

Libya

Status Index (Democracy: 3.00 / Market economy: 5.00) 4.00		Management Index 3.14	
HDI	0.799	Population	5.6 mn
GDP per capita (\$, PPP)	7570 (2002)	Population growth¹	3.0 %
Unemployment rate	30 %*	Women in Parliament	-
UN Education Index	0.86	Poverty²	-
		Gini Index	-
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$1 a day (1990- 2003). * estimation by the author.			

A. Executive summary

Since the revolution on September 1, 1969, Libya's authoritarian political system has shown considerable stability despite many institutional transformations; tension and conflicts with foreign nations, including war with Chad; conflict with the United States; and UN sanctions from April 1992 to April 1999. As in the past, Libya's political evolution is currently dominated by revolutionary leader Muammar al-Qadhafi, who determines the main direction of domestic, foreign and economic policy; although in doing so he must take into account the interests of the country's largest families and tribes.

Qadhafi has determined the extent and pace of political and economic transformation since 1969. This includes the reforms instituted between 1987 and 1992, those put in place after UN sanctions were suspended in April 1999 as well as the enforcement of reforms after UN sanctions were lifted in September 2003. Reforms were initiated with the objective of restoring Libya's full scope of action.

At no time did political reform aim at a democratization of the political system in accordance with western criteria. The population's only means of participating in the decision-making process is still limited to attending People's Congresses controlled by the Revolutionary Committees. The only improvement since 1999 has been an increased tolerance for interest articulation: due to a lack of political challenges (currently, there are neither secular nor Islamist opposition activities operating within the country) the handling of political dissent has been moderated. This moderation in dealing with political dissent has been demonstrated through the release of political prisoners, a curtailment of the use of torture and the abolition of the People's Court. This process can be reversed at any time, however.

In the economic sphere, the trend of the late 1990s toward increased private enterprise and foreign investment – and thus a free-market economy – has become irreversible, according to official views. However, the rigorous enforcement of economic reforms still suffers from both bureaucratic structures that hinder

efficient administrative functioning as well as anti-reform forces, such as the state sector or the revolutionary committee movement, which revolutionary leader al-Qadhafi has not yet taken an active role in confronting.

With most U.S. sanctions lifted in 2004, U.S. oil companies are on the verge of returning to Libya. The impulse for foreign investment and thus further economic reforms will slowly but surely improve the economic sector, making it more efficient in the process.

B. History and characteristics of transformation

Libya's more than three decades of revolutionary history should not be viewed as one monolithic period, but rather as several stages of political and economic development of differing duration. According to one analysis, there have been three recognizable political phases. In the first phase, 1969–1970, a political and organizational model was sought to overcome the shortcomings of the preceding monarchy.

In the second phase, 1971–1975, the Arab Socialist Union was established as the sole political party based on the Nasserist constitutional model. From 1975–1976 to the present, the Nasserist model was replaced with an officially sanctioned, vertically organized system of “direct democracy,” based on elected executive People's Committees responsible to legislative People's Congresses at the national, regional and local levels. In this last phase, the Nasserist model was abandoned because of problems such as a parallel bureaucracy in form of the Arab Socialist Union.

This system, which has been in place for almost three decades, is grounded in resolutions passed by “the masses,” or *Jamahir* in Arabic. Thus, in Libya, the state is referred to as the *Jamahiriyah*, or state of the masses. The *Jamahiriyah* has itself been through various phases, though without significant change to its central mechanism: Qadhafi's control of the system through “Revolutionary Leadership.” The following significant events, measures and stages mark the post-1975 phase (1975-2005):

- 1975: Part I of the *Green Book* is put forward as the ideological basis of the new political system, established in 1976.
- March 2, 1977: The Proclamation of Rule by the Masses is issued, providing a form of written constitution.
- 1977: Qadhafi's loyal followers form the Revolutionary Committees, which is active to this day. The original task of the committees was to establish the political system, but members increasingly control the system and shut out the opposition to the point of dissolution.
- 1979: Qadhafi declares himself “Leader of the Revolution.” He is a political and ideological figurehead who operates outside the People's

