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Travel b

LIBYA BRIEFING

Contents

VISIT TO LIBYA, AUGUST 6-10, 1974

DATE	TIME	GMT		REMARKS
Aug. 6 Tues.	1745	2145	Depart Washington (Dulles)	PA 66 (707) (Boston GMP 2230-0030)
Aug. 7	0810	0710	Arrive Paris (CdG)	
Wed.	0915	0815	Depart Paris (CdG)	UT 777 (DC8) (Marseille GMT 0935-1035) (Mr. Cargill joins)
	1435	1235	Arrive Tripoli	(Mr. Husain meets)
Aug. 8 Thurs.			Meetings with Prime Minister Jalloud Finance Minister Zarouk Central Bank Pres. Sher Lala President of Libyan Arab Foreign Bank, Abdullah Saudi President Gaddafi (not certain)	
Aug. 9 Fri.			Possibly further meetings Visit Sobrata, an old Roman city near Tripoli and possibly agriculture projects	
Aug. 10	1035	0835	Depart Tripoli	LN 120 (Caravelle)
Sat.	1120	1020	Arrive Rome	
	1225	1125	Depart Rome	AZ 624 (DC8)
	1645	2045	Arrive Boston	

AL
August 2, 1974

ITINERARY

August 7	Arrive Tripoli 2.35 p.m. Flight UT 777
August 8	Meetings with the following:
	Prime Minister, Abdul Salam Jalloud
	Finance Minister, Mohammed Zarouk
	President, Central Bank, Sher Lala
	President, Libyan Arab Foreign Bank, Abdullah Saudi
	President Mummar Gaddafi (not certain)
August 9	Any other meetings as necessary
	Visit Sobrata, an old Roman city near Tripoli, and possibly some agriculture projects
August 10	Departure 10.35 a.m. Flight LN 120

* * * * * *

Mr. Husain will arrive in Tripoli on August 3 and will arrange the exact schedule and will be there to receive and be with Mr. McNamara

7.23.74

Arrival statement - Draft.

I am delighted to be here today in Libya. I look forward to meetings with your leaders in the next few days.

I am sure you all know what we in the World Bank are doing in the field of economic development. Our relations with the Arab countries are increasing every day. Our mutual efforts are taking several new roads. Our direct activities and operations in the Arab countries have increased almost five-fold in the last five years, reaching almost one billion dollars. We are joined together with oil-producing countries in mutual projects in the Arab World, where the World Bank and Arab Economic Institutions work together in executing important and large scale projects. We are also able to help the wider family of nations through the contribution of Arab money lent to us for this purpose.

This requires a lot of selfless effort, which we are always willing to give and unbiased expertise which we luckily gathered from all over the world.

We too are keenly watching your leaders' increasing interest in developing your own country and resources but also the other fellow nations. I am sure there are amany areas in which our efforts can be combined. There is no other nobler way we can achieve what we both are striving for; justice and prosperity for the family of man.

STATEMENT ON ARRIVAL IN TRIPOLI

I am delighted to be here today in Libya, a country with an impressive history and a bright future. I look forward to meetings with your leaders in the next few days.

Relations between the Arab countries and the World Bank have been close and warm for a number of years, and are being strengthened every day. Our mutual efforts are taking several new roads. Our direct lending for development projects in the Arab countries have increased five-fold in the last five years, reaching almost one billion dollars. We have joined together with oil-producing countries in projects in the Arab World, where the World Bank and Arab Economic Institutions work together to accelerate economic and social development in those countries which are less well-endowed with natural resources. We are also able to help the wider family of nations through the contribution of Arab money lent to us for this purpose.

We warmly welcome your leaders' increasing interest in the development of other fellow nations. I am sure there are many areas in which our efforts can be combined, and this is my reason for coming here.

LIBYAN ARAB REPUBLIC

BACKGROUND NOTES

Population: 2 million (1971 est.)
Co-Capitals: Tripoli and Benghazi

The Libyan Arab Republic is located on the north-central coast of Africa. It is bounded by the Mediterranean Sea to the north (coastline about 1,100 miles), Egypt to the east, Sudan to the southeast, Tunisia and Algeria to the west, and Niger and Chad to the south. The country occupies an area of 679,360 square miles, about two and a half times the size of Texas.

About 95 percent of Libya's terrain is desert or semidesert, consisting of barren, rock-strewn plains and sand sea with two small areas of hills and mountains rising to a maximum of 3,000 feet above sea level—Jebel Nafusa in the northwest, south of Tripoli, and Jebel Al-Akhdar in the northeast, east of Benghazi. Another zone of hills and mountains in the Saharan south and southwest rises to 10,335 feet. Libya has no permanent rivers. Except for scattered oases, only the narrow coastal strip and the slopes of the two northern hill areas are suitable for cultivation. An estimated 2 percent of the total land area is arable and 4 percent is semiarid grazing land.

Rainfall is irregular and scanty and damagingly low about every 3 years. A feature of the Libyan climate is the ghibli—a hot, dry, dust laden southern wind lasting for periods of from 1 to 4 days. The ghibli usually occurs in the spring and fall, causing the temperature to rise by as much as 40 degrees in a few hours. Temperatures along the coast reach the high 80's in the summer, with humidity close to 90 percent.

The flag of the Libyan Arab Republic is composed of red, white, and black horizontal stripes in descending order with a hawk in the center white stripe. This flag was also adopted by the Confederation of Arab Republics which is composed of Libya, Egypt, and Syria.

THE PEOPLE

Libya's large land area is in direct contrast to its small population. With a 1971 population estimated at 2 million, the density is only slightly more than two persons per square mile for the country as a whole. Ninety percent of the people live in less than 10 percent of the area, primarily in the coastal areas from Misratah west to the Tunisian border and from Ajdabiyah east to the Egyptian border. About 20 percent of the population is concentrated in the two largest cities, Tripoli (247,000, 1968 estimate) and Benghazi (137,000, 1964 estimate). Libya has a young population—44 percent is less than 15 years of age. The annual population growth rate is 3.7 percent.

Libyans are primarily a mixture of Arabs and Berbers. Small Tebou and Touareg tribal groups in southern Libya lead nomadic or seminomadic lives. There are roughly 200,000 foreign residents, most of whom are Egyptians. There are also approximately 3,000 Americans and an equal number of British subjects.

Islam is the predominant religion with nearly all Libyan Muslims belonging to the Sunni, or orthodox, sect. Arabic is the official language. Literacy is estimated at 30-35 percent.

HISTORY

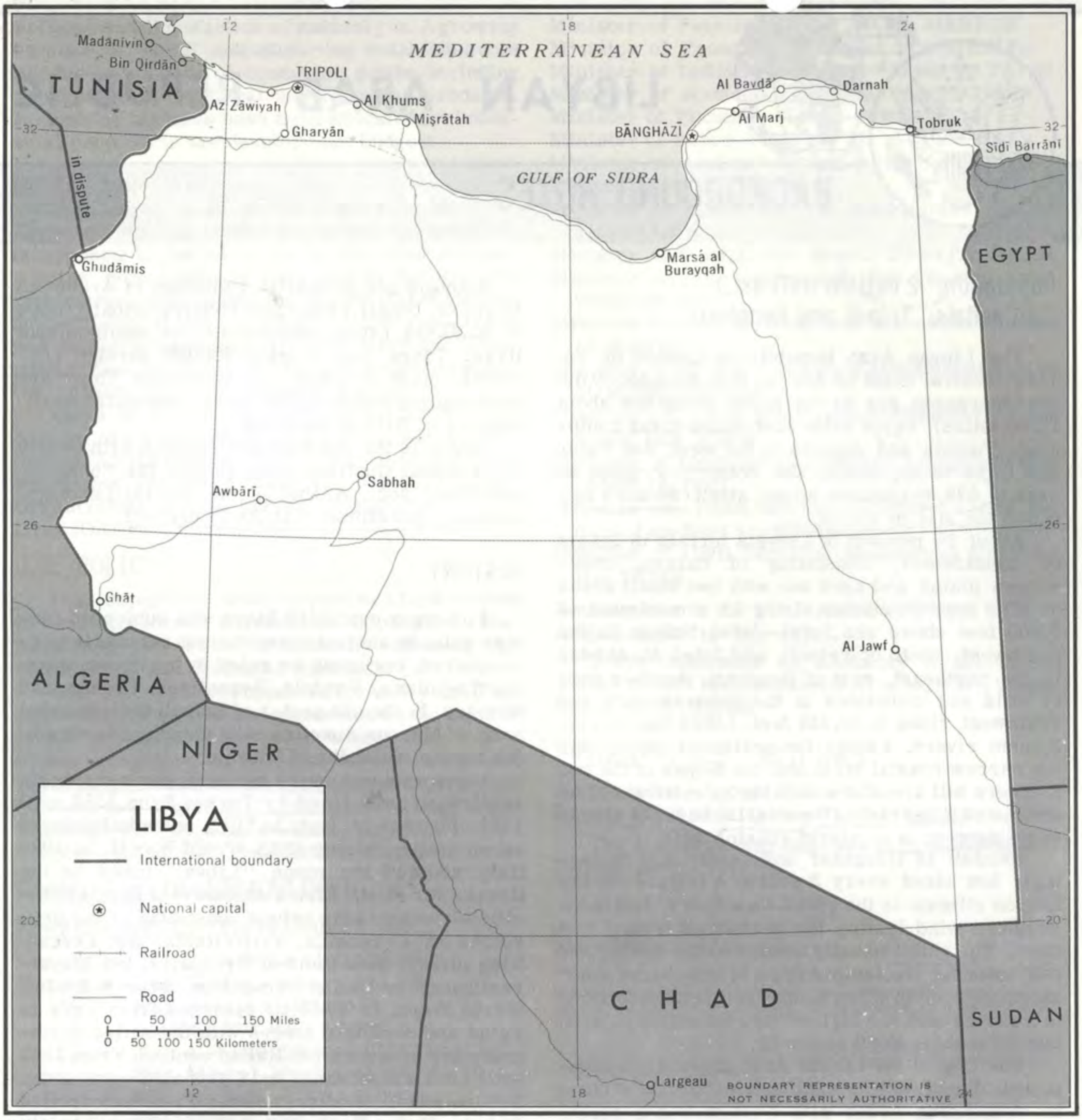
For many centuries Libya was subject to foreign rule. In ancient times various parts of it were conquered, occupied, or ruled by the Phoenicians, Carthaginians, Vandals, Byzantines, Greeks, and Romans. In the old sector of Tripoli the triumphal arch of Marcus Aurelius still stands, attesting to the ancient splendor of Libya.

Libya was conquered by the Arabs in the eighth century. It was ruled by Turkey from 1553 until 1911, invaded by Italy in 1911, and administered as an Italian colony until World War II. In 1934 Italy adopted the name "Libya" (used by the Greeks for North Africa exclusive of Egypt) as the official name of its colony consisting of the provinces of Cyrenaica, Tripolitania, and Fezzan. King Idris I, then Emir of Cyrenaica, led Libyan resistance to Italian occupation between the two World Wars. In 1947 he returned from exile in Egypt and combined forces with the Allies to liberate the country from Italian control. From 1943 until 1951 Tripolitania and Cyrenaica were under British administration, and the French controlled Fezzan. Under the terms of the 1947 peace treaty with the Allies, Italy relinquished title to Libya.

On November 21, 1949, the U.N. General Assembly passed a resolution to the effect that Libya should become independent before January 1, 1952. King Idris I represented Libya in the subsequent U.N. negotiations. Libya declared its independence on December 24, 1951, the first country to achieve independence through the United Nations. It was simultaneously proclaimed a constitutional and hereditary monarchy under King Idris.

King Idris ruled the Kingdom of Libya until the Government was overthrown by a military coup d'état on September 1, 1969. The new regime, led by Col. Mu'ammar al-Qadhafi, abolished the monarchy and proclaimed the Libyan Arab Republic.

Libya advocates the unity of all Arab countries. As a first step in this direction it joined with Egypt and Syria in 1971 to form the Confederation of Arab Republics.



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GOVERNMENT

The Libyan Arab Republic operates under the Provisional Constitution of December 11, 1969 (the former constitution was canceled on October 7, 1969). The Provisional Constitution proclaims Libya "an Arab, democratic, and free Republic which constitutes a part of the Arab nation and whose objective is comprehensive Arab unity."

Under the Provisional Constitution, the 12-man Revolutionary Command Council (RCC) is the highest authority in the country. The Chairman of the RCC is Chief of State and Head of Government. "It exercises the functions of supreme sovereignty and legislation and decides the general policy of the State on behalf of the people" and is empowered to "adopt all measures to protect the Revolution." The RCC supervises the armed forces and has power to proclaim war, conclude treaties, and appoint the Prime Minister and cabinet.

The Council of Ministers (cabinet) includes two RCC members. The cabinet is responsible to the RCC, may be dismissed by it, and is charged with carrying out its policy decisions.

A Libyan Arab Socialist Union (ASU) has been established made up of representatives from each part of the country. It a as an advisory group to the RCC and held its first national congress in March 1972.

Under the Provisional Constitution all Libyans are declared to be equal before the law and to have the right to resort to the courts. Libyan legal codes, including commercial and civil law, are based to a considerable degree on the legal codes of European countries such as Italy and France. Islamic law is applied in matters regarding the personal status of Muslims, and the Government has declared that all laws in Libya will be consistent with Islamic law.

