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**LIBYA AFTER RAPPROCHEMENT:
IMPLICATIONS ON ENERGY SECURITY**

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Note: *Aya Burweila is an expert on energy security and Libya.*

On December 19, 2003, in contravention of the Arab League's 1992 resolution that called on members to avoid signing the Chemical Weapons Convention (CWC) as long as Israel refrained from signing the Nuclear Non-Proliferation Treaty (NPT), Libyan leader Muammar Qaddafi stunned the world with his decision to dismantle his regime's non-conventional weapons capabilities: nuclear, chemical, and biological weaponry and long-range missiles exceeding 350 km.¹ Urging other "rogue regimes" like North Korea to follow suit, within a few months, Libya ratified the Comprehensive Test Ban Treaty, signed the Additional Protocol to the NPT, and became the 159th party to the Chemical Weapons Convention.² Though Qaddafi's renunciation appeared to be a direct reaction to the display of military force shown to Saddam Hussein, the

¹ Shai Feldman, "A National Moment of Truth?" The Jaffe Center for Strategic Studies, February 2004, Vol, 6, No.4 URL: <http://www.tau.ac.il/jcss/sa/v6n4p1Fel.html>

² Bruce W. Jentleson and Christopher Whytock, "Who 'Won' Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security*, MIT Press Journals, March 30, 2005, pp. 67

ground work for this “political sea-change” has been secretly in progress since 1999-2000, vis-à-vis the Clinton administration, and later, also with the Blair administration. In fact, more than the staggering surprise that it was, Qaddafi’s successful engagement in a full WMD disarmament and disavowal of international terrorism and his subsequent return to the international fold is the strongest case for coercive diplomacy since the 1962 Cuban Missile Crises and as such, bears great implications on the future of global energy security.

Libya’s tide of policy changes began in 1999, with the settlement of the notorious Lockerbie case which lifted the comprehensive UN Sanctions that had been placed upon it since 1992. Following its announcement for WMD disarmament, the United States followed suit by lifting its Iran-Libya Sanctions Act (ILSA), which had been effective since 1996. Because of the importance of Libya’s oil production in meeting domestic and global energy needs, as early as 2001, Vice President Dick Cheney headed an energy task force broaching the possibility of lifting some economic sanctions against Libya as part of a plan to increase America's oil supply. Ranked as the top exploration prospect in the world, to the detriment of the energy agenda of states, absence of substantial investments in Libya’s energy sector ensured that its output remained at a minimum while maintaining the status quo could only contribute to energy shortages in the long run. Indeed, in a world increasingly strapped for oil, Libya’s radical shift in policy illustrates a successful case of rapprochement due to the satisfaction of mutual interests between the parties and countries involved. As George L. Kirkland, President of Chevron-Texaco Overseas Petroleum pointed out in a speech titled “African Economic Health: Key to U.S. Energy Security” on April 13, 2004, “renewed relations can mean greater stability and economic growth for Libya, and greater energy security for the U.S.”³ For Libya, positive relations with the United States not only equates to much-needed American financial and technological investment but also, an end to U.S. sanctions, which would allow Libya to seek access to international financial organizations such as the IMF and membership to the World Trade Organization.⁴ Because energy security, which refers to the stable and safe access to energy resources, namely oil and gas, is highly dependant on the political environment of the nations from which these resources are supplied, this rapprochement bodes well for the economic and political stability of nations, both importers and exporters of oil alike.

Lessons from the Past: The Terrible 70s

In a speech at Stanford University on March 13, 2006, the British Ambassador to the United States, Sir David Manning pointed out that: "Energy resources have long been a major strategic concern: access to secure sources, control over supply lines: these are issues of national security....The energy challenge is now more pressing than ever...Global oil production is apparently nearing its peak." However, the strategic significance of energy security first became clear decades earlier during the 1970s. Coinciding with a decline in the value of the dollar, the

³ George L. Kirkland, “Current Speeches: African Economic Health: Key to U.S. Energy Security,” The American Enterprise Institute Washington D.C./Chevron, April 2004, URL:http://www.chevron.com/news/speeches/2004/2004-04-13_kirkland.asp

⁴ Christopher Boucek, “Libya's Return to the Fold?,” Strategic Insights, Center for Contemporary Conflict, Volume III, Issue 3, March 2004, URL: <http://www.ccc.nps.navy.mil/si/2004/mar/boucekMar04.asp>

collapse of the Bretton-Woods system⁵ and international inflation, during the 1970s, OPEC, of which Libya is a member, raised the price of oil so steeply as to make all oil-importing nations tremble as the Arab-imposed energy shortage caused the price of oil to quadruple in what nearly amounted to an energy crises.⁶ Because oil was gravely under-priced in relation to demand and because its ownership and implicit fixing-power moved from western oil companies to producer governments,⁷ OPEC members were able to raise the price of oil by 70% in order to accomplish their economic, strategic and political motives, the latter being to place anti-Israeli pressure on its clients during the Arab-Israeli War of 1973. The 1973 Arab Oil Embargo was followed with another crises in 1979 when the same organization raised prices in the wake of the Iranian revolution, leaving lasting impressions on how nations stressed the primacy of military power in calculating the 'national interest' by which the foreign policy of states are determined. The experience of oil-importing nations during the 70s replaced the power-based approach of classical realism with the recognition of economic power in state relations vis-à-vis energy security. That is, concerns among nations in securing stable and safe access to vital economic resources such as oil and gas began to figure significantly in the foreign policy formulation of states.⁸ The most influential doctrine that was borne of this recognition is the Carter Doctrine, named after the U.S. President Jimmy Carter who in reference to the Soviet troops in Afghanistan who 'posed a great threat to the free movement of Middle East oil,' made it clear in his State of the Union Address of January 23, 1980 that "an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force." Indeed, though the two oil crises of 1973 and 1979 were short-lived and with relatively low impact, this experience effectively revived economic statecraft as an instrument of foreign policy as it provided the world with an opportunity to understand the effect a supply disruption will have on the price of oil and thus, on global and domestic economy. With a 98% correlation between oil usage and GDP growth, oil-importing countries discovered how vulnerable they were not only to the stoppage of supplies but to restrictions as well, which had easily jeopardized both their daily life and their industries.⁹ To this end, predictably, the end of the Cold War in 1990 brought the first full manifestation of the Carter Doctrine with the US-led war against Iraq, who holds the second-largest percent of world oil reserves after Saudi Arabia. Though classified as a "Just War" and a long-awaited display of collective international security, none could dispute that securing oil supplies was the primary motivation for allied action against Iraq. As Prime Minister Tony Blair "predicted" in October 2006, 'In the future, energy security will be almost as important as defense.'¹⁰