- Congress/Committee system, influencing it through the Revolutionary Committees, which he controls.
- 1987: Following military losses in Chad and the international financial crisis of 1986, political and economic reforms are instituted in reaction to the deplorable state of domestic affairs; reforms include limiting the authority of the Revolutionary Committees, lifting travel restrictions, and the reinstatement of private enterprises nationalized in 1979.
 - Early 1990s: Political reforms are abandoned or discontinued in response to increased Islamist violence toward the secularly-oriented Jamahiriya government as well as the imposition of UN in response to Libya's implication in the 1992 Lockerbie bombing.
 - 1999: Reforms are cautiously re-instituted following the repression of militant Islamist groups and the de facto lifting of UN sanctions. The lifting of the UN-sanctions in September 2003 following the partial fulfillment of certain terms, the anti-terror cooperation with the United States and the official renunciation of acquiring weapons of mass destruction in December 2003 have led to a clearly recognizable improvement of Libya's relationship with the West and have internal economic reform endeavors. However, political reform ranks behind economic reform and remains limited, despite rhetoric that would suggest otherwise.

C. Assessment

1. Democracy

1.1. Stateness

There have not been any problems regarding stateness since Libya gained independence in 1951. The state has an unrestricted monopoly on the use of force, challenged only in the 1990s by Islamist groups. Definitions of and qualifications for citizenship are politically irrelevant, although the Berbers – which approximately 20% of the population, with figures being contested – have some reservations about the dominant Arabic emphasis in language and tribal lineage and the discrimination of the Berber language.

All Libyan citizens have the same rights. The political process is secularized, though the state and religion (Islam) do occasionally overlap. The government is legitimized by Islam in the sense that the People's Congresses are equated with implementation of the Islamic principle of consultation – as prescribed by the Quran in sura 42, verse 38. The nationwide administrative system has extremely bureaucratic tendencies and is involved in jurisdictional disputes. The introduction of a regional administrative level, the Sha'biyat, has not improved the efficiency of the administration. Public safety and rule of law are largely guaranteed. Criminal activities do not exceed the usual extent.

1.2. Political participation

There is a dual government structure in Libya. The “revolutionary sector” comprises Revolutionary Leader Qadhafi, the Revolutionary Committees, and the remaining members of the 12-person Revolutionary Command Council, which was established in 1969. The historical revolutionary leadership is not elected and cannot be voted out of office, as they are in power by virtue of their involvement in the revolution. The revolutionary sector dictates the decision-making power of the second sector, the “Jamahiriya Sector.” Making up the legislative branch of government, this sector comprises Local People’s Congresses in each of the 1,500 urban wards, 32 Sha’biyat People’s Congresses for the regions, and the National General People’s Congress. These legislative bodies are represented by corresponding executive bodies (Local People’s Committees, Sha’biyat People’s Committees and the National General People’s Committee/Cabinet).

Every four years the membership of the Local People’s Congresses elects by acclamation both their own leadership and secretaries for the People’s Committees, sometimes after many debates and a critical vote. The leadership of the Local People’s Congress represents the local congress at the People’s Congress of the next level and has an imperative mandate. The members of the National General People’s Congress elect the members of the National General People’s Committee (the Cabinet) by acclamation at their annual meeting. The most recent meeting, which took place in Sirt from January 8-12, 2005, was the 29th annual. While there is discussion regarding who will run for executive offices, only those approved by the revolutionary leadership are actually elected. The government administration is effective as long as it operates within the directives of the revolutionary leadership. The revolutionary leadership has absolute veto power despite the constitutionally established people’s democracy and alleged rule of the people.

The government controls both state-run and semi-autonomous media, and any articles critical of current policies have been requested and intentionally placed by the revolutionary leadership itself, for example, as a means of initiating reforms. In cases involving a violation of “these taboos”, the private press, like *The Tripoli Post*, has been censored. Political parties were banned by the Prohibition of Party Politics Act Number 71 of 1972. According to the Association Act of 1971, the establishment of non-governmental organizations (NGOs) is allowed. As they are required to conform to the goals of the revolution, however, the number of NGOs in Libya is small in comparison with neighboring countries. Unions do not exist as such. However, the numerous professional associations are integrated into the state structure as a third pillar, along with the People’s Congresses and Committees, though they do not have the right to strike. Professional associations send delegates to the General People’s Congress, where they have a representative mandate.

1.3. Rule of law

Despite significant improvement since the 1980s regarding the rule of law, Libya still shows considerable shortcomings in light of instances of imprisonment without trial, torture, and insufficient separation of powers. While a separation of powers exists to some degree between the legislative and executive branches, the judiciary is not independent: it is been subject to “revolutionary control.” However, this applies only to court proceedings on political issues. Common criminal proceedings such as those for murder, robbery, larceny or traffic violations, and proceedings relating to matters of personnel statutes are not subject to political influence.

