

Reforming the Rogue:

Lessons from the U.S.-Libyan Rapprochement

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Brief Analysis

On December 3, 2009, Dana Moss and Ronald Bruce St. John addressed a special Policy Forum luncheon at The Washington Institute to assess whether Tripoli's economic and political resurgence has been matched by domestic and foreign policy transformation. Dana Moss, Next Generation fellow at The Washington Institute, is the author of a forthcoming Institute Policy Focus on the U.S.-Libyan rapprochement. Ronald Bruce St. John is an analyst for Foreign Policy in Focus and has served on the international advisory board of the Journal of Libyan Studies and The Atlantic Council Working Group on Libya. He is author of the forthcoming *Libya: Continuity and Change* (Routledge, 2010).

Dana Moss

In December 2003, Libya agreed to dismantle its weapons of mass destruction (WMD) programs, a key precondition for resumed relations with the United States. This decision set the stage for a new U.S.-Libyan rapport, and despite Libya's failure to adequately meet several other conditions, the United States considered the agreement a success.

This lack of complete Libyan compliance was not surprising, for cooperation with Washington runs counter to Muammar Qadhafi's ideological framework. Indeed, despite the U.S. stipulation that Libya end its longstanding support for terrorism, Libya contributed \$340,000 to a plot to assassinate Crown Prince Abdullah of Saudi Arabia in 2003. This incident suggests that while Libya's open support for terrorism may have waned, many of its policies and interests remain unchanged.

Washington considers the deal worthwhile, as it resulted in the end of Libyan WMD programs. But Libya also benefited greatly from the agreement. Qadhafi's primary goals were the return of international oil companies, increased domestic stability, and a higher international profile for Libya. The deal provided all these prerequisites.

Today, for example, Libya enjoys a seat on the UN Security Council and chaired the last UN General Assembly; Qadhafi is leader of the African Union. While these positions have not provided Libya all the prestige for which it had hoped, the state has derived a kind of crude international legitimacy from these leadership roles.

On the economic front, Libya has benefited immensely from its renewed relations with the United States and rapprochement with the West in general. Although its hydrocarbon industry has seen several failures -- problems resulting from Qadhafi's domestic decisions -- foreign investment in the country, including the presence of U.S. oil

companies, has increased exponentially since the rapprochement, a dramatic turnaround from the decades of economic deprivation during the period of multilateral sanctions.

Six years after the rapprochement, Libya appears to be more stable, though domestic dissent still exists. At the same time, with the increased foreign investment, prospects may be improved for Libya's burgeoning unemployed youth. Qadhafi remains an authoritarian ruler, but he is more insulated from threats today than he was before 2003.

In recent years, much attention has been focused on the prospects for reform in Libya. Yet any discussion of reform in Libya entails, at the same time, a discussion of succession. Saif al-Islam, Qadhafi's son, could potentially succeed his father -- but only if his father chooses him. If Saif does, indeed, rise to power, he will nonetheless lack the degree of control that his father currently possesses. Difficulties may also arise from hardliner opposition or even from within the Qadhafi family itself.

Although Libyan domestic and foreign policy trends have shifted noticeably since the 2003 rapprochement, Qadhafi's ideology has not changed accordingly. He remains an irrational and erratic decisionmaker who pursues policies seemingly in opposition to U.S. interests -- perhaps to prove his independence to his hardline domestic constituents, or else to increase his leverage.

What changes have been made, however, have not necessarily resulted from the deal with Washington. Indeed, Libya had begun its transformation before the agreement was settled; the rapprochement was the effect of Qadhafi's realization that a shift in foreign policy needed to take place in order for him to reach his domestic and foreign policy aspirations. Qadhafi's decisionmaking since the rapprochement demonstrates that although his policies may have shifted, his outlook has not.

Ronald Bruce St. John

The U.S.-Libyan rapprochement was an international transformation -- a success for Libya, if for no other reason than that Libya achieved its primary goal of attaining a normalized relationship with the United States. Despite this transformation, domestic reforms have not been as speedy or as effective as one would have hoped for, due particularly to the gulf between Libya's ideology -- still based in the mentality of its September 1969 revolution -- and the socioeconomic and political realities on the ground.

Between 1999 and 2000, Qadhafi initiated a series of reforms, but they were implemented in an uncoordinated and piecemeal fashion. Libyan society is rife with nepotism, favoritism, and patronage, all of which put dampers on any attempted social, economic, or political reform. Economic reform has been hurt by corruption and lack of transparency. Given these problems, the oil and gas sector has represented the single positive exception to the halting reforms elsewhere in Libya. In August 2004, Libya announced more exploration- and production-sharing agreements, which offered enhanced incentives for oil and gas exploration in an open and competitive bidding environment. Subsequently, the National Oil Company (NOC) awarded many contracts to foreign companies, albeit with terms extremely favorable to Libya.

The hydrocarbon industry is a window into the uncertainty of Libya's economic reform prospects. In January 2009, Qadhafi proposed to nationalize the industry, a gambit designed to allow the government to force renegotiations of existing oil and gas contracts. In a telling example, after a big discovery, Veranex -- a small Canadian oil exploration company -- wanted to sell its stake in the Libyan oil industry to the China National Petroleum Corporation. The NOC blocked this sale for months on the grounds that it had the right of first refusal. During this delay, the China deal evaporated, and uncertainty caused precipitous drops in Veranex share prices. Ultimately, the NOC agreed to purchase Veranex, but at only 70 percent of the original price. The Veranex case demonstrates why Libya's midterm production expectations are not being met; uncertainty, driven by Qadhafi's decisions and the country's ineffectively implemented reforms, is hurting any progress that would otherwise be possible.

Qadhafi's erratic decisionmaking has had detrimental effects on the reform process. In one instance, Qadhafi proposed to dismantle Libyan ministries to root out corruption and instead give the money that had funded these ministries directly to the people. In mid-February 2009, however, the People's Congress met to discuss this action. After the Congress rejected this proposal, Qadhafi's promised reform was not adopted.

Despite Libya's economic rewards since the 2003 rapprochement, the country will need a long time to overcome the ideological effects of the September revolution of 1969. There is some hope for social reform, however. After years of refusal, Tripoli finally gave Human Rights Watch permission to issue reports on human rights in Libya, and in November 2009 the People's Congress announced a new reform initiative that would, if adopted, allow for apolitical nongovernmental organizations to be established in the country.

In the last decade, Libya has instituted some social, political, and economic changes, but the direction of the reforms is unclear. Qadhafi has excelled in using complicated rhetoric, but any implementation of true change has been and will be compromised by the regime's ideology and lack of qualified personnel. It is likely that social and political change will be on hold until Qadhafi leaves power.

This rapporteur's summary was written by Stephanie Papa. ❖

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