



# FOG OF FROZEN ASSETS\*

## WHY RELEASING LIBYA'S WEALTH IS DANGEROUS



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**May 2017**

**A Democracy Institute Briefing Paper**



## Democracy Institute

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### Acknowledgements

The author is grateful for the comments of respective peer reviewers that have improved the paper. All views expressed in this publication, however, are those of the author, not those of the Democracy Institute, its Officers, or Advisors.

The Democracy Institute does not accept project-specific funding and, therefore, has not received any financial support for this piece of work from any of the governments, institutions, organizations, individuals, or other stakeholders described or discussed in this paper.

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## INTRODUCTION

**E**arly this month, a statement released by a group of neighbouring countries, including Algeria, Tunisia, Egypt, Chad, Sudan, and Niger, called for the release of Libyan assets frozen in foreign banks since the overthrow of the Gaddafi regime six years ago.<sup>1</sup> This report assesses the respective merits and demerits of the case made by such public campaigns and by the unpublicized simultaneous, behind-the-scenes campaign to unfreeze those assets. The unfreezing of the assets belonging to the Libyan Investment Authority (LIA) is being actively discussed both inside and outside Libya, according to Libyan government officials who speak candidly on condition of anonymity.

The next five summary sections – on Libya as a failing state; on terrorism as a clear and

present danger in today's Libya; on Libya's collapsing economy; on the continual domestic political power struggles; and on the nature of Libya's frozen assets – provide the necessary background and context to assess the case for unfreezing Libya's assets and to appreciate the counter-argument presented in the paper's subsequent sections on the political, institutional, security, legal, and logistical obstacles to successfully unfreezing the assets.

## A FAILING STATE

**A**fter the 2011 revolution and western military intervention that overthrew the regime of the late dictator, Muammer Gaddafi, the Libyan state collapsed.<sup>2</sup> Libya has been in chaos since the revolution took place.<sup>3</sup> Three years later, the *Economist* reported that, "It is now sinking, weighed down by too many guns and too many factions, with too few

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\* The phrase "fog of frozen assets," in the Libyan context, was coined by then-US State Department spokeswoman Valerie Nuland. Quoted in Sophie Quinton, "The Quest for Libya's Frozen Assets," *The Atlantic*, 26 August 2011.

<sup>1</sup> Abdulkader Assad, "Neighboring countries urge for lifting freezing of Libyan assets in foreign banks," *Libya Observer*, 9 May 2017.

<sup>2</sup> Tony Barber, "Libya's state vacuum sucks in foreign powers and exports migrants," *Financial Times*, 31 January 2017.

<sup>3</sup> *Economist*, "Libya: Another chance," editorial, 9 April 2016.

institutions to repair the leaks wrought under the erratic dictatorship of Muammar Qaddafi...In short, Libya now combines all the ingredients, including meddling foreigners, for a protracted civil war.”<sup>4</sup>

Today, Libya remains a dysfunctional state.<sup>5</sup> Over the past couple of years, arguably the situation has gone from bad to worse,<sup>6</sup> with the country racked by civil war and political power struggles,<sup>7</sup> with her ungoverned spaces growing.<sup>8</sup> The situation is so grave that *BBC News* recently posed the question, “Why is Libya so lawless?”<sup>9</sup>

The country remains, sadly, “a hub of human trafficking,”<sup>10</sup> with the western coast the main hub for migration to Italy.<sup>11</sup> Of the 181,000 migrants who crossed the central Mediterranean last year, almost 90

per cent set out from Libya’s coast.<sup>12</sup> According to the International Organisation for Migration, since the start of the decade, more than 13,000 migrants have died along the central Mediterranean route alone.<sup>13</sup>

## TERRORISM:

### CLEAR & PRESENT DANGER

**T**he past six years also have witnessed the rise of political and religious extremism. On the brink of failed statehood, Libya has become a haven for regional jihadists and their training camps.<sup>14</sup> This is epitomized by the exponential growth of the Libyan branch of Islamic State,<sup>15</sup> which carved out an area extending approximately 180 miles around

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<sup>4</sup> *Economist*, “Libya: Anarchy looms,” 28 August 2014.

