

Relationship between Petrostates and Political Instability Libya's Political History with Petroleum

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Abstract

Libya's socio-political structure has been structured through colonization, the influence of petroleum, and unacceptable political regimes from Gaddafi's dictator-monarch rule, which limited Libyans from economic prosperity till present day. The purpose of this study is to evaluate Libya's political state from pre-petroleum to petroleum influenced state. This research identifies Libya through its historical colonial context, highlights pre-oil Libya, the influence of petroleum and how that effects Libya's current socio-economic and political framework. I offer policy recommendations to reduce political instability in petrostates and explain whether or not renewable energy is a decolonizing factor to political instability.

Methodology

This study employs a historical literary analysis of the socio-political and economic context of petroleum production in Libya was performed to identify the relationship between petrostates and political instability, using Libya as a case-study. Three main concepts are analyzed in this study: the Petroleum Law of 1955, Henry Kissinger's petrodollar meeting with Saudi Arabia, and the practices of OPEC for market control of petroleum. This research presents a historical timeline from 146 BC till present day. The historical context is based on academic articles and publications such as the Gaddafi Green Book, documents from the United Nations (UN) and the Organization of the Petroleum Exporting Countries (OPEC) to explain Libya's political relationship between pre-oil production and oil enterprise. With those historical documents, I analyze the invention of the petrodollar with data collected from published articles, both academic and regional such as Libyan Observer and Library of Congress. The petro

analysis will be based on data from governmental agencies such as US Energy Information Administration (EIA) and International Energy Agency (IEA) which would analyze the relationship between petro states and political instability. The policy recommendations would be based off the data collected to discover whether alternative methodologies of economic output would aid petrostates to eliminate the risk of political instability.

Introduction of Literature

Some may think of Libya when reminded about Gaddafi, President Ronald Regan publicly stating the famous “mad dog in the middle east”, Arab spring, Benghazi 9/11 attack, or the Hillary Clinton emails. Libya and its history are an important case study for developing countries. In this article, I will highlight western policies that influence Libya ‘s political structure throughout history and recommendations on how to decolonize those efforts for Libya’s future. I provide policy recommendations for petroleum-member states that encounter similar political dynamics.

First, I trace from ancient history to Ottoman rule in Libya (146BC - 1551). Next, I focus on western influence in the region up to the Libyan independence gained in 1951, and pass through the King Idris Era. Finally, I then discuss Gaddafi's regime, past the Arab Spring till present-day Libya. Within this timeline, I highlight key political events and policies that shaped foreign relations as well as the political structures in Libya. In addition, I break down these events into the influence of the petrodollar and tackle whether or not a Petro member state can actually practice a democratic system. The target audience for this research are Libyans, western policymakers, international organizations such as the United Nations, international policy think

tanks, and others interested in the relationship among the petrodollar and petrostate, Pan African groups, those interested in Middle Eastern\African politics, and petroleum companies.

The purpose of this narrative case study will be to identify the influence of petroleum within petrostates and discussing the ramifications and nature of vulnerable petrostates which leads to political instability that affects a country's social, economic, and political framework of a specific country, in this case study, we'll focus on Libya.

The questions that guide the evaluation within this evaluation are:

- What is the relationship between petrodollar and petrostate?
- Does petro dependent states lead to instability?
- Can alternative energy reduce foreign influence among Petro states?

Keywords: Petro-Currency, Petro-state, Political Instability

Understanding the relationship between oil and state, this section summarizes my understanding on key concepts such as Petrodollar, petrostate, and political instability. The currency of petroleum was established in the 1970s dominated by the dollar. A useful working definition of petrodollars is, "Petrodollars may be defined as the U.S. dollar earned from the sale of oil, or they may be simply defined as oil revenues denominated in U.S. dollars. Petrodollars accrued to oil-exporting nations depend on the sale price of oil as well as the volume being sold abroad, which is in turn dependent on oil production."¹ The history of the petrodollar first blossomed from the Bretton Wood Agreement between 1944-1971, which was an exchange system which required a currency of the US dollar to be pegged to the price of gold as the

universal standard. In efforts to eliminate war and economic downfall, from World War 2 and the Great Depression, this agreement was co-signed by 44 countries, which ultimately created a 'Three-legged stool'. The tripod organizations were the International Monetary Fund (IMF), World Trade Organization (WTO) and the World Bank. The IMF is meant to lend reserve currencies to nations with trade deficits in addition to monitoring the exchange rates in order to develop further international trade. The World bank is a lending institution that primarily assists in ending extreme poverty by lending money to developing countries in order to upstream economic development within. The last leg on the stool is the world trade organization which advocates for free trade and global trade with committees to negotiate and resolve trade disputes.² In connecting the Bretton Woods System to petrodollar, one additional chair to add to this Petro-table, the establishment of the Organization of the Petroleum Countries (OPEC) which was formed at the Baghdad Conference in 1960, founded by member states such as Kuwait, Saudi Arabia, Venezuela, Iran, and Iraq. The objective of this conference is to collaborate with member states to discuss petroleum policies to stabilize oil prices in order to maintain efficient economies. Libya joined OPEC in 1962.³

This led to the invention of the Petrodollar with British and United States' declassified caucuses, meetings, and documents with Saudi Arabia to oversee the oil market. After the Bretton Woods system was deemed unsuccessful, the US solidified the central position of the currency among international monetary affairs by linking the dollar with oil- world's largest commodity. '.... there was no shift away from the dollar [after the end of Bretton Woods]. Volatility there was in the share of dollars in foreign exchange reserves in the 1970s, but no secular decline. The dollar's share of total identified international reserves remained close to 80 percent in 1977, as the United States pumped out dollars and the members of the Organization of

Petroleum Exporting Countries (OPEC), having jacked up oil prices, parked their earnings...”⁴

Henry Kissinger, United States 56th Secretary of State (1973-1977) Roughly between 1974 held a meeting with Saudi Arabia by solidifying the Petro-dollar in July of 1974. They agreed to maintain the petroleum transactions to be processed through the currency of the dollar. In return of all oil trade being denominated by the U.S Dollar, Saudi Arabia would receive military sales.⁵

This stabilized the US economy by recirculating the dollar while transitioning from the gold standard to the crude oil system. By 1975, The Organization of Petroleum Exporting Countries (OPEC) nations committed to exclusively price all oil supplies through US Dollars, which secured the US government’s debt situation. A quick note to highlight, from 1974 to roughly 1981, the total surplus for all OPEC member states was about \$450 billion, although there was risk of inflation, most member states ignored that implication. Out of the \$450 billion surplus, 405 billion was acclimated by member states from the gulf region, Libya and Iran. Iran obtained lucrative profits through the late 1970s before sanctions affected Iran’s surplus. In the 1980s, it was strictly the Arabian Gulf Member States and Libya with Saudi Arabia accounted for 42 percent and Libya obtaining 8 percent of the surplus.⁶

