

# Libya Is At Its Lowest Point Since 2020

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Articles & Testimony

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## Now that Libya has become an outright kleptocracy—with billions missing from the public treasury and national politics frozen—the Trump administration may need to throw a sanctions “grenade” into the mix.

Libya is at its lowest point since 2020, when a ceasefire ended the civil war between the UN-recognised government in the west and eastern forces led by Khalifa Haftar. Since then, a series of UN and internationally-backed efforts failed to produce national elections or a unity government, enabling Haftar and Prime Minister Abdul Hamid Dbeibeh to remain in power with no intention of leaving. Both have pledged to cede power to a new transitional government. However, neither appears intent on yielding their status quo privileges. Those include using state assets to enhance their families’ wealth and to distribute it to their allies.

Essentially, Libya has become a kleptocracy. It should be a wealthy country. If properly managed, oil wealth could provide for its own population and help develop the region. Instead, two principal and related economic policy failures produce massive inefficiencies: the state employs most of the working population, and fuel subsidies make up over 20% of GDP. Those subsidies induced cross-border smuggling for what now seems petty change compared to the amount stolen from the state today.

A recent series of reports details how billions of dollars are missing from public funds. The annual UN Panel of Experts [report \(https://docs.un.org/en/S/2024/914\)](https://docs.un.org/en/S/2024/914) created under UN Security Council Resolution 1973 details a scheme in which some Libyan oil exports were “bartered” in exchange for diesel needed to generate electricity. The panel and a subsequent exposé by the *Financial Times* (<https://www.ft.com/content/aabcfb72-a606-498d-a35d-c6e667cd19f3>) describe how this non-transparent scheme led to billions in missing revenue from the Central Bank. The national electric company is also being investigated for supporting this scheme.

Libya's Audit Bureau also reported that oil revenues from the National Oil Corporation fell well short of deposits made to the Central Bank. After the report came under attack, the embassies of France, Germany, Italy, the UK and the US emphasised their support for the Audit Bureau and concern for maintaining its independence. In another sign of corruption, the chairman of Libya's Asset Recovery and Management Office was arrested in January. It doesn't take much imagination to ask why someone exploring a major source of funds was detained despite the UN's [condemnation \(https://unsmil.unmissions.org/unsmil-alarmed-wave-arbitrary-arrests-across-libya\)](https://unsmil.unmissions.org/unsmil-alarmed-wave-arbitrary-arrests-across-libya).

During the first half of March, Libya's Central Bank injected \$2.3bn in foreign currency to provide liquidity for the economy. Then, on 7 April, the bank devalued the dinar by 13%, partly to prevent a black market for foreign currency from developing even before Trump's tariffs kick in.

## Frozen Politics

If the economic picture is bleak, politics is similarly frozen. Dbeibeh received 39 out of 73 votes in the 2021 Libya Political Dialogue Forum, yet he remains prime minister for four years and counting. He was supposed to leave the temporary position in 2022.

For their part, the so-called legislative bodies, the House of Representatives based in the east and the High State Council in the west, have been just as ineffective. They have engaged in countless formal and informal talks with the Presidency Council, but none have produced anything of note. The political leaders have too much vested interest in remaining in power and don't want to get crosswise with the Dbeibeh or Haftar families.

## Foreign Meddling

Beyond internal efforts within Libya, external countries have influenced developments on the ground. Despite holding conferences and initiating dialogues, such as the Berlin process initiated by former Chancellor Angela Merkel, Western actors have been stymied by regional spoilers and a lack of will to prioritise Libya.

During the 2019-2020 civil war, Russian (or Wagner) forces embedded themselves with Haftar in his offensive against Tripoli. Turkish forces heeded the call from the Tripoli government to assist with their defence. The ensuing stalemate left the Turks and Russians in place.

While Turkiye trains western Libya forces and has business ties throughout the country, Russian forces—formerly Wagner Group, now the Africa Corps—have increased their presence across Libya. They use Libya for access to airbases, which allows them to transport troops and materiel to expand into Africa. They also maintain a presence in oil facilities to hold Libya's main source of income hostage. And when the Assad regime was overthrown, the first place Russia looked to redeploy its forces and ships was the deepwater ports in eastern Libya.

Unwinding Russia's influence on Haftar is wishful thinking. Russia is clearly the stronger party, but Haftar benefits from its presence against potential external threats or internal challenges. Haftar lets Russia exploit Libyan territory, knowing the Kremlin will ignore the manner in which he rules. As Haftar's son, Saddam—recently appointed as chief of staff of the Libyan Arab Armed Forces—consolidates more power, he too will rely on a partnership with Russia for the same reasons.

Despite these challenges, the Biden administration sought to make inroads with Haftar, sending the US Libya envoy to meet him at least seven times in Benghazi as well as an assistant secretary of state and the commanding general of US Africa Command. Instead of isolating him until he delivered something concrete to form a unity government, the administration engaged Saddam and Khalifa with no preconditions.

The Biden administration also initiated military exercises in an attempt to unite the eastern and western militaries, but they are fundamentally imbalanced since the majority of military strength in the west comes from the armed groups, not the formal military.

So far, the new administration has followed the Biden approach of trying to lure the Haftars away from Russia. Both Saddam Haftar and his brother Belgassim, who runs the Eastern-based Libya Development and Reconstruction Fund, visited Washington the week of 27 April.

The fund signed several MOUs with American companies, but the Foreign Corrupt Practices Act will likely impede any deals in favour of Turkish and other regionally based companies if the Fund cannot demonstrate a degree of transparency it has lacked to date. If Trump fails to see the benefits to American companies, he will most likely defer the Libyan conflict to Europe. To cite Vice President Vance from the Yemen leaks, “I just hate bailing out Europe again.”

Alternatively, Trump can throw a grenade into the Libya morass, as he has done to shake up other seemingly intractable conflicts. The administration could threaten all the key Libyan leaders who disrupt the peace and stability of Libya and implement existing sanctions regarding Russia’s defence relationships in the East.

Both sides must take concrete steps toward forming a technocratic government, or else they will be sanctioned. Part of the deal should include strict monitoring of the government budget and its key financial institutions, the National Oil Corporation, the Central Bank and all of their subsidiaries. No US administration has been willing to sanction Haftar. Threats would force him to choose between participating in genuine negotiations or showing his true colours as an unreconcilable Russian pawn.

If the Libyan leaders agree to participate in a genuine UN-led negotiation, the US should use its influence to force spoilers to stay out of the process—something previous administrations have failed to do. If the Libyans can’t agree on such a technocrat government after two months, the Trump administration can throw the problem back to Europe.

Put simply, there is an urgency to addressing Libya’s chaos and dysfunction. Every month wasted will yield deeper corruption, more difficult negotiations, and continued Russian exploitation. Europe will not be able to prevent this scenario on its own while dealing with the very survival of NATO. They would be wise to engage with Trump on Libya before it is too late.

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