

Chapters from the economic policy of monarchic Libya

Péter SZILAGYI
University of Szeged

Introduction

Nowadays, if Libya is the topic any conversation, 4-5 thoughts can be associated with the country in our mind at first. The first one is maybe the most important one as well: it is the „de facto leader” of the State Colonel Muammar Abu Minyar al-Gaddafi¹, who has been representing the continuity and “himself” in the “green republic” for nearly forty years. He is said to have had close relationship with the Arab terrorists in the Middle East in the 70s and 80s supporting them and giving them opportunity to have military training in the bare Libyan desert. In this way he became the enemy of the United States of America very soon, which was proved by the American military bombing on Tripoli in 1986.²

The second fact which is known about Libya is the Lockerbie attempt being connected with Libyan secret agencies. Libyan citizens are supposed to have committed it. Furthermore, it is obvious that Libya can be linked with oil and this country is in connection with the Bulgarian nurses’ case.

Finally, the relationship between the United States of America and the Great Socialist People’s Libyan Arab Jamahiriya seems to be better than earlier. Even Gaddafi is becoming the ally of the United States of America, although he was „the Mad Dog of the Middle East”.³

¹ Muammar Abu Minyar al-Gaddafi (Arabic: *مؤاممار القذافي*, *Mu‘ammar al-Qaḏāfi*) (born 7 June, 1942) also known as Colonel Gaddafi has been the de facto leader of Libya since a 1969 coup. Although Gaddafi has held no public office or title since 1979, he is accorded the honorifics "Guide of the First of September Great Revolution of the Socialist People's Libyan Arab Jamahiriya" or "Brotherly Leader and Guide of the Revolution" in government statements and the official press. In February 2009, upon being elected chairman of the 53-nation African Union in Ethiopia.

² On April 15, 1986, Ronald Reagan ordered major bombing raids, dubbed Operation El Dorado Canyon, against Tripoli and Benghazi killing 45 Libyan military and government personnel as well as 15 civilians.

³ In 2006 the United States of America opened its embassy again in Tripoli after several visits and negotiations.

Several aspects of the economy and society during the colonial era

The previous Libyan history is usually lost in the mists of time. Only few people know that the territory didn't have the status of independent State before 1951 and the territory with the name "Libya" was artificially established in the early 1930s of the Italian colonization.

The territory with colonial dependence had the same function for the Italian as Algeria for France from 1911. The only difference was that Libya has never become such an essential part of Italy as Algeria of France.⁴ At the beginning of the century the public opinion was also for the occupying the coastal area opposite "the boots". It was an obvious view that Libya might be an excellent market for the Italian products and it would mean the solution to the problem of overpopulation in Italy. Finally it could be a "vegetable garden" for supplying Italy. The expectations over Libya were too high and optimistic that time.

The cruel and sometimes bloody pacification lasting for over twenty years had its results in early 30s. The three, previously independent provinces were united under the name "Libya".⁵ It is worth emphasizing, because before the Italian colonization the provinces were never united. Tripolitania had close connections with Maghreb in the field of economy and commerce, Cyrenaica had the same actions with Egypt and Machrek. Fezzan found its account in Black Africa. But from 1934 new chronology began.

During the first period Italo Balbo⁶, who was well-known in both the Italian public life and army, had the post of governor-general in Libya. The colonization policy hall-marked with his name made lots of Italian families head for the desert, whose responsibility was to transform the barren, unproductive territory into the "busy and crowded" beach of Italy. Rome intended to make 300.000 people settle down in Libya over twenty-five years. So as to achieve the goal the government gave all the support and incentives in economy and society. The government organized the transportations and the settlement of families. One morning in October 1938 20.000 settlers arrived in Libya with only one convoy.

The Italian state thought that the agriculture would mean the great, prosperous possibilities in long run. The original inhabitants lost the best areas very soon, which were located at the coast, later they were settled by the Italians. The great Italian landowners were forced to hire Italian workforce on their lands. Besides the state established farms, agricultural plantations, villages as well.