When simply hearing the word Petro-state, one can hypothesize that the term means that a specific country obtains a large amount of oil\petroleum reserves. The definition of a petrostate is based relatively around the audience’s outlook. For example, due to the economic standpoint of OPEC, they define a petrostate as a member state that can produce at least 2 million barrels a day (bpd). This presented a hierarchy between Petro states regarding oil production and governmental control of the commodity from a global standpoint. According to CATO Institute, “In Kuwait, for example, oil and natural gas rents in one year (2012) equaled 184 percent of government spending. Oil and gas revenues also enrich elites within these states, with Russian

oligarchs and Saudi royals numbering among the world's richest individuals.... Petrostates influence world markets thanks to their disproportionate wealth. Notable in this category are the Gulf States, for whom petrodollar "recycling" has long been a way of life, with oil sale proceeds turned around, saved, invested or used to purchase imports of manufactured goods."⁷ In Libya's case, it's quite different due to Libya's unpredictable political and economic framework during civil unrest, revolutions, and economic instability due to the lack of petroleum pumping into the global economy so we'll define a Petro state as any member state that is dependent on oil production to sustain a country's economy.

The term "instability" has been thrown around seamlessly in the Middle East and Africa region over the past several decades, but what exactly defines instability? A lack of a stable country? Is a proven metric available? There are number of possible definitions that measure the term, such as food insecurity, economic measurements like Gross Domestic Product (GDP), unemployment, and unraveling social/cultural crises. According to the UK Cabinet Office, 2005, instability is defined with multiple risk factors such as trade, geography, fragile political institutions, economic institutions and economic decline from a "point source of natural resources to name a few. For this study, political instability will be focused on the reaction of the downward nature of natural resources, in this case, oil. "... 'Point source' natural resources (e.g. oil and minerals) can contribute to economic stagnation or decline. While natural resources can have a positive effect on growth, this is often outweighed by indirect misallocation effects and indirect political economy effects.... Economic development often precedes democracy but is not sufficient for it to take root. This is partly due to natural resources. Petro wealth, for example, can retard democratization."⁸

I want to highlight that Libya's overall political instability obtains more than just resource (oil production) which includes statistics such as:

- 3,771- Estimated Number of Libyans killed due to Violence, July 2014 to August 2015
- 2,440,000-Number of Libyans Directly Affected by Conflict
- 418,803- Number of Internally Displaced Persons in Libya as of 31 August 2015
- 1,900,000- Number of Conflict Affected Population with Limited Access to Healthcare and Essential Medicines
- 1,280,000- Number of Conflict Affected Population who are Food Insecure
- 680,000-Number of Conflict Affected Population in Need of Clean Water and Sanitation
- 79%-Percentage of Conflict Affected Population in Need of Protection Assistance
- 1,500,000-Number of Conflict Affected Population in Need of Early Recovery Services

Source: United Nations, 2015 Libya: Humanitarian Needs Overview, United Nations Humanitarian Country Team for Libya, September 2015.

The reasoning behind defining instability towards a Petro concept is simple, oil is currently the hottest commodity in the world therefore oil prices can be manipulated and controlled from producers which potentially causes instability in many petrostates. "Yet their governments are also heavily dependent on the revenues from oil and gas production, creating negative domestic market distortions and political problems. Recent dramatic changes in the global oil market compound these problems, as new extraction technologies shift production away from OPEC and other traditional producers, and raise the worrying possibility of domestic

instability in petrostates. “⁹ These key terms are meant to explain the steep relationship between petrodollar and Petro state. As we continue with this article, we’ll Identify how a dependent Petro state would lead to political instability.

Historical Overview

Ancient history to Ottoman rule (146 BC to 1551)

As it stands, Libya’s geographic Landscape is majority occupied by the Sahara Desert, which spreads around 90% of Libya. Based on United Nations estimates, Libya’s current population is 6,559,888 (UN DESA 2019). Within this sandy attraction, Multiple societies and human ecosystems settled in Libya. Most notably, the Berber nomad tribes (or Amazigh), which is assumed throughout most historians as being the most settled society during the entire timeline of the country. From the rock paintings from Tadrart Acacus to the Phoenician trading post in Libya, coming from Greece and modern-day Lebanon, Libya was an upcoming and geographically sexy hotspot for trade in the Mediterranean. These grainy luxuries ultimately led to the Roman Empire covering over the region when the Libyan coastal cities asked for protection up until Ptolemy Apion, Greek rule in 74 BC, incorporated regions of Libya as Roman provinces.

The fall of the Roman empire came by The Vandals overpowering occupation throughout the north African region around the fifth century. Byzantine Empire took over shortly after as Berber forces tried their best to keep take control of the coastal ports around 643. Fast forward to the Ottoman Empire’s surgency throughout the Arabic and Mediterranean region covering over 13 modern-day countries. Most notably in Libya, the Ottoman Empire captured the Tripoli

region previously held by the Knights of St. John in 1551(ceded originally from Charles in Spain).

Western Influence 1911-1951

The Ottoman Empire was unraveling with the constant tension and battles that the sultan's brothers were going through. Although Sultan Mahmud tried to restore stability and order, in the end, the Ottoman rule was diminished when the scramble for Africa became a reality. The Italo Turkish war (1911-1912) that nearly lasted a year, ended in Italy's favor which led to Libya being known as the Italian North Africa till 1927. Ended in Italy's favor which led to Libya being known as the Italian North Africa till 1927.

Omar Al-Mukhtar

Omar Al-Mukhtar was an important Libyan resistance figure during the Italian Libya era. Although he was a professor, he was also highly intelligent and skilled in the art of desert warfare due to his knowledge of the geographic landscape. He emerged as a notable figure in the Sanusi movement and considered a symbol of resistance in the North African region when the scramble of Africa was assembled. The Italian colonial forces had eyes on Benghazi and Tripoli to control. In a matter of three days, Italy was able to obtain Tripoli. This forced rebel forces to travel to the outskirts of Benghazi. Omar 's rebellious group had a number of minor military victories but overall was outmatched versus the Italian Barricade. On September 11, 1931, Omar AL Mukhtar was ultimately cornered and captured in the Green Mountains (Jabel Al-Khadar), east of Benghazi. Five days later, the Italian courts would have sentenced him to death, and he

was hanged before his fellow villagers/tribal members at the age of 73 years old. Instantly, Omar Mukhtar was globalized internationally as a legend. Multiple streets, universities, and community centers were named after him all over the MENA region. There is a mosque currently named after him in Tampa, Florida and a statue named after him in Venezuela for his heroics.

Immediately, Libya was going through a lot of political and administrative policy changes. First and foremost, the name "Libya" was officially adopted for that region in 1934. Secondly, the country was divided into three states or provinces (Tripolitania, Cyrenaica, Fezzan). Libya was controlled by Victor Emmanuel III with five governors-general during that time (1934-1943), stating that Tripoli would be the capital of Libya, which still stands as the capital today. Ultimately from 1928 to 1932 about half of the tribal populations were killed, experienced disease or starvation in camps ultimately from 1928 to 1932 about half of the tribal populations were killed, disease or starvation in camps. After World War II, Britain acted like an over viewer from 1943 to 1949. The United Nations was an upcoming forum around the time of 1949. A resolution was passed for Libya to become an independent state on December 24, 1952.

