
Transatlantic Cooperation: Libya's Diplomatic Transformation

GAWDAT BAHGAT

On December 19, 2003, an announcement was made simultaneously in Washington, London, and Tripoli that Libyan leader Muammar al-Qadhafi had promised to terminate his country's efforts to acquire and develop weapons of mass destruction (WMD) and to fully cooperate with the international community in destroying them. This announcement was preceded by equally significant steps to end Libya's international isolation and pave the way for Tripoli to rejoin the global economic and diplomatic system. Most notably, Libya officially accepted responsibility for the 1988 Lockerbie bombing, carried out by Libyan intelligence officers, and agreed to pay financial compensation to the families of the victims of this terrorist attack.

To reward Tripoli for denouncing international terrorism and agreeing to adhere to the norms and rules of the nonproliferation regime, the decade-long United Nations sanctions were lifted in September 2003. London reestablished diplomatic relations with Tripoli that had been severed in 1984, and Washington substantially eased the economic sanctions it had imposed in the late 1970s and reinforced throughout the 1980s and 1990s. These concrete steps to normalize economic and diplomatic relations with Libya were followed by well-publicized direct contacts between Western leaders and Qadhafi. In 2004, the leaders of Italy, Britain, France, and Germany paid official visits to Tripoli and met with the Libyan leader. A U.S. congressional delegation visited Libya and held extensive talks with Libyan officials. Similarly, Qadhafi visited Brussels to meet with top officials from the European Union (EU).

This marked the beginning of the process of "rehabilitating" Libya from a pariah state to a responsible member of the international community.

Gawdat Bahgat is Director of the Center for Middle Eastern Studies at Indiana University of Pennsylvania.

Understanding the dynamics and implications of this transformation requires a look back at the ideology that guided Libya's policy since the September 1969 revolution, as well as an examination of international responses to Tripoli's past involvement in terrorist activities and its efforts to acquire and develop WMD.

This study examines Libya's involvement in international terrorism and the proliferation of non-conventional weapons, as well as international efforts to change Libya's foreign policy practices. The study also examines the impact that these recent developments are likely to have on the country's oil industry. Finally, the paper provides an assessment and projection of relations between Libya and both Europe and the United States.

THE DOMESTIC SETTING

Italy occupied Libya shortly before World War I. Following Italy's defeat in World War II, Libya was ruled for a brief period by a joint British and French administration.¹ Under UN auspices, King Idris Sanusi proclaimed Libya an independent monarchy in 1951. The newly-created country was handicapped by its desert terrain and sparsely located, unskilled population. In an attempt to improve the economic and security outlook of his country, King Idris granted base rights to Britain and the United States in 1953 and 1954, respectively.

The discovery of oil in commercial quantities by the American oil company Esso (later ExxonMobil) in 1959 brought massive revenues and Western influence to Libya. These two developments, however, proved to be a mixed blessing. Oil revenues were not shared with the majority of the population; only a few members in the royal family and their associates benefited from this oil wealth, while the majority of Libyans remained poor. Likewise, while King Idris' pro-Western policies brought some benefits for Libya, they also alienated a large segment of the population—an effect of particular importance at a time of rising Arab nationalism led by then-Egyptian President Gamal Abd al-Nasser. This discontent ultimately led to the toppling of the monarchy by a group of military officers, led by Muammar al-Qadhafi, in 1969.

Under Qadhafi, Libya adopted a radical anti-Western stance in both domestic and foreign policies. Qadhafi's strong opposition to colonialism led him to support dissident movements fighting against established regimes around the world. Accordingly, Tripoli established and consolidated ties with several leftist and radical movements, including Palestinian organizations, the Irish Republican Army, and Muslim insurgents in the Philippines. These ties—and, indeed, Qadhafi's broad concept of foreign policy—were shaped by the Libyan leader's self-perception and his desire to present Libya as a leading player on the regional and international scenes.

Qadhafi has always seen himself as a revolutionary and visionary leader. In

The Green Book, Qadhafi spelled out his prescriptions for the Libyan revolution, explaining his political philosophy in what he called the Third Universal Theory, which he intended to be an alternative to capitalism and Marxism. It calls for the institution in Libya of what Qadhafi calls "direct democracy," under which citizens govern themselves through grassroots activism without the mediation or intervention of state institutions.²

The economic base for Libya's revolution has always been its oil. Oil export revenues account for over 95 percent of the country's hard currency earnings. These revenues have been used to fund domestic economic development and to finance ambitious foreign policy goals. Unsurprisingly, shortly after rising to power in 1969, Qadhafi sought to expand the government's control over oil resources. Total nationalization was out of the question, however, given the shortage of indigenous expertise and the need for foreign funds and technology. Thus, in 1973, the Libyan government announced the nationalization of a controlling interest in all petroleum companies operating in the country. This step gave the government control of 60 to 70 percent of oil production. Libya's involvement in international terrorism and its efforts to develop WMD in the last three decades were funded largely by oil revenues.