<sup>5</sup> Hanne Nabintu Herland, “Could Muammar Gaddafi’s son Saif al-Islam Solve the Libya Crisis?” *Foreign Policy Journal*, 10 February 2017.

<sup>6</sup> *IRIN News*, “Aiding Libya: The view from the ground,” 5 July 2016.

<sup>7</sup> James Titcomb, “Libya steps out of financial wilderness with plan to manage assets,” *Daily Telegraph*, 31 May 2015.

<sup>8</sup> *Economist*, “Libya’s civil war: That it should come to this,” 8 January 2015.

<sup>9</sup> *BBC News*, “Why is Libya so lawless?” 25 May 2017.

<sup>10</sup> James Politi, “G7 to express ‘strong support’ for UN-backed government in Libya,” *Financial Times*, 11 April 2017.

<sup>11</sup> Politi.

<sup>12</sup> Barber.

<sup>13</sup> Barber.

<sup>14</sup> *Economist*, “Libya: Anarchy looms.”

<sup>15</sup> *IRIN News*.

the coastal town of Sirte, Gaddafi's birthplace.

Islamic State's Libyan branch is considered to be the most lethal outside the Levant.<sup>16</sup> By early 2015, Islamic State had extended its presence to Libya's Sahara<sup>17</sup> As the *Economist* reported last year, Islamic State, "[a]ttracting some of the most extreme local jihadists, now has some 5,000 fighters in Libya."<sup>18</sup> Consequently, in 2015 the internationally-recognised government was forced to leave Tripoli, the capital, where Islamist militias claimed authority.<sup>19</sup>

Last year, some may have assumed, with tremendous naïveté, that the threat from radical Islamic terrorists would wane after Misrata militias allied to the Government of National Accord (GNA) removed Islamic State from its stronghold in Sirte.<sup>20</sup> Yet, Islamic State still counts 500 militants while, in practice, Libya's 3,000 total

jihadists reflect tremendous membership overlap between Islamic State, Al Qaeda, and other terrorist organizations.<sup>21</sup>

And, as the *Economist* details, "they may have international reach...British police are probing links between Salman Abedi, the suicide-bomber who murdered 22 people at a concert in Manchester on May 22nd, and IS, which claimed responsibility for the attack. Mr Abedi was in Libya recently; his brother and father were arrested in Tripoli on May 24th. The militia holding them says the brother is a member of IS and was planning an attack on Tripoli."<sup>22</sup>

The tragedy that unfolded in Manchester was a wake-up call for Western policymakers regarding Islamic State's external capacity. BBC correspondent Dominic Casciani recounts that, "One of the recent stand-out concerns from security analysts is that Libya – with its easier

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<sup>16</sup> *Economist*, "Islamic State in Libya: Down but not out," 27 May 2017.

<sup>17</sup> *Economist*, "Libya's civil war: That it should come to this," 8 January 2015.

<sup>18</sup> *Economist*, "Libya: Another chance."

<sup>19</sup> Titcomb.

<sup>20</sup> *Economist*, "Coastal retreats: Fighting over Libya's oil ports," 16 March 2017.

<sup>21</sup> *Economist*, "Islamic State in Libya: Down but not out."