Oil Scarcity and Energy Security

As Libya's peaceful rapprochement with the international community indicates, securing access to non-renewable and finite energy resources such as oil is becoming more and more

⁵ The Bretton Woods system is a system of international monetary management establishing the rules for commercial and financial relations among the world's major industrial states.

⁶ Peter Calvocoressi, "World Politics: 1945-2000," Pearson-Longman, (London, 2001,) pg 419

⁷ Ibid. pp 202

⁸ Peter Hough, "Understanding Global Security," Routledge, (New York, 2004,) pp. 142

⁹ Peter Calvocoressi, "World Politics: 1945-2000," Pearson-Longman, (London, 2001,) pg 202

¹⁰ Saeed Shah, "Tony Blair: Energy as Important as Defense" The Independent, October 17, 2006, URL: <http://news.independent.co.uk/business/news/article1879432.ece>

critical. Emphasizing how energy security has the knock-on military effect illustrated by the Gulf War, American academic Homer-Dixon pointed out in 1994 how:

“Environmental scarcities are already contributing to violent conflicts in many parts of the world. These conflicts are probably the early signs of an upsurge of violence in the coming decades that will be induced or aggravated by scarcity.”¹¹

Not only is energy scarcity contributing to violent conflicts, it is also contributing to a sense of uneasiness among oil-producing nations. Though scarcity has always been a concern, with the rapidly rising economies of China and India, it is only in recent years that the drive for energy security has taken upon an added sense of urgency. While world demand for oil is expected to increase by 54 percent by 2025, meaning that the world's oil-producing countries will have to produce an additional 44 million barrels of oil on a daily basis, according to The International Energy Agency, the world expects to reach peak production between 2013 and 2037. Thereafter, production is predicted to fall by three per cent a year.¹² A bulk of this sharp increase is due to the oil needs of China and India, who are aware that their economic future is directly dependant on ensuring sufficient energy resources to accommodate their staggering economic growth. In 2004, China, with its oil imports having doubled between 1999 and 2004, replaced Japan as the second largest oil consumer and importer of the world. Currently consuming over 6 mm bpd, which is about twice of what it produces, China's oil demand is projected to double by the end of 2020. By 2025, China's demand for oil, which is increasing by five to seven per cent a year, will also surpass the United States' as the world's largest consumer of oil. In the meantime, consuming 2 mm bpd in 2004, the oil demand of India, the second fastest-growing economy in the world, is set to rise to 10 percent of world demand by 2030 from its current 3 percent.¹³ In fact, this year, the demand of these two countries combined will grow to 970,000 bpd, accounting for 40 per cent of total world growth.¹⁴ These figures have caused a marked strain on the spare oil production capacity of producers. Only until four years ago, spare oil production capacity exceeded world oil consumption by nearly ten percent but the rapid increase in world demand for oil illustrated above has caused spare capacity to decline to less than two percent, effectively implying that any disruption to the supply of oil can and will create a scarcity that will drive prices up.¹⁵ As the oil crises of the 70s have shown, an increase in the prices of oil can cause debilitating economic effects around the world. In this manner, this scarcity of oil emphasizes the need for the diversification of a nation's sources of oil because the levels of diversification of a nation's energy sources can translate into more energy security as it can “lessen the impact of a supply disruption on the U.S. and world economies.”¹⁶ It is these

¹¹ Homer-Dixon, T. and Percival, V., “Environmental Scarcity and Violent Conflict: Briefing Book: Briefing Book,” Population and Sustainable Development Project, American Association for the Advancement of Science & University of Toronto, (1996) pg. 6

¹² CBS News, “Supply and Demand: World Oil Markets Under Pressure,” April 28, 2005, URL: http://www.cbc.ca/news/background/oil/supply_demand.html

¹³ Karishma Vaswani, “Soaring Energy Demand Spark Indian Fears,” BBC News, February 16, 2006, URL: <http://news.bbc.co.uk/2/hi/business/4715980.stm>

¹⁴ China Business Weekly, “China's oil demand unlikely to decline,” October 7, 2004, URL: http://www.chinadaily.com.cn/english/doc/2004-10/07/content_380099.htm

¹⁵ Dick Lugar, “U.S. Energy Security – A New Realism,” Brookings Institution, March 13, 2006 URL: <http://lugar.senate.gov/energy/press/speech/brookings.html>

¹⁶ Peter Behr and Alan Sipress, “Cheney Panel Seeks Review of Sanctions: Iraq, Iran and Libya Loom Large in Boosting Oil Supply,” The Washington Post, April 19, 2001,

implications of energy scarcity that also helped facilitate Libyan rapprochement: more oil production from Libya ensures more options and diversification for importing nations. Underscoring an awareness of nations' race for energy security, Libya's energy minister, Fathi Ben Shatwan, said that to make service agreements with oil-companies attractive, Libya is considering giving them more profit than Iran and have nations pay a fee for operating the fields: "As we expect to have a lot of fields in operation, we will not be able to pay for their development: and hence, Libya will keep the option of sharing reservoirs with companies open." This serves the incentives of companies, who naturally prefer the production-sharing formula as it allows them to add reserves to their balance sheets and ensure future business and supplies to their refineries. More poignantly, as S. Roychaudhuru, vice president of ONGC Videsh Ltd., the foreign arm of Oil and Natural Gas Corp, India's largest oil explorer, said, "Our main thrust is energy security, so our preferred formula is to lift our share of oil back" to consumers in India.¹⁷ Like its Chinese counterpart, India's is beginning to pursue an aggressive 'go-out' strategy in acquiring energy assets abroad in order to promote its country's energy security.