For internal administrative purposes Libya is divided into 10 Regions, each under a Governor: Tripoli, Benghazi, Sebha, Zawia, Derna, Khalij, Jabal al Akhdar, Misurata, Gharyan, and Homs.

POLITICAL CONDITIONS

On September 1, 1969, a group later known as the Free Unionist Officers seized power throughout Libya, neutralized political and military opposition, and proclaimed the Libyan Arab Republic. Quickly consolidating its control over the country, this military group formed a Revolutionary Command Council (RCC) and announced that it would respect all agreements and treaties and observe the rights of the petroleum companies.

The new regime declared a motto of "freedom, socialism, and unity" and pledged itself to: (1) remove backwardness; (2) take an active role in the Arab cause in "Palestine;" (3) promote Arab unity; and (4) encourage domestic policies based on social justice, nonexploitation, and an equitable distribution of wealth.

As under the former monarchy there are no conventional political parties. However, the Libyan ASU, modeled after the Egyptian ASU, acts as a channel for various groups to bring issues to the attention of the Government. RCC leaders also have held periodic rallies, public speeches, and meetings with various groups to present and exchange views on issues.

An early announced objective of the new Government was the withdrawal of all foreign military installations from Libya. Following negotiations, British military installations at Tobruk and nearby El Adem were closed in March 1970 and U.S. facilities at Wheelus Air Force Base near Tripoli were closed in June 1970. In July the Libyan Government also ordered the expulsion of several thousand Italian residents and in 1971 ordered the closure of libraries and cultural centers operated by foreign governments.

ECONOMY

Oil, Libya's principal product, represents 99 percent of its exports and is its main source of revenue. Since the first major oil discovery in 1959, Libya has had a rapidly expanding economy. Per capita gross national product (GNP) rose from about U.S. $145 in 1959 to an estimated $1,920 in 1971. GNP in 1971 was estimated provisionally at $3.8 billion. Average crude oil production in 1971 was 2.8 million barrels per day, down from 3.3 million barrels per day in 1970. However, negotiations with oil companies in 1970 and 1971 led to increases in tax rates and tax reference (posted) prices, so that oil revenue rose from $1.3 billion in 1970 to almost $1.8 billion in 1971. Most Libyan oil is exported to Western Europe; only small quantities are exported to the United States.

Libyan government expenditures have not kept pace with the rapid rise in oil revenues. The resulting surplus has led to the growth of large Central Bank reserves of foreign exchange and gold. In the first part of 1972 these reserves were in excess of $2.5 billion.

The Government has a budget for ordinary expenditures and a separate development plan budget. For the fiscal year ending March 21, 1973, the ordinary budget is $740 million. The development plan projects expenditures of $1.1 billion during the same period. It stresses the development of agriculture, educational facilities, transportation, housing, electrification, and industrial projects outside the oil sector.

Total Libyan exports in 1970 were valued at $2.3 billion, almost all of which was petroleum. Imports in the same period totaled $554 million, most of which was machinery, transportation equipment, manufactured goods, and food. Libya's main import from the United States ($104 million) in 1970 was equipment for use in the oil industry.

Libya's major trading partners are the Federal Republic of Germany, Italy, the United States, and the United Kingdom.

Although overshadowed by the petroleum sector, agriculture is the second largest sector in the Libyan economy. Barley, wheat, tomatoes, olives, and dates are the primary crops. Sheep and goats are the chief livestock.

Libya is not self-sufficient in many kinds of food. As consumption has risen with higher incomes and a growing population, the proportion of food consumption met by imports has risen also. One of the objectives of current development efforts is to make Libya largely self-sufficient in agricultural production.

Agricultural development is hampered by limited rainfall in most of the country and the increasing shortage of manpower brought on by migration from rural areas to the cities. Development efforts include more efficient use of ground water, storage of seasonally available water supplies, and land reclamation.

A large project is being carried out in the Kufra oasis region in southeastern Libya. Large subterranean water reserves are being used to grow crops to feed sheep in an effort to help make Libya self-sufficient in meat.

Libya has relatively rich potential resources for coastal and sponge fishing, but they are as yet relatively undeveloped. Small quantities of tuna, sardines, and other fish are caught in coastal waters.

Industrialization in Libya has been limited because of the small domestic market, uneven distribution of population, limited skilled manpower, and limited natural resources other than petroleum. The biggest industrial p[...]ects are directly connected with the petroleum sector, including refining and liquefaction of natural gas. A growing number of small manufacturing establishments produce a variety of consumer goods, including processing agricultural and fisheries products. Increasing amounts have been allocated for industrial projects in the development budgets.

FOREIGN RELATIONS

The Libyan Arab Republic strongly supports Arab and Muslim causes throughout the world. It is opposed to Israel in the Middle East and advocates elimination of influence in the area by large powers, including the United States and the Soviet Union. It has purchased technical services and military equipment from Western and Communist bloc countries. It has also sought to widen its contacts with other countries in Africa.

Libya is a member of the United Nations and several of its specialized agencies, the Organization of African Unity (OAU), the Organization of Petroleum Exporting Countries (OPEC), and the Organization of Arab Petroleum Exporting Countries (OAPEC).

U.S. POLICY

U.S. objectives with respect to Libya include the maintenance of cordial and cooperative relations and promotion of mutually advantageous commercial and economic interests.

The United States supported the U.N. resolution providing for Libyan independence. On the day that Libya proclaimed its independence the United States recognized the new Government and raised the status of its office at Tripoli from a Consulate General to a Legation. Libya opened a Legation at Washington, D.C., in 1954. Both countries subsequently raised their missions to Embassy level.

PRINCIPAL GOVERNMENT OFFICIALS

Revolutionary Command Council (RCC)

Chairman—Col. Mu'ammar al-QADHAFI
Members—Maj. 'Abd al-Salam JALLUD
Maj. Bashir al-HAWADI
Lt. Col. Abu Bakr YUNIS
Maj. al-Khwayldi al-HUMAYDI
Maj. 'Abd al-Mun'im al-HUNI
Maj. Mustafa al-KHARUBI
Maj. Muhammad NAJM
Maj. 'Awad 'Ali HAMZA
Maj. Mukhtar al-QARAWI
Capt. 'Umar 'Abdulla al-MUHAYSHI
Capt. Imhammad Abu Bakr al-MAQARYIF

Council of Ministers (Cabinet)

Prime Minister; RCC Member—Major 'Abd as-Salam Ahmad JALLUD
Minister of Interior; RCC Member—Major 'Abd al-Mun'im at-Tahir al-HUNI
Minister of Foreign Affairs—Mansur Rashid al-KIKHYA
Minister of Treas[...]—Muhammad az-Zaruq RAJAB
Minister of Petroleum—'Izz ad-Din MABRUK
Minister of Economy—Abu Bakr 'Ali SHARIF
Minister of Industry—Jadallah 'Azzuz at-TALHI
Minister of Justice—Muhammad 'Ali al-JADI
Minister of Planning—'Isa al-QIBLAWI
Minister of Labor—'Abd al-'Ati al-'UBAYDI
Minister of Agriculture and Agrarian Reform—Muhammad 'Ali TABU
Minister of Education—Dr. Muhammad Ahmad ash-SHARIF
Minister of Health—Dr. Muftah al-USTA 'UMAR
Minister of Information and Culture—Abu Zayd 'Umar DUDAH
Minister of Housing—Engineer Muhammad Ahmad al-MANQUSH
Minister of Utilities—Engineer Muhammad Ahmad al-MANQUSH (Acting)
Minister of Communications—Engineer Taha Sharif BIN 'AMIR
Minister of Electricity—Engineer Taha Sharif BIN 'AMIR (Acting)
Minister of Youth and Social Affairs—'Abd al-Hamid as-Sayd az-ZINZANI
Minister of Civil Service—Muhammad Abu Bakr Bin YUNIS

Ambassador to the U.S.—Abdulla SUWESI
Ambassador to the U.N.—

Libya maintains an Embassy in the United States at 2344 Massachusetts Avenue, N.W., Washington, D.C., 20008.

PRINCIPAL U.S. OFFICIALS

Ambassador—Joseph Palmer II
Deputy Chief of Mission—Harold G. Josif

The U.S. Embassy in Libya is located at Shari' Lidoun Sweti, Tripoli.

READING LIST

These titles are provided as a general indication of the material currently being published on this country; the Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

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Office of Media Services, Bureau of Public Affairs

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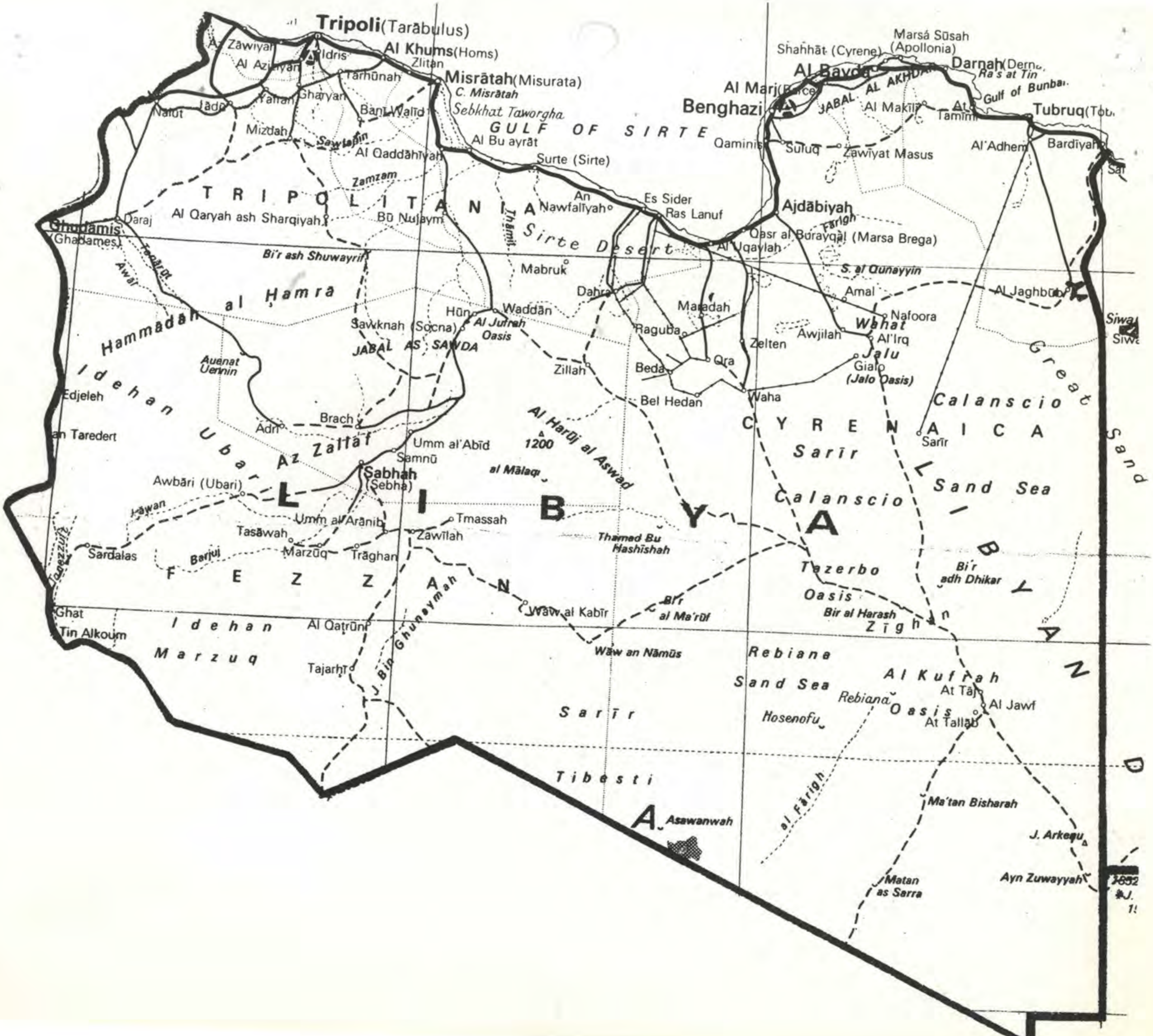
Tripoli(Tarabulus)
Zawiyah
Al Aziziyah
Idris
Al Khums(Homs)
Zlitan
Tarhunah
Misratah(Misurata)
C. Misratah
Sebkhat Taworgha
Gharyan
Yafran
Jado
Nalut
Bani Walid
Mizdah
Sawfajjin
Al Qaddahiyah
Al Bu ayrat
GULF OF SIRTE
Surte (Sirte)
Zamzam
TRIPOLITANIA
Ghadamis
(Ghadames)
Daraj
Al Qaryah ash Sharqiyah
Bu Nujaym
An Nawfaliyah
Es Sider
Ras Lanuf
Thamit
Sirte Desert
Bi'r ash Shuwayrif
Mabruk
Hammadah al Hamra
Tinrhert
Awai
Hun
Waddan
Al Jufrah Oasis
Sawknah (Socna)
JABAL AS SAWDA
Dahra
Aueinat Uennin
Zillah
Idehan Ubari
Edjeleh
Taredert
Brach
Adri
Az Zallaf
Umm al'Abid
Samnu
1200
al Malaqi
Al Haruj al Aswad
Sabhah
(Sebha)
Awbari (Ubari)
Hawan
LIBYA
Umm al Aranib
Tmassah
Tasawah
Marzuq
Traghan
Zawilah
Sardalas
Barjuj
Tanezzuft
FEZZAN
Bin Ghunaymah
Ghat
Tin Alkoum
Idehan
Marzuq
Al Qatrun
Tajarhi
J. Bin Ghunaymah
Waw al Kabir
Waw an Namus
Thamad Bu Hashishah
Bi'r al Ma'ruf
Sarir
Tibesti
Asawanwah
Shahhat (Cyrene)
Marsa Susah
(Apollonia)
Al Bayda
Darnah(Derna)
Ra's at Tin
Gulf of Bunbah
Al Marj(Barce)
JABAL AL AKHDAR
Benghazi
Al Makili
Tamimi
Tubruq(Tob
Qaminis
Suluq
Zawiyat Masus
Al'Adhem
Bardiyah
Ajdabiyah
Fargh
Qasr al Burayqah (Marsa Brega)
Al Uqaylah
S. al Qunayyin
Amal
Al Jaghbub
Maradah
Raguba
Nafoora
Wahat
Awjilah
Al'Irq
Jalu
Gialo
(Jalo Oasis)
Zelten
Beda
Ora
Bel Hedan
Waha
Siwa
CYRENAICA
Calanscio
Sarir
Sarir
Calanscio Sand Sea
Great Sand Sea
LIBYAN DESERT
Tazerbo Oasis
Bir al Harash
Zighan
Bi'r adh Dhikar
Rebiana Sand Sea
Rebiana
Al Kufrah Oasis
At Taj
Al Jawf
At Tallab
Hosenofu
al Farigh
Ma'tan Bisharah
J. Arkenu
Ayn Zuwayyah
Matan as Sarra
1852

