Building a New Foundation for Stability in Libya

By William Danvers

March 2016
Building a New Foundation for Stability in Libya

By William Danvers  March 2016
Introduction and summary

For almost five years, Libyans have struggled to build a new political order for their country out of the wreckage left by Moammar Gadhafi’s four-decade dictatorship. Despite successful national elections in July 2012, political factions backed by various militias have sought power at the expense of their rivals. As a result, Libya’s oil production and, consequently, its economy have collapsed along with any semblance of a post-Gadhafi political order.1

This violent struggle for power has created a security vacuum, filled in part by the Islamic State of Iraq and al-Sham, or ISIS, and various Al Qaeda-linked terrorist groups, such as Ansar al-Sharia. In the past year, Libya has become a strategic location for ISIS. Due to coalition military pressure, the group has told recruits to head for Sirte in Libya rather than stay in Syria or Iraq.2 The growing presence of ISIS in Libya—now estimated to total as many as 6,500 fighters3—represents a direct security threat to the United States and its allies in Europe, the Middle East, and North Africa.

As this threat grows more acute, the United States and its allies have been forced to re-evaluate their Libya policies—a process that is still underway. Since the 2014 breakdown of the post-Gadhafi political order, the United Nations has led the international community in attempts to bring Libya’s warring political factions together under a national unity government. The hope is that the offer of help from the United States and other countries to rebuild Libya’s governing institutions would provide an impetus for Libyans to come together in a new, unified government, strengthening Libya’s sovereignty and unity as a result. This is, however, a long-term approach that does not address the immediate challenges posed by ISIS and other terrorist groups.

Libya today epitomizes the complicated situation the United States faces in developing and implementing a cohesive strategy across the Middle East and North Africa, or MENA, region. The United States seeks to help countries produce stable governments with political legitimacy and functioning institutions in the long
term. But short-term security threats from terrorist groups and other non-state actors that require immediate responses make achieving the long-term strategy more daunting. For example, actions taken to fight ISIS in Libya could undermine diplomatic efforts to forge a national unity government or build adequate governing institutions. Similarly, delaying action against ISIS until a Libyan national unity government is formed gives the group more time to increase its reach in Libya, the region, and beyond.

Another issue centers on how to define U.S. leadership and engagement with other countries that have a stake and responsibility in Libya. The United States has tried to work cooperatively with nations in the region and Europe in order to support Libya. At times, these governments have been slow to respond to the challenges Libya presents and, in some cases, have taken steps that are counterproductive to addressing the short-term security threats and long-term goal of producing a functioning government. The urgency of the moment in Libya provides the U.S. with an opportunity to show resolve and leadership in building a proactive strategy aimed at both producing a new foundation for long-term stability and addressing immediate threats. Taking action now could help avoid the kind of crisis the international community currently faces in Syria.

This report offers several recommendations in the areas of security, diplomacy, and the economy that the United States and its allies should undertake in Libya.

**Security**

- Create an international Libya support group, or ILSG, that would—among other things—coordinate all security related efforts, including airstrikes against ISIS and other terrorist groups; intelligence sharing; and possible deployment of troops in accordance with international law

- Prepare to help Libya rebuild its security institutions

- Provide assistance to vetted Libyan militias in order to retake territory from ISIS until unified national-level security institutions can be established

- Increase support for security forces protecting oil facilities

- Provide border control assistance to Libya’s neighbors, especially Tunisia
Diplomacy

• Offer support and assistance through the G7 and G20 in order to incentivize Libya’s political factions to agree to a national unity government

• Support civil society to help Libya establish a functioning, unified government

Economy

• Secure and invest in Libya’s energy sector to make it more competitive

• Support job creation, especially for youth and demobilized militia members

• Develop the private sector, including through working with existing Libyan economic institutions

The challenges in Libya require a long-term approach, as well as a coordinated international support and structure. The country’s many problems will not be solved overnight. The next U.S. administration will still be dealing with these issues. The most immediate concern for Libya, its neighbors, the United States, and the European Union is the increasing terrorist threat in the country, particularly ISIS.