Libya's Foreign Investment since Rapprochement

"The fashion now is the free market and investments"
-Mu'ammarr Qaddafi¹⁸

After vast oil reserves were discovered in 1959 in Nasser, exportation began in 1961 with Italy, Germany, Spain and France accounting for 74% of Libya's exports. Holding almost a 4% share in global world reserves in oil and 1.9% share of global production in 2003, Libya is OPEC's eighth largest producer and the second-largest in Africa after Nigeria, accounting for 38% of the continent's production. Like Saudi Arabia, Libya's economy is based on oil, with exports contributing between 75% and 90% of state revenues. Libya has proven reserves of 29.5 billion barrels of oil and potentially holds up to 100 billion barrels. The National Oil Company (NOC) controls the entire energy sector of the nation, together with its numerous subsidiaries and overseas arms. Umm Jawwaby Oil Services and OilInvest acts as the Libyan National Oil Company's procurement arm based in London and has two subsidiaries: Gatoil and Tamoil.¹⁹ In Italy, Tamoil has approximately 2,100 service stations and controls about 5% of the country's retail market for oil products and lubricants. Libya is also the direct producer and distributor in Italy, Germany, Switzerland and Egypt. However, due to its former isolation, Libya has one of the most under-invested oil markets of today, with only 25% of the country having been explored for oil. To raise output, it needs to attract \$30 billion in investments in order to raise its current production capacity of 1.4 mm bpd to 3 mm bpd,²⁰ a goal it projects to reach in seven to ten years. Indeed, between the years of 1992 and 1999, the unilateral American sanctions and multilateral UN sanctions restricted access to oil industry equipment and technology, making Libya today wholly reliant on foreign investment to keep the industry active. As Hammouda el-Aswad, Head of Libya's National Oil Corporation pointed out in a 1999 interview:

URL:<http://www.globalpolicy.org/security/sanction/gensanc/2001/0419us.htm>

¹⁷ "Libya May Hire Foreign Companies to Help Develop 300 Oil Field," Alexander's Gas and Oil Connections, February 27, 2006, Vol. 11, issue #4. URL: <http://www.gasandoil.com/goc/company/cna60959.htm>

¹⁸ Ray Takeyh, "The Rogue Who Came In from the Cold," Foreign Affairs, May/June 2001 pp. 65-66.

¹⁹ "Libya: Oil and Gas," MBendi Information for Africa, URL: <http://www.mbendi.co.za/indy/oilg/af/1b/p0005.htm>

²⁰ Ibid.

“The Americans knew our equipment, and they placed every item on the sanctions list. Then, when the UN embargo was imposed in 1992, the problem became even more complicated because we couldn’t buy on the open market. Some machinery has been smuggled in, but we’ve now used up all our stores. We’ve had to go to junkyards to recondition discarded parts, and we’ve even attempted to manufacture our own parts, but we haven’t been successful...Since [American companies] are way ahead of Europe in technology, especially in the enhancement of depleted fields, we need their help.”²¹

Furthermore, Libyans were also aware that the prices they could get for oil and gas concessions would be much higher if U.S. investors and companies were part of the bidding and for their part, the American’s recognized their advantages over their European competitors. In this light, the economic benefits of rapprochement was not lost on the Americans either: as Charles Esser, an economist for the U.S. Department of Energy points out, "The terrorist state label is not something that is helpful. Getting rid of that is certainly good for investment."²² In fact, Libya is currently preparing to hire foreign companies to develop more than 300 untapped fields after an increase in energy prices made it an economically viable way of raising output. To this extent, in 2005, it has awarded 41 exploration permits to almost 30 companies, which included ExxonMobil and Occidental Petroleum. It also auctioned exploration plots totaling to 220, 000 sq km, which is approximately about one-eighth of its total territory.²³ Offering 15 exploration areas for auction, on January 30, 2005, Libya held its first round of oil and gas exploration leases since the United States ended most sanctions against the country. Approximately 56 companies registered 104 bids and after intensely competitive bidding, in the end, acreage in 9 areas (5 onshore oil blocks and 4 offshore, gas-prone blocks) went to U.S.-based Occidental Petroleum, while ChevronTexaco and Amerada Hess won acreage in 1 block each. Other companies with winning bids included the Indian Oil Corp., Liwa (UAE), Oil Search Ltd. (Australia), Petrobras (Brazil), Sonatrach (Algeria), Verenex (Canada), and Woodside (Australia). Today, leading foreign oil producers in Libya include Eni, which has been operating in the country since 1959, France's Total, and Repsol YPF.²⁴ In late July 2005, Occidental indicated that it had reached a deal with Libya on returning to its former assets in the country.²⁵ Furthermore, on December 20, 2006, Libya is offering 41 blocks in 14 areas for permits to search for oil and gas in 14 areas covering 99,437 square kilometers. Not surprisingly, Chinese Petroleum, the state-run Taiwan oil company, is on a short-list of bidders for fields in Libya. China National Petroleum and China Petrochemical, both based in Beijing, are among 47 applicants, reduced from 70, for Libya's third round of bidding for drilling rights.²⁶ Even earlier, Chinese energy and trade investments

²¹ Quoted in Milton Viorst, “The Colonel in His Labyrinth,” *Foreign Affairs* Vol. 78, No. 2 (March/April 1999), pp. 71-72

²² Steven Hargreaves, “Tapping Into Libya,” CNN, May 21, 2006, URL:http://money.cnn.com/2006/05/19/news/economy/libya_oil/index.htm