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LIBYA - PRINCIPAL GOVERNMENT OFFICIALS

REVOLUTIONARY COMMAND COUNCIL (RCC)

Chairman:	Col. Mu'ammar al-Qadhafi*
Members:	Maj. 'Abd al-Salam Jallud*
	Maj. Bashir al-Hawadi*
	Lt. Col. Abu Bakr Yunis*
	Maj. al-Khwayldi al-Humaydi*
	Maj. 'Abd al-Mun'im al-Huni *
	Maj. Mustafa al-Kharubi *
	Maj. Muhammad Najm
	Maj. 'Awad 'Ali Hamza
	Maj. Mukhtar al-Qarawi *
	Capt. 'Umar 'Abdulla al-Muhayshi*

COUNCIL OF MINISTERS (CABINET)

Prime Minister; RCC Member - Major 'Abd al-Salam Jallud *

Minister of Interior; RCC Member - Major al-Khwayldi al-Humaydi *

Minister of Foreign Affairs - Mansur Rashid al-Kikhya *

Minister of Treasury - Muhammad az-Zaruq Rajab

Minister of Petroleum - 'Izz ad-Din Mabruk *

Minister of Economy - Abu Bakr 'Ali Sharif

Minister of Industry - Jadallah 'Azzuz at-Talhi

Minister of Justice - Muhammad 'Ali al-Jadi *

Minister of Planning - 'Isa al-Qiblawi

Minister of Labour - 'Abd al-'Ati al-'Ubaydi

Minister of Agriculture and Agrarian Reform - Muhammad 'Ali Tabu *

Minister of Education - Dr. Muhammad Ahmad ash-Sharif

Minister of Health - Dr. Muftah al-Usta 'Umar *

Minister of Information and Culture - Abu Zayd 'Umar Dudah

Minister of Housing - Engineer Muhammad Ahmad al-Manqush

Minister of Utilities - Engineer Muhammad Ahmad al-Manqush (Acting)

Minister of Communications - Engineer Taha Sharif Bin 'Amir

Minister of Electricity - Engineer Taha Sharif Bin 'Amir (Acting)

Minister of Youth and Social Affairs - 'Abd al-Hamid as-Sayd az-Zinzani

Minister of Civil Service - Muhammad Abu Bakr Bin Yunis

* Short biography attached.

Colonel Mu'ammar al-Qadhafi

Chairman of the Revolutionary Command Council in power since the coup on September 1, 1969.

Puritan revolutionary from a poor Bedouin family with dreams of Arab unity and a $ 7 billion development plan to thrust Libya into the modern technological age, yet steeped in the past as a deeply religious man who interrupts his 16-hour working day with regular prayer. His long public speeches seem to prove his charismatic appeal to his people, but often land him in trouble with his fellow Arab and African leaders who do not like being upbraided for their lack of fighting spirit. His support of violent revolutionaries - from Palestine's Black September units to the Irish Republican Army - contrast with his record of personal gentleness. Often a recluse he leads a simple life waiting for his visions of Arab unity to materialise.

Born: September 1942, near Sirte on the Mediterranean coast halfway between Tripoli and Benghazi. Educated at Sirte Elementary School, next at Sebha School then at Misurata Secondary School which expelled him for "political agitation". When his nomadic parents moved into the Fezzan he completed his education there. After a year reading history at university from 1962 to 1963 he abandoned his studies and joined the military academy at Benghazi. In August 1965 he was commissioned as a second lieutenant in the Signals Corps. In 1966 he was sent on a training course to Beaconsfield in England first to study English then to acquire advanced signals instruction. Before leaving the military academy he formed the first cell of the Free Officers' Movement modelled on the organisation set up by Nasser for the revolution in Egypt. Qadhafi's careful planning ensured that the coup went without a hitch or any bloodshed on September 1, 1969, when the regime of King Idris was overthrown. He became chairman of the 10-member Revolutionary Command Council, promoting himself colonel - the highest rank in the revolutionary army - and became Commander-in-Chief of the armed forces.

Major 'Abd al-Salam Jallud

Prime Minister, appointed July 16, 1972.

Realist behind the revolution with the practical flair for making it work. As one of the main architects of the military coup he has established himself as the man of unquestioned authority running the country on a day-to-day basis. Although less of a puritan than Colonel Qadhafi and not as enthusiastic for a religious revival he is every bit as tough - and much more consistent. His skill as negotiator has been proved in dealing with the British and Americans over the evacuation of bases, with the French over the purchase of Mirage jet fighters and with the Russians over oil sales and technical co-operation.

Born: December 15, 1944, and educated at Sebha Secondary School, where he first met Qadhafi. He entered the military academy at Benghazi and was commissioned in August 1965. Even before his commission he and Qadhafi had begun preparations for the revolution. His military training included a visit to the USA, where he had a six-month course beginning at Fort Belvoir, Virginia, and then at Lackland Air Force base in Texas. His attempt to galvanise the public sector of industry was launched at a meeting on December 18, 1972, when he attacked its bureaucracy and lack of initiative. After criticising private industry's tendency towards curruption and deviation from the goal of improving social standards he called for greater co-operation between the public and private sector to implement the country's development plan efficiently.

Major Bashir al-Hawadi

Secretary General of the Arab Socialist Union, Chairman of the People's Court, appointed August 1970.

Classmate of Qadhafi at school and Military College, an influential member of the revolutionary leader's entourage. Strongly anti-Communist and anti-capitalist, he shares Qadhafi's intense belief in the need for an Islamic revival.

Born: 1944, he was educated with Qadhafi at Sebha School. He linked up again with Qadhafi at Military College, passing out together as officers in August 1965. He was promoted to captain in August 1969 and took part in secret planning sessions for the coup. He is frequently at Qadhafi's side, accompanying him to military exercises and to major political meetings.

Lieutenant Colonel Abu Bakr Yunis

Chief of Staff of the Armed Forces since the coup on September 1, 1969.

Number 3 in the triumvirate running Libya, the successor if anything happens to Qadhafi and Jallud. Aloof from the Cabinet with no desire to become a minister, he commands the military power base of the Revolution under Qadhafi and has his say on important decision-making occasions. As the only other member of the Revolutionary Command Council alongside with Qadhafi with the rank of lieutenant colonel he has a seniority easily recognisable in the way he is treated when other RCC members are present.

Born: November 1942 and educated locally, then at Tripoli. Entered the Military College in 1963 and commissioned with Qadhafi on August 9, 1965. Promoted lieutenant colonel in August 1967 he remained in close contact with Qadhafi and helped in the preparations for the coup. Since the revolution his first priority has been to make sure the strength and loyalty of the armed forces remain at their maximum potential while Jallud takes charge of the day-to-day responsibilities of the Government.

Major al-Khwayldi al-Humaydi

Minister of Interior, appointed November 2, 1972

A strong figure in government, a member of the Revolutionary Command Council, and Commander of the People's Militia. As aide-de-camp to Qadhafi in the early days of the revolution he has always been well-placed and highly trusted. One of the most pro-Egyption members of the RCC, he has been a leading delegate in Libya's negotiating team for union with Egypt.

Born: 1944, he was educated locally and at Tripoli, he entered the Military Academy in 1963 and he was commissioned with Qadhafi in August 1965. A hard-line officer who became one of the principal planners of the coup. His first formal appointment was in September 1970 as Commander of the People's Militia. In October 1970 he became Minister of Interior, holding the post until August 1971. Without any official explanation he was put back into government as Minister of Interior when al-Huni was withdrawn in November 1972.

Major 'Abd al-Mun'im al-Huni

Director of Intelligence, member of the Revolutionary Command Council since the coup on September 1, 1969.

Powerful figure in the inner circle of the government, a former Deputy Prime Minister still very influential. The free-thinker of the Revolutionary Command Council he has an attractive personality with a lively sense of humour and is more flexible than many of his colleagues to adjust to changing circumstances.

Born: October 1944, and educated at Tripoli, he entered the Military College at the age of 19 and was commissioned with Qadhafi in August 1965. Promoted to captain a month before the Revolution, he was one of the main planners of the coup. He did much of the planning for the new republic in its first few months and was a leading figure in the negotiations for the evacuation of the British and American forces from their bases by March 1970. He was appointed Deputy Prime Minister and Minister of Interior and Local Government in September 1970 with control over all matters of security and intelligence. Early in 1971 he vanished abroad. He reappeared seemingly as powerful as ever in the role of Minister of Interior. On November 2, 1972, he was replaced as Minister of Interior by al-Humaydi without any explanation. As Director of Intelligence and a senior member of the RCC he retains a great deal of influence and could easily return to government in a senior post.

Major Mustafa al-Kharubi

Deputy Chief of Staff of the Armed Forces, Member of the Revolutionary Command Council since the coup of September 1, 1969.

Strong man who runs Cyrenaica and often takes control of the entire military command in the absence of Yunis. Holds a position of strength and trust in the regime.

Born: May 1944, he was educated at Tripoli, then went to the Military College in 1963 and was commissioned as an engineer officer in August 1965 having trained alongside Qadhafi. Promoted to captain in August 1969, he worked closely with Qadhafi preparing for the coup. He was promoted major on January 16, 1970.

Major Mukhtar al-Qarawi

Member of the Revolutionary Command Council since the coup on September 1, 1969.

Stalwart of the revolution and one of its chief planners. His role has not been one to catch the public eye apart from a year in government as Minister of Communications. As one of the keepers of the conscience of the revolution he is still a man of power in the background.

Born: 1944 and educated at Tripoli before joining the Military College where he trained with Qadhafi and was commissioned on August 9, 1965. Promoted lieutenant in August 1967 and then captain in August 1969, he was on a military mission to Cairo at the time of the revolution. He stayed outside government for the first year. From September 1970 to August 1971 he was in government as Minister of Communications, a post for which he had little enthusiasm or aptitude. He was more at ease outside day-to-day administration as a member of the RCC taking a broader look at the direction of Libyan policy.

Captain 'Umar 'Abdulla al-Muhayshi

Member of the Revolutionary Command Council, Director of Public Prosecutions, appointed October 16, 1970.

Youngest member of the Free Officers' Movement executive which planned the coup. Although the only captain on the RCC, he occupies an important place in the hierarchy. At 23 he was given the key post of Minister of Economy and Industry. Subsequently he was withdrawn from government to take over security work as Director of Public Prosecution and to be available for special assignments from Qadhafi.

Born: October 1946 and educated locally and at Tripoli. He entered the Military College in 1964 when Qadhafi and others in the Free Officers' Movement were a year ahead of him. Commissioned on August 9, 1966. Promoted to lieutenant in August 1968 he kept in close touch with Qadhafi and took a major part in organising the military preparations for the coup. Three months after the take-over he was promoted to captain. In January 1970 he became Minister of Economy and Industry at the crucial time of reorganising the country's resources. In September 1970 he was switched to be Minister of the Treasury but he only held the post for six weeks and was transferred to the Director of Public Prosecution.

Mansur Rashid al-Kikhya

Minister of Foreign Affairs, appointed July 16, 1972.

Intellectual force in the government with an experience in international politics unmatched by any other minister. His talents impressed the military men of the Revolution and when Jallud became Prime Minister Kikhya was an immediate choice. A diplomat with a quiet assertive manner and a sophisticated sense of judgement developed from service in Africa, Europe and the UN, he is a man of style.

Born: September 1924, and educated at Benghazi, he completed his university studies in France and Egypt. On his return from Cairo he joined the Diplomatic Service. After making his mark as a conscientious desk officer at the Foreign Ministry he was sent to Algeria where we was chargé d'affaires from 1963 to 1964. His service took him to Paris and Geneva in consular work. Then he was promoted to be deputy head of the Libyan delegation to the UN at New York, where he was active in the Arab lobby on Middle East questions following the June War of 1967. After more than two years in New York he returned home as Under-Secretary at the Foreign Ministry. When the revolutionary leaders took over in September 1969 he was vetted and then re-established in his post. Later he returned to the UN as head of Libya's delegation. A man of intense convictions, he showed himself one of the most forceful Arab ambassadors at the UN. In July 1972 he was recalled to go straight into the cabinet as Foreign Minister.