If the Libyan people can come together, support from the United States and the international community should be substantial and sustained until the economy can be revived and a degree of stability is established. If Libyans continue their infighting, legitimate actors and the factions that renounce extremism will require support to counter the ability of terrorists to exploit the power vacuum. Either way, the U.S. commitment to Libya will need to increase and continue in order to protect U.S. interests and security.
Making hard choices in the fight against ISIS

The most immediate challenge facing the United States in Libya is the rise of ISIS. Its ascent has coincided with the conflict between Libya’s two main political factions: the Islamist-led Libya Dawn coalition that took over Tripoli in August 2014 and the internationally recognized government currently residing in Tobruk. The Tobruk government is backed by the forces of “Operation Dignity,” retired general Khalifa Hiftar’s anti-Islamist campaign, which began in May 2014.4

ISIS announced its presence in the western coastal town of Derna in October 2014. Although local militias drove the fighters out of Derna because of ISIS’s draconian ruling style, the terrorist organization regrouped and took control of the city of Sirte in May 2015, drawing on the support of disgruntled Gadhafi loyalists. By some estimates, ISIS presently controls as much as 180 miles of Libyan coastline near Sirte.5 This strong ISIS presence along the Mediterranean coast poses a significant danger to Libya, its North African neighbors, and Europe. The possibility of ISIS plotting attacks against Americans from Libya cannot be ruled out.

New ISIS recruits are increasingly directed to head for Libya rather than Iraq or Syria. ISIS is also able to recruit defectors from Al Qaeda-aligned Libyan factions who see it as a viable alternative.6 At the same time, Libya is becoming a place of refuge for ISIS leaders escaping the war in Syria and Iraq, making Libya an alternative place of operation for ISIS. Finally, foreign fighters from Tunisia, Egypt, Sudan, and Algeria have joined ISIS in Libya, since it is a closer destination than the Levant and can offer a training ground for ISIS operatives to expand operations in North Africa.7 The recent expansion of ISIS in Libya reinforces its main propaganda theme: It is enduring and expanding.

The United States has undertaken unilateral counterterrorism operations in Libya to defend itself and its allies. American airstrikes killed an ISIS leader outside Derna in November 2015 and hit an ISIS training camp in western Libya in February 2016.8 Other strikes have targeted Al Qaeda-linked leaders.9 Indeed, the threat to the United States and its allies from Al Qaeda-linked groups such as Ansar al-Sharia should not be overlooked. But ISIS represents the most clear and pressing danger to the United States and its partners.
For the moment, the United States and its European allies are waiting for the Libyans to form a national unity government. The hope is that, once this government is formed, it will be able to coordinate with the United States and the European Union in fighting ISIS. While working with a unified Libyan government is preferable, the United States and its allies may find themselves in the difficult position of being compelled by their own security interests to pursue a more aggressive approach against ISIS in Libya—with or without a national unity government. U.S. Secretary of Defense Ash Carter said the formation of a new government was not a precondition for the United States going into Libya on its own, adding, "We need to protect ourselves." Hopefully, the Libyan people will use this warning of possible unilateral action against ISIS to support the formation of a new government.

A more aggressive approach would likely be similar to the Obama administration’s counterterrorism campaign in Iraq and Syria, including a combination of airstrikes and special operations raids in support of local forces that are fighting ISIS on the ground. U.S.11 and French special operations forces are reportedly already on the ground in Libya, indicating a more robust campaign against ISIS.12 Although a more assertive security effort would not necessarily entail abandoning the quest for a national unity government and political reconciliation between Libya’s two main factions, it would make it more difficult. A potential risk in engaging militias to fight ISIS is the exacerbation of existing rivalries between armed groups or the creation of new ones. Nonetheless, enlisting vetted local militias—U.S. special operations forces are reportedly doing this already13—may be necessary as ISIS becomes more of a threat in Libya.
Putting Libyan politics back together again

Libya’s post-Gadhafi political transition started off well. In July 2012, elections were held, and a coalition of relative liberals that made up the interim Transitional National Council defeated Islamist parties led by the Muslim Brotherhood. Unfortunately, the new authorities failed to adequately disarm the militias that had helped overthrow the Gadhafi regime or incorporate them into new security institutions. As a result, Islamist parties were able to coerce significant concessions from the new parliament and intimidate their opponents, and Islamist militants linked to Al Qaeda found themselves able to operate freely across Libya. In opposition to Islamist groups, former General Khalifa Hiftar launched Operation Dignity in Benghazi with the support of Egypt and the United Arab Emirates in May 2014.