"The economic base for Libya's revolution has always been its oil. Oil export revenues account for over 95 percent of the country's hard currency earnings."

TERRORISM

In many ways, Libya's involvement in international terrorism is similar to that of other "revolutionary" states. Egypt under former President Nasser (1954-1970); Iran, particularly in the first decade after the 1979 revolution; and Iraq prior to the 2003 war had been indicted by Western courts and governments for carrying out terrorist attacks on Western targets and expatriate dissidents. Libya also has supported Palestinian groups, like almost all other Arab countries have done, at different times and for various reasons. Palestinian organizations are generally seen in the region as liberation movements against Israeli occupation, while in the West they are seen as terrorist organizations.

Libya's involvement in international terrorism, however, is very different from the experiences of other countries. At least five characteristics of the Libyan case can be identified that make Libya unique, both in terms of the war on terrorism and in terms of the states that sponsor terrorist activities. First, Tripoli-backed terrorist operations targeted citizens of several countries, opting for an uncommonly broad-based spectrum of political targets. In April 1984, a British

policewoman, Yvonne Fletcher, was killed and 11 demonstrators were wounded when gunmen in the Libyan People's Bureau of London fired on a peaceful anti-Qadhafi demonstration outside their building. Two years later, in April 1986, three Libyan secret service employees working in their embassy in Berlin were involved in a bomb attack on a disco in which two U.S. servicemen and a Turkish civilian woman were killed and more than 200 people were wounded. A German court found that Libyan government officials had orchestrated the attack and convicted four of them. In retaliation, the United States bombed two Libyan cities (Tripoli and Benghazi), killing 15 people, including Qadhafi's adopted daughter. The deadliest terrorist operation took place in 1988, when the Libyan intelligence service was responsible for the bombing of a Pan Am jet in which 259 passengers and crew were killed, as well as 11 residents of Lockerbie, Scotland. Finally, in September 1989, the Libyan intelligence service orchestrated the bombing of a French UTA passenger jet over Niger in which 170 people were killed. French officials named Qadhafi's brother-in-law, Muhammad Sanusi, as the mastermind of the attack.³ Six Libyan suspects—all intelligence officers—were tried in absentia by a French court and convicted in 1999. From these anecdotes and figures, it seems that Tripoli's involvement in terrorist activities peaked in the 1980s.

Second, most states accused of sponsoring international terrorism strongly deny these accusations. Tripoli, however, has accepted legal responsibility for several terrorist operations and paid financial compensation to the victims' families. In 1999, Libya paid compensation for the death of the British policewoman—a move that paved the way for the reopening of the British embassy in Tripoli.⁴ In August 2004, Libya agreed to pay \$35 million to the victims of the 1986 attack on the La Belle disco in Germany.⁵ In January 2004, Libya agreed to pay \$170 million to the relatives of the victims of the UTA French airliner. Finally, Libya took several steps to settle the legal and political issues related to the Lockerbie terrorist attack. In 1999, Libya surrendered two suspects—Abd al-Basset al-Megrahi and al-Amin Khalifa Fahima—for trial in Scotland. The former was convicted; not enough evidence was presented to convict the latter. In March 2003, a Scottish appellate court upheld the conviction, and the Libyan government accordingly took responsibility for the bombing and agreed to pay \$2.7 billion to the victims' families.

Third, besides the convictions by French, German, and Scottish courts, the international community has been united in condemning Libya's involvement in international terrorism, and in taking specific measures to compel Tripoli to change its policy and abide by international norms. These measures were documented in several UN Security Council resolutions, particularly Resolutions 731 (1992), 748 (1992), and 883 (1993). In these resolutions, the Security Council expressed deep concern over the results of investigations implicating officials of the Libyan government in the attacks against Pan Am Flight 103 and UTA Flight