The revolutionary leader does not have a direct legislative role and does not sign executive orders. However, the revolutionary leadership can intervene in the legislative, executive and judicial arenas. When certain procedures and regulations are activated, the relevant body will take suitable action or will issue appropriate texts such as laws or decrees. No formal controls are placed on the revolutionary leadership, and the desire to maintain power governs its activities. Corruption is a serious problem that, while denounced at the highest levels, is tolerated to a certain degree because the most corrupt people – the members of the revolutionary committee movement – are the regime’s biggest supporters. As such, although anti-corruption laws do exist, they are not enforced

Civil liberties were first codified on June 12, 1988 with the proclamation of the “Great Green Human Rights Charter,” further strengthened with legislation in September 1991. However, due to a lack of clarity in the text, restrictions such as “as long as the interests of the revolution are not affected,” and limited scope for legal action, the effectiveness of texts concerning civil liberties is severely limited. The special court for political offences – the “People’s Court” – was abolished in January 2005 and the assessment of the emergency laws announced. In addition, Qadhafi asked the opposition in exile to return to Libya and promised to subject every single verdict to a legal revision.

1.4. Stability of democratic institutions

The institutions established in 1976 as part of the Jamahiriya government have functioned as envisioned at the time. The basic People’s Congresses meet three times yearly (one time for national issues), and a National General People’s Congress is held annually (it last met in Sirt for its 29th orderly session from January 8-12, 2005). All Libyan men and women over the age of 18 are allowed to participate, but participation rates have fluctuated over time. Manipulative intervention by the General Secretary of the General People’s Congress and the Revolutionary Committee’s control of discussions have, so far, prevented the system of direct democracy from truly functioning. Nevertheless, the revolutionary leadership does not intend to issue resolutions in an authoritarian manner, but would prefer to make it appear that resolutions are made as a result of

the direct democratic process. There is no modification of the political system in sight. On the contrary: In January 2005, Qadhafi urged the United States to adopt the Jamahiriya model of direct democracy for itself.

1.5. Political and social integration

No information is available regarding the popular political opinion or positions on individual issues. This is due to a lack of public opinion polls, a lack of freely operating NGOs, the Local People's Congresses' restricted ability to articulate political will, as well as the 1972 ban on political parties that stated "establishing a party equals an act of treason against the unity of the people." Insofar as opposition can be articulated in the form of poor attendance at the Local People's Congresses, it can be assumed that the level of political indifference and even opposition reaches between 50% and 80%. Figures on election turnout, such as the most recent elections to the People's Committees, held in 2004, go unpublished. That said, strong family and tribal ties – still very important as a cornerstone of individual action - see to it that Libyans take advantage of the resources of the rent-seeking state to the greatest extent possible through a presence in the system's institutions and bodies – among others through the Social People's Leadership Committees, established in 1994.

Outside the government-sponsored system for political participation, representation of special interests is minimal. Associations are exceptions to this rule, particularly those that operate nationally, such as the General Administration for Drug Control. Because of the prevailing tribal system, there is little need for socially-oriented self-help organizations. By contrast, there are well-established organizations for professionals, for high school and college students, and for women, including numerous local women's organizations that are members of the National Women's Union. Professional organizations vary widely and regulate matters specific to their areas of concern. They represent profession-specific views at the General People's Congress, but are also used, as needed, as instrumental bodies by the revolutionary leadership. This results in an asymmetrical relationship between revolutionary leadership and professional organizations.

2. Market economy

2.1. Level of socioeconomic development

The UN's 2004 Human Development Index (HDI) ranks Libya 55th of 177 countries. As such, the country is on the top in its "level," particularly when compared with elsewhere in Africa (excluding the Gulf States). The revolutionary leadership's policies regarding the advancement of women have largely eradicated gender discrimination, while social exclusion due to poverty and lack of access to

education is nearly nonexistent since health, education and social equality are high priorities. The salary level above the basic guaranteed salary is low due to wages having been frozen since the 1980s, which affects the lower salary brackets of the civil service, or about 700,000 employees. At this salary level, civil servants are forced to take second jobs or find other ways of earning money, setting the stage for a high proclivity to daily low-scale corruption that is harshly criticized by Qadhafi.