Kingdom of Libya (1951-1969)

Libya was known as the *United Kingdom of Libya* was established under the constitution of Libya (December 24th 1951) as a constitutional federal monarchy under King Idris's address. The constitution was drafted under the aide and support of the United Nations¹⁰, as Libya's political agencies were developing. After an unruly election in 1952, all other political parties were expelled while the King's foreign relations was western-friendly, while having close relationships with the United Kingdom and the United States with military bases and Libya.

Libya exchanged ambassador 's and established embassies including Washington DC in 1954. The relationship continued as military bases were being established in return for economic aid in Libya. Educational establishments were developing as the University of Libya was founded in Benghazi in 1955. Although the country was starting to grow, the process was slow and still underdeveloped and dependent on foreign aid, until the summer of 1959 when petroleum deposits were found in Eastern Libya. In 1963, Libya cosigned as one of the 30 members of the organization of African unity which is a joint committee targeting Economic unity throughout the north African region. King Idris attempted to advocate for Libya nationalism around his Libya formed into a unitarian monarch- nevertheless the King's protester identification was viewed as resentment towards the urban public. A small group of military officials led by Muammar Gaddafi staged a bloodless coup on September 1, 1969 which ultimately ended King Idris' term, all while King Idris was in Turkey aiding his health. ¹¹

Gaddafi era (1969-2011)

On September 1, 1969, Gaddafi became the de facto leader of Libya and instantly started to implement his socialist ideals in the country. In 1977, Libya turned into the "Great Socialist People's Libyan Arab Jamahiriya" or General People's Congress (GPC) nevertheless, Gaddafi was the general secretary of the GPC. Gaddafi's individualistic foreign policy has led him to commit multiple human rights violations and attacks towards western countries such as firing on US aircraft that were hovering over the Mediterranean Sea and the 1986 Berlin bombing. Most notably, the bombing of Pan Am flight 103 over Lockerbie Scotland in 1988. These actions lead to United Nations sanctions and by March 1992, Libya 's overseas assets were frozen, revenue

from Oil products/services were halted, and ban sales of refining and transporting oil. This took a huge hit on the Libyan people for nearly ten years. Although sanctions ended in 1999, Libya was still halted economically due to the US Iran and Libya Sanctions Act. This ultimately led to Qaddafi complying by paying over 2.5 billion dollars to families affected by the 1988 bombing, following the protocols of the Nuclear Non-Proliferation Treaty by December of 2003. In less than a year, Libya and the United States had completed the first crude oil transaction, which was the first time in over 20 years. Instantly, Libya was eliminated as the state sponsor of terrorism and in 2007 President Bush appointed ambassador to Libya. Economically Libya rose as major oil corporations explored for natural gas and oil efforts, as high as 1.7 million barrels per day by 2008.

Social and political comparisons between Gaddafi and King Idris

The quality of life for civilians in Libya between the Gaddafi and Idris regime are compelling and analytically changing without discourse and cultural context. With the influence of the United Kingdom (UK), the King of Libya (1951-1969) established a stable constitution yet social variables such as life expectancy, homelessness, and illiteracy rates were persistent complications, especially in urban communities. With 40% of the population living outside of mainstream cities with living conditions such as caves, sea shanties, or cultural tents, the life expectancy was roughly 57 years old with an extremely low literacy of 10%.¹² Moving to Gaddafi's rule or the Libyan Arab Jamahiriya (1969-2011) the quality of life was moderate with welfare systems in place that established free healthcare, financial grants for housing situations, and free education; which raised Libya's literacy rates to about 90%.¹³ The greatest man-made river was built in Libya in efforts to sanitize water situations throughout the Sahara. Azerbaijan commended Libya for the steps achieved regarding 'economic and social rights, such as the

achievements in poverty reduction, the assistance to low-income families, the eradication of diseases, the decline in maternal and child mortality, the eradication of illiteracy and the provision of universal education.’¹⁴ during the 2011 United Nations General Assembly conference, a month before the Benghazi demonstrations occurred. According to the Human Development Index back in 2010, Libya was ranked 53rd out of 169 countries, highest in Africa.¹⁵ So obviously the influx of oil revenues improved social developmental programs throughout Libya, nevertheless, the political aspect and more important human rights is an area of concern.

During Gaddafi’s reign, political freedoms were highly alarming, according to Amnesty International, ‘The death penalty is retained in Libyan law for a large number of offences, including activities that amount to the peaceful exercise of the rights to freedom of expression and association. For instance, the death penalty can be imposed for forming, joining, financing or supporting groups based on a political ideology opposed to the principles of the al-Fateh Revolution, and for “encouraging that by whatever means” (Article 3 of Law No. 71 of 1972 on the Criminalization of Parties). A number of articles of the Penal Code also prescribe capital punishment for those who call “for the establishment of any grouping, organization or association proscribed by law” (Article 206), and for those who spread “theories or principles aiming to change the basic principles of the Constitution or the fundamental structures of the social system” (Article 207).¹⁶ Such actions from Gaddafi reflects Libya political instability within the country- the sanctions deprived Libya’s international trade which stalled employment opportunities. This was done due to the importance of private enterprises influencing the economy, except for insurance, banking, distribution and oil production. In 1978, Gaddafi's green book explained how domestically private enterprises would be controlled by the state, after a certain threshold. “Unlike the privately-owned establishment where income benefits the owner,

the claim that the income from the public-owned establishment benefits all of the society, including the workers, is true only if we take into consideration the general welfare of the society and not the private well-being of the workers.”¹⁷ This caused a reactionary response since Libya’s economy was less controlled by Libyan workers, in lieu favored corporations and foreign institutions, which meant jobs and services were outsourced leaving less jobs for Libyans, which contributed to Libya’s political instability. Especially since that policy restricted oil production by the state, Gaddafi controlled the oil wealth through the state’s means. Many Libyans traveled abroad due to the Green Book’s ruling.

Arab Spring Leading to Libyan Civil War 2011

With Egypt and Tunisia leaders being overthrown, significant international pressure was given to Libyans to protest against Qaddafi. In the past, multiple rebellious events occurred to overthrow Gaddafi which ultimately led to hangings, abduction, prison, or kidnappings. Nevertheless, on February 17, 2011, the Libyan people came out in the masses to revolt against Muammar Qaddafi. By February 27, 2011, the National Transitional Council (NTC) was established as the representation in government for the people. Qaddafi threatened all civilians who opposed him which led to over 2000 Libyans dying in one week, promising “a river of blood”.

