Debate

In Memoriam

Mustafa Salheen el-Huni, an oil and gas specialist and former vice-president of the Libyan Transitional Council, died November 27. He was an occasional contributor to our newspaper. In memory of el-Huni, we republish the following column, which first appeared in The Arab Weekly in January 2016.

Oil and gas loom large in Libya's transition from chaos

Mustafa Salheen el-Huni

served as first vice-president of the Libyan Transitional Council.

Libya is once again a focus of international attention because of the bloody activities of jihadist groups targeting security forces and oil installations in the country and threatening security in the Mediterranean.

Militants affiliated with the Islamist State (ISIS) and al-Qaeda would like to prevent Libya from transitioning from chaos to stability.

If Libya has become a training ground for terrorists since 2011 and a transit point for traffickers of all kinds, including migrant smugglers, it is because of the country's failure to negotiate a successful transition from a chaos-based state, through which Libyan dictator Muammar Qaddafi governed for 43 years, to a democratic government with working institutions.

One can argue there were official institutions in Qaddafi's Libya but those institutions were subjected to a pattern of organised anarchy orchestrated by the previous ruler and could not ensure any form of viable state building. Corruption and failed socio-economic policies planted the roots of future revolts and uprisings, which led to the fall of the regime.

Since then, there has been a new pervasive state of anarchy. Former opposition members who had no government experience or were for too long either in exile or in jail could not fill the power vacuum or manage the country. The exercise of power turned into score-settling and civil strife. The lack of fully legitimate and effective institutions, as well as the proliferation of armed groups, hampered any peaceful transition.

Large segments of the Libyan population suffer from insecurity and a lack of social and economic services, causing the displacement of hundreds of thousands at home and abroad.

This state of destructive anarchy has not only jeopardised the well-being of Libyans but has been detrimental to the interests of the international community, including those of the West.

The approaches followed to reach a settlement to the Syria, Iraq and Yemen conflicts cannot be applied to Libya; neither can the Egyptian and Tunisian recipes.

Because of its ethnic, regional and tribal composition, as well as its political history since independence, especially the more than four decades of Qaddafi's rule, Libya is different from other Arab countries. To ensure the transition that Libyans and the world want, a different approach is needed for this sparsely populated North African country. Through their ongoing dialogue, Libyans are trying to figure that out.

One particular asset that helps Libya overcome its travails will be its natural riches. Oil and gas exports will be vital factors in the future stability of Libya, despite the vicissitudes of the world market.

Hydrocarbon exports can finance the rebuilding of military and security institutions without recourse to loans or foreign assistance. They can also provide the revenue the country needs for economic recovery. The implementation of economic programmes, especially infrastructure projects, can start immediately with steady oil and gas output.

New income will help finance the costly effort of collecting weapons and dismantling armed militias. Budgets will be needed to establish secure arms depots, compensate armed individuals and groups willing to relinquish their weapons and retrain revolutionary elements in other skills beside warfare.

The resumption of Libya's oil and gas activity will lessen the country's dependence on Russian gas imports. Reconstruction will provide many joint ventures between Libya and foreign countries, including investment and employment opportunities. It will spur development and stability in Libya's neighbourhood as well.

The full resumption of hydrocarbon exports from Libya will require some time. The return to peace and normality will be an uphill battle requiring vision and perseverance but it is not too early to start planning for the sound use of oil and gas management in Libya once a sustainable political agreement is reached.

Oil and gas will help ensure a speedy and sustainable return from a state of anarchy to a state of stability, democratic rule and economic prosperity.

Is lack of economic freedom holding the Arab world back?

Mark Habeeb

"Economic freedom" is a term popular with economists and policymakers who favour free-market systems and minimal government intervention in economic life. It is also the basis of neo-liberal economics, the system that has largely defined the global economic system since the collapse of the Soviet Union, although not without pushback. Neo-liberal economics, for example, is the dominant guiding philosophy behind the policies of the International Monetary Fund and the World Bank.