There is no east-west disparity within Libya despite an uneven population distribution, where population is concentration in the greater Tripoli area in the west. If any disparity exists, it is between north and south, as goods are often in short supply in the vast desert regions of the south. Legal immigrant workers and especially the more than one million black African illegal immigrants living in the country since the end of the 1990s face a relative disadvantage when compared to the permanent residents of Libya. In contrast to black Libyan citizens they face also massive racial discrimination.

2.2. Organization of the market and competition

Due to high oil profits and despite ideologically-motivated intervention, the government's capacity to shape the economy has been high and has supplied the country with a well-developed infrastructure and diversified petrochemical industry. Efforts at industrial reform outside the petrochemical sector have so far produced little progress. Nevertheless, detailed concepts about future adjustments to the economy do exist (\$35 billion, according to the Economic and Social Plan 2002 – 2006 or \$50 billion by 2005), which are to be instituted by the General Planning Council. Economic experts and businessmen met for the first time in February, 2003 during the First National Conference on Economic Activity to discuss reform priorities. The result was the Statement in Support of the Implementation of 34 Reform Measures. Problems in the execution of these reforms, however, have arisen out of the blockages caused by bureaucratic mechanisms and turf battles between the agencies involved. These cause delays in decision-making and can result in poor decisions being made (sometimes by necessity) at the highest levels. Despite reforms in economic policy already in place, only Revolutionary Leader Qadhafi has the authority to decree reforms (as, for example, at the meeting of the General People's Congress in January 2005) and to order their implementation. But even Qadhafi cannot pursue the correction of existing problems single-mindedly since he must take into consideration the political and social consequences of reform. Qadhafi's criticism, in January 2001, of the bloated state apparatus, consisting of 700,000 persons, has so far produced no result due to the current deficit of at least 300,000 jobs and an unemployment rate of some 30 percent.

While Libya continues to have a centralized economy, the revolutionary leadership has advocated more productive investments and greater efficiency in

the past five years, and private enterprise has spread into an increasing number of sectors. The state encourages collective/co-operative private property, or companies owned by the workforce, which fits ideologically to socialism, as Qadhafi's noted in his speech on January 12, 2005. Bureaucratic regulations and the lack of a legal framework often hinder quick implementation. As such, the Heritage Foundation/Wall Street Journal Index of Economic Freedom 2005 categorizes Libya as "mostly unfree". Progress has only been made to the degree that the revolutionary leadership has broken up monopolies (by revoking the exclusive privileges of state-owned companies and banks) and tolerated private business activity. Numerous industries – including crude oil production, aviation and energy production – remain state-owned.

Nevertheless, during the period under consideration there were numerous decisions aimed at promoting market structures and competition. These decisions include the elimination of \$5 billion in yearly subsidies for consumer goods, the appropriation of \$7 billion for free-market initiatives in November 2004, the reorganization of cooperative markets, the facilitation of business creation, the revision of the Foreign Investment Law Number 5/1997, and the creation in 2003 of a list of 360 state-owned firms to be released for privatization in 2004. The technical aspects of liquidation were delegated to the Board for Transfer of Property of Public Enterprises and Economic Units, established in 2004. In addition, the banking sector is set to be largely privatized within the next ten years. Libya's first small private bank was allowed in 1996.

2.3. Stability of currency and prices

In 2003 and 2004, Libya's central bank pursued a consistent inflation and exchange rate policies. As an institution, it was protected from ideologically-motivated interference in much the same way as the crude oil sector. Inflation was reduced from approximately 40% in the middle of the 1990s to 2.8% in 2003 by appropriate measures, but \$5 billion cut in subsidies will have inflationary effects.

Libya's previously over-valued currency was standardized and adjusted to a more realistic exchange rate against the dollar in 2002, to 1.36 Libyan dinars per dollar. Libya's foreign debt to Russia – totaling between \$3 and \$4 billion - has not yet been amortized, mainly because of political factors. Given the high price of crude oil in 2003 and 2004, Libya's foreign currency situation is thought to be excellent: the country's income in 2004 was \$13.5 billion.

2.4. Private property

Attacks on private property in the early 1980s, legitimized by the publication of Part II of the Green Book in 1978, have ceased and have even been reversed to some degree since the reform initiatives introduced in the 1990s and include the

return of houses to previous owners. The current politically-motivated support of private enterprise offers additional protection for the rehabilitated owners. Following modifications to the Estate Property Law in 2004, the private ownership of more than one accommodation unit is allowed – a modification which came about due to an urgent need for 200,000 accommodation units for “rent” to Libyan as well as foreign residents. The state subsidizes the purchase of a company by its workforce (private collective ownership) through an extension of credits. Act Number 21/2001 has been modified correspondingly. Foreign private investment in Libya is possible after modifications to Investment Act Number 5/1997.