<sup>22</sup> *Economist*, "Islamic State in Libya: Down but not out." See, too, Josie Ensor, "Manchester bomber's brother was plotting attack on UN envoy in Libya," *Sunday Telegraph*, 28 May 2017.

transport routes across the Mediterranean into Europe – would become a far easier jumping-off point for extremists determined to bring their violence to Britain. It's looking increasingly likely that Salman Abedi's attack has made their point.”<sup>23</sup>

Libyans, themselves, did not require a reminder of the jihadists' tangible threat. As the previous Islamist government attempts to retake power in Tripoli, rival militias proclaiming complex loyalties are shooting it out in the streets.<sup>24</sup> In February, the GNA's prime minister, Fayez al-Serraj, survived an assassination attempt by jihadists.<sup>25</sup>

## COLLAPSING ECONOMY

**A**mong the GNA's many serious problems is its failure to provide basic services. Political chaos and endemic violence have severely limited

access to food, shelter, cash, electricity, and water in much of the country.<sup>26</sup> Consequently, one in five Libyans suffers from malnutrition.<sup>27</sup> The health care system lacks essential supplies, with access blocked by warring militias, and is on the brink of collapse.<sup>28</sup> Libya's only thriving business is the smuggling of desperate migrants into Europe, just 400 kilometers from Tripoli.

Perversely, Libya has the largest oil reserves in Africa and, given a small private sector, oil contributes nearly all state revenues and her economy is the world's third most dependent upon oil (see Figure 1 below). Due to its oil-rich status, the country once had one of the highest standards of living in Africa, including free health care and free education. But, oil revenues have fallen 75 percent since the 2011 revolution.<sup>29</sup> Last year, according to the Economist Intelligence Unit, the Libyan economy shrunk faster than that of any other country.

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<sup>23</sup> Dominic Casciani, “Manchester attack: The Libya-jihad connection,” *BBC News*, 24 May 2017.

<sup>24</sup> There are over 500 active militias across Libya. Source: *Economist*, “Libya's civil war: That it should come to this.”

<sup>25</sup> *Economist*, “Coastal retreats: Fighting over Libya's oil ports.”

<sup>26</sup> *IRIN News*.

<sup>27</sup> *Economist*, “Libya: Another chance.”

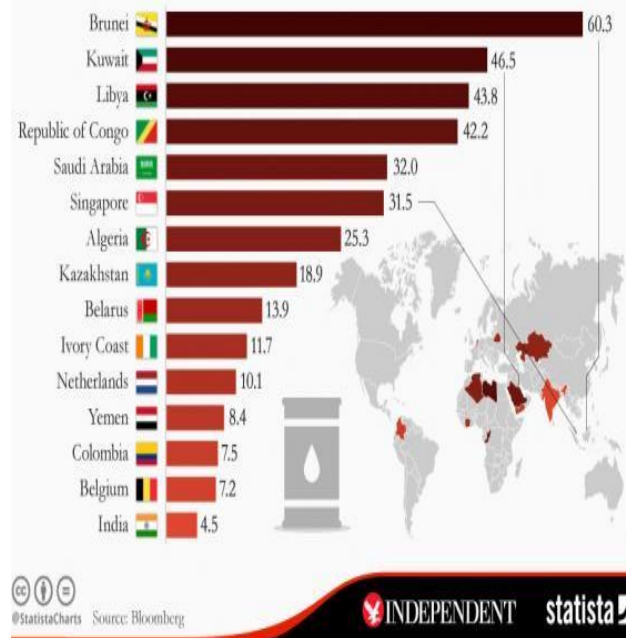
<sup>28</sup> *IRIN News*.

<sup>29</sup> *Economist*, “Libya: Another chance.”

Figure 1. Economies Most Dependent on Oil.

### The economies most dependent on oil

Estimated oil exports as a % of GDP in 2018



Source: Bloomberg News

The economic morass is heavily influenced by the ongoing rivalry between the country's three governments in eastern and western Libya. The respective 'governments' continue to vie for control of vital economic institutions, such as the National Oil Corporation.<sup>30</sup>

<sup>30</sup> Mohamed Abdelmeguid and Keren Uziyel, "Libya: Sovereign risk rating March 2016," *Economist Intelligence Unit*, 11 March 2016.

<sup>31</sup> *Economist*, "Libya's civil war: That it should come to this."