Keeping to his promise, the following days, Gaddafi’s military forces (up to 30 miles long) were headed towards Benghazi. In a span of a couple of hours over 100 people were killed. Luckily, the United States and other western countries swept in with aircraft and plummeted Gaddafi forces. The no-fly zone protocol was officially underway.

From that moment on, the peaceful protests that were once inspired by the Arab spring were converted into a Civil War with the Gaddafi regime and the majority of the Libyan population opposing him. Military-wise, the NTC was advancing with Aid from NATO and the western world. By August 20, 2011, the NTC obtained Tripoli and the remaining cities with only Sirte (Gaddafi's homeland) remaining. By October 20, 2011, Gaddafi was captured and eventually died from blood loss. The Libyan revolution came to an end and a new era was emerging with so much optimism and hope.

As stated previously, the 2011 revolution significantly reduced crude oil production (as shown on Figure 1) to 0.46 million barrels per day, a major dip from the previous year (2010, 1.65 million barrels per day). "This case can be made empirically as evidenced by the 2011 North Atlantic Treaty Alliance intervention in Libya, which curtailed Libya's approximately two million barrel per day pre-war oil production and resulted in global concern over how to offset this reduction in oil supplies. Admittedly, two million seems an arbitrary benchmark, but the action taken by the International Energy Agency (IEA) following the disruption of Libyan oil supplies reinforces the supposition that two million barrels per day taken off the global energy market is a consequential number. OPEC's spare capacity was either withheld for political or other reasons, and was not able to offset the two million barrels per day taken off the global energy market. Hence, in June 2011, the IEA Executive Director, Nobuo Tanaka announced that "...the 28 IEA member countries have agreed to release 60 million barrels of oil in the coming month in response to the ongoing disruption of oil supplies from Libya. This supply disruption has been underway for some time and its effect has become more pronounced as it has continued...Greater tightness in the oil market threatens to undermine the

fragile global economic recovery.”¹⁸ Thanks to those domestic and foreign efforts, a 90 percent bump in production enabled Libya to reach 1.36 million barrels per day according to EIA.

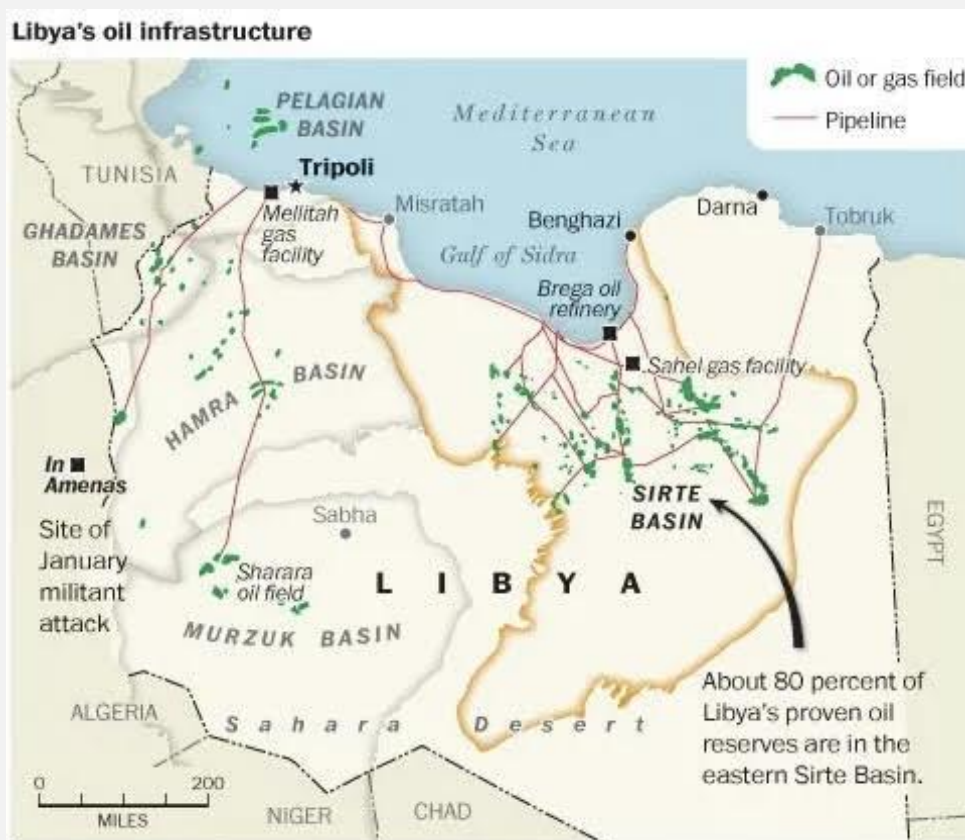
Failed State Or progressive struggle?

Since 2011, the National Transitional Council handed over political power to the General National Congress, the US consulate in Benghazi attacked which resulted in the death of a US Ambassador, congressional transition delays that led to demonstrations, and a military general (Khalifa Hiftar) led a military assault against Islamic militant groups that gained him popularity in Eastern Libya by September of 2016. In April of 2019, General Hiftar disregarded elections led by the United Nations and called for the occupation of Libya. Hiftar advanced his army from Benghazi to Tripoli. This proxied civil war lasted until June of 2020 when Turkey heavily aided the General National Congress and took Haftar forces out of Tripoli and on the defense. This led to a cease-fire organized between the UN-backed government and Haftar loyalists. After talks of a peaceful solution, both parties agreed on a national election on December 24th, 2021 (the anniversary of Libya’s Independence Day). As you already realize, there have been a number of foreigner interventions\influence that have altered Libya’s governmental, social, and economic structure. Below highlights the two governmental blocs and which foreign countries had influence:

- **Government of National Accord (GNA) led by Fayez al Sarraj:** Turkey, Italy, Qatar
- **House of Representatives and Libyan National Army led by Khalifa Hiftar:** Russia, United Arab Emirates, France, Egypt, Saudi Arabia.

With the two governmental blocs fighting among each other, it brings a number of insecurity issues, governmental and tribal conflicts, and a disregard for the Libyan people. All of this destruction is caused by one significant element, oil. According to The Fund for Peace, Libya was measured as the highest level of fragility since 2010.¹⁹ Currently Libya has found a temporary standstill, ever since ceasefires have been administered on October 23rd, 2020. Elections will take place on December 24th 2021. The United Nations are heavily involved in the election process ensuring that every candidate is vented and a proper constitution is conducted prior to the election, something that has been a struggle to resolve as of late. Richard Norland, the US special envoy for Libya, accused “several members” of the forum of apparently trying to insert “poison pills” to ensure elections will not happen “either by prolonging the constitutional process or by creating new conditions that must be met for elections to occur.... We hope the 75 Libyans in the LPDF will re-dedicate themselves to allowing the 7 million Libyans throughout the country to have a voice in shaping Libya’s future,” he said.... Christian Buck, director of Middle East and North Africa at the German Foreign Ministry, urged the LPDF members to stick to the road map to elections in December... Any postponement would open doors to dangerous scenarios,”.²⁰