2.5. Welfare regime

The Libyan population has two types of social security: citizens are protected both by largely-intact family relationships or membership in a tribe, as well as by an extensive social security net and subsidy policy that, despite forced cutbacks, has remained a high priority for the revolutionary regime since 1969.

Free education, nearly-free healthcare, health insurance, social security, and subsidies for basic foodstuffs and fuel are part of the government’s welfare policy, and every Libyan citizen has access to these benefits. According to the UN definition, poverty does not exist in the country: no Libyan must subsist on less than 1 dollar per day.

Equal opportunity in education is offered by the welfare state, and more than 50% of students in some courses of study are women, even though family relations can restrict women’s access to the job market and traditional social behavior and values result in gender-based discrimination. This is less true in the political sphere, where the revolutionary leadership has strongly supported women’s participation.

Due to an increased emphasis on securing future stability and the standard-of-living for the long-term, the Libyan welfare system announced in November of 2004 its first-ever cuts in subsidies – some \$5 billion annually. Affected are, among other things, subsidies for cooking oil, flour, rice, sugar and tea, gasoline and electricity. At the same time, the minimum wage is set to increase from 150 dinars (91 euros) to 300 dinars in 2005 and tax reductions are to be introduced. As a result, every Libyan household should be better-off than prior to the start of the reform process.

2.6. Economic performance

The performance of the Libyan economy can be assessed in two different ways. The assessment with respect to the realignment of economic policy becomes

positive as soon as economic costs become too high, forcing decision makers to bow to advice offered by the central bank. Often, they are even willing to revise the ideologically-driven economic interventions practiced in earlier years.

The macroeconomic situation deteriorated due to the financing crisis brought about by increases in the price of raw materials in the 1980s and by UN sanctions in place from 1992 to 1999. It was brought under control by a rigid austerity policy which restricted imports and cut expenses, reversing the negative GDP growth trend in 1999. However, growth remained too low which provide crucial jobs. This was particularly true in the non-crude oil sectors, where annual growth was less than 3%.

The Libyan economy's performance has deteriorated as regards deregulation and the dismantling of entrenched bureaucratic structures and the optimization of production and management processes. Corruption and mismanagement encumber performance. Moreover, the Secretary of the People's Committee, Dr. Shukri Ghanim, complained repeatedly in 2004 of his lack of authority to fill executive posts with competent persons who enjoyed his confidence.

The country's decision in December 2003 to cease all activities in the "Acquisition of Nuclear and Chemical Weapons of Mass Destruction" is a welcome step in economic terms.

2.7. Sustainability

The Libyan revolutionary leadership is aware of the finite nature of its crude oil reserves and, as a result, has been trying since the 1980s to improve the country's agro-industrial basis. In particular, the "Great Man-made River" (GMR) project, which accesses fossil water reserves for use in large-scale agricultural colonization in western Libya, is of major significance in terms of sustainability.

Despite environmental protection laws passed in the 1990s, there are still considerable legislative shortcomings in the industrial sector, as well as in waste disposal and recycling. The General Environmental Authority, established in 2000, has begun operations. The position of Secretary of the Environment was created as part of the General People's Conference and operated between 2001 and 2003. In 2003 the responsibility for the environmental protection was delegated to the regional level, or the Sha'biyat. Implementation remains problematic, however, as do the creation of environmental norms. Even in the Tripoli area, garbage collection still does not function well. International environmental agreements have, until now, been signed only selectively: while the Convention on Biological Diversity has been approved, but the Kyoto Protocol has not.

A sophisticated education and healthcare infrastructure is in place nationwide and ranks among the best in all of Africa, with numerous clinics and 15 universities. The quality of education and medical treatment, however, lags behind the status of the infrastructure – a fact dramatically revealed by the HIV and AIDS scandal in Banghazi and contaminated blood banks. Figures for expenditures in education have not been released, but remain at a high level. So far, few forward-looking technical or industrial research facilities have been established. Existing facilities are state-run, with a few exceptions such as the Academy for Higher Studies in Tripoli.

3. Management

3.1. Level of difficulty

The reporting period 2003-2004 was characterized by a number positive developments, including the current and projected high level of currency inflows derived from oil exports (in 2003, \$9.4 billion; in 2004, \$13.5 billion); a per capita income of \$5,317; the lack of ethnic/religious strife (no further conflict with Islamist groups since 1996-1997); negligible polarization in the distribution of goods; a nationwide (albeit bureaucratic) civil administration and an unmitigated state monopoly on the use of force. Taken together, these factors combine to create positive conditions for modernization and low structural constraints on governance low.