## DEADLY POWER STRUGGLES

After Gaddafi was deposed, post-revolutionary Libya was led by a National Transitional Council (NTC) mandated to represent all Libyans.<sup>31</sup> Politically, the fragility of the NTC was always cause for serious concern.<sup>32</sup> For the brutal reality is that Libya is a "tribal nightmare"<sup>33</sup> that, over the past several years, has disintegrated "into a cluster of chaotic internal conflicts."<sup>34</sup> The *Economist* observes that, "For nearly three years Libya has been mired in a civil war that at first pitted east against west. Now there are so many groups fighting that it is difficult to draw the battle lines."<sup>35</sup>

The UN attempted to stitch the country together in 2015. Through the Libyan Political Agreement signed on 17 December 2015, the UN created the GNA in Tripoli in March 2016, a government headed by

<sup>32</sup> Sophie Quinton, "The Quest for Libya's Frozen Assets," *The Atlantic*, 26 August 2011.

<sup>33</sup> Herland.

<sup>34</sup> Barber.

<sup>35</sup> *Economist*, "Coastal retreats: Fighting over Libya's oil ports."



prime minister Fayez al-Sarraj.<sup>36</sup> Although the UN declared the GNA to be the sole legitimate government of Libya, it has failed to unite the country or create an effective state.<sup>37</sup> While the United States and the United Kingdom, as well as Turkey and Qatar, among other influential foreign actors, have endorsed Sarraj's 'leadership', the GNA is nevertheless weak, internally divided, with little influence beyond the capital, including practically no control over southern Libya.<sup>38</sup>

Crucially, the GNA is unable to challenge the power of those militias allied with it.<sup>39</sup> According to BBC News reporting, "Only Libya's myriad armed militias really wield power – and it is felt they often hold the politicians they supposedly back to ransom."<sup>40</sup> The *Economist* reports therefore that "hopes of a settlement to the conflict look dim."<sup>41</sup>

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<sup>36</sup> Politi.

<sup>37</sup> *Economist*, "Islamic State in Libya: Down but not out."

<sup>38</sup> Barber.

<sup>39</sup> *Economist*, "Coastal retreats: Fighting over Libya's oil ports."

<sup>40</sup> *BBC News*, "Why is Libya so lawless?"

<sup>41</sup> *Economist*, "Islamic State in Libya: Down but not out."

For the past year, Libya has had *three* parallel governments, as the GNA is also locked in power struggles with two rival governments (see Figure 2 below). Until the spring of 2016, Libya was split between a military-backed government in Beida, in the east of the country, and another in Tripoli, in the west, which was dominated by Islamists and militias from western coastal cities.<sup>42</sup> In 2014, Islamists had set up the General National Congress, a Tripoli-based rival to the internationally recognised parliament, which was forced to decamp to the eastern city of Tobruk near the Egyptian border.<sup>43</sup>

The exiled parliament is now allied to General Khalifa Haftar<sup>44</sup>, the head of the self-styled Libyan National Army (LNA), a coalition of militias stretched thin by fighting in Benghazi and Derna.<sup>45</sup> Nevertheless, Haftar is backed by Russia,

<sup>42</sup> *Economist*, "Libya's civil war: That it should come to this."

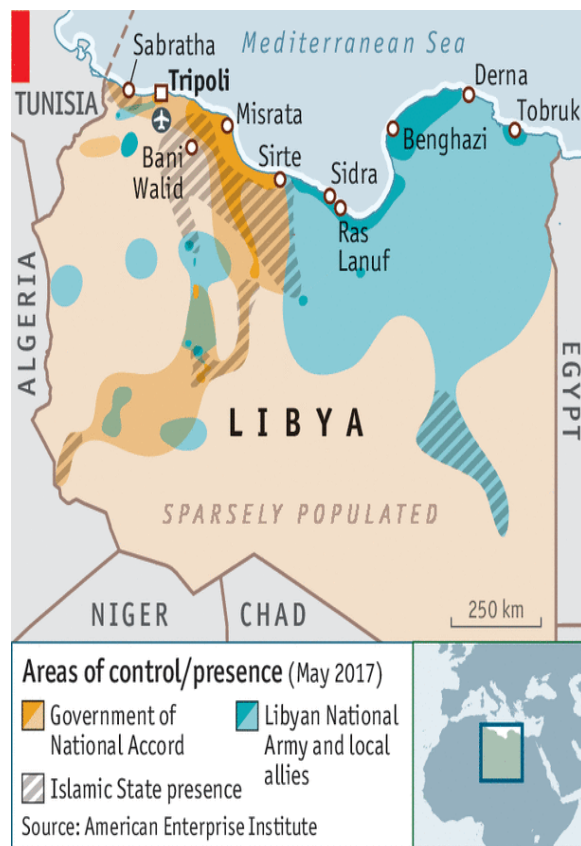
<sup>43</sup> *Economist*, "Libya: Another chance."