Petro-Analysis



Sources: U.S. Energy Information Administration, International Energy Agency | Bill Webster and Gene Thorp/The Washington Post March 16, 2013

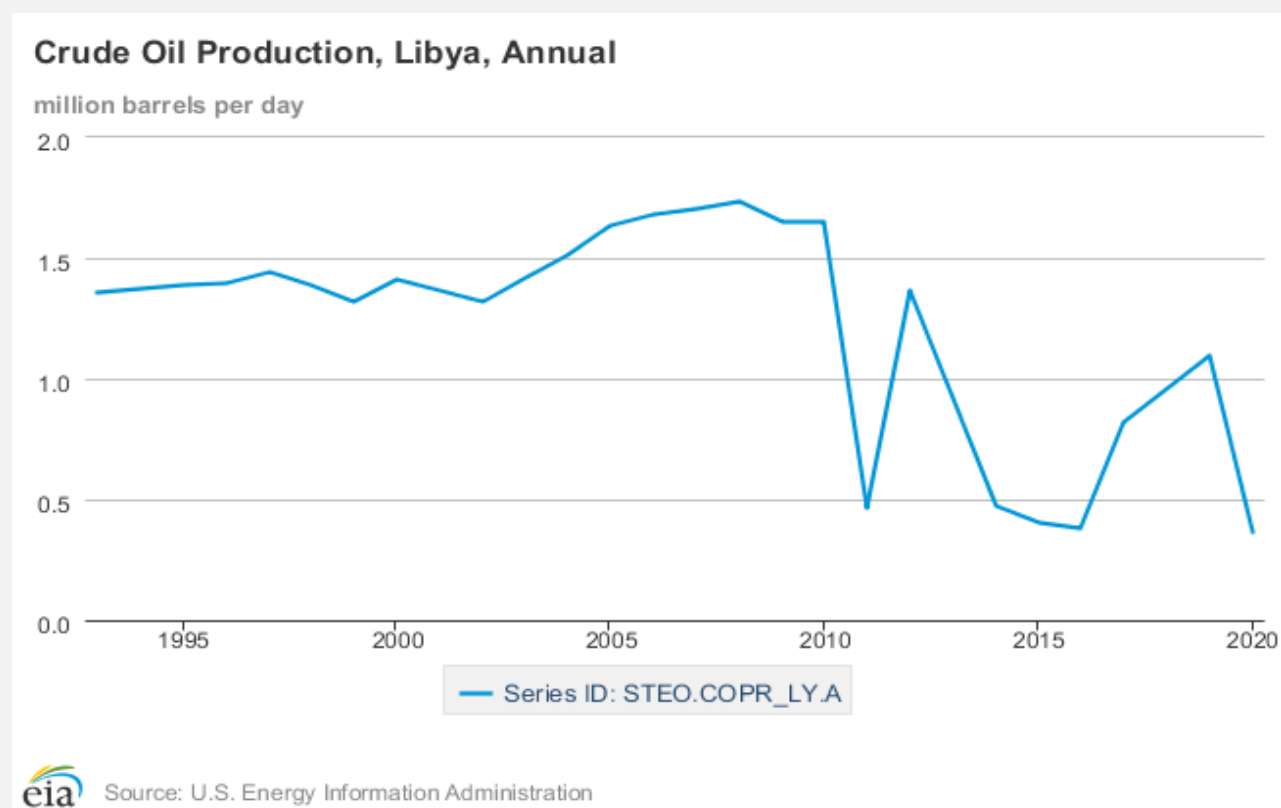
Petro-Libya between the two regimes

The United Kingdom of Libya attracted oil from Sirte in 1956. In 1955, Libya's petroleum law was constitutional and amended in 1961 and 1965, meant for the Libyan government to obtain revenue shares from oil production as states in the petroleum law of 1955, "All the petroleum that exists in Libya in its natural state in the strata of the earth shall be the property of the Libyan State."²¹ By 1959 major companies such as Texas Gulf and Mobil were granted mining which resulted in multiple oil discoveries throughout the country. "Concerned about domination by foreign interests, Libya passed basic minerals laws in 1953 and 1955; "...

multiple concessions were then granted to Esso, Mobil, Texas Gulf, and others, resulting in major oil discoveries by 1959. By 1969, production from the Sirte Basin (as shown the map above) exceeded production from Saudi Arabia (3 million barrels of oil per day (MMBOPD), which has now decreased to 1.5 MMBOPD”²² As petroleum resources continue to mount, Libya introduced a Five-Year plan from 1963-1968. The federal form government within Libya felt hesitant of the new oil production due to the decline of agricultural Revenues. By April 1963 an adoption by the parliament dismantled the federal form of government in order to replace it with a unitary monarchical form of government.

With petroleum emerging rapidly in Libya, Gaddafi established the National Oil Corporation (NOC) on November 12, 1970. The NOC became a very strong political entity within the Libyan government which holds the largest oil reserves in Africa with roughly 48 billion barrels of crude oil. Gaddafi’s vision of congressional controlled ventures enabled the NOC to focus on Production sharing agreements (PSA), which is an agreement between an extraction company and a member state to manage the extraction and profit from a country. “Law No. 24 of 1970 creates the National Oil Corporation (NOC), replacing the General Libyan Petroleum Corporation which was established under Law No. 13 of 1968. The law was promulgated in line with the nationalization of the petroleum industry in Libya, enabling the state to assume oil sector operations. The law empowers the NOC to enter into contracts - named Exploration and Production Sharing Agreements (EPSA) - on behalf of the Libyan Government, thereby making participation of other companies in the upstream sector possible.”²³ In this case, the NOC would share oil profits from foreign extraction companies such as Occidental Petroleum (Italy), By 1971, Libya was one of three countries that started exporting Liquefied natural gas (LNG). The NOC operated in Marda Al-Brega however by 2011, the plant was

damaged during the 2011 revolution.²⁴ In addition, in the 1970s Libya mandated socialist nationalization program under which the government either nationalized oil companies or became a participant in their concessions, production and transportation facilities. Following the 1973 Arab-Israeli War, Arab states enforced an embargo on oil exports to countries that supported Israel, targeting western countries such as the United States. The 1973 oil crisis increased global demand, while Beyond Petroleum (BP) convinced some member states to hesitate about importing from Libya. On March 18, 1974, the Arab oil ministers ended the US-embargo, with Libya being the sole exception.²⁵ When the US sanctions against Libya emerged, NOC's contracts spread to other western regions, and production fell. After the sanctions ended production the Libyan economy slowly expanded which eventually led to the 2011 revolution which significantly reduced crude oil production (as shown on Figure 2) to 0.46 million barrels per day, a major dip from the previous year (2010, 1.65 million barrels per day).