772. The Security Council requested that Tripoli cooperate fully in establishing responsibility for the two attacks. The Council further decided that the Libyan government's failure to demonstrate by concrete actions its renunciation of terrorism constituted a threat to international peace and security. As a result, the Council imposed economic and diplomatic sanctions that proved very costly to Libya. According to official estimates, the sanctions resulted in economic losses of \$26.5 billion.⁶ When Libya agreed to cooperate and surrendered the two suspects in 1999, the sanctions were suspended and eventually lifted in 2003. This was the first time in the history of the international struggle against modern terrorism that the international community has succeeded in imposing and enforcing effective sanctions against a terrorism-sponsoring state under the auspices of the UN Security Council.⁷

Fourth, in addition to playing a crucial role in getting Libya to abide by international norms, accept responsibility for terrorist operations, and pay financial compensation, the international sanctions helped shape a new Libyan attitude on terrorism in particular and on foreign policy in general. Since the late 1990s, Tripoli has sought to end its international isolation, or its so-called pariah status, and to fully re-engage with the global system. Qadhafi has sought to position himself and his country as a power broker in Africa and as an economic intermediary between Europe and Africa. Tripoli has become more involved in the Euro-Mediterranean dialogue known as the Barcelona Process, which aims to promote political and economic cooperation between the European Union and southern and eastern Mediterranean states. In 2000, Libya played a high-profile role in negotiating the release of a group of foreign hostages seized in the Philippines by the Abu Sayyaf Group.⁸ The hostages included citizens of France, Germany, Malaysia, South Africa, Finland, the Philippines, and Lebanon. In 2002, Libya became a party to the 1999 Convention for the Suppression of the Financing of Terrorism and the 1991 Convention on the Making of Plastic Explosives for the Purpose of Detection. Thus, Tripoli became a party to all 12 international conventions and protocols relating to terrorism.⁹

Fifth, the September 11, 2001, terrorist attacks in the United States provided a significant opportunity for Qadhafi to align himself and his country with the international war on terrorism, as well as to strengthen his hand in fighting fundamentalist dissident groups inside Libya. Thus, shortly after the September 11 attacks, the Libyan leader issued a statement condemning the attacks as horrific and gruesome and urging Libyans to donate blood for U.S. victims. He declared that Libya would combat members of al-Qaeda and "heretics," a term he used to reference Libyan extremists allied with al-Qaeda and opposed to his regime.¹⁰ Finally, in early 2004, Qadhafi stated that Libyan intelligence had been sharing information on al-Qaeda and other Islamic extremists with Western intelligence services and characterized such cooperation as "irrevocable."¹¹

These dramatic changes in Tripoli's stance on international terrorism—moving Libya from a pariah state to a partner in the war on terrorism—were accompanied by equally speculative changes in the country's position on the proliferation of weapons of mass destruction.

PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

Libya has been a party to several international conventions related to the proliferation of WMD for a long time. However, the United States and other Western countries had accused Tripoli of nonetheless stockpiling chemical and biological weapons and seeking to build a nuclear capability. These accusations

“Tripoli became a party to all 12 international conventions and protocols relating to terrorism.”

and Libya's denials, came to an abrupt end in December 2003 when Tripoli announced its decision to eliminate materials, equipment, and programs that lead to the production of internationally proscribed weapons. The Libyan foreign ministry issued a statement admitting that the country had sought to develop unconventional

weapons, but had now agreed “of its own free will” to eliminate them. The ministry confirmed Tripoli's belief that these arms do not serve its security nor the security of the region.¹²

This announcement was the culmination of secret negotiations between officials in Tripoli, London, and Washington. In March 2003, Libya's intelligence chief Musa Kusa—one of Qadhafi's most trusted aides—approached officials in the British Secret Intelligence Service (MI6) to express his government's desire to initiate talks with Britain and the United States about Libya's WMD programs.¹³ Britain immediately informed the Bush administration of Libya's request and began negotiations between the three parties that lasted for nine months.¹⁴

The outcome of these negotiations won praise from around the world. Naturally, London and Washington claimed the credit. European, Chinese, Russian, Iranian, and Arab leaders critical of the war in Iraq hailed the move as an indication of how effective diplomatic means could be without the need to use military power. Israel also expressed cautious support for the Libyan decision.¹⁵

Following Tripoli's decision to terminate its WMD programs, Qadhafi dispatched a top government official to Vienna to meet with Mohamed ElBaradei, director general of the International Atomic Energy Agency (IAEA). Up to that point, Libya was one of the few countries that had refused to sign the 1993 Chemical Weapons Convention (CWC). Yet, in January 2004, Libya officially changed its policy and joined the convention. Since then, several IAEA and CWC inspection teams, as well as U.S. and British weapons specialists, have visited Libya

where they were given access to all facilities, provided with substantial documentation about WMD programs, and allowed to take samples and photographs. In other words, Libya has shown a great deal of transparency and openness.

