



Economics:

Topic: “*Libyan Economy under Col. Muammar Gaddafi.*”

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Abstract:

“Nations whose nationalism is destroyed are subject to ruin.”
Muammar Gaddafi.

The paper analyses the Libyan Economy under Colonel Muammar Gaddafi. Various economic policies have been discussed responsible for the changes in the Libyan economy. The various social and political policies affecting the economy are also discussed in the research paper. The concept of an Arab Jamahiriya and the influence of the Green Book on the Libyan economy have also been discussed in detail in the research paper. The paper also shows how the military intervention by the NATO forces and the aid given to the rebels led to the First Libyan Civil war which not only killed Gaddafi ending the regime but also sent the nation into a perpetual state of disarray, anarchy, war, and instability from which Libya has still not been able to recover. The war and its aftermath have ruined the economy of Libya to such an extent that the oil sector alone lost over \$126 billion as an effect of the conflict. This instability has also sent a wave of emigrants towards Europe causing a demographic shift in the European population and an immigration crisis.

Keywords:

Muammar Gaddafi, Libyan Economy, King Idris I, NATO, UN Resolution 1973.

Introduction:

Overall, there has been a negative portrayal of Col. Muammar Gaddafi’s rule in Libya, which in a certain sense is true. Still, the Libyan economy under his rule is often beyond the limelight. According to most standards, the economy was doing very well and had found its way to becoming the fifth-largest economy in Africa. His policies had a very positive influence on the economy of Libya. He adopted a semi-socialist model of governance, nationalised many western oil companies like British Petroleum, and created the National Oil Corporation (NOC). His education campaigns led to a skyrocketing literacy rate. The Libyan economy transformed from one of the poorest nations in Africa to an economic powerhouse. The research paper talks in detail about the policies

implemented by Col. Muammar Gaddafi in Libya. The impact, both positive and negative will be examined in detail in the paper.

Research Questions:

1. What are the economic policies implemented by Col. Muammar Gaddafi?
2. What was the impact of his policies on the Libyan Economy?
3. What were the other socio-political policies affecting the Libyan Economy under his rule?

Research Objectives:

1. To understand the various economic policies implemented by Col. Muammar Gaddafi.
2. To analyse the impact of economic policies on the Libyan economy.
3. To understand the impact of various socio-political policies implemented under Col. Muammar Gaddafi on the Libyan economy.

Hypothesis:

Hypothesis 1:

H0. The economic policies implemented under Col. Muammar Gaddafi had no impact on the Libyan economy.

H1. The economic policies implemented under Col. Muammar Gaddafi had a positive impact on the Libyan economy.

Hypothesis 2:

H0. The socio-political policies implemented under Col. Muammar Gaddafi have had no impact on the Libyan economy.

H1. The socio-political policies implemented under Col. Muammar Gaddafi have had a positive impact on the Libyan economy.

Review of Literature:

1. **Ityonzughul, T., Adure, K., & Kertyo, P. (2022, June 2).** From ‘Complementarity’ to Conflict: A Review of the Economic Policies of Col. Muammar Gaddafi in Libya, 1969-2011.

The paper talks in detail about the journey of Colonel Muammar Gaddafi to become the dictator of Libya. The paper explains in detail the importance of leaders in the development of a society. Various policies implemented in Libya under his regime were discussed in depth in the paper. The policies explained included his socialistic economic reforms¹, his socio-political policies², and the division of power between the Turks, the Italians and the Libyans. The paper goes ahead to show the vested interests of Italy and Turkey in Libya. The Turks, according to the researchers, wanted to control the energy sector of Libya, to continue the Ottoman Empire by influencing the government machinery with soft, economic power. The Italians, according to the researchers wanted to control the energy sector to continue its colonial control over Libya and northern Africa by influencing the government. The Libyans, according to the researchers wanted to nationalise the sector to gain complete control over the country’s resources in order to keep away foreign influences and exploitation of resources.

¹ Like the nationalisation of the oil industry with the creation of the National Oil Corporation.

² Includes policies like education campaigns and reduction of inter-tribal violence by establishing greater unity by nationalism at the Union Government level.

2. **Suh, S. (2019, February).** The Pan-African Ideal Under a New Lens: The Contributions of Thabo Mbeki of South Africa and Muammar Gaddafi of Libya 1994-2008.