²³ “Libya May Hire Foreign Companies to Help Develop 300 Oil Field,” *Alexander’s Gas and Oil Connections*, February 27, 2006, Vol. 11, issue #4. URL: <http://www.gasandoil.com/goc/company/cna60959.htm>

²⁴ “Libya: Oil and Gas,” MBendi Information for Africa, URL: <http://www.mbendi.co.za/indy/oilg/af/lb/p0005.htm>

²⁵ “World Energy Hotspots: Libya,” The Energy Information Administration, December 2005. URL: http://www.eia.doe.gov/emeu/cabs/World_Energy_Hotspots/Libya.html

²⁶ “Chinese Petroleum looking for Libyan fields” October 19, 2006, URL: http://www.mbendi.co.za/a_sndmsg/news_view.asp?I=78791&PG=23

have also made a significant impact in Libya, where China signed a \$300 million, 10 million barrel crude purchase agreement in 2004.²⁷

Boding well for global energy security, the increased investments in the nation's production capacity makes it possible for Libya's oil production to increase: as Dr. Shokri Ghanem, the prime minister of Libya at that time pointed out, Libya was "turning swords into ploughshares." In this case, these 'ploughshares' has successfully translated into oil-shares with foreign investors in Libya's energy sector: with a forecast for 31.2 billion for 2006, Libya's oil export revenues have increased sharply in recent years, to \$28.3 billion in 2005, from only \$5.9 billion in 1998.²⁸ Also, as of June 2005, Libya's foreign reserves totaled \$31 billion as of June 2005 and reached a trade balance of \$17 billion surplus.²⁹ The following sections will study how Qaddafi managed to gain regime stability through his policy rapprochement despite threats from Islamist networks and how that serves global energy security in turn.

The Stability of Libya's Regime Today

"[Our] leader believed that if this problem were solved, Libya would emerge from the international isolation and become negotiator and work with big powers to change the Arab situation." - Seif el-Islam el-Qaddafi

Described in the past as the "cat's paw of Soviet expansionism" to the "geopolitical outlaw of the Mediterranean," the Great Socialist People's Libyan Arab Jamahiriya was founded on September 1, 1969, when a group of young army officers overthrew the pro-Western royal government of King Idris and established a republic dominated by Colonel Mu'ammarr Qaddafi, who remains to this day the single most influential political and economic decision-maker of the country. Referred to as the "Brother Leader and Guide of the Revolution," Qaddafi, who is described by intelligence analysts as being "dangerously capricious," was born in 1942 to a nomadic Berber tribe in Italian occupied Libya. During the late 90s, his tendency to combine reason and recklessness inspired one security analyst to observe that: "It is extremely difficult to understand Qaddafi's continued sponsorship of international terrorism. From a rational choice perspective, the balance of expected benefits and punishments would argue against the sponsorship of terror. But by attributing a degree of irrationality to his actions, we also lessen Qaddafi's responsibilities over such actions."³⁰ Indeed, as Raymond Tanter pointed out in 1999, due to the absence of checks and balances of a democratic state or the bureaucracies of a large totalitarian state, rogue regimes such as Libya are more subject to the politics of personality, that is, the policies of rulers are more a reflection of the whims of charismatic individuals rather than

²⁷ Drew Thompson, The Jamestown Foundation, China's Global Strategy for Energy, Security and Diplomacy, March 29, 2005, Vol. 5, Issue 7,

URL: http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3280&article_id=2369493

²⁸ "OPEC Revenues Fact Sheet: Executive Summary," The Energy Information Administration, January 2006.

URL: http://www.eia.doe.gov/emeu/cabs/OPEC_Revenues/OPEC.html

²⁹ "Libya: Country Analysis Brief," The Energy Information Administration, January 2006.

URL: <http://www.eia.doe.gov/emeu/cabs/Libya/Background.html>

³⁰ Raymond Tanter, "Rogue Regimes: Terrorism and Proliferation," Updated Edition. Macmillan Press Ltd. (London, 1999,) pp. 12- 13

the product of bargaining among multiple centers of power.³¹ To this extent, Qaddafi concentrates all power in his hands in a situation described by the U.S. State Department's *Country Report on Human Rights Practices/2003* as such:

“Qadhafi and his inner circle monopolize political power. Qadhafi is aided by extra-governmental organizations, the Revolutionary Committees, that exercise control over most aspects of citizen's lives.... The country maintains an extensive security apparatus,... a multilayered, pervasive surveillance system that monitored and controlled the activities of individuals....”³²

While domestically, oil revenues provided “just enough income to permit Qaddafi to deter opposition, both by buying acquiescence through his generous distribution policies and by financing repression,”³³ Qaddafi's preferred strategy for remaining in power has been repressive rule at home and confrontational rhetoric, if not action, abroad.³⁴ Through his foreign policy of conflict with neighboring states like Egypt, Tunisia, and Chad, as well as with the West in general and the United States in particular, to which he famously made the odious promise that “there will be blood in American streets,”³⁵ under the leadership of Qaddafi, Libya proceeded to acquire its former status as a “rogue regime” not only in the international community but also within the Arab world,³⁶ threatening to withdraw from the Arab League most recently in October 2002.³⁷ To this end, a CIA report of 1976 cited Libya as “one of the world's least inhibited practitioners of international terrorism”³⁸ while in both 1987 and 1988, the U.S. State Department's reports on patterns of global terrorism stated that Libya was the third most active state-sponsor of terrorism.³⁹ Among the groups financially and rhetorically aided by Qaddafi in the past were the Irish Republican Army, Spain's ETA, Italy's Red Brigades, The Abu Nidal Organization, the Palestine Liberation Organization⁴⁰ and the Black Panthers,⁴¹ who were

³¹ Raymond Tanter, “Rogue Regimes: Terrorism and Proliferation,” Updated Edition. Macmillan Press Ltd. (London, 1999,) pp.1