The struggle for political power between Islamists and their opponents culminated in Tripoli in August 2014. Libya Dawn—a coalition of Islamist militias backed by Turkey and Qatar—unseated the elected parliament by force. Parliamentarians fled to Tobruk to re-establish themselves as the House of Representatives, or HoR, recognized internationally as the legitimate government of Libya.16 Operation Dignity allied itself with the HoR in opposition to the General National Congress, or GNC. The GNC remained in Tripoli under the control of Libya Dawn and its allies.

The U.N. Support Mission in Libya, or UNSMIL, has been working with both sides of the Libyan political divide in an effort to find common ground. The outline of a U.N. plan to form a unity government was announced in Skhirat, Morocco, in the summer of 2015, and in December 2015, the United Nations brokered a deal in an attempt to get these two groups to participate in a Government of National Accord, or GNA.17 The framework for establishing a GNA involves setting up a presidency council that consists of a prime minister and deputies, as well as ministers. The council would be largely responsible for security, including commanding the Libyan army. However, there are already fissures in support for the new government. One example is a recent HoR vote against a unity government, although there was another HoR vote in support of the overall framework.
of the U.N. agreement supporting a political transition for Libya.\textsuperscript{18} Giving the security responsibility to the council is a major roadblock for the HoR and Hiftar supporters, who believe Hiftar and Operation Dignity should be in charge of security.\textsuperscript{19} For its part, the GNC expelled a group of its members that signed the U.N. agreement, saying they had no authority to do so.\textsuperscript{20}

As imperfect as the U.N. process has been, it is the most organized of all endeavors to pull together a post-Gadhafi Libya. The signing and implementation of the U.N. sanctioned plan to establish a GNA is an essential part of rebuilding Libya, as well as fighting ISIS. It is clear that there must be active and sustained support from the United States and other supporters of Libya in order for the U.N. effort to succeed in forming a unified government. Continuous high-level engagement with key Libyan political actors is necessary. It means making sure that all sides understand there will be help for a new Libyan government—security, political, and economic—if Libyans can get behind the U.N. effort. This would include integrating the international community’s counterterrorism efforts as part of the overall effort to work with and assist a new government.
Rebuilding Libya’s economy for the long haul

Libya’s political and security crises have crippled the country’s economy. Oil production has fallen from a post-Gadhafi high of 1.4 million barrels a day to the present production of approximately 400,000 barrels a day, and the informal value of Libya’s currency has dropped by more than half. In 2016, Libya’s gross domestic product, or GDP, is expected to contract 8 percent, making it the world’s worst performing economy. Youth unemployment in Libya was estimated to be as high as 50 percent in a 2014 African Development Bank report.

Libya’s economy is almost entirely dependent on its energy industry. Oil and gas revenues account for 80 percent of the country’s GDP, 95 percent of its export revenue, and 99 percent of its government revenues. As a West Point Combating Terrorism Center report put it, “Without oil there are no jobs. Without oil there is no food.”

Despite severe security and political problems, Libya still possesses some functioning institutions on which to base a revitalized economy. The National Oil Corporation, or NOC, for instance, has a functioning infrastructure, although its facilities have been under attack. Given the central role energy plays in Libya’s economy, it will be critical to protect this infrastructure while the country’s political factions resolve their differences.

In addition to the NOC, Libya has two other functional economic institutions: the Central Bank of Libya and the Libyan Investment Authority, or LIA. These institutions should be kept as politically independent as possible in order to support post-conflict reconstruction. The cost of Libya’s infrastructure needs is $200 billion over 10 years according to World Bank estimates.

Over the long term, Libya will remain unstable as long as it lacks a functioning economy and a private sector able to provide jobs and income to its citizens. The LIA board has developed a comprehensive plan for economic stabilization that includes efforts to build institutions that can support a more diverse economy. The crux of the problem for Libya is that it has no private sector to
speak of, which is necessary to create jobs and foster economic growth. In a recent interview, Hassan Bouhadi, chairman of the LIA said, “The private sector was virtually destroyed over the last 30 years, especially during the 1980s and 1990s because of the socialist ideals of Gaddafi … It was difficult to open a barber shop, let alone have a factory or a law firm. The private sector is weak and needs support and funding.” Bouhadi has indicated he wants to use some LIA assets—which, according to some sources, total $67 billion—to jump-start the Libyan private sector. He wants to develop public and private partnerships and diversify the Libyan economy so that it is not solely dependent on hydrocarbon assets and production.