The thesis explains in great detail the concept of Pan-Africanism. The study goes on to list the immense contribution of statesmen like Col. Muammar Gaddafi and Thabo Mbeki³. The study shows how Col. Muammar Gaddafi left Pan-Arabism to choose Pan-Africanism in the later years of his reign. He⁴ was instrumental in the formation of the AU or the African Union and was a key contributor to the initiation of the African renaissance. His decision to set up the AU headquarters in Sirte and various other policies are discussed in the paper. The time frame of fourteen (14) years is too short a period to do a detailed study on the policies implemented by the two great men for the betterment of Africa by way of Pan-Africanism and the establishment of AU. The AU was directly responsible for knitting Africa back together after centuries of colonialism. The AU has been able to stop several clans and tribal conflicts saving hundreds of thousands of lives. This and much more are explained in great detail in the thesis. For the purpose of this research chapter five of the thesis is of utmost importance.

3. **Ramutsindela, M. (2012, February 1).** Gaddafi, Continentalism and Sovereignty in Africa.

The research paper talks in great detail about the 2009 summit of the African Union as Col. Muammar Gaddafi was chairing the summit. He re-ignited the debate of continentalism or context-specifically Pan-Africanism. This summit is the subject of discussion in the research paper. The paper explains the difference between continentalism and regionalism and the situation in the past and the present. The concept of unite or die was propounded by Col. Muammar Gaddafi at this summit. He strongly believed that the African people had to set their differences apart and unite in order to keep western imperialism away. The treaty creating the Organisation of African Unity (The treaty of Abuja, 3 June 1991) has also been discussed in detail in the research paper. This research helps us understand the foreign policy of Libya under Col. Muammar Gaddafi's reign.

4. **John, R. (2008, December 1).** The Changing Libyan Economy: Causes and Consequences: Ingenta Connect.

The research paper talks in detail about the different social and economic policies implemented under the Gaddafi regime. The paper also talks about the Green book composed by Col. Gaddafi was a combination of socialism and Islam. The book became very influential while formulating newer laws. The paper also shows the position of the Revolutionary Command Council or the RCC and its importance in keeping the revolution alive. The paper also shows the reaction of Col. Gaddafi to the Libyan interference in Chad⁵. Col. Gaddafi said that it was a revolution in a revolution. It also studies in great detail the shift in the economy after nationalising the Libyan oil sector under the National Oil Corporation.

5. **Capasso, M. (2020, August 10).** The War and the Economy: The gradual destruction of Libya.

The paper shows an excellent comparison between the Gaddafi phase and the post-Gaddafi phase of the Libyan economy. It shows in detail the various anti-imperialist, pro-socialist policies of Muammar Gaddafi. The nationalisation of the oil industry under the National Oil Corporation, the educational reforms, the distribution of funds earned out of oil onto various public welfare programmes etc. The subsequent civil war was initiated by NATO⁶ and local rebels in the wake of the Arab Spring. The war was aimed at toppling the Gaddafi regime as it was responsible for the violation of several human rights and was a major source of global terror funding. NATO and the rebels successfully ousted the regime and killed Gaddafi but had no alternate system to replace the iron grip and discipline under Gaddafi's rule. This lack of governance led to the civil war⁷ turning into causeless chaos which subsequently ruined the

³ Former president of South Africa.

⁴ Gaddafi.

⁵ Armed intervention.

⁶ North Atlantic Treaty Organisation or NATO is a military alliance between several European nations.

⁷ Referring to the First Libyan Civil War fought between the Loyalists of Col. Muammar Gaddafi and the rebels were aided by numerous NATO air and naval support units.

economy and is still ongoing, hampering Libya's growth. The modern recognised government of Libya only controls parts of Libya, a large chunk of Libya is under various warlords and tribal leaders. The city of Sirte was under ISIS⁸ occupation for over two years and became the largest hub of the organisation outside of Syria and Iraq. This instability is fatal for the nation's economy. The researcher also states that Libyan State was transformed from a revolutionary progressive nation aspiring to unite the continent of Africa under Pan-Africanism to a war-torn, failing state divided into several parts under the control of various warlords and tribal chiefs.

Research Methodology:

The researcher used reliable secondary data to write the research paper. The data includes US⁹ government records, Libyan government records, Egyptian government records¹⁰, UN records¹¹, Scopus-indexed journals, and research papers from various Universities. Military interventions have a humungous impact on the economy, but the exact geopolitics of the interventions is not available in the public domain. The researcher has tried to put forth an analysis of the Libyan economy under Col. Muammar Gaddafi and the reasons for that state of the economy.

Findings and Discussion:

1. An overview of the Libyan Economy:

The Libyan economy, for the purpose of this study, has been studied from the year of its independence, i.e., 1951. The Libyan economy has been divided into three phases; the Idris phase, the Gaddafi phase and the post-Gaddafi phase.