In response to the Libyan government's request for technical support, a team of experts from the Organization for the Prohibition of Chemical Weapons (OPCW), led by OPCW Director-General Rogelio Pfiirter, started working closely with senior Libyan officials to ensure the effective and comprehensive implementation of the chemical weapons ban. In March 2004, Tripoli provided the OPCW with an initial declaration of all its chemical weapons. The stockpile consisted of approximately 23 metric tons of mustard gas, one defunct chemical weapons production facility, and two chemical weapons storage facilities.¹⁶ Inspectors from the OPCW verified the complete destruction of Libya's entire declared stockpile. Accordingly, Pfiirter noted that Libya was "in full compliance with its obligations under the Chemical Weapons Convention."¹⁷

Libya became party to the Biological Weapons Convention in 1982, but the convention's lack of verification procedures precludes compliance verification. Thus, questions have remained as to whether Tripoli has been complying with the agreement. However, many arms specialists believe that if Libya had a biological weapons program at all, the effort was very primitive. Indeed, the U.S. and British specialists who inspected Libya's facilities found no evidence of an existing biological weapons program.

Libya's chemical stockpile and lack of an advanced biological weapons program did not surprise the weapons specialists who inspected the country's laboratories and other facilities. The big surprise was Libya's nuclear program. In 1969, shortly before he was toppled, King Idris signed the Nuclear Non-Proliferation Treaty (NPT) and, in 1975, Libya ratified it. According to the IAEA, Tripoli pursued a largely clandestine program of uranium conversion and enrichment for more than 20 years. Starting in the early 1980s and continuing until the end of 2003, Libya imported nuclear material and conducted a wide variety of nuclear activities.¹⁸ Since December 2003, the available information on Libya's nuclear program suggests two conclusions. First, Tripoli lacked much indigenous nuclear expertise and was extensively dependent on foreign assistance. Second, despite aggressive efforts and substantial progress in acquiring the equipment needed to produce weapons-grade uranium, Libya's abilities did not approach the sophistication and scope of weapons programs in such countries as North Korea and Iran. Libya's efforts had thus been limited both by a lack of "home-grown expertise and by international sanctions."¹⁹ ElBaradei noted that "the program was in the very initial stages of development and there did not seem to have been any industrial-scale facility to produce highly enriched uranium."²⁰ In other words, Libya was a long way from building a bomb.

Since December 2003, Libya has taken many significant steps to cement

its cooperation with the IAEA. Most notably, in March 2004, Tripoli signed the Additional Protocol to the NPT, allowing for more effective inspections of declared and suspected nuclear facilities. As a result, the IAEA's Board of Governors issued a statement saying that Libya had cooperated with the agency

“... despite aggressive efforts and substantial progress in acquiring the equipment needed to produce weapons-grade uranium, Libya’s abilities did not approach the sophistication and scope of weapons programs in such countries as North Korea and Iran.”

by providing prompt access to all the locations it had requested, making senior personnel available, and taking corrective actions to come into compliance with its safeguards agreement.²¹

To sum up, despite Libya's ambition to acquire and develop WMD, it is clear that its capabilities remained at an initial stage, and that the country's heavy dependence on foreign technological support made it possible for the West to constrain its efforts to attain non-conventional capabilities. Still, Libya's strategic decision to rid itself of WMD and to abide by the norms and rules of the global nonproliferation regime represents a significant success for

multilateral diplomacy and international cooperation. Furthermore, Libya's growing re-integration into the global system will substantially improve its economic outlook, most notably in its oil and natural gas industry.

ENERGY OUTLOOK

Unlike Gulf producers such as Iran, Iraq, Kuwait, and Saudi Arabia, where oil was discovered earlier in the 20th century, oil in Libya was discovered late in the 1950s. Yet, in a short period of time, oil discoveries were brought on-stream, particularly from the Sirte Basin. Thus, by the late 1960s, Libya had become the world's fourth largest exporter of crude oil.²² The rush to raise production in Libya reflected not only the world's growing appetite for oil but also certain advantages the Libyan oil sector enjoys. First, Tripoli holds huge proven oil reserves—estimated at 36 billion barrels, or 3.1 percent of world's total.²³ Second, production costs are among the lowest in the world. Third, Libya produces high-quality, low-sulfur “sweet” crude oil. Fourth, the proximity of Libya to Europe is a big advantage in terms of ease and cost of transportation.