<sup>44</sup> See *BBC News*, "Profile: Libya's military strongman Khalifa Haftar," 15 September 2016.

<sup>45</sup> *Economist*, "Coastal retreats: Fighting over Libya's oil ports."

Egypt, Saudi Arabia, and the United Arab Emirates, and his militias control the eastern part of the country.<sup>46</sup> Haftar portrays himself as north Africa’s most resolute opponent of Islamist extremism.<sup>47</sup> Tensions escalated recently as the LNA has pushed southwards (see Figure 2 below).<sup>48</sup>

Figure 2. Areas of control/presence (May 2017).



Economist.com

Regarding the ongoing civil war, the *Economist* notes, “That war is linked to a broader Libyan power struggle too often reduced to a misleading narrative of Islamist versus non-Islamist. In fact, it is less an ideological battle than a scramble between competing interest groups rooted in regional, economic and social dynamics.”<sup>49</sup>

The bottom line is that, in “this extraordinarily fractious country,”<sup>50</sup> Libya’s conflict is “characterised by an ever-changing landscape, with alliances that shift constantly, according to interest and circumstance.”<sup>51</sup>

Tragically, yet predictably,<sup>52</sup> “after more than four decades of authoritarian rule, they [the rival factions] had little understanding of democracy. So, they were unable to forge compromises and build a new state based on the rule of law.”<sup>53</sup>

<sup>46</sup> Politi.

<sup>47</sup> Barber.

<sup>48</sup> Heba Saleh, “Renegade general triggers fears of renewed conflict in Libya,” *Financial Times*, 24 January 2017.

<sup>49</sup> *Economist*, “Libya: Anarchy looms.”

<sup>50</sup> *Economist*, “Libya: Another chance.”

<sup>51</sup> *IRIN News*.

<sup>52</sup> See Patrick Basham, “Gaddafi’s death: Bad news for Libyan revolution?” Democracy Institute, 20 October 2011.

<sup>53</sup> *BBC News*, “Why is Libya so lawless?”

## FROZEN ASSETS

In February 2011, a UN Security Council resolution froze the assets of the Central Bank, the Libyan Treasury, and the Libyan Investment Authority (LIA). In December 2011, the UN Security Council unfroze the \$110 billion in Central Bank and Treasury funds. The LIA's \$67.5 billion in assets remain frozen.

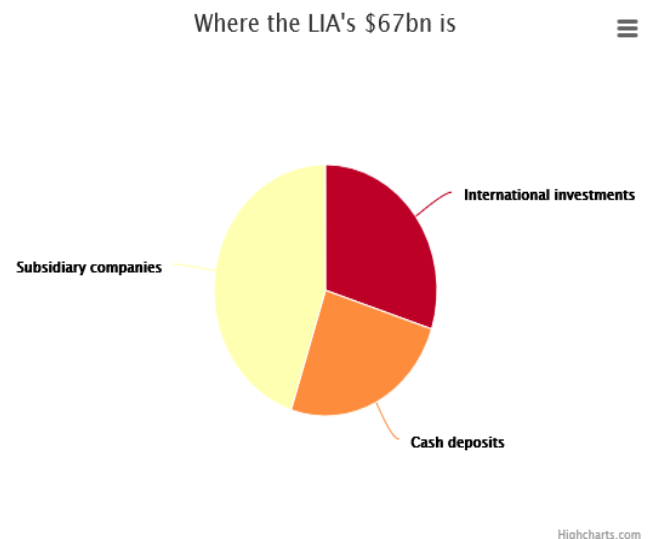
Legally, Libya's frozen assets belong to the Libyan people. They were seized under respective American and EU directives and they are frozen under a UN resolution that makes it illegal to sell off assets, redeploy funds, or return them to the Libyan people until a strong, stable, democratic government is formed.<sup>54</sup>