1. The Idris Phase:

This phase includes the period from 1951-1969. The economy was under King Idris I and the nation was called the United Kingdom of Libya, for the first time in centuries, the three regions of Libya; Tripolitania, Fezzan, and Cyrenaica were united under a non-foreigner. Oil was struck in Libya by American and British companies in the 1950s which gave the Libyan economy a great boost. The per capita income rose from \$25-\$35 to a whopping \$1000. King Idris I started taking in international aid. Libya became a recipient of Western Expertise and aid and the United States of America alone provided over \$100 million in aid to the Libyans. Oil exports made up over 90% of the government revenue. During the six-day war between the Arab nations and Israel, the Libyan Government supported the Arab nations but did not directly involve itself in the conflict. This greatly angered the populous of Libya as they believed the government did not do enough to help the Arabs win the war and King Idris should have sent troops to aid the Arab nations. The Libyans believed that Israel was created to hook western imperialism in the middle-east. Anti-West riots broke out across Libya in 1967. The oil workers¹² in Libya went on a strike and stopped the production of oil completely. This caused hundreds of millions of dollars of economic damage to the American and British oil companies. On the first day of September 1969, while King Idris I was in Turkey, a coup d'état was organised by the officers of the Libyan army that abolished the monarchy and proclaimed a republic ending this phase.

⁸ The Islamic State of Iraq and Syria or ISIS is a terrorist organisation.

⁹ The United States of America.

¹⁰ Egyptian government under Gamal Abdel Nasser Hussein helped Gaddafi stabilize his revolution.

¹¹ United Nations records.

¹² The oil workers in the Libyan oil sector made up a small portion of the overall employees of the oil sector as the large majority of the employees were flown into Libya from foreign lands.

2. The Gaddafi Phase:

On the first day of September 1969, Col. Muammar Gaddafi took-over the control of the entire nation in a virtually bloodless coup¹³. He then came on the radio and announced to the people of Libya that the army had taken over the nation and deposed the corrupt Idris regime. In the same radio announcement, he also states that the coup d'état was organised in the honor of the Egyptian President and the father of Arab nationalism, Gamel Abdel Nasser. Col. Gaddafi knew the problems in the Libyan society and soon started fixing them. He introduced an education policy and subsidised education so that even the poorest Libyan could have access to knowledge. He also studied the technology to extract oil and after sufficient knowledge, he nationalised the oil sector of Libya by creating the National Oil Corporation (NOC). The corruption under the Idris regime did not allow the Libyans to maximize the profits earned from exporting oil, but Col. Gaddafi knew exactly what oil was worth. His geopolitical strategies employed to counterbalance the west were famously called Petroleum politics as he used oil as his bargaining chip. The greater revenue coming in from oil was used to develop the nation transforming the economy from one of the poorest to the fifth largest economy in Africa. Per capita income kept on growing and with the skyrocketing literacy rates different avenues opened up for Libyan citizens. Public healthcare was made free for all in Libya decreasing the infant mortality rates and increasing the overall life expectancy of the Libyans. In 2011, with the wider context of the Arab spring revolt broke out in Libya which was aided by the air and naval units of NATO. They were able to kill Gaddafi ending this phase.

3. The Post-Gaddafi Phase:

The phase begins with the death of Col. Muammar Gaddafi in 2011. The economy at the beginning of this phase was very stable but as the news of the dictator's death spread across Libya and the rebels took over the entire nation the economy nosedived to a level lower than in the Idris Phase. The economy stabilized eventually as the new government formed took over the various power centres like Tripoli and Benghazi. Subsequently, Libya slipped into chaos again¹⁴ and the rebellion¹⁵ became a causeless force. Libya is currently divided into many different areas under the control of warlords and tribal leaders. The Libyan dinar depreciated hundreds of times after the fall of the Gaddafi regime. Geopolitics experts attribute this chaos to the lack of an alternate system with NATO and the rebels to control Libya after the iron grip of Col. Gaddafi was let loose. Libya is still impoverished and has not been able to achieve the level of economic power it used to have under Gaddafi and is currently the 17th largest economy in Africa.