³²Patrick Clawson, “Libya's WMD Renunciation: How to Consolidate and Replicate: Testimony before the House Committee on International Relations, Hearing on Weapons of Mass Destruction, Terrorism, Human Rights, and the Future of U.S.-Libyan Relations” The Washington Institute for Near East Policy, March 10, 2004, URL: <http://www.washingtoninstitute.org/templateC07.php?CID=3>

³³ Bruce W. Jentleson and Christopher Whytock, “Who ‘Won’ Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy,” *International Security*, MIT Press Journals, March 30, 2005, pp. 57 URL: <http://www.mitpressjournals.org/doi/pdf/10.1162/isec.2005.30.3.47?cookieSet=1>

³⁴Bruce W. Jentleson and Christopher Whytock, “Who ‘Won’ Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy,” *International Security*, MIT Press Journals, March 30, 2005, pg. 54

³⁵ Raymond Tanter, “Rogue Regimes: Terrorism and Proliferation,” Updated Edition, Macmillan, (London, 1999,) pp. 13

³⁶ Raymond Tanter, “Rogue Regimes: Terrorism and Proliferation,” Updated Edition, Macmillan, (London, 1999,) pp. xiii.

³⁷ BBC News, “Arab League Opposes Libya Pull-Out, ” October 25, 2002, URL: <http://news.bbc.co.uk/2/hi/africa/2358039.stm>

³⁸Bruce W. Jentleson and Christopher Whytock, “Who ‘Won’ Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy,” *MIT Press Journals*, March 30, 2005, pp. 56

³⁹ Bruce W. Jentleson and Christopher Whytock, “Who ‘Won’ Libya: *The Force-Diplomacy Debate and Its Implications for Theory and Policy*,” *International Security*, MIT Press Journals, March 30, 2005, pp. 59

⁴⁰ Eben Kaplan, “How Libya Got Off the List,” *Council on Foreign Relations*, June 8, 2006, URL: <http://www.cfr.org/publication/10855/>

⁴¹ During the 1970s, Qaddafi gave over \$300,000 to the Black Panther Party, a ‘black nationalist’ anti-government political party which engaged in confrontational and even militaristic tactics. Raymond Tanter, pp. 169.

notoriously described by FBI Director J. Edgar Hoover as "The greatest threat to the internal security of the country."⁴² Libya, described in 1986 by Edward Schumacher to have had "at one time or other backed subversive groups in almost every other North African country,"⁴³ was also suspected of attempting to assassinate the leaders of Chad, Egypt, Saudi Arabia, Sudan, Tunisia, and the Democratic Republic of Congo (Zaire). In addition, during the early 1980s, Qaddafi began a campaign of assassinations of Libyan dissidents who lived abroad in Britain.⁴⁴ However, it was not until a court in The Hague indicted two Libyan agents for the 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland⁴⁵ and Qaddafi's subsequent refusal to hand over the suspects for trial in the United States or the United Kingdom, that there was a concerted international effort against Qaddafi's sponsorship of international terrorism. It was UN Security Council Resolution 731 adopted on January 1992 condemning the attacks and urging the Libyans to comply on pains of comprehensive sanctions which gave the unilateral U.S. Sanctions the crucial coercive credibility in changing the tide of Libya's policies over the years.

In this manner, the success of American-led coercive diplomacy, in which the threat of the use of force was merely a factor, relied on influencing both the economic and political environment of Libya internationally and domestically. Through the imposition of sanctions, which caused the Libyan economy to become dangerously weak for Qaddafi's liking, it was this long-term and sustained 'soft pressure' on Libya that finally urged changes in Qaddafi's policies without jeopardizing energy security. It is important to keep in mind that Qaddafi did not voluntarily change his goals as much as changes in domestic political and economic conditions urged him to realize that making concessions to the coercing states is in the leader's own interest of self-perpetuation as well in the self-interest of Libya in general⁴⁶ In fact, Libyan negotiators with the United States made it persistently clear that Libya would comply only if Qaddafi could gain assurances that the Americans will drop their Reagan agenda for instilling a 'regime change' rather than a policy change in Tripoli. In turn, the Americans realized that the success of coercive diplomacy on which their energy security goals were based, relies upon the proportionality of ends and means and this proportionality can only be maintained by focusing on policy change rather than regime change, as was the case with Iraq. This rapprochement, as Seif el Islam al-Qaddafi described, was a 'win-win' deal for both sides, as cooperation resulted in regime stability for Qaddafi which in turn, gives Americans and other states access to oil and greater investment opportunities. At the end, as Diederik Vandewalle eloquently put it: "The pragmatism that the new technocrats have urged upon Qaddafi, concern over the economic and political toll of sanctions, and the need for international investment in the country's deteriorating oil infrastructure and in developing new oilfields slowly moved Libya to act upon Western

⁴² "A Huey P. Newton Story: Hoover and the FBI," PBS, 2002,

URL: http://www.pbs.org/hueypnewton/people/people_hoover.html

⁴³ Bruce W. Jentleson and Christopher Whytock, "Who 'Won' Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security*, MIT Press Journals, March 30, 2005, 57

⁴⁴ Raymond Tanter, "Rogue Regimes: Terrorism and Proliferation," Updated Edition, Macmillan, (London, 1999,) pp.136

⁴⁵ Qaddafi's regime was also implicated in the 1989 bombing of a French passenger jet over Niger in which 171 people died. In 1986, Libya sponsored the bombing of a Berlin disco popular among U.S. servicemen, killing two U.S. soldiers. Eben Kaplan, "How Libya Got Off the List," Council on Foreign Relations, June 8, 2006, URL: Council on Foreign Relations, <http://www.cfr.org/publication/10855/>

⁴⁶ Bruce W. Jentleson and Christopher Whytock, "Who 'Won' Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security*, MIT Press Journals, March 30, 2005, pp. 79

demands.”⁴⁷ However, one actor that doesn’t ‘win’ in this new global status quo and who seek to threaten it are the global Islamist networks, beyond and within Libya’s border.