Advocates of greater economic freedom argue that, by allowing individuals to pursue their economic interests unfettered by government policies or regulations, societies can unleash a powerful force for economic growth. The less government, the more growth; the fewest regulations, the more innovation; the freest markets, the more wealth. Or so the argument goes.

The countries of the Arab world are hardly known as bastions of economic freedom, as defined by the movement's advocates. By several accounts, most Arab states are near the bottom in rankings of economic freedom.

The Heritage Foundation, a conservative think-tank in Washington, annually ranks every country by economic freedom, based on rule of law, size of government, efficiency of regulation and openness of markets. The 2017 Heritage report on economic freedom classifies only two Arab countries — the United Arab Emirates and Qatar — as being "mostly free," the same classification that includes the United States and most European countries. Only Hong Kong, Australia, New Zealand, Singapore and Switzerland were deemed completely free by Heritage.

The rest of the Arab world is divided among states that are "moderately free" (Bahrain, Jordan, Kuwait, Saudi Arabia, Oman and Morocco), "mostly unfree" (Tunisia, Lebanon and Egypt) and "repressed" — the lowest category — (Algeria). Heritage did not rank Iraq, Syria, Libya and Yemen for obvious reasons.

Chronic problems. A man gestures with a piece of bread during a protest to demand the government to offer unemployed graduates jobs in Cairo. (Reuters)

A Canadian libertarian think-tank, the Fraser Institute, released a more focused study called "Economic Freedom in the Arab World," a project with the International Research Foundation of Oman. It painted an equally dismal portrait: Since the "Arab spring" of 2011, the report said, "several nations have implemented limited political change, with Tunisia being the most successful, [but] little if any economic reform has occurred and some nations have back-pedalled on economic policy, as the data in this report show. The chronic economic problems that plagued the region remain in place."

The authors of the Fraser report argue there is a direct link between economic freedom and political freedom. "Successful political change hinges on economic success and economic freedom for all people," they wrote. "If people are excluded from opportunity and hope, stability and democracy are elusive."

The Fraser report, like Heritage's, employs a ranking system and gave gold stars to Bahrain and the UAE, both of which scored 8 out of a possible 10. Jordan, Kuwait, Lebanon and Qatar scored 7.6 or higher. The next grouping included, in ranking order, the Palestinian Authority, Oman, Somalia, Saudi Arabia and Yemen. The poor performers were Tunisia, Egypt, Morocco, Djibouti, Mauritania and the Comoros. The utter failures were Sudan, Iraq, Algeria, Libya and Syria.

Although the Fraser analysts used similar criteria to Heritage, their results clearly diverge and in some cases are downright baffling: Does Somalia really have a freer economy than Saudi Arabia and Tunisia? Would anyone rather open a business in Mogadishu than Riyadh?

Such peculiarities demonstrate the limits of ranking systems. There is just too much that is not taken into account, too many factors that are not comparable between two or more countries.

There is a broader question, as well. Most people would agree that allowing private businesses the freedom to innovate, take risks and grow is a good thing. Most people would agree that rampant corruption, burdensome bureaucracies and flimsy legal systems are bad things. However, the neo-liberal agenda — and both reports are essentially measurements of countries' adoption of neo-liberalism — is not a panacea. Far from it.

The kind of freewheeling private sector economies that Heritage and Fraser promote may lead to greater gross national product but also tend to produce greater economic disparity within societies. These economies do not do away with corruption, they just transform it. Witness the millions of dollars in legal corporate donations that underpin US politics.

The argument for unfettered economic freedom with only a thin veneer of government overlooks many challenges — such as education — facing Arab countries. Will the private sector build and operate quality, tuition-free public schools? What about providing clean water, public transportation systems and accessible health care?

It is significant that two of Heritage's "completely free" economies are a city-state — Singapore — and an autonomous territory — Hong Kong — and the largest on the list — Australia — has less than 25 million people.

Make no mistake: Creating dynamic, growing and equitable economies is desperately needed in the Arab world and the failure by Arab states in this arena has contributed greatly to the region's social and political turmoil. However, complex problems require complex solutions, which may include many of the recommendations of Heritage and Fraser. The conversation, however, needs to go much deeper.

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