'Izz ad-Din Mabruk (Dr.)

Minister of Petroleum, appointed January 16, 1970.

Oil lawyer brought into government as a man of experience, 10 years older than the military leaders of the Revolution. Leading negotiator with foreign governments on oil issues, he nonetheless defers to Jallud for the handling of the final stages of bargaining. An internationally-minded person more widely travelled than any other minister.

Born: December 1932, he was educated at Tripoli, then sent to university at Cairo and London where he graduated in law. After gaining experience in company law he was engaged as a legal advisor to a petroleum company. He switched to government legal work in 1964 and became Libya's representative in the legal department of the Organization of Petroleum Exporting Countries (OPEC) from 1964 to 1966. He was a delegate to the Arab Petroleum Congress in March 1965 in Cairo and in March 1967 in Baghdad. At the Revolution he was the senior judge at the Appeal Court in Tripoli. Three months later he was promoted to the cabinet as Minister of Petroleum.

Muhammad 'Ali al-Jadi

Minister of Justice, appointed September 8, 1969.

Cairo-trained judge who has held the portfolio of Justice in every cabinet since the coup. Although older than the officers of the Revolutionary Command Council he has won their confidence and established a close working relationship with them. On occasions he has been Acting Foreign Minister.

Born: May 1933, educated at Tripoli, then sent to Cairo where he graduated in law from Al Azhar University in 1956. His friendship with members of the Free Officers' Movement led to his appointment as Minister of Justice a week after the coup in 1969. In December 1970, he became Acting Foreign Minister.

Muhammad 'Ali Tabu

Minister of Agriculture and Agrarian Reform, appointed September 1970.

Technocrat with impressive academic qualifications and administrative experience which the military leaders of the revolution lacked when they took over the country and eagerly drafted into government services. Given a free hand in the cabinet he has launched many modernisation schemes in agriculture with the import of farming machinery and the introduction of new methods for improving seed quality. He has worked hard on land reclamation projects and brought in experts from Egypt and Eastern Europe to help tackle the problems. Not a figure given to public oratory he is one of the planners who keeps out of the limelight. His involvement in politics appears minimal.

Born: 1932 and educated at Tripoli, he graduated with a BSc in Agriculture. After graduation he returned to academic life as a lecturer in agriculture at the University of Libya. He left the university to become assistant director general of the Agricultural Bank at Sebha. On his appointment as Minister of Agriculture he gave priority to getting a better supply of seeds and fertilizers to peasant farmers.

Dr. Muftah al-Usta 'Umar

Minister of Health, appointed 1970.

Paediatrician, trained in Egypt and England, an outspoken critic of the medical services of the former regime in the days of King Idris, given a warm welcome into government by the Revolutionary Command Council. Politically he has little influence with the RCC but he manages to get a hearing on matters of public health.

Born: 1935, son of a poet, he was educated at Tripoli, then graduated as a doctor at Cairo. After establishing himself in practice in Libya he went to Sheffield University, England, for post-graduate studies but he returned without completing them. He was appointed Director of Beida Hospital then became disillusioned by the way the administration of King Idris treated hospitals and resigned. Following the coup he established links with members of the RCC and was appointed to the Cabinet as Minister of Health.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 23, 1974

FROM: S. Shahid Husain

SUBJECT: Libya: Topics for Discussion - Project Financing

This topic may come up for discussion with the Prime Minister, Abdul Salam Jalloud, the Finance Minister, Mohammed Zarouk and the President of the Libyan Arab Foreign Bank, Abdullah Saudi. The following is the background.

The attached table shows commitment of funds by Libya to developing countries. Net disbursements were over 2 percent of GNP in 1972 and 1.7 percent in 1973.

Libya has yet to think out a strategy for capital exports to developing countries. The operations so far have been the result of ad hoc political decisions and not of planning on where and for what Libyan funds should go. Libyans are getting increasingly suspicious of people who go asking for assistance. Apropos this, I was told of President Bongo of Gabon going and asking for Libyan financing of the Trans-Gabonese railway line, which was rejected because Libya had heard of the World Bank's refusal also.

In my discussions in Tripoli in May, officials emphasised the following points: first, they wanted to make a clear distinction between assistance on political grounds which might or might not be tied to projects and project lending, which should be regarded as part of the strategy for the investment of Libya's liquid resources; second, such investments should be in projects which would yield financial returns. Thus, under the latter heading Libya would consider investing in industrial, mining, transportation and power, but not in education, agriculture, etc. The Libyans went out of their way to emphasise that their agreement in principle to provide jointly with the Bank $100 million for the Gecamines project in Zaire was in line with this strategy since the project was financially attractive - the Libyans were particularly impressed by the 30 percent financial return on investment in this project.

The instrument for project lending is the Libyan Arab Foreign Bank, which has been set up to manage Libyan investments abroad, currently amounting to $500 million, mostly in Europe and Arab countries. The Bank has a small staff of young and enthusiastic people. Its President, Abdullah Saudi, was formerly with the Central Bank; he is keen to apply sound technical and economic criteria to the Bank's operations. The Libyans, in my discussions with them, indicated that they saw a significant role for World Bank assistance in identifying and evaluating opportunities for investment in developing countries. However, they clearly felt that any significant progress in this direction would depend upon broader discussions between you and their authorities. I suggest that in your discussions you pursue the following theme:

(a) Our task is development and we are interested in facilitating all possible sources of development finance to countries in Africa and Asia - the Libyans are not at the moment interested in Latin America.

(b) Libya has resources which are seeking investment and we could help them identify ~~and, if necessary,~~ finance jointly with us "remunerative projects" mentioned above. If Libya decided to move into other areas, such as education, agriculture, etc., we have a vast pipeline of projects in countries all over the world where our association could work to the advantage of the developing countries; and here the argument should be purely humanitarian.

It is clear that Libya has certain preferred countries. These are: non-oil countries in the Middle East; Pakistan; Zaire; countries with Muslim populations in Western Africa; Somalia; and Uganda. We could start by asking the Libyans what their preferred areas for project financing are and where we could be of assistance in finding opportunities for project financing.

During my visit to Libya, I gave the authorities a list of 28 projects in Eastern Africa with total financing needs of about $700 million, where co-financing between Libya and the Bank would be possible. At this stage we should try and obtain a reaction to this and see what further steps could be taken to identify more closely the countries and projects for Bank/Libya cooperation.

If the Libyans are agreed in principle on the above theme, we should try and agree on a method for coordination and a central focal point in the Bank and in Libya for exchange of information and decision making on such operations.

cc: Mr. Cargill

SSHusain:pe

FINANCIAL ASSISTANCE FROM OIL-EXPORTING NATIONS

AID FROM: LIBYA (1)

DRS No.	To (Nations)	Initial Date	Commitments (US $)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $ m)	Repayments (US $ m)
	ALGERIA								
0710000	Unknown	1973	50.7	7.25	4	10	18		
	ARGENTINA								
	Barter: 3m bbls oil for grains & produce	1974							
	CHAD								
	Slaughter House & 2 Hospitals	1973	8				100	8	
	Famine & Draught Relief	1973	.4						
	Roads, Irrig., Agric. Dv'pt. 1/	1974							
	Meat Exports 1/	1974							
	Joint Oil Refinery 1/	1974							
	EGYPT								
	Khartoum Agreements	1967	175 2/					175	
	10/73 War Grants	1973	850					170	
	Talka Fertilizer Plant 1/	1973							
	EQUATORIAL GUINEA								
	Unknown	1974	1.[illegible]						
	GAMBIA								
	Various Projects	1974	1.4						
	IRAQ								
0035000	Balance of Payment Support	1972	25.4	0	1.3	1.3	23	25.4	
	JORDAN								
	Cumulative Grants 1967-70	1967	75					75	
	Budget Support	1970	18.6						

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FINANCIAL ASSISTANCE FROM OIL-EXPORTING NATIONS

AID FROM: LIBYA (2)

DRS No.	To (Nations)	Initial Date	Commitments (US $)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $ m)	Repayments (US $ m)
	MADAGASCAR								
	Road Project 3/	1973	77.6						
	Sugar 3/	1973	29.7						
	Bauxite 3/	1973	6.8						
	MALI								
	Famine Relief	1973	.4						
	MALTA								
	Malta Dev. Corporation	1974	1/						
	MAURITANIA								
0068000	Community, Social, Personal Svcs.	1971	21.2	0	6	9	53	20.3	0
	Famine Relief	1973	.4				100		
	Water Pumps, Water Station	1973	1.3				100		
	NIGER								
	Health, Educ., & Rural Dvlpt. 3/	1971	5				100		
	Vehicles & Food Grain	1973	.7				100		
	SOMALIA								
0020000	Transport, Storage, Commun.	1972	3	2	.5	8	34	3	0
	Joint Dvlp. Bank 1/	1974							
	Joint Agric. Co. 1/	1974							
	Joint Navigation Co. 1/	1974							
	SUDAN								
	Unknown		20				100		
0039000	Petroleum, Natural Gas	1969	20.1	6	3	7.4	14	20.1	
	SYRIA								
0376008	Bilateral Aid for 1967 War	1968	175 4/						
	Unknown	1972	3.5	5	2.3	2.3	16	3.5	

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FINANCIAL ASSISTANCE FROM OIL-EXPORTING NATIONS

AID FROM: LIBYA (3)

DRS No.	To (Nations)	Initial Date	Commitments (US $)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $ m)	Repayments (US $ m)
	TOGO								
	Several Factories 1/	1974							
	Oil Refinery 1/	1974							
	UGANDA								
	Health Ctr.	1972	5.3						
	Unknown	1972	4				100	4	
	Joint Bank Venture	1972	8						
	Livestock, Tea, Sugar	1974	12.3	2	4	12	46		
	UPPER VOLTA								
	Famine Assistance	1973	.7				100		
	P.D.R. OF YEMEN								
0008000	Unknown	1970	16.7	0	10	20	76	4	
	ZAIRE								
	Gecamine Copper Mine 5/	1974	101.4 6/	8	4	15	15		
	Total Bilateral		1718.6					508.3	

1/ Amounts and terms unknown.
2/ Cumulative, 1967-74.
3/ Probably not firm commitments.
4/ Cumulative, 1968-74.
5/ In conjunction with IBRD.
6/ Preliminary commitment.

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D R A F T

FINANCIAL ASSISTANCE FROM OIL-EXPORTING NATIONS
AID FROM: LIBYA

To (Institutions)	Date	Capital				Loans				
		Subscribed		Paid-In		Commitment	Interest	Grace Period	Maturity	Dis[illegible]
		$m	% of Total	$m	% of Total	US$m	%	yrs.	yrs.	[illegible]
IBRD										
bonds purchased	1970					30.4	8		5	
bonds purchased	1973		.08 3/			101.3	7.625		10	
Arab Fund for Economic and Social Development	1971	40.56	12							
World Food Programme	1971/72	.01								
United Nations Development Programme	1972	.31								
	1973	.31								
UNWRA	1972	.6								
	1973	.6								
African Development Bank	1972	18	7.56 1/							
Arab Bank for Economic Development in Africa	1973	40	19.4							
Libya/United Arab Emirates Fund 2/	1974	125	50	25	50					
Islamic Development Bank	1974	360	30							
Total Multilateral		585.39		25		131.7				

1/ Percentage of voting rights
2/ Assumed equal contribution by each one of the two countries
3/ All subscriptions as of June 30, 1973

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BORROWING OPERATIONS IN LIBYA

In the past the Bank has made two Libyan Dinar placements with the Central Bank of Libya:

LD 10 million (equivalent to $34 million)
8% 5 year bonds of 1970, due 1975, and

$168 million

LD 30 million (equivalent to $101 million)
7-5/8% 10 year bonds of 1973, due 1983

33 million 2 Yr Bonds (4 issues) (10 m last issue)

In both issues there were no provisions for repayments prior to maturity. The Central Bank asked for the issuance of bonds in order to have the option of selling such bonds in the markets at a later point. So far we have no indication that any bonds have been sold.

In addition the Central Bank has been a regular subscriber to our Two Year Bond issues. As of today the Central Bank holds $33,150,000 of Two Year Bonds on our four outstanding issues. Their subscription to the most recent issue on March 15, 1974 was $10 million.

In the Bank's potential FY75 Borrowing Program (see Attachment 1) it is estimated that the Bank would raise an amount of $200 million in Libya during this year, an amount that would appear reasonable in comparison with the assumption for borrowings in other oil exporting countries. The terms assumed would be an 8% cost to the Bank and an average life of 12 years as in other operations with OPEC countries.

For FY76 and thereafter it is assumed:

(a) that the 8% 5 year Libyan Dinar bonds of 1970 would be rolled over on maturity (November 16, 1975), and

(b) that substantial additional funds of up to $300 million annually would be raised in the subsequent years.

Our contacts with Libya and in particular with the Central Bank on borrowing matters have been infrequent and were maintained through Mr. Shoaib and Mr. El Fishawy; on the occasion of the last Libyan Dinar issue Mr. Uhrig of our Department participated in the negotiations in Libya. In our contacts concerning specific questions we have found Mr. Kassim M. Sherlala, the Governor of the Central Bank, particularly helpful.