(Figure 2 above)

As stated previously, the 2011 revolution significantly reduced crude oil production (as shown on Figure 1) to 0.46 million barrels per day, a major dip from the previous year (2010, 1.65 million barrels per day). “This case can be made empirically as evidenced by the 2011 North Atlantic Treaty Alliance intervention in Libya, which curtailed Libya’s approximately two million barrel per day pre-war oil production and resulted in global concern over how to offset this reduction in oil supplies. Admittedly, two million seems an arbitrary benchmark, but the action taken by the International Energy Agency (IEA) following the disruption of Libyan oil supplies reinforces the supposition that two million barrels per day taken off the global energy market is a consequential number. OPEC’s spare capacity was either withheld for political or other reasons, and was not able to offset the two million barrels per day taken off the global energy market. Hence, in June 2011, the IEA Executive Director, Nobuo Tanaka announced that “...the 28 IEA member countries have agreed to release 60 million barrels of oil in the coming month in response to the ongoing disruption of oil supplies from Libya. This supply disruption has been underway for some time and its effect has become more pronounced as it has continued...Greater tightness in the oil market threatens to undermine the fragile global economic recovery.”²⁶ Thanks to those domestic and foreign efforts, a 90 percent bump in production enabled Libya to reach 1.36 million barrels per day according to EIA.

Libya's Oil production from 1993-2020 (Figure 3)

Period (Yearly)	Value of unit (Million barrels per day)
2020	0.364
2019	1.093
2018	0.961
2017	0.818
2016	0.384
2015	0.403
2014	0.470
2013	0.918
2012	1.366
2011	0.465
2010	1.65
2009	1.65
2008	1.735
2007	1.701
2006	1.681
2005	1.633
2004	1.515

2003	1.420
2002	1.318
2001	1.365
2000	1.410
1999	1.318
1998	1.39
1997	1.445
1996	1.400
1995	1.39
1994	1.377

Oil Production during political instability

Oil production has been at all-time lows during 2014-2017 as low as 384,000 barrels per day (2016) lower than the 2011 Libyan revolution\Civil War (465,000 barrels per day). Since 2017, Libya's oil production started to rise to 818,000 (2017), 961,000 (2018) and a touch under 1.1 million barrels per day in 2019. Due to the struggle factors with coronavirus and the political instability in Libya, oil production was as low as roughly 350,000 barrels per day but started to recover quickly as the head of the NOC, Mustafa Sanallah revealed that Libya has reached 1.3 million bpd and predicts an increase in production by the end of 2021. "Sanallah told Bloomberg TV that the NOC was working toward lifting oil output to 1.45 million barrels per day (bpd) by

the end of 2021 and to 1.6 million bpd in two years as well as 2.1 million bpd in the four coming years.”²⁷ Sanallah, continues by highlighting the petroleum law back in 1995²⁸, "One of the reasons for the rapid recovery of oil production is the NOC's strong institutional management as a result of the law established by the founding fathers," Sanallah said, pointing out that the Libyan oil law, which was enacted in 1955, is one of the oldest petroleum laws in the world.²⁹

Over the past 3 years the proxy war normalized scores of deaths, random kidnappings, and disastrous political instability due to the roller coaster of oil production in Libya. In the same time, the rise of oil production has somewhat stabilized the country from a temporary ceasefire- this also plays a part in the political instability from a reactionary event such as war, militia-like monarchs, and vacuumed ideologies. More importantly, the vulnerable liability of petroleum towards a Petro state like Libya begs the question, if petroleum in vulnerable Petro states truly produces sustainable economic stability?

Petro state Vulnerability = Political instability

There's a number of cases outside of Libya that solidify the notion of oil production not manufacturing any sort of genuine economic development. Wealth? Perhaps, yet that category is more of a tokenized privilege than a sustainable economic enterprise. For example, let's add Algeria and Iraq into the mix during the year of 2008 when oil prices boomed as high as \$147 per barrel. All three countries gain a considerable amount of dollar reserves from oil production. This is oil rent which differentiates between the value of crude oil production at world prices and total costs of production.³⁰ Oil rent would usually determine wealth within the value of crude oil production, which is clearly an unsustainable economic procedure. If we compare the oil rent

from 2008 to today's oil prices of roughly \$70-\$75 per barrel (\$73 dollars per barrel as of June of 2021)³¹, the dollars (in billions) held by Iraq, Algeria, and Libya would be more than half hence the economic flow of those countries are affected. Let's get deeper with this question by providing some statistics (Figure 4), fiscal dependence is between total revenue from a country and oil production revenue from the country.

Petrostate fiscal dependence on oil and gas revenue (2015-2018)