The experts dealing with settlement had certain detailed plans for the newcomers what, how much and how to produce. The simplest solution was growing vegetables and fruit, but a great amount of capital was invested in breeding animals. From the beginning of the 30s great plantations of grapes, fig, olive and lemon were created. The state gave support in order to make the farms profitable, to drill the wells to buy machines and transport the

⁴ There were several attempts in the 1930s to absorb the Libyan territory into Italy, but it wasn't successful because of the outbreak of World War II.

⁵ The parts pacificated by Italians had common public administration and the name „Libya” was given to it recalling the glorious „Roman period”.

⁶ Italo Balbo (5 June 1896 – 28 June 1940) was an Italian Blackshirt (Camicie Nere, or CCNN) leader, Marshal of the Air Force (Maresciallo dell'Aria), Governor-General of Libya, Commander-in-Chief of Italian North Africa (Africa Settentrionale Italiana, or ASI), and the "heir apparent" to Italian dictator Benito Mussolini.

products. The Italian companies collected the crops and took them to the European markets.⁷ It is worth mentioning that in 1938 Italy arranged and organized 90% of the foreign trade of Libya.

The Italians didn't invest any money in establishing great industrial plants during the colonial period, they expanded and developed the operating structure. The producing plants were mainly situated in the bigger, coastal towns making it easier how to find skill workforce and how to solve the problem of transportation. Especially the food industry and the construct industry started to develop from the beginning of the 30s, but on the whole general productivity was going on in the industry.

There were essential investments in the infrastructure. The Italian government focused on developing the railway, the roads, public utilities and parts. It was time when the great coastal route was constructed – in 1937 the so-called Litoranea – the basis of which can contribute to the present traffic in the best way linking Tunisia with Egypt. It is also true that building of the road had serious military function for Italy. Furthermore, the Italian banks were eager to offer credits with favourable conditions to the people starting a new life and they wanted to increase their capital from the Arab original inhabitants.

Benito Mussolini visited the possessions in the northern part of Africa several times and he was satisfied with Italian expansion. It as an interesting fact that a Hungarian count was also the member of the Italian delegation in 1937 and had the opportunity to observe the Italian dictator having the title of "Sword of the Islam" expressing to the Africans with Musulman religion how important the residents' life is for him.⁸

The outbreak of World War II and the opening of northern African frontline plugged Mussolini plans including the political, economic elite's plans about the colonization system. As Italy was involved in the war and Italian, German and English troops fought in North Africa, the area began to decline again and sank into its immobility experienced earlier, before the 20th century. The nomadic animal breeding and the handicraft were more important than the developing colonial agriculture and industry. The economy of the provinces turned inside again as in Tripolitania and Cyrenaica the English military public administration was in force and in Fezzan the French one had the main role.

Several milestones meant the turning point for Libya such as the end of the World War II in 1945, the peace treaty with Italy in 1947 and the decision of the United Nations in 1949 on the independence of the three Libyan provinces and the union in one Kingdom. The main reflection of the change was the declaration of independence at the end of 1951.⁹

⁷ Herkommer Julius: *Libyen von Italien kolonisiert*. Freiburg, 1941.

⁸ MOL K63 OLASZORSZÁG 216. csomó 23/41. Líbia 1939.

⁹ Asal Sami M.: *Die Entstehung Libyens, als souveräner Staat*. Berlin, 1965. and Khadduri M.: *Modern Libya. A Study in Political Development*. Baltimore, 1963.

The first years of the period of United Kingdom of Libya and the introduction of the supporting policy

The new leader of the country – Idris I¹⁰ – had to face several problems at the same time. To make it clear for everybody, the United Kingdom of Libya seemed to be one of the poorest and most incapable of living countries in the world in 1950–1951. It was an example for the economist then and even now how a country can be established without the vital economic sources. There were no raw materials for the industry in the country. The unproductive agriculture was in serious trouble due to the low-quality ground and the lack of water. They exported the components of guns, lorries and airplanes left in the desert after the battles of the world war. Plus income was guaranteed by the export of “esparto grass”¹¹, the price of which was very high on the international market in the early 50s. 90% of the population were illiterate, uneducated and they were on the edge of the society. They could hardly get by. They had their income mainly from the above mentioned agriculture, nomadic animal breeding and handcraft. Their average annual income was 30–40\$.