Islamic Terrorism and Threats to Energy Security:

On May 15, 2006, "in recognition of Libya's continued commitment to its renunciation of terrorism" and its "excellent co-operation" in the US-led war on terror,⁴⁸ Libya was officially dropped from the American list of states sponsoring terrorism and diplomatic relations between the two countries were fully restored. The rapprochement of these two countries not only afforded Libya with the insurance that it will not be threatened by an Iraqi-style invasion, but also, for Qaddafi, whose regime was threatened by Islamist networks throughout the 90s, access to vast Western intelligence networks which could neutralize threats to his regime not only domestically, but abroad as well. Once again, there is a commitment to the realization that cooperation between Libya and the international community, namely the United States and Europe, can provide for each of what the other has: intelligence sharing secures the stability of Qaddafi’s regime from terrorist threats and hence protects access to oil resources that provide energy security for its clients and at the same time, economic security for Libya’s regime. Under U.S. and UN sanctions, Libya's economic decay, rising inflation, and sporadic shortages of basic goods led to the rise of an Islamic opposition which began to increasingly ally itself with the Libyan armed forces, forming a pragmatic union that was likely to define Libya's political future in the post-Qaddafi period.⁴⁹ Indeed, military discontent during the 1990s translated into the occurrence of a number of coup attempts, including one in 1993 that was quelled by Qaddafi only after he arrested an estimated 2,000 dissidents and executed six senior army officers.⁵⁰ According to the September 2002 "Unclassified: For Official Use Only: Libyan Islamic Fighting Group" Canadian Security Intelligence Service (CSIS) report, The Libyan Islamic Fighting Group (LIFG: Al-Jama'a al-Islamiyyah al-Muqatilah fi-Libya) is the most powerful radical group waging ‘holy war’ against Qaddafi while three other armed groups, the Islamic Movement of Martyrs, the Libyan Jihad Movement and the Islamic Movement for Change had at one point, "thousands, if not tens of thousands of supporters."⁵¹ Mainly comprised of 2,500 Libyans who fought in the Soviet-Afghan War, The Libyan Islamic Fighting group, led by Omar Rashed (its spokesperson) and Anas Sebai (its leader), is allied to the Al-Qaeda network and was founded in 1995 with the objective to overthrow Qaddafi’s ‘unIslamic’ regime and replace it with a Sunni Islamic State (and control the nation’s oil resources) and to propagate the global jihadist movement. Indeed, according to former CIA director George Tenet speaking to the Senate Select Committee on Intelligence on February 24, 2004, "one of the most immediate threats is from smaller Sunni extremist groups that have benefited from al-Qaida links. They include...the

⁴⁷ Derick Vandewalle, “The Origins and Parameters of Libya’s Recent Actions,” The Arab Reform Bulletin. Vol. 2 Issue 3. March 2004.

URL:<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1475&prog=zgp&proj=zdr1#Libya>

⁴⁸ BBC NEWS, “Libya Welcomes New US Relations,” May 16, 2006, URL:

<http://news.bbc.co.uk/2/hi/africa/4985804.stm>

⁴⁹ Ray Takeyh, “Qaddafi, Lockerbie, and Prospects for Libya,” Policy Watch #342: Special Forum Report, October 1, 1998, URL: <http://www.washingtoninstitute.org/templateC05.php?CID=1220>

⁵⁰ Bruce W. Jentleson and Christopher Whytock, “Who ‘Won’ Libya: The Force-Diplomacy Debate and Its Implications for Theory and Policy,” International Security, MIT Press Journals, March 30, 2005, pg 66

⁵¹ “Al Qaeda Targets Gaddafi,” The National Post and the Daily Telegraph, December 24, 2003,

URL:<http://209.157.64.200/focus/f-news/1046103/posts>

Libyan Islamic Fighting Group."⁵² Under the direction of Sebai, who is a member of al-Qaeda's senior command structure, the group receives its funding from private donations, various Islamic nongovernmental organizations, and also via criminal acts. The years between 1995 and 1998 proved to be the most prolific for these groups, when the LIFG and the Libya Martyrs' Movement left an estimated 600 people dead in their sporadic, low-intensity anti-government attacks on military and personnel. Subsequently in May 1998, Qaddafi had sent approximately 1,000 troops to Benghazi and the nearby mountain of Jabal al Akhdar where the group maintains its stronghold and literally "fleshed them out" of the area.⁵³

Indeed, ever since Gaddafi was targeted for assassination by these networks, the last attempt being in 1998 by the Libyan Islamic Fighting Group, he has been one of the most zealous opponents of the Islamists. As Lisa Anderson, dean of the School of International and Public Affairs at Columbia University and a leading specialist on Libya pointed out: "He [Qaddafi] was regarded by the al-Qaeda types as no better than the Saudi government, no better than any of these other governments that they hate. He found himself, ironically, on the same side as all of these governments that he had excoriated for a decade at least"⁵⁴ In fact, on March 1998, it was Qaddafi who issued the first Interpol arrest warrant for Osama bin Laden in connection to the March 1994 murders of two German anti-terror agents in charge of missions in Africa.⁵⁵ Allowing his intelligence services, among the most ruthless in the region, to cooperate fully with sister agencies around the world, after 9/11, Libyan intelligence even helped interrogate prisoners at Guantanamo and joined an American-sponsored plan to track and contain Islamist guerillas across the Sahara. Furthermore, immediately after 9-11, on September 12, 2001, Musa Kusa, the head of Libyan intelligence and mastermind of the Pan Am Lockerbie bombings, provided the CIA with a list of suspects and terrorists working with al-Qaeda and operating out of Europe.⁵⁶ Given the central role Libyan Afghans have been discovered to play in al-Qaeda, the supply of the names of LIFG operatives and other Libyan Afghans by Kusa to both the CIA and Britain's M16 also represented "a major intelligence windfall" for the Bush administration.⁵⁷ The gesture was returned within the same month when on September 25, 2001, President George Bush froze LIFG assets in the United States with an executive order.⁵⁸ More significantly, by the American designation of the LIFG as a terrorist organization, any state providing assistance to LIFG can potentially be classified as a state-sponsor of terrorism by the