Libya's sovereign wealth fund, the LIA, was established in 2006 to manage the country's new oil wealth.<sup>55</sup> The LIA's specific mandates is to create through its

investments a diversified source of wealth for Libya's future generations. Hence, careful long-term stewardship of the country's wealth is a necessity, not a luxury.

Before Gaddafi was overthrown in 2011, the LIA had over \$150 billion in assets invested worldwide.<sup>56</sup> The LIA currently holds assets of \$67.5 billion.<sup>57</sup> The fund has investments in 550 companies, including hotels and downstream oil operations in Africa and the Middle East and an investment portfolio (see Figure 3 below)<sup>58</sup>

Figure 3. Where the LIA's \$67 billion is.



Source: Highcharts.com

<sup>54</sup> Giles Broadbent, "£9,467,630,000 – extent of Libya's frozen assets in UK revealed," *The Wharf*, 14 February 2017.

<sup>55</sup> Elisabeth Braw, "Following the Money in Libya," *National Interest*, 10 October 2015.

<sup>56</sup> Herland.

<sup>57</sup> Herland.

<sup>58</sup> Heba Saleh and Andrew England, "Libya sovereign wealth fund chief to appeal to UN over frozen assets," *Financial Times*, 19 April 2017.

## CASE FOR UNFREEZING ASSETS IS UNCONVINCING

**T**he gathering momentum behind the campaign to release Libyan assets is centered around two arguments, one humanitarian and one financial.

The humanitarian argument is that the Libyan people are suffering and several tens of billions of dollars would go a long way to easing that suffering. This argument ignores the fact that the funds that were unfrozen in December 2011 were not employed in the work of feeding, clothing, treating, and educating the Libyan people.

On the contrary, those funds in large part have been stolen and otherwise spent on weapons and pet political projects. The average Libyan's quality of life has not improved at all as a result of the release of the once-frozen funds. In fact, day-to-day life is now more violent and insecure as a direct result of these funds falling into the

wrong hands and being used for military purposes.

The financial argument was made most recently by Ali Mahmoud, head of a steering committee appointed by the GNA to oversee the LIA. Mahmoud has asked the UN to allow the LIA to manage its frozen assets because the fund was "losing a lot of money," as it is unable to manage old equity and bond investments.<sup>59</sup> He said that, "There are alternative opportunities that are being missed and in some cases there are deposits in banks that are past their maturity on which we are being charged negative interest rates. This has caused us big losses especially on the bonds and long-term investment portfolios."<sup>60</sup>

The crucial problem, however, for the pro-funds release case is that it is an exclusively technical, process-based argument that is superficially attractive at that micro-level only. Unfortunately, that micro-level argument does not stand up to the substantive, real world challenges posed by the macro-level arguments fleshed out in the following sections.

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<sup>59</sup> Saleh and England.

<sup>60</sup> Interview, quoted in Saleh and England.

## KEEP ASSETS FROZEN

**R**elease of Libya's assets would be in direct contravention of the UN resolution blocking release of the funds before a *strong, stable* government is formed. Furthermore, the LIA has always demanded that UN-imposed sanctions remain in place until a unity government is chosen by an elected, truly representative national legislature.<sup>61</sup> In addition to these inherent issues of political principle and credibility, continuation of the asset freeze makes tremendous sense for numerous political, institutional, security, legal, and logistical reasons.