Given these advantages, it is little wonder that American and European oil companies were heavily involved in exploring and producing oil in Libya. The country's oil production reached a peak of 3.32 million barrels per day (b/d) in 1970. This high level of production, however, proved unsustainable. Economic

sanctions and political isolation took their toll. In 2003, Libya produced 1.488 million b/d—less than half of its production in 1970. This decline can be explained more by political factors than geological ones. From the outset, the post-1969 revolutionary regime had tense relations with the U.S. government and American oil companies operating in the country. Eventually, in the mid-1980s, these oil companies completely withdrew from Libya. For most of the 1990s, comprehensive international sanctions were imposed on Libya by the UN Security Council. Bilateral sanctions in the 1980s and multilateral ones in the 1990s deprived Libya's oil industry of the spare parts, new equipment, modern technology, management techniques, and foreign investment badly needed to maintain and upgrade its production capacity. Despite this hostile political environment, a competent Libyan National Oil Corporation (NOC) and a handful of European oil companies kept oil production going over the years, although at a level greatly reduced from that of the booming late 1960s.

Diplomatic re-engagement with Libya and the easing of sanctions have been followed by serious efforts by international oil companies to resume their oil exploration and production operations in the country. Since mid-2004, the entire Libyan hydrocarbon sector has seemed poised for promising development, fueled by foreign investment.

Several characteristics can be identified relating to the outlook for Libya's energy sector. First, because of decade-long bilateral and multilateral sanctions, Libya remains highly unexplored. The absence of international oil companies means that the most updated exploration technology has yet to be used in Libya. Libyan officials and international observers confirm that only about 25 percent of the country is covered by active exploration licenses.²⁴ This suggests that there are outstanding prospects for large discoveries.

Second, like many other oil producing countries, Libya is heavily dependent on oil. Indeed, oil export revenues account for roughly 75 percent of government expenditures.²⁵ The collapse of oil prices in 1998-99 contributed to deteriorating economic conditions and sharpened the sense of vulnerability to the fluctuation of oil prices. Despite efforts to diversify the economy, Tripoli is still heavily dependent on oil revenues. To make up for dropping reserves replacement, and to increase the country's oil production capacity, the Libyan leadership came to the conclusion that foreign investment was a necessity. The NOC plans to increase production capacity from the 2004 level of approximately 1.4 million b/d to 2.0 million b/d by 2010.²⁶ This target is considered feasible, given the country's low-cost production and the existence of pipelines and export facilities. Officials at the NOC estimate that Libya would need about \$30 billion in investment to modernize its oil sector and increase its production capacity.²⁷ Since UN sanctions were suspended in 1999, Libya has launched several bidding rounds to allow international companies to explore for oil and natural gas.

Third, prior to 1973, foreign oil companies worked in Libya under concession arrangements. Since then, another kind of arrangement—called an exploration and production-sharing agreement (EPSA)—has become more common. Under an EPSA, the government, through the NOC, retains exclusive ownership of oil fields while signatory oil companies are considered contractors. Three rounds of EPSA contracts were held—one in 1974, another in 1980, and a third in 1988, with some differences regarding recovery of development and production costs. EPSA contracts usually involve an initial exploration period, during which companies assume exploration costs and risks and are required to invest specific sums in exploration. If a discovery is made, the EPSA continues in force for a set period (usually 20 to 30 years); output is divided between the NOC and the contracting company. Since 2004, Tripoli has proposed a new, more attractive model called EPSA-IV. Under this revised formula, contracts will be awarded on the basis of competitive bidding, instead of closed-door negotiations. International companies carry all exploration and appraisal costs, as well as training costs for Libyan nationals, during a minimum exploration period of five years. Thereafter, capital expenses for development and exploitation, as well as operating expenses, are borne by the NOC and the investor according to their primary agreement.²⁸ In August 2004, the NOC launched the first licensing round to be governed by the EPSA-IV model.²⁹ The hope is that the EPSA-IV will attract more international oil companies to Libya.