In order to strengthen our contacts with the Central Bank it was agreed during Mr. El Fishawy's visit to Libya in June that Mr. Mohammad M. Alghadban, Director of Accounts and Investments in the Central Bank, be invited to spend one or two weeks with our Bank to aquaint himself with the operations of the Bank. His visit is tentatively scheduled for October.

July 31, 1974
Treasurer's Department

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Anders E. E. Ljungh

DATE: July 24, 1974

FROM: A. H. Springuel RHA

SUBJECT: LIBYA: Possible Technical Assistance Activities

General Background: Libya has had a fairly long association with UNDP which, prior to the discovery of oil, was perhaps the country's main single source of technical assistance. With the oil boom, a xenophobic view of foreigners developed and has, in the recent past, allied that view of fundamentalist religious doctrine to result in "Islamic Socialism". The tenets of this type of socialism have not been clearly defined, but in the tradition of Islam, seek social justice and, in more modern terms, economic development on a widespread basis.

Developments in the Libyan economy have been so rapid that the Bank does not have a clear understanding of the country's aims, plans and ambitions. Probably the Bank's technical assistance approach in Saudi Arabia would be the best way to begin, primarily because it would serve as a convincing precedent to the Libyan authorities. Moreover, the Libyans may prefer to deal cautiously with the Bank, on a sectoral basis, before agreeing to a basic economic mission. While such a mission was not considered necessary in Saudi Arabia, the need for an economic mission should be reviewed periodically in the case of Libya.

Discussions with Libya on possible technical assistance have taken place before, mainly in 1969 and 1970, but nothing came of them. More recently, in 1973, there was an informal approach for Bank assistance in planning for the merger with Egypt.

The Sector Approach: On the basis of agreement with the Libyan authorities, or on the basis of the findings of an economic mission, the Bank could offer to conduct a series of sector surveys to help Libya plan for its development in the following sectors:

- industry
- education and manpower
- agriculture and rural development, and
- transport.

These surveys could be patterned after our activities in Saudi Arabia, and could be on a cash reimbursable basis.

The Project Approach: It may be that Libya is not yet prepared to accept large-scale assistance on a sector basis. If this is the case, the Bank may wish to consider assistance through the project approach, by lending for individual projects in return for portfolio sales to the Central Bank of Libya. The advantages of project assistance are that it can contribute to institution building and will nevertheless give the Bank an insight into the sector in which the project is situated. One such possibility would be assistance to set up a fertilizer plant, along the lines recently suggested by Dr. S. R. Sen. This could be handled as technical assistance, without a loan; however, if lending is preferred, the Bank would have to decide whether to charge for staff time spent on project preparation and appraisal.

On the basis of available knowledge, projects in agriculture or industry might be identified and brought to the operational stage without too much delay. Projects in education and transportation may take considerably longer.

Ad Hoc Assistance: One form of technical assistance which could be immediately productive is to offer ad hoc consultation on specific issues or projects determined by the Government and on which they would need advice. This would extend to a review of feasibility studies of major development projects.

Investment of Reserves: The authorities may seek advice on the investment of their reserves: the Bank may wish to suggest the creation of a group of "wise-men" and offer the (occasional) services of a senior officer to such a group. (In the early 1960's, Kuwait set up a "wise-men" group which included Mr. Eberhard of Germany and Mr. E. Black). Obviously, the needs of IDA and the Bank could be presented as a way of absorbing a small part of the reserves.

Libya has not set up any special development fund. It uses an existing bank as a channel for external aid. It may be useful to recall that the Bank helped draft the charter of various regional development banks (e.g. the Asian Development Bank) and offer to assist in the organization and establishment of a Libyan organization, including training of its senior officials.

Other Forms of Assistance: Libya is perturbed that it has had no participants at the EDI--(one was appointed to the Sewerage and Wastewater Disposal Course (1974), but never acknowledged his appointment). An effort could be made to bring Libyans, perhaps 2-5 a year, to Washington for training in selected fields.

EDI might explore the possibility of giving a course in Libya for selected officials concerned with development; and the Bank may wish to accept two Libyans a year for assignment to its projects departments for on-the-job training.

The most immediate problem is that no one in Libya is familiar with the Bank, its policies, methods or procedures. The Bank is inviting a special trainee to come to the Bank in October, for a month. As agreed with you, the Bank will pay his travel and subsistence costs.

However, the Central Bank, which has appointed the trainee, is not the best place for contact with the Bank. It may be useful to suggest that a group of three Libyans -- one each from the Ministries of Planning, Finance, and National Economy, -- be invited to familiarize themselves with the Bank's policies and procedures. They would, on return to Libya, form the nucleus of a group to coordinate Libyan activities with the Bank.

Budget Implications: The manpower and financial budget implications of the above suggestions (except for the visit of one Central Bank trainee in October) have not been taken into account; at present, the existing budgets offer no scope for the suggestions discussed above. If a decision to go ahead is taken, special funds and personnel will have to be found.

cc: Mr. Robert S. McNamara

GHHomsi:af

Libya - Political Situation

1. Libya was an Ottoman possession until 1911 and an Italian colony until World War II. The country was a major battlefield during the war and was under British and French administration until it became independent in 1951. Governed by a king who was a traditional chief of one of the main tribes, the country remained among the poorest until oil was discovered in 1957. The substantial oil revenues were badly distributed and often served to finance poor investments. Corruption and degradation of traditional values set the stage for a bloodless military coup in September 1969.

2. The new regime formed the Revolutionary Command Council (RCC) which is the highest authority in the country. The Chairman of the RCC is Chief of State and Head of Government. Under its strongman, Colonel Mu'ammar al-Quadhafi, who is Chairman of the RCC, the regime is puritan and nationalistic. Corruption is considered a major crime. Islamic law is rigidly applied in matters regarding the personal status of Muslims and the Government has declared that all laws in Libya will be consistent with Islamic law. The Arabic language is the sole one which is accepted to the point that holders of foreign passports are turned away if their papers don't contain the required information in Arabic. No political parties exist in the conventional sense of the word. However, the Libyan Arab Socialist Union acts as a channel for various groups to bring issues to the attention of the Government. A cultural revolution involving the formation of popular committees to impose a greater degree of people's self-government, was initiated during the early part of 1973.

3. An early objective of the new government was the withdrawal of all foreign military installations from Libya, which occurred in 1970. The same year, all Italian-owned land and property was confiscated, causing a loss of badly needed skilled labor as the Italian colony (15,000) started moving out. A program of gradual Libyanization of the oil industry was initiated in 1970 with the nationalization of the marketing interests of foreign oil companies. Subsequently, the Government has acquired a 51 percent share in all major oil companies operating in Libya and has fully nationalized some of them.

4. In foreign policy Libya has taken a militant role in favor of the Arab cause in Palestine and the goal of Arab unity. Libya harbors some Palestine guerillas and is said to finance others as well. It strongly opposed the cease-fire in the October war and refused to participate in the subsequent Arab summit conference in November 1973. In the field of Arab unity it has endeavoured to form federal unions with sympathetic states. Attempted federations in the recent past with Egypt and Tunisia have, however, proved abortive. Libya has also made a concerted effort to strengthen its relations - political, economic and cultural - in the Muslim world. During the recent Arab oil embargo, Libya played an ambiguous role. Initially an active participant in the embargo, Libya later withdrew, frustrated by the stand taken in the Middle East question by more moderate Arab states.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. William Clark (through Mr. Bravo) *JB*

DATE: August 1, 1974

FROM: Mohamed I. Hakki *m. d.*

CONFIDENTIAL

SUBJECT: POLITICAL MEMO ABOUT LIBYA

Moammar Al Qadhafi, or Brother Mu'ammar as he is generally referred to, is still Libya's strong man. On April 2, a Revolutionary Command Council decree announced:

"1. Without affecting his post as Commander of the armed forces, it has been agreed that Col. Moammar Qadhafi may devote himself to ideological and organizational affairs of the masses. 2. In accordance with article 1, Colonel Qadhafi can be relieved of routine political and administrative duties and other ceremonial functions such as receiving heads of state at ports and airports and accepting credentials of foreign ambassadors. 3. The Prime Minister will assume the functions cited in the previous articles. 4. This decree will have no effect on the powers and duties of the revolution's leadership as stipulated in the Constitutional Declaration."

Even the closest observers were divided over this act. Mohamed Hassanein Heikal, who is a close friend of Qadhafi, told me in Cairo last May, that the whole problem of interpretation was one of semantics and a small Arabic letter, which he spotted, made it clear to him that Qadhafi was still very much firmly in power. At that time, some of his own staff in "Al Ahram", wrote about general discontent, cleavages and internal strife in Libya. Others --"Al Nahar, El Sayyad (Beirut) among others -- either said that Qadhafi's powers were being trimmed, or that he wants to go to the wilderness for a while to recharge his spiritual batteries," or that the RCC was being disillusioned with Qadhafi's foreign adventures and unity campaigns with Egypt and Tunisia.

Heikal thinks that Qadhafi still regards Nasser's words as his bible. He told me that in all of Qadhafi's negotiations with Sadat, he used to have old newspaper clips to see if Nasser did this or said that or not. Even the cultural revolution (which Libya is now going through its second phase) is something which Nasser once talked about but never did.

Qadhafi believes in a genuine Arab Islamic regeneration as the only way to solve the problems of the present and realize the hopes of the future. Accordingly, he preaches self-reliance and total mobilization of resources. He criticizes Egypt's policies towards the great powers. He maintains that the Egyptian diplomacy is becoming more and more dependent on the United States.

For a long time, he also criticized the close relations between certain Arab countries (Egypt, Syria and Iraq) and the Soviet Union, which he considered as an imperialist power, again arguing self-reliance. On May 14 to May 20, a 35-member delegation, headed by Jalloud, visited Moscow. Result: a promise of 1.5 billion of sophisticated arms supplies.

Relations with Egypt are the key factor in all Libya's moves. More than one attempt has been made to re-establish good relations with Egypt recently, but they have all failed so far. The Libyan-Soviet relations can be viewed as part of the desire of both countries to strengthen their hands in their dealings with Egypt.

Finally, differences between Jalloud and Qadhafi are of temperament more than they are political. Jalloud likes to drink and he has an eye for girls, unlike Qadhafi who is quite puritan.

CC: Mr. John E. Merriam

MIHkki/mk

Libya - Economic Situation

Area:	1.76 million square kilometers
Population (1973):	2.26 million
Population Growth Rate (1965-71):	3.7 percent p.a.
GNP per Capita (1972):	LD 664
GNP Current Market Prices (1972):	LD 1.5 billion
GNP Rate of Growth (1970-72):	7.5 percent p.a.
Rate of Exchange:	1 Libyan Dinar = US $ 3.38

Background

1. At independence in 1951, Libya was principally an agricultural economy offering the typical picture of a country destined for continuous dependence on foreign aid. Cultivation was confined to a narrow coastal belt constituting less than three percent of the country's total land area. Primitive techniques and a hostile environment combined to keep agricultural production at a low level.

Recent Developments

2. Since the major oil discoveries of 1957, the picture has changed substantially. Libya now occupies a position as one of the world's major oil producing nations with crude oil output reaching a peak of nearly 3.7 million barrels per day in mid-1970 and accounting for over 60 percent of GDP. Moreover, the oil sector's contribution to the government budget amounts to over 80 percent and government oil revenues have made foreign financial assistance for economic development totally superfluous. Oil exports represent 99 percent of the total value of exports. Stimulated by the rapid pace of oil development, GDP has risen from a 1957 level of about LD 50 million to almost LD 2 billion in 1973. Until 1971, the balance of payments recorded large and generally rising surpluses. Thereafter, lower earnings from the oil sector coupled with a steep rise in the non-oil sector's deficit due to higher imports, larger remittances by foreign workers and an increased capital outflow reduced the surplus sharply in 1972 and resulted in a deficit of LD 345 million in 1973. However, because of recent oil price increases, a large current account surplus is projected for 1974, estimated at about LD 900 million. Gross external reserves have increased from LD 35 million at the end of 1960 to a level of almost LD 1 billion in 1972. In 1973, gross external reserves totalled LD 665 million. 3 b'llion

Table 1: Libya - Oil Statistics

End of Period	1969	1970	1971	1972	1973
Production (million b/d)	3.11	3.32	2.76	2.25	2.17
Posted Prices 40° API Crude Oil ($)	2.23	2.53	3.40	3.62	9.06
Government Oil Revenues (million LD)	394	495	683	626	651 1/
Foreign Oil Companies' Local Expenditures (million LD)	91	88	51	52	25

1/ Net of compensation payments of LD 54 million.

3. Oil production began on a substantial scale in 1961 and increased sharply up to mid-1970, when production cutbacks for conservation purposes were ordered by the Government with a successive decline in output over the following two years. Following the outbreak of hostilities in the Middle East, production was further reduced in the last quarter of 1973 and fell to under 2 million barrels per day in early 1974. With the rise in posted prices over the past few years - the price of Libyan crude oil rose from $ 2.23 per barrel in August 1970 to $ 15.77 per barrel in January 1974 - oil revenues have remained at a high level despite the production cutbacks. Thus government oil revenues for 1974 are forecast at LD 2 billion. = $6.7 billion With no evident need to increase output over the rest of the decade, oil revenues would rise to between LD 2.6 billion and LD 3 billion by 1980, based on different assumptions about the development 1980 = 10 " of oil prices over the rest of the decade. Gross external reserves would rise from LD 665 million at the end of 1973 to over LD 10 billion by 1980. = $30 billion It should be noted, however, that these figures are only indicative, due to the lack of adequate statistical information on Libya.