⁵² John C.K. Daly, "Libya and Al-Qaeda: A Complex Relationship," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005,

URL:http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369476

⁵³ "Libya: Country Profile, 2004," Economist Intelligence Unit, pp. 14, Jentleson, pp. 66

⁵⁴ "Qaddafi, Desperate to End Libya's Isolation, Sends a 'Gift' to President Bush." Council on Foreign Relations Interview with Lisa Anderson, December 22, 2003. URL: <http://www.cfr.org/publication.html?id=6617>

⁵⁵ John C.K. Daly, "Libya and Al-Qaeda: A Complex Relationship," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005,

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⁵⁶ Council on Foreign Relations Interview with Lisa Anderson, "Qaddafi, desperate to End Libya's Isolation, Sends a 'Gift' to President Bush." December 22, 2003. <http://www.cfr.org/publication.html?id=6617>

⁵⁷ Gary, Gambill, "The Libyan Islamic Fighting Group (LIFG)," The Jamestown Foundation, Vol. 3, Issue 6, March 24, 2005,

URL:http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=236947

⁵⁸ John C.K. Daly, "Libya and Al-Qaeda: A Complex Relationship," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005, URL:

http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369476

U.S. State Department, meaning that any member of the LIFG living in undemocratic countries supported by the United States (e.g. Pakistan, Egypt) runs the risk of arrest and "rendition" back to Libya.⁵⁹ To this extent, Libyan intelligence has managed to secure the "rendition" of Libyan Islamists caught by the Americans in Afghanistan, Thailand and Hong Kong⁶⁰ and with continued success: On October 10, 2004 Libya's National Security Minister Nasser al-Mabruk announced that, "Libya has got its hands on a group whose members are from the Indian subcontinent and Central Asia and are suspected of belonging to al-Qaeda."⁶¹ Today, though there are still small remnants of jihadist resistance operating in the east of the country, they consist of cells of one or two individuals and do not have the necessary skills or resources to launch any serious attacks against the regime.⁶²

However, the emergence of al-Qaida linked terror organizations in Libya throughout the 1990s was not only a reflection of the dismal yet reversible socio-economic conditions within Libya, but also a reflection of *regional trends* in the area. With support from the aggressively Islamic state of Sudan, Islamist militants had been orchestrating insurgencies and causing terrible losses and instability in neighboring Egypt and Algeria, where Libya's very own LIFG keeps contacts. More importantly, near Libya's border with Chad, Libyan forces discovered a camp belonging to the Groupe Salafiste de Predication et de Combat (GSPC –Salafist Group for Preaching and Combat) on June 24, 2004. The GSPC, also affiliated to al-Qaeda, is no less than North Africa's largest, best-organized and wealthiest organization, and like other Islamists, it is dedicated to establishing an Islamic state in the region, specifically in Algeria. In response to the growing activity of the GSPC activity in neighboring Niger, Mali and Chad, under agreements signed during Algerian President Abdelaziz Bouteflika's 2003 visit to Washington, the United States began to discreetly build a huge military surveillance base at Tamanrasset in the heart of the Sahara in southern Algeria,⁶³ further protecting the presence of American and Libyan interests in the region. Nonetheless, with his newfound cooperation with Western allies designed to ensure that the insurgencies of the late 80s and 90s lack the logistical and financial scope for repetition, by the end of the twentieth century, Qaddafi had effectively liquidated organized Islamic opposition inside the country, making sure that no credible threat to his power remains. Clearly, the shared horror at the prospect of an Islamist takeover of Libya and its resources played an important role in facilitating the mutually beneficial American, European and Libyan rapprochement.

Potential Terrorist Targets in Libya

⁵⁹ Gary, Gambill, "The Libyan Islamic Fighting Group (LIFG)," The Jamestown Foundation, Vol. 3, Issue 6, March 24, 2005,

URL:http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=236947

⁶⁰ The Economist, "Another Big Hug: Why America is Befriending the Libyan Leader It Long Reviled," May 18, 2006. URL: http://www.economist.com/research/backgrounders/displaystory.cfm?story_id=6955022

⁶¹ John C.K. Daly, "Libya and Al-Qaeda: A Complex Relationship," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005, URL:

http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369476

⁶² Alison Pargeter, "Political Islam in Libya," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005,

URL: http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369478

⁶³ Gary, Gambill, "The Libyan Islamic Fighting Group (LIFG)," The Jamestown Foundation, Vol. 3, Issue 6, March 24, 2005,