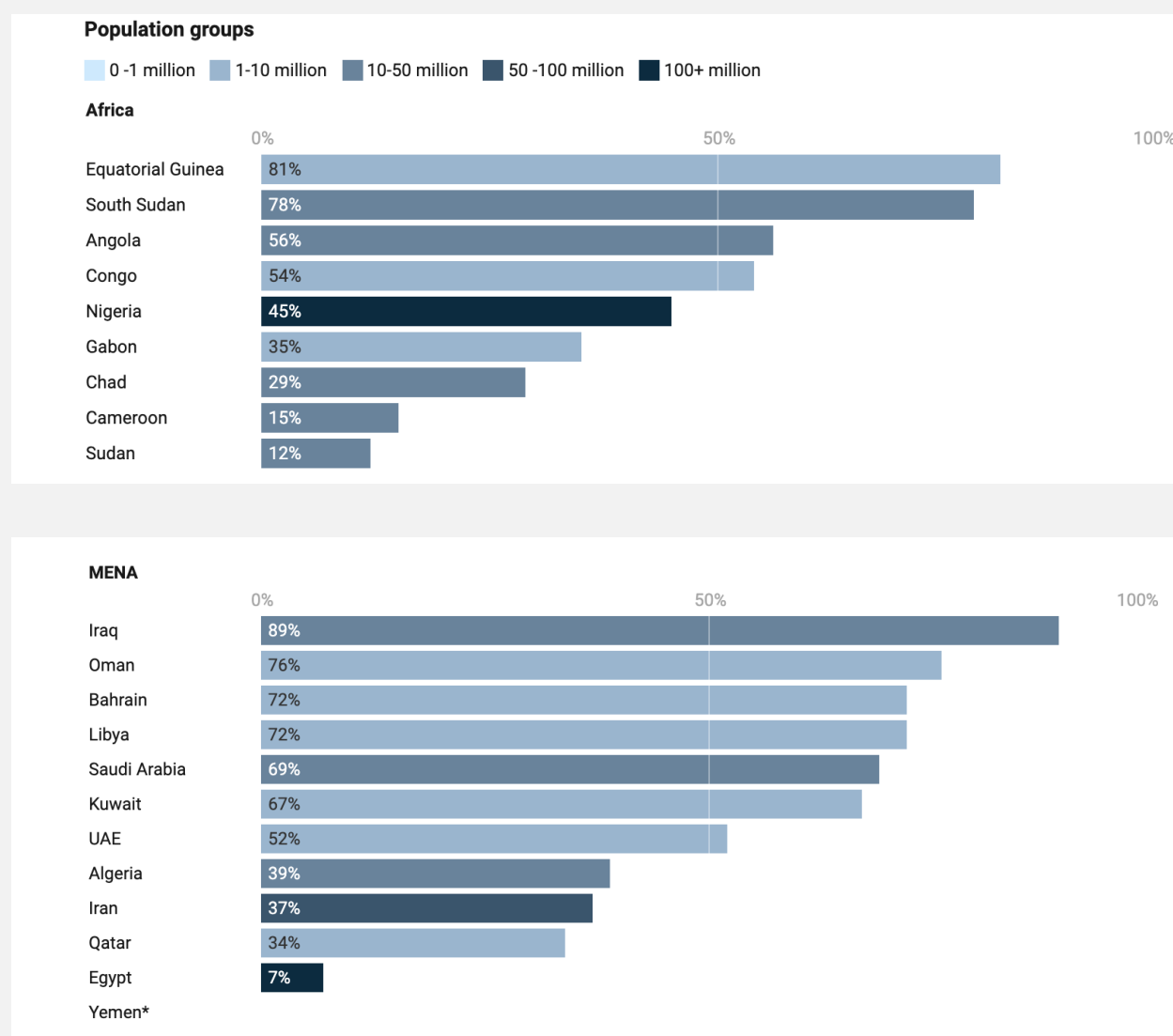


Figure 4: Source - <https://carbontracker.org/reports/petrostates-energy-transition-report/>

Member states such as Equatorial Guinea, Iraq, South Sudan, and Libya heavily rely on oil production's revenue (All over 70 percent) to sustain an economy. Libya is ranked as tier 4 as a petrostate that's fiscally vulnerable with low carbon production as total governmental revenues from oil production is 72%, "400 million people live in the 19 most vulnerable petrostates (tier 4 and 5). Ten countries out of this 19 are currently categorized as "low" in the United Nations Human Development Index...The populations of economies that are heavily reliant on fossil-fuel production are perhaps the most obvious example where the transition will also have some negatives, for example, lower government revenues and job losses.....Decisive and forward-looking policies will be required to prevent and mitigate these impacts, both on the part of domestic policymakers and the overseas community.³²

This brings the notion of the relationship between authoritarian rulers and oil companies and how much security and how political instability plays a part in this process, especially for vulnerable Petro states. Michael Klare attempts to answer this question in his book, *Rising Powers, Shrinking Planet*, when he explains that "...an enormous source of latent power for the states that control them....Although often justified on economic grounds, these NOC-to-NOC alliances are clearly also intended to reinforce ties between the governments involved and diminish the influence once enjoyed by the Western powers and the corporate oil giants in energy-rich, once underdeveloped and colonized areas of the world."³³ Out of the top 20 oil producing reserves, only four are private (Exxon Mobil, Lukoil, Royal Dutch Shell, and BP) while the rest are NOC's with NIOC (Iran) leading the oil reserves.³⁴

The New Clean Industrial Colonization

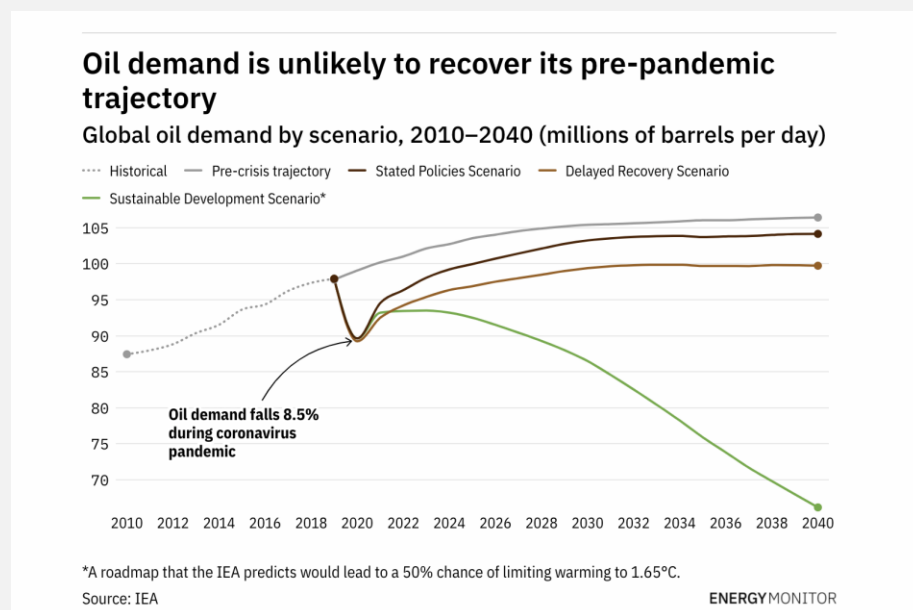


Figure 5

This demands for an alternative form of economy for vulnerable Petro states to ideally reduce Petro influence, political instability and generate local jobs to enhance member state's economic structures. Especially with the mainstreamed outlook on climate change. As shown above, oil demands fell over 8% during the coronavirus pandemic, and expected to fall behind expectations overtime. Petro states will suffer during this timeline and civilians living in those vulnerable Petro states would be the biggest loser in this equation.

Why doesn't it work? Why can't petrostates just adjust to alternative energy? Although a lot of foreign influence is now focused on economic surpluses (such as oil and labor), the influence of clean energy innovations could be the "new clean industrial colonization". "First and foremost, a major barrier faced by the renewable energy sector in Africa is the vast amounts of money and political power going towards the fossil fuel industries. In Tanzania, powerful gas

lobbies are successfully blocking the expansion of hydropower projects (Ahlborg and Linus 2014). Carl Death asserts in his book, *The Green State in Africa*, that politicians in South Africa, who have backed their careers on fossil fuels, effectively make any meaningful transformation of South Africa's high-carbon development strategy in the medium term almost impossible. He describes what he calls the Minerals-energy Complex (MEC), in which mining, electricity, and manufacturing companies are closely connected to state elites. Again, this complex has roots in early European colonization, and flourished during interwar and post-World War II, as state corporations heading dirty industries exerted serious political power over South Africa, fusing together the state and the market."³⁵ Such colonial policies have hindered populations by the masses, for example, Puerto Rico's economy was already in crisis before Hurricane Maria and colonial policies such as 1920 Jones Act or better yet the 2016 PROMESA set the country up for devastating outcome, "Accompanying this energy backdrop, in 2016, President Barack Obama and the US Congress approved PROMESA, which granted unbridled power for "managing" the debt crisis to an undemocratically elected control board, locally called "la junta." Numerous individuals and groups have criticized PROMESA for, its neoliberal austerity agenda and sweeping oversight abilities. Board members have proposed, cutting retirement pensions, closing numerous K-12 schools, gutting funding for the public university system, and fast-tracking "critical" energy projects (PROMESA, 2016)."³⁶ This policy example is meant to explain the dynamics of colonial policies between the "global north" and vulnerable member states. To focus back to the relationship between vulnerable Petro states and renewable energy, let's take a look at the map on figure 6, *Democracy and the Distribution of NGOs promoting renewable energy in Africa*, the number shown on each country is the number of Non-governmental organizations (NGO) in each country that advocates clean energy. As shown, Libya has zero organizations,

with studies showing that these renewable energy NGOs are more likely to advocate in member states that have larger populations and are more democratic.³⁷ Variables that Libya lacks.