4. With the notable exception of agriculture, other sectors of the economy have also expanded considerably under the influence of the oil boom. A rapid rate of urbanization and high levels of public investment in plants and buildings have expanded the construction sector. Industrial production has grown substantially in recent years. Nevertheless, the overall contribution of industry still remains modest (2 percent of GDP) and imports provide the principal source of consumer goods, capital goods, raw materials and supplies. Traditionally, the industrial sector has been oriented towards the production of food, beverages and tobacco, although in the past few years other industries (e.g. cement) have gained in importance.

5. Agriculture has been adversely affected by the oil boom, as labor and capital have shifted to other sectors. These problems have been compounded by drought conditions, and with the growth of the oil sector, the contribution of agriculture to GDP declined from about 10 percent in 1962 to only 2 percent in 1973, although in the latter year 30 percent of the labor force was still engaged in farming. Less than 2 percent of Libyan territory is arable and about three fourths of this land is left fallow. Ninety percent of the cultivated area is used for wheat, barley and other cereal crops. Other major crops are olives, tomatoes, potatoes, onions and

other vegetables. As only a small portion of the arable land is irrigated, agricultural production depends mainly on the quantity and timing of rainfall and is, therefore, subject to sharp year-to-year fluctuations. Livestock and their products have become increasingly important in recent years.

Planning

6. Planning in Libya has changed from activities undertaken in the first years of independence by development organizations financed by aid from foreign governments to programs by the Libyan Government financed out of oil revenues. Public development expenditures are allocated each year to an annual development budget. Since 1963, when the first Five-Year Economic and Social Development Plan went into effect, stress has been laid on providing the country with an adequate infrastructure base. With the change in regime in September 1969 and a subsequent reappraisal of economic policies, there has been a relative shift in the pattern of investments towards agriculture and industry. With the new Three-Year Plan launched in April 1973, and investment program amounting to LD 2.1 billion, a sum larger than all the investment spending in the more than two decades since independence was initiated.

Table 2: Development Plans
(in millions of Libyan dinars and in percent of total)

Sector 1/	1963/64-1967/68 2/		1968/69-1972/73 3/		1973-1975 4/	
	Amount	Percent	Amount	Percent	Amount	Percent
	Actual		Actual		Plan	
Agriculture	37.7	13	159.9	16	441.3	21
Industry	14.9	5	106.1	11	261.8	12
Oil	--	--	38.2	4	189.0	9
Transportation and communication	52.7	18	115.3	12	199.0	9
Public works and electricity	87.5	30	201.2	20	361.1	17
Education and culture	25.8	9	77.9	8	217.9	10
Health	8.7	3	30.3	3	69.8	3
Housing	29.5	10	187.6	19	295.0	14
Other	33.1	11	84.3	8	57.1	3
Contingency	--	--	--	--	23.0	1
Total	289.9	100	1,000.8	100	2,115.0	100

1/ Coverage of sectors may differ slightly from one period to another.
2/ Expenditures under the First Five-Year Plan.
3/ No Plan was in effect during this period.
4/ Three-Year Plan covering the period April 1973 - December 1975.

7. In addition, the private sector is expected to invest LD 370 million during 1973-75, mostly in small enterprises and housing. The financing of the investment should pose no problems in view of the sharp rise in oil revenues following the recent oil price increases. However, the absorptive capacity of the economy might not permit the full realization of the Plan's targets. In fact, in its first year (fiscal year 1973), actual outlays fell 27 percent short of the budgeted amount. The Plan aims at an overall growth rate of 11 percent and a rate of growth for the non-oil sectors of 16.5 percent. The Plan defines as one of its highest priorities the general rehabilitation of the agricultural sector. Part of the allocated funds will be granted to local administrations for the development of public utilities such as water and sewage systems. Public housing construction has been assigned an important role as part of a ten-year housing development pgoram which aims at ensuring adequate housing for every family in the country. Allocations to (non-oil) industry pertain to the implementation of 57 industrial projects which seek to maximize the use of the domestic resource base and produce goods for which there is a large domestic demand. Thus, most of the investments are being put into construction material and food industries. The Plan also envisages LD 189 million for investments in the oil industry for refineries, petrochemical plants and tankers. Allocations for education and culture have almost trebled from the level of expenditures attained in 1968/69 - 1972/73. Most of the appropriations will be used for the building of schools necessary to absorb all children of school age by the end of 1975. Furthermore, the Plan aims at expanding the universities of Tripoli and Benghazi. Provisions are also made for the education of adults in an effort to eradicate illiteracy by 1980. Social goals are centered on the redistribution of income in favor of the low-income groups. Increased taxation on the upper-income levels and government expenditure on health, education and housing are the basic instruments to be used.

Economic Policy

8. The thrust of the development effort in Libya is designed to reduce the economy's dependence on oil by building up other potentially productive sectors and by modernizing agriculture. Current official economic policy aims particularly at promoting industrial and agricultural development, housing and regional development.

9. Since the overthrow of the monarchy in September 1969, government policy with respect to the oil sector has been substantially modified. The granting of concessions to foreign oil companies has been replaced by joint-venture agreements with the government-owned National Oil Corporation. In addition, the Government has acquired a 51 percent share in all major companies operating in the country and has nationalized some of

them. Agreements on compensation have been reached with virtually all companies except those that have been fully nationalized. Compensation is being paid on the basis of net book value over the period 1973-75 and will amount to about LD 113 million. Output has been reduced substantially for conservation purposes. Prices have been raised sharply, revenue-sharing arrangements have been changed in favor of the Government and increased emphasis is being placed on expanding downstream operations.

10. In the agricultural sector, the Government has taken a number of measures in recent years to vitalize production through short- and long-term programs and the extension of credit facilities to finance these activities. In the short term, stress has been laid on increasing production and productivity and reducing as much as possible the increasing quantities of food being imported into Libya. The Government has concentrated on the expansion of extension services, provision of better seeds, subsidization of such inputs as fertilizers, machinery, pesticides and fodder, as well as the purchase of major crops at support prices. Promotion measures with a longer time horizon include land reclamation, resettlement, irrigation schemes, soil conservation measures and expansion of the livestock herds. Emphasis is placed on the development of modern farming centers to meet all agricultural and social needs in order to reduce emigration of farmers to urban areas.

11. Together with the rising level of income and the influx of labor from the agricultural sector, the major role given to the public sector has been an important factor in the expansion of industry. The private sector is also being encouraged, particularly in areas where small and medium-sized enterprises are important, such as foodstuffs. Promotion measures include tax exemptions, protective tariffs, and exemptions from duties on imports of machinery, raw materials and spare parts. Moreover, the Government assists the private sector financially for investments in raw materials, machinery and equipment. Its industrial policy, outlined in a decree issued in April 1970, is aimed at attaining self-sufficiency for the national economy and providing a positive role for the private sector.

OFFICE MEMORANDUM

TO: Files

DATE: June 14, 1974

FROM: S. Shahid Husain, Director, EACPII

SUBJECT: Discussions in Libya

Mr. El-Fishawy and I visited Tripoli from May 28 to June 3 and discussed with Libyan officials the financing of the Gecamines project in Zaire and cooperation between the World Bank and Libya. Among others, we met the Finance Minister, Mohammed Zarouk, Governor of the Central Bank, Ibrahim Sher Lala and the President of the Libyan Arab Foreign Bank, Abdullah Saudi. During the discussions the Government communicated to us its agreement, in principle, to lend for the Gecamines project Libyan Dinars 30 million (about $100 million) jointly with a similar loan from the Bank and on terms and conditions at least as favorable as those of the Bank. The officials also expressed interest in broader cooperation between the World Bank and Libya. However, it is clear that further substantial cooperation will have to await broader discussions between the President of the Bank and the Prime Minister and President of Libya.

The following are some observations on the prevailing atmosphere in Libya and a summary of the discussions.

The General Atmosphere

The Libyan leaders and intelligentsia seem to be going through a period of introspection. There seems to be considerable disillusionment with the failure of the activist policy of involvement in policies and politics of neighboring countries, particularly the abortive moves for unification with Egypt and Tunisia. The Libyan leaders felt let down in not being consulted before the October Middle East war; they felt equally let down by the recent "disengagement". Libyan newspapers carried no report of the agreement between Syria and Israel. There is suspicion of foreigners - Arabs and non-Arabs. Libyan officials feel that everyone is after their money, for which they have received little gratitude and recognition. The newspapers carried lists of war and humanitarian assistance which Egypt received during the war. Stories circulate of heads of state dropping by and asking for large sums of assistance. President Bongo of Gabon came to ask for the financing of the famous railway line. Libya had heard of the World Bank refusal and decided not to assist. Reports circulate about the cooling of relations between President Amin of Uganda and the Libyan Government because Libya could not keep up with his expectations.

President Gaddafi is viewed as an idealist who is disappointed at the failure of Libya's Pan-Islamic and Pan-Arabic approaches. He is said to be now devoting much of his time and attention to the Libyan society. Prime Minister Abdel Salam Jalloud is a cool, rational and pragmatic person. Increasingly, the day to day decisions are taken by the Prime Minister. The supreme decision making authority is the Revolutionary Command Council, consisting exclusively of army officers and headed by President Gaddafi. The leadership seems to have retained an air of austerity, commitment and seriousness of purpose. There are no outward signs of division in the leadership and the regime appears to be popular.

Libyan officials whom we met are young, energetic and generally capable. The caliber and commitment of Government officials is higher than in any African country I have dealt with. Education and housing are the Government's highest priority. Practically all management positions in Government and semi-government organisations are held by Libyans. There are a large number of foreign technicians, but the supply of Libyan technicians is increasing rapidly.

Approach to Foreign Aid

So far Libya has not had a well considered and well articulated approach to capital flows to developing countries. External assistance has been a direct extension to Libya's Arab and Pan-Islamic policies. Egypt has been the largest recipient of aid, but the overall amount of such assistance is not known. The Libyan officials we spoke to expressed considerable concern at the way external assistance has been committed so far. They make several points. First, the income derived from oil represents a wasting resource and should not by any means be considered as cheap money. Second, the needs of the Libyan economy are substantial and its development and diversification should assume first priority. Third, any capital flows to developing countries should be regarded as an extension of Libya's overall program to invest and, hopefully, to derive some income from the liquid resources. Fourth, any "political" loans should be clearly separated from capital exports as conceived of above and separate, limited amounts allocated for it. With these objectives in view, the officials have lately tried to limit commitments on an ad hoc political basis. They have also tried to channel capital exports to developing countries through the Libyan Arab Foreign Bank, set up to manage Libyan investments abroad.

The authorities are very keen that capital exports to developing countries be used for "remunerative projects". By remunerative, they mean projects which are revenue earnings; thus, they would consider industrial, railway and power projects, but not, for the time being, education and roads projects, etc. The Libyan Arab Foreign Bank has a small nucleus of bright, devoted Libyans but it does not have the technical expertise to engage in a large scale project preparation and evaluation effort. Hitherto, its activities have been concentrated almost entirely on management of Libya's foreign investment portfolio - amounting to about $0.5 billion - in the industrialised countries.

Multi-National Cooperation

We discussed with the Finance Minister the Libyan approach to the World Bank Group and participation in any fund set up by oil exporting countries. The attitude to the Iranian proposal is negative. However, Libya has not rejected participation in some multi-national effort to divert some of the oil resources to the developing countries. According to the Finance Minister, the subject is still being discussed with other oil countries. The Libyans are interested in having greater influence and in playing a more significant role in the World Bank Group. They are not quite clear how. I indicated to them that influence came from participation and while shares in the Bank were linked to Fund quotas, shares in IDA were directly linked to cumulative contributions. I also mentioned that perhaps one could ultimately think in terms of a separate fund with its own shareholders and board of governors, which the Bank could administer on behalf of the oil exporting countries. These are subjects which the Libyans are thinking about, but I am not quite clear how much serious and concerted attention these have received. The Fund Managing Director, Mr. Witteveen, had been in Libya just before I arrived and I understand that he received a negative response to his proposals regarding the oil facility.

The Libyans are much more interested in cooperation with the World Bank (a) in assisting the Government in planning and implementing Libyan development and (b) in providing the technical expertise and financial participation in association with Libya's capital exports to developing countries. The Gecamines project was regarded as a first significant step in this direction. There is, however, considerable suspicion of the World Bank and officials kept referring to the World Bank's role in the Aswan Dam story, but they also keep saying that perhaps the Bank has changed a little. In my view, it will require painstaking effort and gradual increase in the area of cooperation before there can be a relationship of confidence between the Bank and Libya.