While there is no chance of institutional reform in the political sphere (such as re-legalization of political parties) and a certain degree of dogmatism is noticeable in the Jamahiriya governmental structure, this is not the case in the economic sphere. The economic arena is becoming less and less ideologically-based, with this trend limited only by the need for it to occur at a rate that will not cause the government to lose face.

One structural problem has to do with the high level of volatility in the legislative branch. The fact that many laws are modified shortly after passage results in administrative confusion. Owing to the lack of political parties, the limited number of civil associations and because occupational associations have been absorbed into the political system, civil society in Libya can be seen as either co-opted or non-existent. As a consequence of their long experience with repression, the population is apolitical and oriented primarily toward family and clan.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	<i>1</i>
1. Head of State:	<i>Muhammar al Kadhdhafi</i>		
		Number of ministries:	<i>13</i>
		Number of ministers:	<i>13</i>
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

Since assuming power, the revolutionary leadership has formulated specific goals and pursued them consistently. In addition to social equality, these goals predominantly relate to national and economic self-determination and the effort to efficiently achieve self-sufficiency in food needs. These goals explain the high priority given to the GMR project and the slogan “power, wealth and arms in the hands of the people.” In principal, Qadhafi’s oft-stated goal of promoting Libyan development must be taken seriously. The revolutionary leadership sets strategic priorities and attempts to integrate them into its ideology. This is demonstrated in the support of a people’s socialism compatible with the Jamahiriya model, which, at the same time, remains pragmatic and willing to repeal politically-motivated measures when necessary.

The political leadership is not, however, prepared to carry out all measures “optimally;” that is, to formulate all objectives on the basis of pragmatic considerations. As such contracts in the economic arena are awarded based on political rather than economic criteria, as seen in the follow-up to the GMR project, when Canada was given a contract worth \$1 billion for the occasion of the visit of Canadian Prime Minister Paul Martin in 2004.

It is not always easy for outside analysts to determine the motives behind individual decisions, though most contain a “revolutionary” rationale. In light of the political situation, decisions are largely predictable. As such, the homogeneity that characterizes decision makers and the hierarchical structure with Qadhafi at the top ensure that inefficiencies, such as conflicting measures taken by various sub-centers, occur seldom or not at all. Furthermore, the political role played by the People’s Congress/Committee system should not be overlooked. In January 2005, Qadhafi appeared before the People’s Conference to elaborate on the structure and the functioning of the Jamahiriya model, thereby confirming it.

Irrespective of the consistency with which political and economic goals are being pursued, the inability to eliminate bureaucracy and inefficiency in the structures of civil administration is one of the system’s primary downfalls.

3.3. Resource efficiency

The continuing lack of transparency during the period under consideration means that only conditional statements can be made about the effective use of financial resources and budget funds, the majority of which are earned from the export of crude oil. Furthermore, a large portion of Libya's financial resources have always gone to unproductive political or politically-motivated expenditures, among others, such as Islamic mission (for example, the World Conference in December 2004); defense and support of liberation movements (World Conference, Bamako 2003); global diffusion of ideology; the International Revolutionary Committee Movement; and the regional organization Community of Sahel-Saharan States (CEN-SAD), including financing its general secretariat and the annual conferences in 2003 and 2004.

In addition, billions of dollars were disbursed during 2004 as payment for terrorist attacks in previous years (Lockerbie, LaBelle, Union des Transports Aériens or UTA). Military expenditures declined markedly, to only 740 billion dinars in 2004.

It remains to be seen if the allocation of \$20 billion to the GMR project was a wise economic or business investment. Despite explicit planning and reform objectives, the unwieldy nature of the People's Congress/Committee system produces considerable inefficiency in practice. While noted by the state auditing authority, this inefficiency can often not be definitively suppressed.

In addition, the Anti-corruption Committee established in 1994 has not yet been able to significantly stem widespread corruption: in 2004 Libya ranked 108 of 146 on Transparency International's Corruption Perception Index. Despite strict legal measures, the patronage-oriented tribal social structure and the need for material goods prevents forward progress in this area.