Rebuilding Libya’s failing economy will take resources and commitment on the part of the United States and its allies. This will necessarily involve not only governments but also international organizations and the private sector. It cannot be done, however, unless the Libyans first accept and implement the U.N. agreement. There can be no rebuilding of Libya without a unified Libyan government. The U.N. agreement to form a unified government should be viewed as a first step in helping Libya, and preparations should be made to motivate parties to support the U.N. plan. Ultimately, Libya’s success or failure is in the hands of the Libyan people. They need international help, but the decision to form a government and create new institutions that are responsive to the people is up to them.
While Libya is in crisis politically, economically, and militarily, there is an opportunity—albeit a narrow one—that could begin to change the country’s course. The first order of business is to deal with the growing threat of ISIS. It would be best to do that with a new, unified Libyan government, but the possibility remains that the United States and others will step up their fight against ISIS directly if necessary. Getting the U.N. agreement in place is also a requisite for helping Libya rebuild political institutions, as well as its economy. The United States and other concerned nations should make a firm offer of assistance if the Libyans can come together politically. Below are some general recommendations of how to deal with security problems, particularly ISIS, as well as what could be done to help a new Libyan government.

Security, the fight against ISIS, and rebuilding Libya’s military

The success of Libya’s political process will help to determine both how the United States and its allies can engage ISIS in Libya and how they help Libya build its own internal security structure. Ideally, anti-ISIS efforts could be coordinated with a national unity government, but this priority must be balanced against the need for immediate military action in order to prevent ISIS from becoming more entrenched in Libya. The Obama administration has rightly signaled its intention to scale up operations against ISIS targets. It is now faced with the delicate task of finding partners on the ground to fight ISIS in a way that does not undercut the politics of government formation. To achieve this balance, the United States and its allies should take the following steps:

• Create an international Libya support group. While the African Union, or AU, and United Nations have groups working to help Libya, the United States should call for the creation of a ILSG—similar to the International Syria Support Group—in order to have a regularized format for high-level consultation and coordination. The ILSG would, among other things, establish a Libyan
security-coordination mechanism to ensure the effectiveness of the international strategy to defeat ISIS in Libya. Working with the military leadership of its participants, the ILSG would coordinate airstrikes, intelligence, and special operations activities in Libya in accordance with international law. It should also be the main point of contact for vetted militias who will join the fight against ISIS and take charge of training and assisting a Libyan national military in the fight against ISIS in the event that a unity government is formed. The ILSG would also make certain there is not geopolitical competition—among MENA nations in particular—in Libya, which could undermine the fight against ISIS and Libya’s efforts to form a unity government.

- **Prepare to help rebuild Libya’s security institutions.** Though the United States and its European allies cannot depend on Libya’s political factions to come together to protect their own security, they can begin their planning to help rebuild Libya’s security institutions if and when a national unity government invites them. Careful planning will be needed in order to build a set of institutions that can both take on ISIS and remain unified nationally. Special attention will need to be paid to the demobilization and reintegration of militias, as well as to forces charged with securing the country’s oil infrastructure and borders.

- **Support assistance to vetted Libyan militias.** The United States and other members of the ILSG should carefully coordinate limited assistance to militias and other irregular forces to combat ISIS. The effort should focus on militias that have a particular incentive to fight ISIS and have been vetted by U.S. Special Forces. The immediate goal should be to help these groups defend their territory and stop ISIS expansion. Any assistance should be provided with a careful eye on the balance of power among the militias and the corresponding effect on the national political process. Again, this support should be something the United States and its partners coordinate with a potential unity government.

- **Increase support for security forces protecting oil facilities.** The United States and its allies should prioritize coordinating and supporting Libyan oil-field security forces that can protect oil facilities from ISIS.

- **Provide more effective border-control aid for neighbors.** The United States and its allies should also assist Libya’s neighbors in better controlling their borders with funding, training, and technical assistance. Given the large proportion of militants it has produced and the terrorist attacks ISIS has already claimed there, Tunisia should be a top priority. In addition, countries on Libya’s southern border should also be given support for border security in order to help reduce illicit smuggling into Libya.
Diplomatic support of conflict resolution, functional politics, and institution building

An effective diplomatic strategy for the crisis in Libya would operate on multiple levels. At the national level, the United States should continue its support for the U.N.-led effort to help Libyans broker a national unity government. At a regional level, the competition for power should be minimized. At the international level, multilateral bodies and bilateral donors should maximize the incentives for Libyans to reach a settlement. To this end, the United States and its allies should take the following specific steps:

- **Offer an incentive package from major economies.** Working through the G7 and G20 and in coordination with other international efforts, the United States and its allies can provide technical and economic support as an incentive for the Libyans to form a new government. This effort would also involve international financial institutions such as the World Bank and the International Monetary Fund.