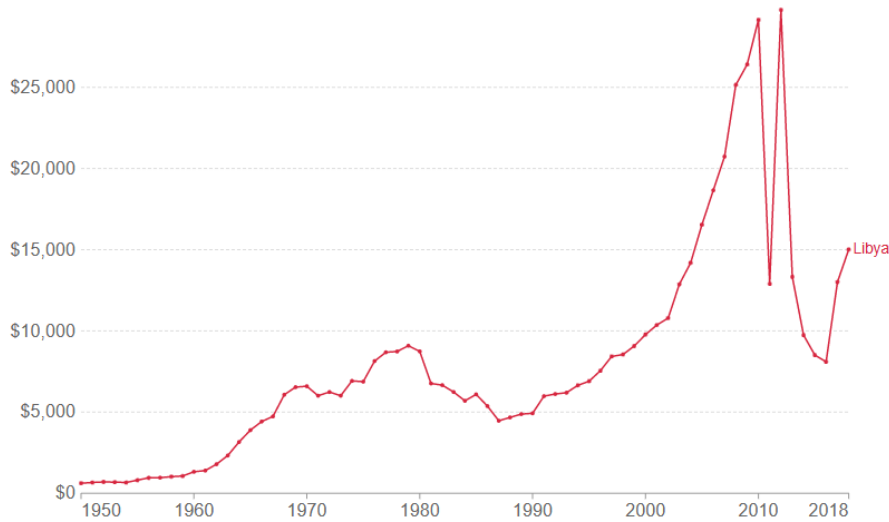
¹³ The coup d'état resulted in only one death; a royal guard of the King.

¹⁴ Referring to the Second Libyan Civil War starting from 2014.

¹⁵ Referring to the First Libyan Civil War.

GDP per capita, 1950 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

OurWorldInData.org/economic-growth • CC BY

GDP per capita from 1950 to 2018.

2. Policies implemented by Col. Muammar Gaddafi:

Col. Muammar Gaddafi implemented the following policies:

1. Nationalising the oil sector:

The nationalisation of the oil sector increased the profits the Libyan government earned by exporting oil. The National Oil Corporation is still responsible for the extraction and exporting oil and the Chairman of the NOC Mustafa Sanalla 2016 released a statement in an interview¹⁶ in which he revealed that the NOC lost over \$100 billion as a direct consequence of the political instability in the nation.

2. 1973 oil crisis:

As a part of Col. Gaddafi's overall petroleum politics, the Libyan government pushed forward the concept in OPEC¹⁷ to use oil as a bargaining chip to undermine the geopolitical power of Israel and this resulted in part in the 1973 oil crisis. This greatly increased the price of oil making Libya earn greater profit. The economy had to sustain a few hits but recovered post-2002 and transformed into an economic powerhouse.

3. Transforming Libya into a Jamahariya:

Col. Gaddafi believed in a mixture of Islam and socialism which made his political ideology transform Libya into a Jamahariya which means a state run by the people. To achieve this the regime promoted the participation of Libyans in local political councils.

4. Col. Gaddafi's education policies:

Col. Gaddafi made primary education compulsory for both males and females¹⁸. This rise in the literacy rate of Libya caused an increase in employment opportunities for Libyans and improved the overall standard of living of the people of Libya.

¹⁶ The interview was organised by Financial Times.

¹⁷ Organisation of Petroleum Exporting Countries.

¹⁸ Col. Gaddafi was considered to be very progressive for promoting education among female.

Limitations of the study:

1. The researcher was time bound and hence the study may not be as detailed as it could've been without the time barrier.
2. The research paper has solely focused on the economic aspects of Col. Muammar Gaddafi's reign and the overall geopolitical backdrop is beyond the scope of the study.
3. The policies of Gaddafi's regime in Libya were very beneficial but their petroleum politics and global terror funding caused havoc for several nations.
4. The gruesome aftermath of the fall of the Gaddafi regime is also not studied in detail in this paper as it is beyond the scope of the subject at hand.
5. The economic focus of the paper may portray a one-sided view which may have justifications laying in the various different aspects of internal politics, preservation of power, international pressure, military ambitions, etc.

Conclusion:

The researcher has observed in the points of discussions and findings that the various economic as well as the various socio-political policies of Col. Muammar Gaddafi had helped the Libyan economy grow and prosper to a greater extent and the Arab Spring and NATO armed interference destabilized the region and the lack of a system powerful enough to replace Col. Gaddafi's iron fist rule had caused the economy to go into shambles.

In the first hypothesis the H1 which is, "the economic policies implemented under Col. Muammar Gaddafi had a positive impact on the Libyan economy" has been proven and accepted. Even in the second hypothesis the H1 which is, "the socio-political policies implemented under Col. Muammar Gaddafi have had a positive impact on the Libyan economy" has been proven and accepted.

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