In the beginning small amount of capital was available for the developments. The economists could see only limited possibilities of expansion and they were pessimistic how to carry out the projects. All in all, the main objective was to develop the agriculture and the animal breeding provided it could help the population to get by and guarantee same export as well. However the Libyan leaders had to be aware of the fact very soon that it was impossible to improve anything without having financial sources and they needed foreign support to maintain the Kingdom and boost the industry.

The financial aid came from different directions into the country from 1951. One of the most quoted and the most controversial agreement so far was the friendly and federal contract with Great Britain in July 1953. It gave exclusive and continuous rights to London so as to have military troops in Libya. The countervalue was only important for Tripoli as England paid annually 2,8 million \$ to Libyan developing organisations and 7.7 million \$ to correct the deficit from 1953/1954 to 1957/1958. The agreement was modified in 1958. Although England paid less, but the agreed 9.1 million dollars increased the income to the budget every year.¹²

Later the support of the United States of America “arrived”. The base of the support was considered the military and economic agreement made in September 1954. Washington had

¹⁰ Idris I, (Arabic: إسماعيل بن عبد العزيز) born Sayyid Muhammad Idris bin Sayyid Muhammad al-Mahdi al-Senussi, (March 12, 1889 – May 25, 1983) was the only King of Libya, reigning from 1951 to 1969 and the Chief of the Senussi Muslim order. The Senussi or Sanussi refers to a Muslim political-religious order in Libya and Sudan founded in Mecca in 1837 by the Grand Senussi, Sayyid Muhammad ibn Ali as-Senussi. Senussi was concerned with both the decline of Islamic thought and spirituality and the weakening of Muslim political integrity. He was influenced by the Wahhabi Movement, to which he added teachings from various Sufi orders.

¹¹ Esparto, or esparto grass, also known as “halfah grass” or “needle grass”, *Macrochloa tenacissima* and *Stipa tenacissima*, is a perennial grass grown in northwest Africa and southern Spain employed for crafts.

¹² Treaty of Friendship and Alliance between Her Majesty in respect of the United Kingdom of Great Britain and Northern Ireland and His Majesty the King of the United Kingdom of Libya, Treaty Series No.3. (1954). H.M.S.O. London, CMD. 9043 (in English and Arabic).

also rights in Libya to occupy and use certain territories for military reasons including Wheelus Air Field¹³ near the capital. In return Tripoli was supplied first with 7 million \$ support and from 1954/1955 to 1959/1960 they transferred 4 million \$ yearly. The support was decreased to 1 million dollars in 1960 with the modification of the agreement, but it was in force for the period of eleven years. The Libyan government intended to spend the American financial support on the special developing programmes, but because of the increasing expenditure it was used to balance to the deficit in most cases. It belongs to the historical truth as well that in the second part of the 1950s the supports by the United States of America were greater than the amount agreed in the contract.¹⁴

We must also be aware of the fact that from the US's point of view Eisenhower, Kennedy, Johnson, from Great Britain's point of view Churchill, Eden and MacMillan transferred the money not only for the sake of the Libyan leader, there were several other events which influenced them: the cold war was getting intense, the Mediterranean had great appreciation, the fact that Great Britain gradual lost its power in Asia being forced to leave Palestine in 1948 and Egypt in 1952. The United States of America had several bases in the Mediterranean. It included an air base in Libya, where the pilot were able to make preparations for their later action in Vietnam. The Soviet Union made an attempt to give economic support several times being aware of the special situation in Libya but it was rejected all the time on the part of Libya.¹⁵ Besides the two main support-suppliers, France, Italy, Egypt, Turkey and Pakistan also gave aid.¹⁶