URL:http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369477

Nonetheless, it is wise to assume that though a regime change is unlikely, with the new political and economic ties Libya has established with the 'infidel' West, the nation may be subject to similar types of threats the Saudi government faces from al-Qaeda: oil terrorism to its own facilities and that of its foreign investors. As the Iraqi case has shown, oil supplies are vulnerable to disruptions caused by wars and terrorist attacks, which can easily result in international economic standstill, volatility of international financial markets, lack of mobility, price shocks, market turmoil and endangerment of businesses and their profits. Indeed, conventional warfare can easily be replaced by threats to energy security should terrorists choose to use oil as a weapon and since September 11, Islamist networks such as al-Qaeda have chosen to do precisely that. In this spirit, exactly a year after Qaddafi announced his commitment to rid the nation of weapons of mass destruction (WMD) and Missile Technology Control Regime programs, the "al-Qaeda Organization in the Arabian Peninsula" posted the following message on its website, urging its members "to strike all foreign targets and the hideouts of the tyrants to rid the peninsula of the infidels and their supporters. We call on all the mujahideen to target the sources of oil which do not serve the Islamic nation but serve the enemies of the nation"⁶⁴ According to the Institute for the Analysis of Global Security, since September 11, pipelines, tankers, refineries and oil terminals have been attacked by Islamists frequently in acts of politically-motivated economic terrorism. However, with the exception of a sharp increase in maritime insurance premiums however, none of these attacks were carried out on a scale that had notable strategic consequences. Surprisingly enough, there has been no recorded case of oil-terrorism in Libya yet. Perhaps in testimony to Qaddafi's anti-terror efforts, since the late 1990s, attacks by the LIFG has decreased both in frequency and intensity while the group is now showing a proclivity for more global terrorist operations, having resigned itself to the difficulty of carrying out attacks in Qaddafi's new and improved Libya. Another reason may be is that terrorist networks recognize that it is redundant to attack Libya's oil infrastructure during the present period, while investments are still being made by foreign investors to explore its untapped oil fields and development is still underway. Furthermore, due to its proximity to Europe, which is Libya's single greatest oil market, not only do supplies for Libya have the advantage of being both timely and cost effective, unlike Saudi Arabia, most Libyan ships avoid transiting through shipping 'choking points' and straits which makes tankers more vulnerable to attack. However, should a future terrorist attack on oil rigs be successful, the consequences could be significant. Considering the implications of a terrorist attack on Saudi oil facilities, former CIA agent Robert Baer wrote the following:

"At the least, a moderate-to-severe attack on Abqaiq would slow average production there from 6.8 million barrels a day to roughly a million barrels for the first two months post-attack, a loss equivalent to approximately one-third of America's current daily consumption of crude oil. Even as long as seven months after an attack, Abqaiq output would still be about 40 percent of pre-attack output, as much as four million barrels below normal -roughly equal to what all of the OPEC partners collectively took out of production during the devastating 1973 embargo."

⁶⁴ John C.K. Daly, "Libya and Al-Qaeda: A Complex Relationship," The Jamestown Foundation, Volume 3, Issue 6, March 24, 2005, URL: http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369476

Clearly, oil facilities, if not protected adequately, can prove to be the “Achilles Heel” of the global economy, though with Qaddafi’s intensive security and intelligence apparatus, such an attack appears to be less than likely on Libyan soil.

With growing demands and increasing frequency of conflicts in strategic parts of the world, the political environment of an oil-producing nation is extremely important to global energy security. As Bruce Jentleson* points out, due to Qaddafi’s decision to return to the international fold, because Libyan leaders are now “gaining economic benefits to deliver to their people,” they now have “a greater chance at domestic stability.”⁶⁵ After oil prices dropped sharply to \$12 per barrel in 1998, with the termination of ILSA, they climbed to \$28 per barrel in 2003; while Libya’s oil export levels remained steady, oil revenues increased dramatically from less than \$ 6 billion in 1998 to an average of almost \$12 billion annually from 2002 through 2003⁶⁶ With the reintegration of Libya into the international fold and its subsequent economic, political and intelligence-sharing benefits, the economic situation in Libya is set to improve even more, and the ability of Islamist groups to tap into Libyan economic discontent to fuel political instability should be mitigated accordingly. It should be noted however that in recent years, what remains is a growing Islamist religiosity among Libyans, which could be interpreted by analysts as passive resistance⁶⁷ though once again, it is highly unlikely that it will foment violent opposition. As the Second Gulf War has shown, an environment of conflict, either through war or terrorism, is not conducive for the production and safe and stable access to oil. The latest war in Iraq had proven to be a disappointing investment: Since June 2003, there have been 298 recorded attacks against Iraqi oil facilities.⁶⁸ Because Iraqi production decreased to an average of around 1.9 mm bpd from 2.58 mm bpd in January 2003,⁶⁹ the oil industry experienced \$6.25 billion in lost revenue during 2005. Furthermore, Iraq remains the foremost international breeding ground for Islamist terrorists, making it highly unlikely that the present situation will resolve itself into a stable resolution within the next five years. By contrast, Iraq’s former fellow rogue has managed to navigate the currents of international and domestic relations much more successfully. Despite past Islamist challenges to the Libyan regime, it is unlikely that Qaddafi would be removed from power in a violent Islamist overthrow as most opponents inside Libya and abroad have been successfully silenced. Furthermore, unwilling to take any risks, due to the subsequent return of American companies and increasing foreign investment, Qaddafi has been strengthening domestic security measures and continues to display his total intolerance to politicized Islamists of any persuasion.⁷⁰ As the situation stands now, it appears that Libya’s

* Bruce Jentleson is a Duke University professor and former foreign policy advisor to presidential candidate Al Gore

⁶⁵ Eben Kaplan, “How Libya Got Off the List,” Council on Foreign Relations, June 8, 2006, The Council on Foreign Relations, URL: <http://www.cfr.org/publication/10855/>

⁶⁶ OPEC, Annual Statistical Bulletin, 2003, URL: <http://www.opec.org/library/Annual%20Statistical1%20Bulletin/asb2003.htm>.

⁶⁷ Alison Pargeter, “Political Islam in Libya,” The Jamestown Foundation ,Volume 3, Issue 6, March 24, 2005, URL: http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369478

⁶⁸ Iraq Pipeline Watch: Attacks on Iraqi Pipelines, Oil Installations, and Oil Personnel. Institute for the Analysis of Global Security, November 2, 2006. URL: <http://www.iags.org/iraqipipelinewatch.htm>

⁶⁹ “World Energy Hotspots: Libya,” The Energy Information Administration, December, 2005. URL: http://www.eia.doe.gov/emeu/cabs/World_Energy_Hotspots/Libya.html

⁷⁰ Alison Pargeter, “Political Islam in Libya,” The Jamestown Foundation ,Volume 3, Issue 6, March 24, 2005, URL: http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3275&article_id=2369478

newfound status is serving the goals of energy security and will continue to do so for the foreseeable future.

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