- **Support civil society.** At the same time, the United States and the European Union should help Libya develop a vibrant civil society once there is a unity government. Training programs could be provided by organizations such as the National Democratic Institute; the International Republican Institute; the International Institute for Democracy and Electoral Assistance; and the Organization for Economic Co-operation and Development, or OECD, outside of Libya until the security situation improves internally.

Creation of a long-term economic plan

Economic stability has two key components in Libya: stabilizing the oil and gas industry and diversifying the economy. There is little hope of Libya having a functioning economy without a unified government. Nonetheless, the United States and its partners could offer a plan to help Libya rebuild and diversify its economy. In turn, it could be used as leverage to gain support for a new government. The plan could include the following actions:

- **Secure and invest in the oil industry.** As noted above, the first order of business is to secure Libya’s petroleum infrastructure against ISIS. International investment and technical assistance will be required to repair and modernize the oil and gas sector. Libya’s NOC will have an important role in securing the private investment necessary to meet this goal.
• **Support job creation.** Job creation should be a priority in Libya. Private-sector job creation programs will be required for former militia members and young people in particular. The United States and other donors should provide technical and financial assistance for micro-enterprise programs in order to strengthen the small-business sector. By using bilateral and development bank resources—and a model such as the Grameen Bank to sustain capital for small- and micro-businesses—the international community can foster job creation and support the development of the private sector.

• **Develop the private sector.** Over the long term, Libya must develop a diverse private sector. That means creating incentives for business—especially small- and medium-sized enterprises—to develop. This will require technical assistance and investment. International organizations such as the World Bank, regional development banks, and the OECD are best placed to help with this effort. The LIA can take the lead in helping to fund and coordinate such an undertaking with international financial institutions.

Looking ahead, the United States and its allies should develop a sustained strategy focusing on security, institution building, and the Libyan economy. It is clear that while the preference of the United States and its partners is to work with a new Libyan government in the fight against ISIS, they may need to join the battle even if there is no agreement. For their part, the Libyan people should get behind the U.N. agreement to form a unified government so that they can take advantage of the assistance the international community is offering.
Conclusion

Libya is a failing state, but it has not yet fully collapsed. The U.N. agreement signed in December 2015 is the key to Libya’s survival as a nation. It offers a road map to a united Libya. The Libyan people have to decide whether they can accept this or any plan that will bring them together as a nation.

The process of trying to reach an agreement on the implementation of the U.N. deal is complicated by the growing threat of ISIS. Failed states and political and security vacuums create problems beyond their immediate environment. A failed Libya will be no exception. It will increasingly become a haven for terrorists and criminals. Assisting Libya now with its security, its political institutions, and its economy would have positive consequences for the United States, the European Union, and MENA nations. Policymakers have an opportunity to develop and implement a strategy that responds to the immediate threat of ISIS and the longer-term goal of helping Libya rebuild. The timely and crucial support of Libya would not only prevent its collapse—it would also enable the United States and other concerned governments to protect their own interests in both Libya and the region at large.32
About the author

William Danvers is a Senior Fellow at the Center for American Progress, where he works on a range of national security issues. Danvers has worked on national security issues for 34 years in the executive branch, Congress, various international organizations, and the private sector. Prior to joining the Center, Danvers was the Staff Director of the Senate Foreign Relations Committee for Sen. John Kerry (D-MA) and worked at the National Security Council and State Department during the Clinton administration. He also worked at the CIA, Department of Defense, and State Department during the Obama administration. In addition, he served as deputy secretary-general of the Organization for Economic Co-operation and Development, or OECD, in Paris where he was responsible for relations with nonmember nations, including regional programs in the Middle East, East Asia, and elsewhere.
Endnotes


3 Ibid.


7 Ibid.


11 Ibid.


13 Shinkman, “U.S. Commandos Expand Anti-ISIS War into Libya.”


18 Ibid.


21 Rashed, “Libya Reaches Most Critical Juncture Since Gaddafi’s Fall.”

22 Ibid.


25 Ibid.


29 Ibid.

30 Ibid.


Our Mission

The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.