-Sisi started devoting significant effort to the development of an Egypt-sponsored intra-Libyan political negotiation¹¹.

Russia and France are the two other main supporters of Haftar. Russia's interests in intervening in the North African states are various: They range from the possibility of recuperating important credits owed to Russian companies by the Libyan government since the time of Qadhafi, to exploiting Russia's relevant position in the post-war reconstruction of the country. Having a military presence in a country that is strategically located on the southern shore of the Mediterranean, just a few hundred miles from Italy, a strategically significant NATO member country, constitutes a bonus for Russia's projection of power. As of today, Russian mercenaries loosely affiliated with the official Moscow government constitute the main military support for Haftar's troops on the ground¹². France also has played an important role in supporting Haftar's position. With its actions, Paris has gained the golden medal of ambiguity. In words, it has been a supporter of the GNA government, but in fact, as has been proven many times, France has supported Haftar's forces. This ambiguity of

France has *de facto* blocked any meaningful action by the European Union.

THE LACK OF ACTION FROM EUROPEAN COUNTRIES TO DEFEND THE LEGITIMATE GOVERNMENT IN TRIPOLI IN THE FACE OF HAFTAR'S ATTACK AGAINST THE LIBYAN CAPITAL HAS OPENED A WIDE DOOR FOR TURKEY'S INTERVENTION.

The lack of action from European countries to defend the legitimate government in Tripoli in the face of Haftar's attack against the Libyan capital has opened a wide door for Turkey's intervention. For Turkey, there is not a single driving interest to point to, but rather a mixture of economic, political and ideological factors that have prompted Turkey's action

10 Alessia Melcangi, "A Two-Pronged Egyptian Strategy to Deal with the Libyan Chaos," Italian Institute for International Political Studies, September 24, 2020, <https://www.ispionline.it/it/pubblicazione/two-pronged-egyptian-strategy-deal-libyan-chaos-27488>.

11 Karim Mezran, Alessia Melcangi, "The Cairo Declaration is a False Resolution to Libya's Conflict," Atlantic Council, June 11, 2020, <https://www.atlanticcouncil.org/blogs/menasource/the-cairo-declaration-is-a-false-resolution-to-libyas-conflict/>.

12 Saurabh Kumar Shahi, "Understanding the Russian Roulette in Libya," *National Herald*, June 25, 2020, <https://www.nationalheraldindia.com/international/understanding-the-russian-roulette-in-libya>.

in Libya¹³. As of today, Turkey is negotiating a more permanent military truce with Russia and, at the same time, fostering intra-Libyan negotiations to resolve the crisis¹⁴. The USA has played a backside position by supporting UN-led negotiations and limiting its involvement to the diplomatic level.

ARE THERE ANY CHANCES FOR A RETURN TO THE NEGOTIATING TABLE BETWEEN THE CONFLICTING PARTIES? SOME FINAL CONSIDERATIONS.

The different phases of the Libyan crisis, from 2011 to date, remind us that the conflict has an economic dimension as significant as the political and the military dimensions. Any strategy aimed at stabilizing the country should consider all these three correlated components in an integrated way. Over the years, the priority has been given to the political aspects of the crisis, mainly offering political solutions to reunify the country.

However, without further progress to heal the rifts in the country's economic and financial institutions, military and political tensions will become endemic, making the prospect of a concrete solution even more remote.

WITHOUT FURTHER PROGRESS TO HEAL THE RIFTS IN THE COUNTRY'S ECONOMIC AND FINANCIAL INSTITUTIONS, MILITARY AND POLITICAL TENSIONS WILL BECOME ENDEMIC, MAKING THE PROSPECT OF A CONCRETE SOLUTION EVEN MORE REMOTE.

Since the ceasefire proposed by the GNA at the end of August, intra-Libyan dialogue seems to have regained momentum. Unfortunately, current conditions on the ground differ from those of the past few years. The two rival factions appear more fragmented and divided than before, meaning that the use of GNA-LNA duality as a tool for interpreting the current conflict is losing its relevance and

¹³ Göktuğ Sönmez and Nebahat Tanrıverdi Yaşar, "Making Sense of the Crisis in the Eastern Mediterranean and Turkish Involvement in Libya," *Georgetown Journal of International Affairs*, June 15, 2020, <https://gjia.georgetown.edu/2020/06/15/making-sense-of-the-crisis-in-the-eastern-mediterranean-and-turkish-involvement-in-libya/>.