Fourth, despite the focus on oil exploration and development, there has been a growing interest in the country's virtually untapped natural gas resources. Libya became a gas exporter in 1971 when a liquefied natural gas (LNG) plant opened at Marsa al-Brega—the world's second LNG facility. After early pricing disputes, exports built up to a peak of 3.6 billion cubic meters in 1977. However, in 1980, the government nationalized the Esso-owned facilities and imposed greater price increases.³⁰ The main buyers of the facility's LNG either cancelled their contracts or scaled down their purchases. Thus, despite great prospects and discoveries of natural gas resources in both Libya and Egypt, Algeria continues to be the only North African large-scale exporter in 2004. This is likely to change soon. In addition to Egypt's ambitious plans to export its recently discovered gas, Libya has started to export gas to Italy. The NOC is a partner with the Italian company Agip in a joint venture called the Western Libya Gas Project (WLGP). The goal is to produce 10 billion cubic meters a year over a 20-year period. Most of this gas will be exported to Italy via the Green Stream pipeline that was inaugurated in October 2004 to connect Libya and Italy through Sicily. This is the first such scheme to utilize Libya's vast untapped gas reserves. It is also the biggest foreign investment in Libya's energy sector since UN sanctions were suspended in 1999, and it further cements Agip's strong relationship with the NOC.

Fifth, Libya enjoys a unique relationship with Europe. These special ties are

based, at least in part, on historical experience and geographical proximity. Several European countries have extensive trade relations with Libya; nearly all Libyan oil is sold to European countries, including Italy, Germany, France, and Spain. Furthermore, European oil companies maintained their Libyan operations after their U.S. rivals left in the 1980s. Since the departure of American oil companies, Agip of Italy has been the major foreign oil company operator in Libya, although French, Spanish, Dutch, and British companies also have a presence there.

Prospects for continuing close cooperation between Europe and Libya remain strong, given the growing European dependence on imported oil and gas supplies and the European policy of diversifying its suppliers. For the past two decades, the North Sea's oil and gas deposits satisfied a big proportion of European energy needs. The North Sea currently seems to have passed its peak; it can no longer fulfill the widening gap between Europe's rising oil and gas consumption and its declining production. As such, Europe is growing more dependent on foreign supplies. Russia, Norway, and Algeria already are major energy providers to the EU, and the EU is now showing great interest in Libya. Libyan oil and gas can be shipped easily to Italy and Spain, and from there to the rest of Europe. Indeed, Italy and Spain are positioning themselves as potential gas conduits to northern Europe.

Sixth, U.S. oil companies have been involved in Libya's oil industry since the discoveries of Libyan oil in the late 1950s and early 1960s. Some of the largest oil fields were found in concessions held by independent U.S. companies. Marathon, Amerada Hess, and Conoco (now ConocoPhillips) formed the Oasis Group that, with the NOC, achieved "world-class commercial oil discoveries" in Libya's Sirte Basin in 1962.³¹ The outcome of this partnership was a steady and substantial increase in Libya's oil production. However, the ongoing political tension between Washington and Tripoli interrupted this mutually profitable partnership. In January 1986, then-U.S. President Ronald Reagan issued an executive order imposing unilateral sanctions against Libya. U.S. companies' assets in the country were put in "suspended animation."³² In order to protect their concessionary interests, five U.S. firms signed a Standstill Agreement with the NOC. Under this agreement, the U.S. companies retained the original rights and obligations in the fields they operated, while the NOC became responsible for the development of these fields until the return of the U.S. firms.

In the following two decades, the Standstill Agreement has survived the extreme political tension between the two states. Since the mid-1980s, the NOC and its subsidiaries have maintained production at these fields, albeit at much lower levels. With the lifting of UN sanctions in 2003 and the easing of U.S. sanctions in 2004, American oil companies were allowed to resume their operations in Libya. In April 2004, the White House issued a written statement asserting that "U.S. companies will be able to buy or invest in Libyan oil and products.

U.S. commercial banks and other financial service providers will be able to participate in and support these transactions.”³³ Shortly after this announcement, top executives from Occidental Petroleum, ConocoPhillips, Marathon Oil, and Amerada Hess went to Libya and started negotiations to resume their operations. Libyans are equally excited about the return of U.S. firms. In May 2004, the NOC announced its first shipment of oil to the United States in more than 20 years.

To sum up, the decades-long sanctions imposed on Libya beginning in the mid-1980s have been either substantially eased or completely lifted. Since 2003, the dampening effect these sanctions had on the full utilization of Libya’s massive hydrocarbon resources has also been lifted, and Libya’s international isolation has been broken. As one analyst stated, “Libya is ‘the central exploration and production buzz for 2005’ among international oil companies looking for access to potentially giant oil and gas fields.”³⁴ This change came in response to Tripoli’s decision and actions to dissociate itself from international terrorism and WMD. Furthermore, the Libyan leadership has expressed determination to reform its economic system and invite foreign investment back to the country, particularly to the energy sector. In response, several European, Australian, and Chinese companies have already signed agreements with the NOC. U.S. firms also are returning to Libya. The anticipated full utilization of Libya’s oil and gas resources should enhance global energy security, especially at this time of rising global demand and skyrocketing prices.