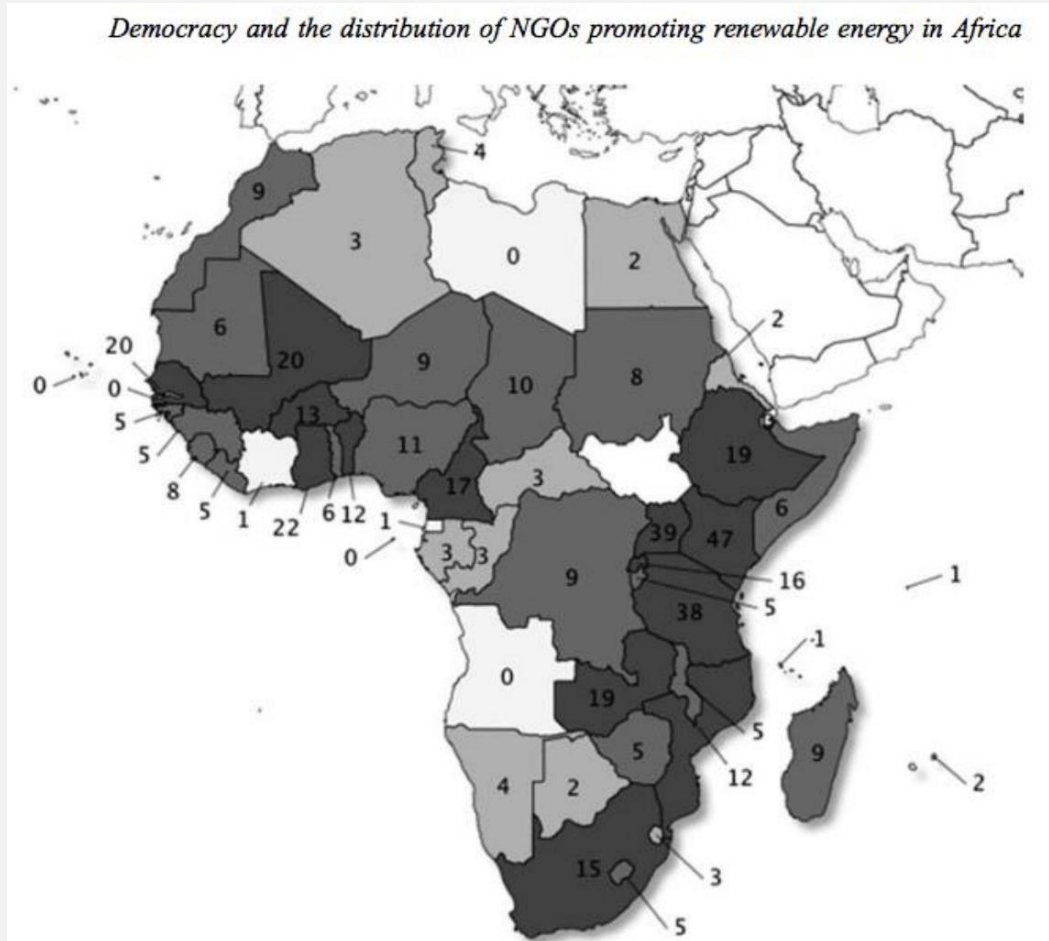


Figure 6- Source: Maclean et. al. (2014)

Discussion and Conclusion

Throughout this research I have identified a number of questions and relationships which are rooted from the relationship between the petrodollar and the Petro state. Furthermore, I examined the relationship between Petro state and political instability and how a vulnerable Petro state such as Libya (74%) faces political instability. Even though I came into this research with a hypothesis that alternative or clean energy would be the solution to eliminating political instability, I discovered that foreign influence or colonial practices will also shape politics under a “green economy”.

Political Instability Leading to Libyan Suffrage

For Libya’s case, the political roller coaster is rooted by the price, demand, and production of petroleum. The vulnerable outcome from this commodity has led to Libya’s political instability. These instabilities have caused the government to have a number of unsustainable regimes since the Ottoman occupation. Once oil production became a common practice in Libya, the mass population continued to experience unemployment, human rights abuses, and political instability. Pre-oil Libya had a somewhat sustainable constitution with basic modern civil liberties. Yet it was overruled by western influence by inserting Qaddafi into power. That caused an unpredictable outcome for the western states and Gaddafi Opted to not become “western friendly” and had his own ideologies especially when oil production ramped up. Through the oil embargo sanctions, the people of Libya suffered especially with Gaddafi’s green book in limiting the working class. Once the revolution erupted in 2011, western powers jumped on the opportunity to support the Gaddafi opposition by and large to halt Gaddafi’s plan to counter Henry Kissinger’s Petro dollar economy and bring the global currency into the golden

standard.³⁸ In the present day, Libya is attempting to hold elections on December 24, 2021, backed by the United Nations, nearly 70 years after King Idris held power from the approval of the United Nations. It's all one big circle of 'history repeats itself' except for this case, history is repeating due to the political instability that was contingent on the revenue of oil production. If Gaddafi shared simply a minimum fraction of the oil revenue that he obtained to civilians, he would still be Libya's current ruler. So why become reliable?

Libya's NOC relying on the petrodollar will only increase political instability because foreign influence will continue to impact Libya's soc-economic structure as shown from 2014 to 2017 with a civil war that had less to do with people's demands and more towards which foreign country gets a bigger piece of the oil pie. Illuminate that, and I believe political instability would reduce in Libya, long term. Different forms of economy must arise in Libya, which is why I propose the following:

- Finding a sustainable threshold of oil production in revenue per day; for example, limiting the oil barrels per day to 1.3 million. Taking a percent of the surplus and investing in other economic enterprises like agriculture but most importantly sustainable forms of energy such as hydro, thermal, wind etc.
- Clean energy investments must be manufacturing streams in order to have Libyan clean energy systems with Libyan workers on Libyan grounds.
- Working with collaborative clean energy NGO's and Petro states in the region to develop educational sustainability methods to spread awareness on pollution, carbon outputs and global warming dangers.

- Implement carbon capture, storage and utilization systems in every Libyan oil port and advocate other Petro states and invest in similar oil sustainability methods.

For those who are seeking to further their understanding between Petro states and political instability, here are additional research questions:

- What is the relationship between a Petro state's foreign influence and a vulnerable member state's clean energy industry?
- How to counter clean energy's industrial colonization? What could we learn from petroleum's industrial colonization?
- Why is forming a sustainable constitution for vulnerable member states so difficult?

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