¹⁴ Anatolianet, "Turkish President Receives Libyan Premier in Istanbul," *Turkish Press*, October 4, 2020, <https://turkish-press.com/turkish-president-receives-libyan-premier-in-istanbul/>; Patrick Wintour, "Turkey and Russia's Deepening Roles in Libya Complicate Peace Efforts," *The Guardian*, October 5, 2020, <https://www.theguardian.com/world/2020/oct/05/turkey-and-russia-deepening-roles-in-libya-complicate-peace-efforts>.



efficacy for understanding the Libyan context. Both factions suffer internal tensions and a progressive erosion of internal consensus: Within the GNA, this process is caused by the weak political posture of Serraj and the recent moves of actors such as Maiteeq and Interior Minister Fathi Bashagha, who appeared to be acting on their own, probably frustrated by the lack of initiative and a low performance of the GNA as a collective entity; within the LNA, the rift between House of Representatives (HOR) Speaker Agila Saleh and Haftar has grown larger, with many Eastern militias distancing themselves from the Cyrenaica general following the unsuccessful siege of Tripoli. On top of it, these actors have to consider the dangerous consequences that could arise from the growing malcontent and the restlessness of the population both in the West and in the East.

Considering this context, it is relevant to note that popular mobilization throughout Libya against the ongoing intra-Libyan talks is emerging: It is fueled by general skepticism shared by part of the population about the capacity of these dialogues to lead to a real


solution, especially in light of the egotism of various personalities, the high level of corruption and incompetence of the political class, as well as the failure of UN and EU mediation and continuing interference from external actors.

Given this fragmentation within the two main factions, the various intra-Libyan talks are now mostly led by individual actors who consider these negotiations an opportunity to secure a personal position in this new fluid power structure. It is apparent that Libya is witnessing a progressive return to the traditional Libyan way of play politics, which focuses on the role played by an eminent personality, a leader, a notable or a tribal chief around whom different interests converge regardless of political affiliations or individual beliefs. These emerging actors seem more interested in holding positions of power rather than ensuring the end of hostilities and the resumption of a transparent and democratic political path forward. An example is evident in the reaction to Serraj's resignation announcement, which unleashed a race by many individuals to present


themselves as the best candidates for the position of prime minister or at least in the new government that most probably would follow the resignation of Serraj.

Looking at external interferences, a reason why every political process until now has failed could be the lack of an actor strong enough to bring together all the rival parties and their external sponsors to the negotiating table. In the absence of a pivotal actor, it is incumbent upon the UN to organize a series of meetings among the opposing groups to create consensus for a UN-backed solution, leading to the formation of an effective national unity government.


WHAT IS NECESSARY TO REACH A REAL PACIFICATION PROCESS IN LIBYA?




Avoid the partition of the country to keep Libya united and pacified and focus on the restart of UN-led negotiations along military, financial and economic tracks.




Demobilize militias. They represent an endemic problem that can be solved with a strong internationally-backed peace agreement and an institutional reconciliation strategy to favor their institutionalization, merging and integration under a unified central command.




At the political level, focus on local authorities, who have been considered custodians of true reconciliatory processes, to de-conflict the situation in Libya.




Control and eliminate economic-based threats to peace, and begin a deep process of reform to address the economic crisis caused by low oil prices.



Reach an agreement signed by the main stakeholders based on a comprehensive roadmap that includes identifying the main interests of the opposing sides and guaranteeing that these interests are respected, and ensuring that the Central Bank remains the only actor controlling the distribution of oil revenues in the country.



Create a minimum consensus among the two sides' foreign backers on the UN-led political process.

Of course, it is clear that undertaking each of these points is not an easy task, but could give purpose and energy to an unmotivated and angry population. 

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