## POLITICAL AND INSTITUTIONAL OBSTACLES

**A**s discussed below, it is close to impossible to envision a scenario whereby Libya's rival political factions would reach an agreement about the country's frozen assets *before* a political solution had been reached. In fact, the LIA "will be the last and most difficult of the

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<sup>61</sup> Abdelmeguid and Uziyel.

issues to be addressed if there is an agreement in Libya,"<sup>62</sup> according to Mattia Toaldo, a senior analyst at the European Council on Foreign Relations.

If one faction were to triumph militarily over another on the battlefield – say, General Haftar over Prime Minister Sarraj, or vice versa – the tangible benefits to the Libya people would be minimal, at best. Both Haftar and Sarraj appear far more interested in taking ownership of Libyan assets than in the welfare of the Libyan people. Both men seek overall control of the country. Consequently, they are prepared to negotiate covert deals with their domestic assets and foreign patrons to further their respective chances of eventually ruling Libya without serious political or military opposition.

## SECURITY THREATS

**P**ease will not be achieved by unfreezing Libyan assets. On the contrary, it will become that much harder to reconcile warring factions who would possess greater financial resources

<sup>62</sup> Saleh and England.

and, consequently, more fighters and more weaponry. Unfreezing Libyan assets at this time would be highly irrational. Based upon the evidence of the past six years, it is clear that such funds would fuel further violence, domestically and internationally, and those funds not earmarked for violent ends would be stolen. Given the current lawless nature of Libyan society, with neither Prime Minister Sarraj nor General Haftar in actual control, putting additional funds in the hands of the perpetrators of heinous individual and collective crimes would be the catalyst for lawlessness in the extreme, as even more Libyans would violently compete for soldiers, territory, money, and oil.

The terrorist attack on Manchester demonstrates the irrationality of assuming that unfreezing assets will bring peace to Libya or her continental neighbors. The only foreseeable way that Libyan militias will be forced to come to the negotiating table with the intention of agreeing a long-term political solution is to deprive them of the funds that keep them fighting.<sup>63</sup> While it

may not be possible to deprive them of their current funding, keeping the LIA's assets frozen for the foreseeable future will prevent the militias from strengthening their financial position and, consequently, their ability to spread additional levels of violence, death, and suffering throughout Libyan society.

The same rationale should be applied to the Libyan branches of both Islamic State and al Qaeda. How best to reducing these terrorist organizations' abilities to fund themselves through oil smuggling, human trafficking, hostage-taking, extortion, and slavery is a discussion for another venue. Nonetheless, it would be incredibly naïve, even a dereliction of duty, perhaps, for policymakers and other stakeholders to ignore the very high probability that a substantial proportion of the unfrozen asset pool would be ultimately transferred into the terrorists' coffers.

A further, unintended consequence of unfreezing the assets is that anything that increases the terrorist threat from north

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<sup>63</sup> *Economist*, "Libya's civil war: That it should come to this."

Africa provides political ammunition that American neoconservatives will leverage to rationalize further military intervention in Muslim nations.

## LEGAL BARRIERS

**A**ccording to financial sanctions experts, dispersing the Libyan assets will be especially complex because so many layers of national and international law are involved, the two most important layers being (1) the United Nations Security Council resolution and (2) the unilateral and multilateral sanctions put in place by various UN member nations.<sup>64</sup>

To release funds before the UN grants permission would be a violation of international law. Lifting the U.N. sanctions, or rewording the U.N. resolution to allow the transfer of frozen assets to the GNA would be a complicated diplomatic and legal issue.

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<sup>64</sup> Quinton.

<sup>65</sup> Quinton.