¹³ Wheelus Air Base was originally built by the Italian Air Force in 1923 and known as Mellaha Air Base. Mellaha was used by the German Luftwaffe during the Battle of North Africa. The US Army Air Force began using Mellaha as a base in January 1943. It was renamed Wheelus Army Air Field (AAF) on 17 May 1945 in honor of USAAF Lt Richard Wheelus who had died earlier that year in a plane crash in Iran. With the crowning of His Majesty King of Libya Mohammed Idris Al-Sanusi I in 1951, United States Air Forces in Europe (USAFE)-based fighter-bomber units also began using Wheelus AB and its nearby El Watia Gunnery Range for gunnery and bombing training. A further agreement between the United States and Libya, signed in 1954, granted the U.S. the use of Wheelus and its gunnery range until December 1971.

¹⁴ Mutual Defense Assistance: Agreement and Memorandum of Understanding between the United States of America and Libya, U.S. Department of State Publication 5743 (in English and Arabic). Economic Assistance to Libya: Agreement between the United States of America and Libya, U.S. Department of State Publication 5740 (in English and Arabic).

¹⁵ The Soviet Union had interest in the Libyan territories after the peace treaty with Italy. In the beginning they tried to get the rights of guardianship over the territories, but their efforts failed. Later several attempts were made to plant their feet firmly in Libya. Asal Sami M.: *Die Entstehung Libyens, als souveräner Staat*. Berlin, 1965.; Scott L. Bills: *The Libyan Arena. The United States, Britain and the Council of Foreign Ministers 1945-1948*. The Kent State University Press, Kent/London, 1995. and (FO371 Libya) in The National Archives London.

¹⁶ Houghton D. Hobart (Author(s) of Review): *The Economic Development of Libya. Report of a Mission Organized by the International Bank for Reconstruction and Development at the Request of the Government of Libya*. John Hopkins Press, Baltimore, 1960. p. 48.

Distribution and use of the aid

The money distribution was carried out by two organisations. The Libyan Public Development and Stabilization Agency (LPDSA) distributed the money coming from Great Britain and the other countries. This organisation started its operations in 1952. They worked out studies, programmes and plans how to spend the money and how it could be carried through so as to contribute to the development of the Libyan economy and society. Great emphasis was put on the improvement of transportation and public utilities. In this way the new port in Tripoli was built, the roadnetwork was renovated in Fezzan, the water and electricity supply in Tripolitania and Cyrenaica was developed and the modernization of the international airports in Tripoli and Benghazi can also be associated with this programme. That made it public that several educational, professional training programmes were available. As a result of this, nurses, teachers, office workers were trained. The financial, economic aid had to be used for purchasing agricultural products such as barley and wheat in several cases, because the Libyan average crop production fell behind which led to famine in the country.

The Libyan-American Reconstruction Commission (LARC), set up in 1955, coordinated the money transferred from the United States of America. They had studies and plans as well and they were closely connected with the embassy of the United States in Tripoli. Washington formed two organisations to handle the money. The first one is the United States Operation Missions in Libya (USOM), which dealt with technological help, the second one is the Libyan-American Joint Services (LAJS), which worked in the field of agriculture, natural resources, medical care and education.

The development of the electricity supply in Tripoli, the construction of modern telecommunication networks, including the Libyan radio and television. The capitalization of the National Bank of Libya and the National Agricultural Bank can be related to the Americans. Approximately 25% of the money was spent on the improvements in education and health care. The first university was open thanks to the American help in 1955.

The United Nations took on the greatest role in forming the Kingdom from 1949 to 1951. The leaders were aware of the fact that the Kingdom would need foreign aid even from the beginning. The world organization participated in boosting the economy even from 1951 and they gave priority to the technological help. Their programmes were united by the United Nations Technical Assistance Mission and the programmes were carried out by specialised organizations (FAO, ILO, WHO, UNESCO). The aid donated by the United Nations were connected with English and American programmes in several cases. Even more, the world organization supplied the Libyan young people with scholarship so that they could continue their studies abroad.¹⁷

In June 1956 the Libyan Development Council was established by the Libyan leadership to coordinate the economic developments. This organization didn't have any authority to distribute the aid, they were able to give advice and make proposals what to spend the money on. They also made studies about conditions in the Libyan economics.