LIBYA’S RAPPROCHEMENT WITH THE WEST

Historically, Libya has always had a special relationship with Europe, as geographic proximity, colonial experience, and energy dependence have cemented close relations between the two sides. Most of Libya’s oil is exported to Europe, particularly Italy, Spain, France, and Germany. Meanwhile, most of Tripoli’s imports are from these European countries. When American oil companies withdrew from Libya in the mid-1980s, European companies maintained their operations there until they were forced to leave in compliance with the UN sanctions. After these sanctions were suspended in 1999, European companies were quick to return.

Qadhafi’s strategic announcement in December 2003 to fully comply with the nonproliferation regime has substantially contributed to the normalization of relations between Libya and Europe. In addition to British Prime Minister Tony Blair’s visit to Libya in March 2004 (the first since the 1969 revolution), the leaders of Italy, France, and Germany have paid highly-publicized visits to Tripoli, accompanied by large business delegations. Italian Prime Minister Silvio Berlusconi visited Libya three times in 2004, and Italy lobbied hard to convince

other members of the EU to lift the EU's arms embargo on Tripoli. The embargo was eventually lifted in October 2004. German Chancellor Gerhard Schroeder visited Libya in October to meet with Qadhafi. German companies are interested in participating in projects to rebuild and improve Libya's infrastructure, which almost fell apart under UN sanctions in the 1990s. In November, French President Jacques Chirac pledged to forge a "true partnership" with Libya on the first visit by a French leader since 1951, a new beginning in relations between Paris and Tripoli.

These summit meetings between European and Libyan leaders underscore two facts. First, economic interests lay the foundation for the rapprochement between the two sides. Second, European reservations about Libya's aggressive foreign policy during the last three decades seem to have been put aside in favor of a more pragmatic approach.

On the other hand, the United States seems less forthcoming in normalizing relations with Libya. Instead of top-level meetings between officials in the two countries, Washington has adopted a more cautious and gradual approach with Tripoli. American economic and diplomatic sanctions have been lifted in stages corresponding to specific steps taken by Libya to

"The anticipated full utilization of Libya's oil and gas resources should enhance global energy security, especially at this time of rising global demand and skyrocketing prices."

distance itself from terrorism and WMD proliferation. In early 2005, however, Libya remains on the U.S. Department of State's list of states sponsoring terrorism. Allegations of Qadhafi's involvement in an attempt to assassinate Saudi Crown Prince Abdullah cloud the connection between Tripoli and international terrorism. These allegations surfaced in mid-2004 and, despite Libya's denials, have complicated the normalization of relations between Washington and Tripoli.

Despite these allegations, in September 2004, President Bush signed Executive Order 12543, lifting most remaining U.S. sanctions against Libya and paving the way for U.S. oil companies to try to secure contracts for tapping Libya's oil reserves. A few months later, in January 2005, U.S. oil companies Occidental Petroleum, Amerada Hess, and ChevronTexaco were awarded the majority of the exploration licenses issued by the Libyan government.

The cooperation between Europe and the United States has thus succeeded in persuading the Libyan leadership to dissociate itself from international terrorism and to rid the country of WMD. Furthermore, Libya's "rehabilitation" is likely to add more oil and natural gas supplies to the global market and, therefore, contribute to greater energy security. Despite this success, it is unlikely that the Libyan model can be applied to other countries, such as Iran or North Korea,

since Libya's involvement and denouncement of international terrorism and WMD took place under unique circumstances. Still, the Libyan model provides significant lessons for working with other countries in the future. ■