3.4. Consensus-building

There is no general consensus among the population about the continued political and economic evolution of the Jamahiriya system because some, including members of the Revolutionary Committees, remain committed to a state-run economy or oppose initiatives aimed at further opening up foreign policy and feel that permitting foreign investment is seen as damaging to national sovereignty interests. While they do not constitute "veto actors" as such, the fact that the revolutionary leadership must take these positions into account in policy-making prolongs the reform process. Despite dissenting voices, however, much of the public is genuinely committed to reform.

There are two irreconcilable positions taken by would-be veto actors in the political arena. The first is in the religious sphere, where Islamic groups label

Qadhafi a heretic. Since the end of the 1980s, they have demanded the adoption of Shariah law and replacement of secular governmental structures. While there is no doubt that the secular governmental model will remain, the revolutionary leadership has reacts to this position with widespread repression, branding Islamic groups as heretics or the “new charlatans.”

The second point of contention relates to democratic transformation and is found between the revolutionary leadership, which supports the existing system, and the opposition, which demands basic freedoms such as the right to form parties and freedom of speech. Here, too, the opposition has been forced to give in and has either withdrawn into exile or been neutralized by repression.

One indication of a turning away from previous policies came at the end of 2004 when Qadhafi directed the General People’s Congress to establish a committee to settle existing disputes with the opposition in exile in order to facilitate the opposition’s return to Libya. However, despite movement with respect to the freeing of political prisoners, the abolition of the People’s Court and the opening of prisons to outside inspection, a more general liberalization of the right to assembly is currently unlikely.

3.5. International cooperation

In the mid-1990s, the revolutionary leadership initially concentrated international cooperation efforts with sub-Saharan African countries and Libya’s immediate neighbors. Following the suspension of UN sanctions in April 1999, Libya formed a general policy of reconciliation with foreign powers with the objective of regaining full diplomatic authority in dealing with foreign nations.

Despite the lifting of UN sanctions in September 2003, room for reform of economic policy remained limited owing to continuing U.S. sanctions. In particular, crude oil production suffered. To overcome sanctions, the Libyan revolutionary leadership took steps at the end of 2003 toward ending Libya’s isolation vis-à-vis the United States and other western countries. These included cessation in of activities aimed at acquiring weapons of mass destruction (WMD); exposure of a network engaged in smuggling nuclear materials; declaration of integration into the Barcelona Process, good neighbor policies (many of which were already in force) such as conflict management in Darfur and the Ivory Coast; participation in development activities of the regional association, CEN-SAD; settlement of disputes with Germany arising out of the LaBelle attack, with France in relation to UTA attack, and payment of compensation in connection with the Lockerbie dispute.

These measures resulted not only in the restoration of full diplomatic relations with the EU member states (including state visits during 2003 and 2004 by the prime ministers of Italy, Spain and Britain, as well as by the German chancellor

and the French president), but also with the United States, including the resumption of diplomatic relations in 2004 and the lifting of most U.S. sanctions. The United States did not go so far as to remove Libya from its list of states sponsors terror, as this is seen as the sole remaining means of applying political pressure in the future. For its part, the United States expressed appreciation for Libya's support in the war on terror.

In any event, the moderation of Libyan foreign policy is unmistakable and has opened the door to increased international economic cooperation, including the first visit to Libya by delegations from the World Bank and the IMF in 2004 (cooperative agreements). The reorientation of foreign policy has, however, had no measurable effect on Libyan domestic affairs.

4. Trend of development

4.1. Democratic development

Over the last three decades, Libya's political order has seen no institutional changes. This is the result of the ideological stance of the revolutionary leadership, according to which the state structure of direct democracy – embodied in the Jamahiriya system and operating in accordance with Part I of the Green Book by way of the People's Congresses and Executive People's Committees – constitutes the "definitive solution" to the "problem" of democracy. Minor alterations to administrative structures – such as changes in the number of General People's Congresses and reorganizations carried out at the regional level – have not fundamentally altered the basic workings of this non-party political system. Opportunities for participation in the political order have not changed in recent years. Aside from the opportunities for political articulation presented by the People's Congresses, there exist only the limited means available through non-state associations and interest organizations – which are distrusted and viewed as being "divisive".

Following the suspension of UN sanctions, however, there has been an increased willingness to tolerate comment on and criticism of political decisions in both the People's Congresses and the public arena. This new tolerance is the result of the easing of diplomatic tensions (with, among others, the United States and the European Union) and the dearth of internal Islamist opposition. As the extent of this liberalization remains subject to the revolutionary leadership's need to retain authority, however, it is by no means irreversible. It is within this context that discussion about human rights have intensified leading not only to the first positive outcomes of measures taken by the Qadhafi Charity Organization, including an anti-terror campaign, improvement in prison conditions, the release of political prisoners in 2003 and 2004 and the abolition of the People's Court in January 2005.