¹⁷ Higgins Benjamin: *The Economic and Social Development of Libya*. United Nations, New York, 1953. pp. 167-170.

In the above mentioned organisations in most cases the English and American government had an interest, in spite of the fact that in written form and according to law it was the Libyan leaders on the highest position who had the rights of decision-making. The representatives of the governments, the special diplomats of England, the United States and the United Nations, the experts were present in the board of directors. Their opinion was essential several times, their thoughts had more importance than the Libyan politicians'.

In 1957 the Libyan-American Joint Service was attacked in the journal "Tarabulus Al-Gharb", "the incompetent, prodigal and biased employees, workers were criticized".¹⁸ Besides from the late 50s lots of Libyan politicians and intellectuals abandoned the government's exaggerated policy towards the western countries. As a matter of fact the Arab nationalism awakening in Libya and the prejudice against the "Western world" coming from the previous feelings were hidden the background of the articles criticising Great Britain and the United States. After 1956 Nasser, the Egyptian president warned King Idris and his government to liquidate the English and American military bases on the territory of the country, because it would mean a real danger in the case of attack on Egypt or the Middle East. That time it was out of the question, as the rent for the military bases and the support connected with it could make the state system operate and the economy was able to develop on the other hand, the ruler could be in safety in the shade of the base.¹⁹

Essential changes began in the Libyan economic policy from the late 50s and the early 60s. In 1960 the Council of Ministers made decision on the complete liquidation of the Libyan American Joint Services and the state machinery continued to carry out the tasks. The contract with the foreign employees was cancelled, expressing their gratitude for their work. Anybody who wanted to do could go on working in the Libyan organizations, but only few people did so. The complete control over developments was carried through from March 1961, when all the offices being responsible for developments with foreign interest were liquidated.

The Libyan Development Council, which was reformed and had a wide sphere of authority took an tasks of the organisations. This Council had only Libyan members after 1961 and they set a great goals such as improving the living standard, increasing the national income, and growth of productivity of natural resources. The operation of Council was reflected in the rate savings and the investment of work for the sake of the nation.

There was only one reason that the Kingdom had courage to confront the experts who did their best on the behalf of the Libyan nation, but in may cass they took into consideration the interest of their own state. The reason is the crude oil. It can be illustrated that Libya refused the financial aid donated by the United Nations in 1962 and later Libya needed only technical and technological aids. Even more they made bilateral contracts with Western Europe and socialist countries. These contracts gave greater freedom for the young kingdom and they could be reconciled with the national sovereignty.

¹⁸ *The Politics of the Kingdom of Libya in Historical Perspective. A Dissertation.* Submitted by Hayford Elizabeth R., Tufts University, November 1970. p. 441.

¹⁹ The revolution in Irak also made the ruler worried in 1958. It is mentioned in several sources that after the revolution the English troops paid more attention to the ruler's safety.

Epilogue

All in all. Positive attitude must be formed to the aids and its policy, although several contradiction can be noticable. The underdeveloped social structure and economy, the shortage of money in the country didn't predict great prospects for Libya in 1951. The situation was gradually improved in the Kingdom several years later due to the transfer of aids, the continue activity of the United Nations, the great number of the experts and the foreign military bases.

There were investments in the field of industry, agriculture and services. The infrastructure was developing. The rate of illiterate population and unemployed decreased. The statistics of mortality could show a more favourable tendency.

The "golden era" came into the Libyan economy in 1958. Although it was also suspected during the Italian colonial period that crude oil could be found in the desert, but real results were in the area only after the World War II, and finally the "black gold" rushed up.

The outputs was beyond all the expectations. Parallely, the income flew into the budget. The balance of foreign trade had continuously deficit in the 50s, but it had surplus in 1964 and the budget was also balanced for the first time.

The new financial sources gave the chance to the ruler and the government to work out own development programme by 1963, the finacial founds of which could be provided by 70% of actual income from oil in the future.

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