

International Relations Regarding Libya Are Attracting Attention Along with European, U.S. and Chinese Responses

Ken Koyama, PhD
Chief Economist, Managing Director
The Institute of Energy Economics, Japan

While the whereabouts of Col. Muammar Gaddafi have remained unknown, more than three weeks have passed since a change of government on the collapse of the Gaddafi regime in Libya. For the immediate future, the new Libyan “government” will have to tackle security problems including a possible conflict with Gaddafi forces. Meanwhile, the reconstruction and stabilization of the Libyan economy and national livelihood affected seriously by the civil war are attracting attention as key future problems. On September 1, representatives from the United Nations and other international organizations as well as 63 countries attended a “Friends of Libya” meeting in Paris to discuss how best to help reconstruct Libya.

At the meeting, National Transitional Council Chairman Mustafa Abdel Jalil and other Libyan representatives released a nation-building roadmap including plans to establish a new constitution and implement elections within 18 months. The participants in the meeting announced that the international community would help reconstruct Libya by providing military support by North Atlantic Treaty Organization forces and lifting a freeze on \$15 billion as part of Libya’s overseas assets.

While the meeting has produced the grand direction of the international community’s cooperation in reconstructing Libya, major countries based on various stances are likely to conflict over specific measures. One of the largest factors behind such conflict is the difference between their basic stances on military campaigns against the Gaddafi regime based on a U.N. Security Council resolution. Particularly, European countries and the United States led the military campaigns, while China and Russia abstained from voting on the UNSC resolution and kept a distance from Western nations with their negative attitude about the military campaigns.

It may be needless to say that the restoration of the energy sector is the most important regarding the overall Libyan reconstruction. Since the civil war broke out, oil and natural gas exports

as the key supporter of the Libyan economy stopped with production and export infrastructure damaged seriously. Libya's most important challenge should be to restore its energy infrastructure and develop the largest oil deposits in Africa to reconstruct its economy. But foreign financial and technological cooperation will be required for the challenge. In a sense, this means that new international interests and business opportunities will emerge regarding Libya. Another important point is how interests existing under the Gaddafi regime will be treated.

In this respect, Western countries, which participated in the military campaigns to support the change of government, have promptly demonstrated their proactive attitudes on the reconstruction. In France that hosted the "Friends of Libya" meeting, Foreign Minister Alain Juppe reportedly voiced his hope to have French companies given preferential treatment. In Italy that had colonized Libya and has retained historical relations with the North African country, ENI swiftly signed fuel supply and other contracts with the Libyan NTC and indicated interests in resuming the pipeline for Libyan gas exports to Italy.

In response, Russia has called on the United Nations to lead the Libyan reconstruction and indicated its cautious attitude against some Western countries' bilateral bargaining with Libya. But the most attention-attracting problem would be Chinese moves. China has aggressively implemented investment in the resources and energy sector and infrastructure construction in Libya (and many other African countries). China has reportedly clinched some 50 Libyan investment deals worth \$18.8 billion. Because of such investment, China has remained negative about Western military campaigns against Libya and has kept a distance from Libyan rebels. But such Chinese stance might have backfired. As soon as the Gaddafi regime collapsed, China might have enhanced its approach to the Libyan NTC to protect its interests in Libya. But details remain unknown.

Amid such situation, a Canadian media organization on September 4 reported on the Gaddafi regime's negotiations with Chinese companies in July on arms transactions, drawing major reactions. The report stated that the Gaddafi regime contacted China North Industries Corp. and two other state-run Chinese military industry firms and clinched secret arms purchase deals worth \$200 million. Such deals, if true, may run counter to UNSC Resolution 1970 banning arms sales to Libya. But the Chinese government immediately and strongly denied any arms sales to Libya. The media report's authenticity is uncertain. But the arms sales problem has hardened the NTC's attitude against China. Libya-China relations could sour.

The Middle East and North African crisis, where changes of government have been seen in Tunisia, Egypt and Libya, has produced various spillover effects. Particularly, the Libyan crisis has led to the large-scale reconstruction and relevant international relations as new problems. How major

countries will be involved in Libya's reconstruction including energy development would be important for us to anticipate the future course of the country. Particularly, we may have to closely watch China's diplomacy with Libya to protect its interests in Libya and engage in the reconstruction.

Contact: report@tky.ieej.or.jp

The back issues are available at the following URL.

<http://eneken.ieej.or.jp/en/whatsnew/JPOIEL.html>