Gecamines Project

I explained to the Libyan officials the various techniques of co-financing between the World Bank Group and other agencies, i.e. participation, parallel financing and joint financing. The Libyans had already participated in the Gecamines appraisal mission and they had most of the facts about it. We discussed the financing plan and the timetable for the project. After consulting with the Prime Minister, the Finance Minister and the President of the Libyan Arab Foreign Bank informed us that the Government had decided to join the World Bank in providing Libyan Dinars 30 million (about $100 million) for the Gecamines project on terms and conditions at least as favorable as those of the Bank and on a joint financing basis. I had earlier mentioned to the Libyans that the Bank loan would be at the Bank interest rate at the time of signing and for 15-16 years with a 4 year grace period. The Libyan participation would be through the Libyan Arab Foreign Bank. I have agreed on the following timetable with the Libyan Arab Foreign Bank:

1. Transmission of draft appraisal report to Libya - August.

2. Visit of Libyan technicians to the Bank to discuss the details of the project and procedures - August/September.

3. Discussion with the President of the Libyan Arab Foreign Bank of any major issues - Annual Meetings.

4. Negotiations - October/November.

5. Board - December.

The Libyan loan would probably be in Libyan Dinars. I have also given to the Libyans the draft outline of security arrangements which would be shared between the Bank, Libya and the European Investment Bank (attached). The financing plan would now be as follows:

World Bank	$100 million)	Joint financing
Libya	$100 million)	

European Investment Bank $20 million - Parallel financing

Internal cash generation of Gecamines $260 million

After my Libyan trip I went to Zaire and met with President Mobutu and senior members of the Government. I gave them a summary of my discussions in Libya and discussed with them the Gecamines project. They are delighted with these arrangements and look forward to the completion of the processes leading to Board approval.

Mr. McNamara's Visit

The Government, according to the Finance Minister, would welcome Mr. McNamara's visit in the near future. The Finance Minister agrees that he should come when both the President and the Prime Minister would be available for discussions. A date in July or August would be suitable. I have agreed with the Finance Minister that we would cable him suggesting two or three alternative dates.

Attachment

cc: Messrs. McNamara, Knapp, Bell, Shoaib, Benjenk, Cargill
Guetta, Fuchs, Schott, Chadwick

SSHusain:pe

Suggested Statement on Gecamines Project for Use with Potential Sources of Co-Financing

At this stage we envisage the following arrangements for the World Bank loan for this project:

(i) Gecamines would be the borrower and in accordance with the World Bank's Articles and practice the loan would be guaranteed by the Government of Zaire.

(ii) As is customary in financing for this type of project, Gecamines would undertake to sell its output through the Zairan copper marketing company established for that purpose which in turn would require purchasers in the main markets (representing the bulk of sales) to pay for the copper at certain agreed upon banks.

(iii) The banks which would receive the proceeds of the copper sales would receive irrevocable instructions from all parties concerned to set aside and accumulate during each six month period funds sufficient to cover debt service at the end of that period and an agreed upon reserve against contingencies (e.g. strikes, exchange risks).

(iv) It is contemplated that the Bank of Zaire which has the ultimate exchange control authority, will directly or indirectly (possibly through deposit in escrow of promissory notes covering debt service) guarantee the fulfilment of the borrower's obligations.

It is the World Bank's view that whatever security arrangements are made should cover not only the World Bank but also co-financing sources, regardless whether the co-financing takes the form of a joint loan agreement, separate loan agreements, participation by co-financing sources in the World Bank loan, or administration by the World Bank of funds made available for the Gecamines project by co-financing sources.

5/23/74

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 30, 1974

FROM: I.P.M. Cargill

SUBJECT: Libya: Proposed Increase in IBRD Capital Subscription

1. One matter to be discussed with the Libyans is an increase in their subscription to the Bank's capital from the present level of 200 shares, for which the equivalent of \$2 million (in 1944 dollars) has been paid-in, to something nearer 2000 shares for which an additional \$18 million (approximately \$22 million in current dollars) would have to be paid-in. A further \$162 million (\$195 million in current dollars) would be subject to call only when required to meet the obligations of the Bank.

Reasons for Seeking an Increase in OPEC Members' Subscriptions

2. Apart from the obvious advantages to the Bank, there are three arguments for the suggested increase in capital subscription by OPEC countries. First, there is the basic moral point that the OPEC countries must accept the obligations imposed upon them by their dramatic increase in financial strength. There is good reason to suppose that they accept this argument and realize that, as a practical matter, they cannot discharge these obligations - at least in the short run - except through well established organizations such as the Bank and the Fund.

3. Second, these countries have a rapidly mounting vested interest in the continued smooth functioning of the international financial system. They could not escape the financial disruption which would arise from a failure of that system to provide the developing countries a tolerable escape from the dilemma created by the dramatic increase in oil prices. The Bank's role is critical in avoiding such a failure.

4. Thirdly, if our plans for borrowing in the OPEC countries mature, then these countries will account for a rapidly growing share of the Bank's debt. The 90% of capital subscriptions to the Bank which is subject to call is in effect a guarantee of this debt. Other rich countries will certainly expect the OPEC countries to increase their share of this guarantee from the present 5% to a more reasonable level.

Amount of Increase in Capital Subscription

5. The suggestion is that all OPEC countries should between them raise their subscription by \$3.4 billion in 1944 dollars or roughly \$4 billion in current dollars. The figure of \$4 billion is consistent with the amount mentioned in your letter to several of the OPEC countries earlier this year. It would result in a 15% share of the voting power by the OPEC countries - a figure which has little significance for Bank

operations but which carries veto rights in the Fund (though, as you know, there is not a rigid link between Bank capital subscriptions and IMF quotas). The figure of $4 billion is also near the maximum amount which can be raised without in any way jeopardizing Japan's position as one of the "Big Five."

6. Within the $3.4 billion (current $4 billion) the increase in the subscription of an individual country can vary quite widely depending on what criterion, or which set of criteria, is used to determine the amount. Ultimately, the decision will be made through negotiations which take into account political, economic and financial considerations. To give you some idea of the magnitudes involved for individual countries, illustrative calculations have been made distributing the proposed increase among OPEC countries in proportion to three variables: (a) present IBRD voting power, (b) total national income (GNP) projected for 1975 and (c) projected oil revenues in the same year. The distribution reflecting present IBRD voting power has been calculated in two ways to illustrate what would happen if the poorest OPEC countries were not to participate in the proposed capital increase (See Annex I).

7. The increases in capital subscriptions for individual countries suggested by these calculations have been tested for plausibility by comparing each OPEC country with those Part I countries which would have similar Bank capital subscriptions in the event the OPEC increase does take place. Five economic indicators have been used for the comparisons: GNP, government revenues, foreign exchange reserves, exports and GNP per capita. All data relate to 1975. The ranking of Libya in relation to Part I countries and other OPEC countries is shown in Annex II along with the comparison of economic indicators for Libya with those of Sweden, Denmark, Norway and Finland. In these rankings, Libya appears low on the scale of GNP and GNP per capita and high for foreign exchange revenues. This pattern holds for many of the OPEC countries except for those with very small populations, such as Abu Dhabi and Qatar, which show high per capita incomes. What it means is simply that reasonable contributions by OPEC countries to international aid efforts will fall somewhere in between what would be calculated on the basis of wealth indices (e.g. GNP per capita) and on the basis of liquidity indices (e.g. foreign exchange reserves).

Illustrative Distributions of IBRD Capital

Increase among Individual OPEC Countries
(1944 $ million)

		Possible Increase					
		In Proportion to Current IBRD Voting Power					
	Current Subscription	Including all OPEC Countries	Including only those OPEC Countries with Capital Surplus	Related to GNP	Related to Oil Revenues	Plausible Range	Subscription after Increase
UAE	12.8	90	130	110	210	100-150	112-162
Kuwait	69.4	230	330	200	290	250-300	320-370
Libya	20.0	110	160	160	210	150-200	170-220
Qatar	17.1	100	150	30	60	75-125	92-142
Saudi Arabia	114.3	340	490	510	880	500-700	614-814
Algeria	80.0	260	370	180	150	200-250	280-330
Ecuador	18.1	100	-	-	-	up to 100	up to 118
Iran	158.0	450	650	760	650	500-700	658-858
Iraq	69.8	230	340	210	270	250-300	320-370
Venezuela	197.2	540	780	440	330	400-600	600-800
Indonesia	220.0	600	-	450	110	up to 250	up to 470
Nigeria	115.2	340	-	340	240	up to 250	up to 360
	1091.9	3400	3400	3400	3400		

7/30/74

Comparative Economic Indicators for Libya and Reference Countries (1975)

	IBRD Capital Subscription (1944 $ mil.)	G N P (Current $ bil.)	Government Revenues (Current $ bil.)	Foreign Exchange Reserves a/ (Current $ bil.)	Exports (Current $ bil.)	GNP Per Capita (Curr.$00
Sweden	277.3	68.0	17.2 b/	2.0	16.5 c/	8.2
Denmark	221.1	36.0	11.1 b/	.9	8.1 c/	7.2
Libya Existing	20.	11.0	6.6	11.6	6.9	4.9
Libya Prospective	170-220					
Finland	162.1	19.2	5.9 b/	6.5	6.2 c/	[illegible].0
Norway	204.8	27.9	6.5 b/	1.7	6.6 c/	7.0

a/ For all countries except Libya, reserves are projected to be the same as in 1973.
b/ Source: IFS June 1974 figures used to calculate revenues as % of GNP for 1973. That % then applied to projected GNP in 1975.
c/ Export projections are based on 1966-73 average growth rates.

P & B
7/23/74

Rankings by Selected Economic Indicators - 1975

G N P

	$ billion	Index Libya = 100
United States	1699.9	15454
Japan	549.3	4994
Germany	463.2	4211
France	354.4	3222
United Kingdom	232.5	2114
Italy	180.6	1642
Canada	165.0	1500
Australia	80.8	735
Netherlands	80.6	733
* Sweden	68.0	618
Belgium	63.0	573
Iran	52.1	474
Austria	38.0	345
* Denmark	36.0	327
Saudi Arabia	34.5	314
Indonesia	30.3	275
Venezuela	30.1	274
* Norway	27.9	254
Nigeria	23.2	211
Iraq	14.1	128
Kuwait	13.6	124
New Zealand	13.3	121
Algeria	12.4	113
Libya	11.0	100
U.A.E.	7.7	70
Qatar	2.2	20

Government Revenues

	$ billion	Index Libya = 100
United States	305.6	4630
France	73.5	1114
United Kingdom	70.3	1065
Germany	61.3	959
Japan	47.6	621
Canada	44.0	667
Italy	31.2	473
Saudi Arabia	27.8	421
Netherlands	21.7	329
Iran	20.6	312
Australia	20.0	303
* Sweden	17.2	261
Belgium	13.8	209
* Denmark	11.1	168
Venezuela	10.4	158
Kuwait	9.2	139
Iraq	8.6	130
Nigeria	7.7	117
U.A.E.	6.6	100
Libya	6.6	100
* Norway	6.5	98
Austria	6.3	95
Algeria	4.7	71
New Zealand	4.5	68
Indonesia	3.6	55
Qatar	1.9	29

Foreign Exchange Reserves

	$ billion	Index Libya = 100
Saudi Arabia	59.7	515
Germany	34.4	297
Kuwait	18.8	162
Iran	15.6	134
Iraq	15.4	133
United States	14.9	128
Venezuela	14.8	128
Japan	13.2	114
U.A.E.	12.7	109
Libya	11.6	100
Nigeria	11.1	96
France	8.1	70
United Kingdom	6.9	59
Canada	6.2	53
Netherlands	5.7	49
Australia	5.6	48
Italy	5.5	47
Belgium	4.6	40
Algeria	3.9	34
Qatar	3.3	28
Indonesia	2.9	25
Austria	2.7	23
* Sweden	2.0	17
* Norway	1.7	15
* Denmark	.9	8
New Zealand	.7	6

Exports

	$ billion	Index Libya = 100
Germany	95.5	1384
United States	90.9	1317
Japan	54.2	786
France	51.8	751
United Kingdom	37.7	546
Netherlands	34.7	503
Canada	34.6	501
Belgium	31.4	455
Saudi Arabia	29.8	432
Italy	29.7	430
Iran	22.3	323
* Sweden	16.5	239
Venezuela	14.2	206
Australia	13.0	188
Iraq	10.6	154
Kuwait	9.7	141
Nigeria	9.3	135
* Denmark	8.1	117
U.A.E.	7.7	112
Austria	7.3	106
Libya	6.9	100
* Norway	6.6	96
Indonesia	6.4	93
Algeria	6.2	90
New Zealand	3.3	48
Qatar	2.0	29

GNP per Capita

	($000)	Index Libya = 100
U.A.E.	21.3	435
Kuwait	13.4	273
Qatar	11.5	235
* Sweden	8.2	167
United States	7.9	161
Germany	7.4	151
Canada	7.3	149
* Denmark	7.2	147
* Norway	7.0	143
France	6.7	137
Belgium	6.4	131
Netherlands	5.9	120
Australia	5.8	118
Austria	5.1	104
Libya	4.9	100
Japan	4.9	100
New Zealand	4.4	90
Saudi Arabia	4.1	84
United Kingdom	4.1	84
Italy	3.3	67
Venezuela	2.7	55
Iran	1.5	31
Iraq	1.3	27
Algeria	.9	18
Nigeria	.3	6
Indonesia	.2	4

Note: (*) denotes a reference country

P E D
7/19/76

AIDE MEMOIRE

THE WORLD BANK AND IDA

- How are these institutions organized?
- What are their lending policies?
- Where do they obtain resources?
- What are their intended roles in the next few years?
- What types of cooperation with OPEC countries are envisaged?

Ownership and Control

The World Bank Group consists of three institutions: the World Bank (also known as the International Bank for Reconstruction and Development), IDA (International Development Association) and IFC (International Finance Corporation). This memorandum describes only the Bank and IDA, which together committed over $4 billion in the past year to help raise the standard of living in developing countries. IFC has the same purpose, but its role is more specialized: helping to stimulate growth in the private sector.