NOTES

- 1 George Joffe, "Libya and Europe," *Journal of North African Studies* 6 (4) (Winter 2001): 76.
- 2 Helen Chapin Metz, *Libya: A Country Study* (Washington: U.S. Government Printing Office, 1989), 173.
- 3 U.S. Department of State, *Patterns of Global Terrorism* (Washington: U.S. Government Printing Office, 1999), 33.
- 4 U.S. Department of State, *Patterns of Global Terrorism* (Washington: U.S. Government Printing Office, 2001), 34.
- 5 "Libya Will Pay Non-U.S. Victims of Berlin Bombing," *Associated Press*, August 11, 2004.
- 6 "Colonel Qadhafi Calls for Foreign Investment," *Middle East Economic Survey* 43 (20) (November 20, 2000).
- 7 Yoram Schweitzer, "Neutralizing Terrorism—Sponsoring States: The Libyan Model," *Strategic Assessment* 7 (1) (May 2004).
- 8 The Abu Sayyaf Group is the smallest and most radical of the Islamic separatist groups operating in the southern Philippines.
- 9 U.S. Department of State, *Patterns of Global Terrorism* (Washington: U.S. Government Printing Office, 2003), 80.
- 10 Ibid.
- 11 U.S. Department of State, *Patterns of Global Terrorism* (Washington: U.S. Government Printing Office, 2004), 91.
- 12 Peter Slevin and Glenn Frankel, "Libya Vows to Give up Banned Weapons," the *Washington Post*, December 20, 2003.
- 13 Musa Kusa and his team—the Libyan ambassadors to Rome and London, Abd al-Ati Obeidi and Muhammad al-Zu'ay, respectively—were the same group that successfully negotiated a compensation agreement with British officials for the victims of the 1988 Lockerbie bombing.
- 14 Glenn Frankel, "A Long Slog Led to Libya's Decision," the *Washington Post*, December 21, 2003.
- 15 According to Israeli sources U.S. and British officials did not share with their Israeli counterparts any information regarding the negotiations with Tripoli. Dany Shoham, "Libya: The First Real Case of Deproliferation in the Middle East," *Disarmament Diplomacy* 77 (May/June 2004): 40-46, 44.
- 16 Organization for the Prohibition of Chemical Weapons, "Libya Submits Initial Chemical Weapons Declaration," March 5, 2004, <www.opcw.org> (accessed March 22, 2005).
- 17 Ibid.
- 18 International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement of the Socialist People's Libyan Arab Jamahiriya," May 28, 2004, <www.iaea.org> (accessed March 22, 2005).
- 19 Peter Slevin and Walter Pincus, "Libya Made Progress in Nuclear Goal," the *Washington Post*, December 21, 2003.
- 20 Cited in Stephen Pullinger, "Libya: Qadhafi's Gamble Appears To Pay Off," *Disarmament Diplomacy* 77 (May/June 2004): 37-39, 38.
- 21 International Atomic Energy Agency, "Implementation of the NPT Safeguards Agreement of the Socialist People's Libyan Arab Jamahiriya," May 28, 2004, <www.iaea.org> (accessed March 22, 2005).
- 22 Judith Gurney, "Opportunities and Risk in Libya," *Energy Economist Briefings* 221 (March 2000): 1.
- 23 British Petroleum, *BP Statistical Review of World Energy* (London: British Petroleum, June 2004), 4.
- 24 Martin Quinlan, "Libya's Oil Still Tantalizes," *Petroleum Economist* 71 (3) (March 2004): 10.
- 25 Energy Information Administration, *OPEC Revenues: Country Details*, June 2004, <www.eia.doe.gov> (accessed March 22, 2005).
- 26 Energy Information Administration, *Country Profile: Libya*, January 2004, <www.eia.doe.gov> (accessed March 22, 2005).
- 27 Neela Banerjee, "Libya to Open Eight Oil Projects to Bidders," *The New York Times*, May 5, 2004.
- 28 Nabil Khodadad, Shane DeBeer, and Dan Rogers, "Swings and Roundabouts," *Petroleum Economist* 71 (7) (July 2004): 10.
- 29 "Libya Launches First of Several Upstream Bid Rounds under EPSA-IV Contract," *Middle East Economic Survey* 47 (34) (August 23, 2004).
- 30 Martin Quinlan, "Gas Exports Set to Escalate," *Petroleum Economist* 71 (3) (March 2004): 7.

-
- 31 Eloise Logan, "Libya Looks to a Bright Future Post-Sanctions," *Energy Economist* 272 (June 2004): 8.
- 32 Walid Khaddur, "Libya Set to Start Signing Major Oil and Gas Agreements with IOCs by June 2001," *Middle East Economic Survey* 43 (48) (November 27, 2000).
- 33 Energy Information Administration, *Monthly Energy Chronology*, April 2004, <www.eia.doe.gov> (accessed March 22, 2005).
- 34 Sam Fletcher, "Analyst: Libya is 'exploration buzz' among IOCs for 2005," *Oil and Gas Journal* 102 (42) (November 8, 2004): 24.