<sup>66</sup> Leon Watson, "What will happen to Gaddafi's billions? Governments prepare to

Once the assets are released, the Libyan authorities would face their steepest legal hurdle. They would need to make a persuasive legal argument that the money no longer belongs to Gaddafi and his family and their allies; rather, it belongs to the GNA, instead. Therefore, funds transfers to the GNA would have to survive legal challenges in courts throughout the world.<sup>65</sup>

Regrettably, there is no global legal framework or treaty setting procedures for tracing, recovering and *repatriating* assets misappropriated or abused by deposed regimes.<sup>66</sup>

As a result, there is considerable precedent for a lengthy wait for the return of seized assets. For example, funds stolen by Philippine dictator Ferdinand Marcos that were frozen in 1986 were not released to the democratically elected and far more stable Philippines government until 2002.<sup>67</sup>

hand back the toppled tyrant's frozen assets," *Daily Mail*, 22 October 2011.

<sup>67</sup> *Economist*, "Recovering stolen assets: Making a hash of finding the cash," 11 May 2013.

## LOGISTICAL IMPEDIMENTS

**T**he first logistical question is, “Who will cut the cash?” A new democracy needs a sovereign wealth fund completely independent of political bodies.<sup>68</sup> One of the many reasons Libya cannot be considered a functioning democracy is the ongoing politicization of the LIA.

Should Libya’s assets be unfrozen anytime soon, that development would beg the pivotal question, “Which head of the LIA shall receive and distribute the funds?” That is a very relevant question, as Libyan power struggles are not confined to national politics. Within the LIA, infighting is endemic, with officials backed by political adversaries skirmishing over the institution’s leadership and resources.<sup>69</sup>

In recent years, various individuals have claimed simultaneously to be the rightful head leader of the sovereign wealth fund with the dispute most commonly taking

place between those controlling the LIA’s Tripoli office and the eastern Libyan ‘government’s own LIA’s office.’<sup>70</sup>

The second logistical question is, “Who will handle the cash?” An imposing logistical issue is the fragility of the Libyan banking system. Since the 2011 revolution, both European and American experts maintain that, before they could accept any assets, a new Libyan government would have to establish government procedures and mechanisms for efficiently and accountably handling large amounts of recovered wealth.<sup>71</sup> There is no evidence to suggest that any would-be government is in such a position.

The U.N. resolution outlines conditions for the Libyan opposition to meet in order to get the money that will be the easiest to transfer, that is, the Libyan government’s own cash and investment portfolios. However, the funds transfer would be the easiest part of the process, comparatively speaking. The investment portfolios, for

Sovereign risk rating July 2015,” Economist Intelligence Unit, 10 July 2015.

<sup>68</sup> Braw.

<sup>69</sup> Saleh and England; and Mohamed Abdelmeguid and Toby Iles, “Libya:

<sup>70</sup> Saleh and England.

<sup>71</sup> See, for example, Watson.



instance, are held by a range of entities from individuals to state agencies. Of the estimated \$37 billion held by the United States, \$34 billion is tied-up in securities investments.<sup>72</sup>

## CONCLUSION

**W**ho would benefit from the unfreezing of the \$67.5 billion in LIA assets?

Without question, the Libyan people would be the least likely beneficiaries. However, leading politicians, politically connected individuals, warring militias, and jihadi terrorists would reap the benefits of international naïveté over the probable destinations for, and uses of, the presently frozen funds.

Given the tragic state of affairs that is contemporary Libya, it is perhaps difficult to contemplate that the situation could be

any worse. Yet, it actually could become *far* worse. With significantly more money sloshing around an inherently corrupt political system, even more bloodshed, atrocities (domestically and internationally), human trafficking, and emigration are certainties. At that point, it is highly probable that Libya would devolve from its present status as a failing state to actual failed state status, and in very short order.

If one's focus is the humanitarian disaster across Libya, the prospect of so much new money *not* being spent or invested for the benefit of ordinary Libyans should make one very anxious about the prospect of unfrozen Libyan assets. If one's focus is the national security threat posed to Western countries by Islamist terrorists, then the increasing likelihood that those unfrozen assets would fund attacks upon European targets should make one increasingly fearful of such an ill-advised policy change.

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<sup>72</sup> Quinton.