In view of the advancing age of revolutionary leader Qadhafi, the question of “political heir” has increasingly come to fore. Because there is no constitution, uncertainty about the outcome of this matter is to be expected. Devoted advocates of the Jamahiriya system stand opposed to revisionists (such as the faction around Shukri Ghanim and Qadhafi’s son, Saif al-Islam al-Qadhafi), who favor the introduction of political parties and a presidential system.

4.2. Market economy development

After two decades of comprehensive state socialism (“People’s Socialism”), Libya has only recently initiated a cautious series of changes that have accorded the private economy greater political status, broken up monopolies, and permitted foreign investment in Libya, and offered at least a chance for economic reform. Indeed, these changes have all come within the past five years, in large measure as a result of the economic consequences of UN sanctions. Implementation of reforms will depend on how forcefully Qadhafi supports the contents of reform. At the meeting of the General People’s Congress in January 2005, one could only discern a limited degree of such support.

Acknowledgement of the free market is still modest and selective. According to the HDI, the country’s relatively high level of socioeconomic development (in 2002: 58th of 177, just behind several Gulf States) has only risen slightly in recent years (from 0.760 in 1998, to 0.773 in 2000 and 0.794 in 2002). Figures on income distribution do not exist, but Libyan society has traditionally tended toward egalitarianism. Despite this, there is an unmistakable tendency toward an expansion of lower income levels and the development of a small group of profiteers capitalizing on the process of economic transformation.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in % *	3,2	3,3	1,2	3,0	3,0
Export growth in %	+60	-16	+7,4	-19	+43
Import growth in %	+10	-11,9	+0	-14,8	+15
Inflation in % (CPI)	12	8	8	2,8	2,1
Investment in % of GDP	?	?	?	?	?
Tax Revenue in % of GDP	?	?	?	?	?
Unemployment in %	30	30	30	30	30
Budget deficit in % of GDP	?	?	4,4	13,6	7,5
Current account balance in billion \$	7,0	2,4	-0,2	0,5	1,5

Source: Central Bank of Libya, IMF; * data varies by source

D. Strategic perspective

Democratic transformation has seen a brief and asymmetrical evolution since the end of the UN sanctions in 1999 and the resumption of reform efforts. So far, little has changed in the political arena and, as in the past, the revolutionary leadership stands in the way of any true freedom of expression, civil society development and political participation. The first steps toward liberalization and implementation of market economy mechanisms have been realized in the economic arena, but the revolutionary leadership will determine whether and how this trend will continue based on political and security considerations and assessments of its ability to retain power. In both the political and economic spheres, the status-quo powers are so strong that even the revolutionary leadership must take them into account. As such, it could not initiate radical changes even if it wanted to do so.

No progress will be made toward democratic transformation in Libya as long as the dual structure of revolutionary and governmental sectors remains in place, with the revolutionary sector dominant and not subject to any formal checks and balances. Further, Libya will be able to meet performance criteria only when political institutions with democratic instead of revolutionary legitimacy are created and the government is consistently responsible to voters. Until that time, only rudimentary reforms in the areas of rule of law, balance of power, and implementation of a private enterprise system can be expected. The possibility that this transformation will come from within is currently small, as the necessary actors are not in place, and high revenues from crude oil and the welfare state's ability to buffer economic problems also reduce the pressure to operate efficiently.

The means available at present for promoting the process of democratic transformation from abroad are limited. With the ending of UN sanctions in 2003 and the positive prospects for greater economic cooperation between Libya and Western business (including the return of U.S. oil companies), neither the United States nor Europe possesses suitable means of applying political pressure. To the contrary, following its return to the international community in 2003-2004, Libya is now seen as a guarantor of stability, especially given the difficult circumstances in the broader Middle East region.

There is also little reason to expect that the Libyan opposition living in exile will be able to exercise any influence. The opposition in exile is fragmented, suffers from the problem of all exile groups in that it enjoys little support inside Libya itself and has suffered a loss of support among western third-party states as a consequence of the resumption of contacts between the Libyan regime and both the United States and European Union, and as a result of the overall shifts in Libyan foreign policy. The opposition in exile will play no future role in Libya's reorientation.