The World Bank itself is the largest and oldest international organization providing development finance. It began operations in 1946. It is owned by 124 member governments, who have subscribed to Bank shares in amounts very roughly proportional to their relative economic strength. A member's voting power is based upon the amount of capital subscribed to the Bank. Most decisions are taken on the basis of a clear consensus, rather than by formal vote. Voting power in IDA is similarly structured.

Control in both institutions is exercised through a Board of Governors, consisting of one for each member, and 20 full-time Executive Directors. The Governors meet once a year to review operations and basic policies. Most functions of the Governors are delegated to the Executive Directors, who normally meet each week at the Bank's headquarters in Washington. The Executive Directors approve all Bank loans and IDA credits on the basis of detailed appraisal reports for individual projects and comprehensive assessments of the economic situation and prospects in the borrowing countries. In the fiscal year just completed, 174 projects were approved, of which 105 received Bank loans and 69 received IDA credits.

Lending Policies

The Bank's charter spells out certain basic rules which govern its operations. It must lend only for productive purposes, and only if there are reasonable prospects of repayment. Each loan must be either made to or guaranteed by the government concerned. Except in "special circumstances", loans must be for specific projects; general budgetary or balance of payments support is precluded. The use of loans cannot be "tied" to purchases in any particular member country or countries. When the Bank makes a loan it does not hand over the money to the borrower to use as he pleases; instead, the loan is disbursed as needed for the purchase of goods and services under the project. On average, Bank loans are repaid over about 20 years; the current interest rate is 8 percent.

Unlike the Bank, which obtains most of its resources on commercial terms, IDA gets virtually all of its funds in the form of contributions from governments. Thus, IDA can help countries that are too poor to borrow from the Bank at all, or cannot reasonably be expected to service all of their legitimate needs for foreign capital on conventional terms. IDA credits and Bank loans are processed in precisely the same way and by the same staff. Both types of operation are expected to meet the same rigorous criteria of developmental priority and financial, technical and managerial soundness. The only difference between Bank and IDA projects lies in the fact that in the case of IDA, the borrowing governments obtain the development financing on highly concessional terms: credits are normally repayable over 50 years with a 10 year grace period. No interest is charged, though there is a service charge of 3/4 percent.

The Bank and IDA support many different types of projects, depending on the needs of particular countries in various regions and at various stages of development. In the Bank's early history, a high proportion of loans were for what are called "infrastructure" facilities - especially roads and electric power plants. As the borrowing countries' infrastructures have grown, the scope for diversifying Bank and IDA lending activities into other sectors has expanded. Thus, although infrastructure projects remain a substantial part of Bank and IDA lending, the relative importance of other sectors, and particularly agriculture, has been increasing as shown in the following table:

IBRD/IDA Lending by Sector
(percentage of total)

	Actual FY64-68	Actual FY69-73
Infrastructure	61	49
Agriculture	13	20
Industry	12	14
Education	3	6
Other	11	11
Total	100	100

The geographical distribution of Bank/IDA lending has not exhibited such marked changes over the past several years, though there has been a slight increase in lending to Africa, the Middle East and less developed European countries, and a corresponding decrease in lending to Asia and Latin America.

IBRD/IDA Lending by Region
(Percentage of total)

	FY64-68	FY69-73	FY74
Europe, Middle East, North Africa	18	24	31
Africa	13	15	16
Asia	38	34	32
Latin America & Caribbean	31	27	21
Total	100	100	100

Lending to members of the Arab League reached a record high of $564 million in the fiscal year ending June 30, 1974. This represents an increase of 43 percent over the previous year and is three times as large as the average amount committed during the preceding five year period (FY69-73). The amounts committed to individual countries and the details of loans and credits made in FY74 are shown in Annex Table 1 and 2.

Sources of Funds

Most of the money the Bank lends comes from its own borrowing in various countries of the world. Approximately $18 billion has been borrowed to date, of which $9.7 billion was outstanding on June 30, 1974. About $2.5 billion has been derived from capital subscriptions to the Bank and a similar amount has been obtained through sale of Bank loans to third parties. The Bank earns a profit on its operations, but it has never paid a dividend, since shareholders have agreed that earnings should be ploughed back into assistance to the developing countries. Part of the Bank's net earnings have been placed in reserves which strengthen its ability to borrow and most of which are also available for lending. Beginning in 1964, the balance each year has been given to IDA. These grants to IDA have totalled over $900 million and net earnings applied to reserves have amounted to almost $2 billion.

IDA's funds have come principally from member country contributions. IDA's members are divided into two categories: "Part I" countries - IDA's relatively developed or high income member countries - and "Part II" countries, comprising IDA's poorer members. Each Part I country pays its entire subscription in convertible currency, all of which may be used by IDA for lending. Each Part II country pays only one-tenth of its subscription in convertible funds; the remaining nine-tenths is paid in the member's own currency and may be used by IDA for lending only with the member's consent. Subscriptions to IDA have totalled about $1 billion thus far, of which $0.8 billion has been subscribed in convertible currencies that IDA can use in its lending operations.

Initial subscriptions have been supplemented with three so-called "replenishments" of IDA's resources: $750 million in 1964, $1,200 million in 1969 and $2,400 million in 1971. These additional contributions have come predominantly from Part I countries and have usually been paid in over a three year period. Switzerland has also provided funds through interest free loans. In September 1973 agreement was reached in Nairobi for a fourth replenishment totalling $4,500 million. This replenishment is expected to become effective later this year, once final approval is given by the legislatures in the major contributing countries, notably the United States.

Roles in Assisting Development

A series of important changes in the world economy over the past several months have substantially altered the growth prospects for the developing countries. These changes include the substantial increase in commodity prices and accelerating inflation that followed the rapid world wide economic growth in 1972-73; the food and fertilizer shortages of 1973-74 and the consequent depletion of food stocks; and the large increase in petroleum prices in October and December 1973. As a result of these events, there is now considerable doubt about the growth prospects of the developing countries. It now seems unlikely that the developing countries as a whole will be able to achieve the target rate of growth of production and income of "at least 6 percent" set for the current decade - a goal which seemed attainable only a few months ago. This worsening of development prospects is particularly severe for the poorest countries, which include some 800 million people. Unless means can be found to lessen the burden on these countries - for example, through additional concessional assistance - the prospect is for a rate of growth so low that per capita income, which is already below $200 per annum, will either stagnate or rise only marginally between now and 1980. If the present situation remains unchanged, massive unemployment, hunger and social unrest in the poorest countries will be unavoidable.

The response of the Bank to this challenge has been a thorough revision of its program of assistance, designed to ensure that priority projects in countries continue to receive appropriate Bank support despite the higher rates of inflation which will make such projects larger in money terms.

The Bank's staff has studied the situation of each developing country in view of the changed circumstances. Two facts are clear: first, the developing countries will have to reassess sharply their development priorities and economic policies. Policies will have to be geared even more sharply than in the past to an economic use of resources and to improving the prospects for exports and development. However, this alone will not be sufficient. The richer countries - the United States, Japan and Western Europe - and countries which have substantial liquid resources, such as the OPEC countries, will need to increase the flow of concessional as well as more conventional assistance to countries in Asia, Africa and Latin America. The capital inflow into developing countries, net of repayments, was about $20 billion in 1973. By 1976 net capital inflow requirements for developing countries is expected to increase to about $30 billion, to enable a modest growth rate of 3 1/2 - 4 1/2 percent in the poorest countries and by 1980 this figure would reach the order of $50 billion.

Meeting assistance requirements of this magnitude will require concerted efforts on all fronts. It will need an increase in bilateral assistance as well as multilateral assistance. The Bank on its part has undertaken a very thorough review of its own program in each country and is preparing to play a significant role in the great task of the development of poor countries. It will need to mobilise funds for Bank assistance, largely by borrowing in countries which are rich or which have surplus funds to invest. In addition, there will be a need for significant amounts of concessional assistance.

The OPEC countries will be receiving substantial revenues from oil during the next 5-10 years and will accumulate substantial foreign exchange reserves. Thus, on the assumption that oil prices rise in step with other internationally traded goods, oil revenues in 1975 would be about $100 billion and in 1980 more than $150 billion. Clearly, the major claim for these resources is the development of the oil producing countries themselves. However, even after allowing for it, there will be large surpluses for investment and for external assistance. The World Bank would be ready to join the individual countries and OPEC as a group in finding suitable ways to use a part of these resources for the development of the poor nations of the world.

Cooperation with OPEC Countries

One form of cooperation, already familiar to Libya, is sale of Bank bonds. In the past few years, the Bank has raised an increasing proportion of its resources in the oil-exporting countries. Two-year bonds held by the oil-exporting countries now amount to over $170 million, or about 20 percent of the total. Longer term issues in these countries increased from $122 million (8 percent of total) in FY73 to $485 million (25 percent) in FY74. To finance its five year lending program, the Bank will need to borrow approximately $14 billion in FY74-78, just over twice the amount borrowed in the previous five years. The Bank's expanded borrowing program can be viewed as part of the effort to channel some of the oil countries' income to improving the standard of living in developing countries, with the special advantage that the Bank's involvement specifically benefits those developing countries which have urgent additional capital requirements and can carry additional debt, but which do not have the market standing to borrow directly on reasonable terms. Bank borrowing in the oil-exporting countries over the next few years is not expected to be more than a small part - certainly less than 10 percent - of the annual increase in reserves projected for these countries.

Another type of cooperation envisaged between the Bank or IDA and oil-exporting countries is co-financing. Co-financing refers to any arrangements associating Bank Group funds with other sources of finance for development projects. There are three basic forms of co-financing: (a) joint financing; (b) parallel financing; and (c) sales of participations in Bank loans. In joint financing the Bank (or IDA) and the co-lender each finance an agreed portion of a project's cost and all procurement must conform to accepted Bank practice regarding international competitive bidding. Thus, no tying of procurement is permitted. In such operations, the Bank usually assumes full responsibility for supervising procurement and project execution. This is the pattern followed in the Gecamines project in Zaire. In parallel financing, the project is typically divided into distinct "packages", and the co-lender's "package" may have substantially different terms and procurement provisions than the Bank's or IDA's "package". A participation is more in the nature of a strictly financial transaction, in which a part of a Bank loan or IDA credit is sold to the co-financer, who then receives payment of principal and interest from the Bank Group. Additional details on each of these methods of co-operative financing are given in Annex 1. Co-financing with bilateral official agencies is an area in which the Bank and IDA have acquired considerable experience. In the five years from FY69 through FY73, there were 125 bilateral co-financing operations, amounting to $970 million.

Should the oil-exporting countries desire to channel development assistance through existing or newly-created bilateral or multilateral institutions other than the Bank or IDA, the Bank Group would be willing to offer all possible help, including the provision of management or advisory services, if the oil-exporting countries so desire.

Finally, the oil-exporting countries may wish to increase their participation in the Bank's capital and in IDA's subscriptions to more adequately reflect their enhanced role in the world economy. At present, the share of OPEC countries in the Bank's capital is only 4.8 percent, a level which substantially under-represents their new role in the world. If OPEC countries wished to achieve a 15 percent share of voting power, the required increase in their paid-in capital would be approximately $400 million. In addition, they would subscribe to callable shares totalling about $3,600 million, which serve as guarantees of the Bank's bonds. Contributions to IDA reflect an essentially political and moral decision regarding the volume of concessional assistance a country considers appropriate for itself and the degree to which it wishes to use IDA to channel these resources to the neediest developing countries.

IBRD
July 31, 1974

Summary of Lending to Members of the Arab League

(US $ million)

Country	Through FY63	FY64-68	FY69-73	FY74	Grand Total
Algeria	60.0	20.5	24.5	157.5	262.5
Egypt	56.5	-	107.2	43.9	207.6
Iraq	12.8	23.0	120.0	-	155.8
Jordan	2.0	9.5	30.3	-	41.8
Lebanon	27.0	-	39.6	-	66.6
Mauritania	66.0	6.7	7.2	4.9	84.8
Morocco	15.0	56.0	265.1	136.0	472.1
Oman	-	-	-	8.5	8.5
Somalia	-	8.5	26.5	10.0	45.0
Sudan	87.0	63.5	65.3	38.7	254.5
Syria	-	8.5	28.8	98.0	135.3
Tunisia	5.0	53.0	168.1	46.6	272.7
Yemen AR	-	-	18.6	19.6	38.2
Yemen PDR	-	-	5.7	-	5.7
Total	331.3	249.2	906.9	563.7	2051.1

Summary of Lending to Members of the Arab League

(FY74)

		IBRD	IDA	TOTAL
		---(US$	million)-----	
Algeria	Power	38.5	-	38.5
	Port of Bethioua	70.0	-	70.0
	Railways I	49.0	-	49.0
		157.5	-	157.5
Egypt	Cotton Ginning Rehabilitation	-	18.5	18.5
	Talkha Fertilizer Eng. Credit	-	0.4	0.4
	Talkha Fertilizer	-	20.0	20.0
	Population	-	5.0	5.0
		-	43.9	43.9
Mauritania	Gorgol Irrigation	-	1.1	1.1
	Education	-	3.8	3.8
		-	4.9	4.9
Morocco	Sebou II Agriculture Development	32.0	-	32.0
	Maroc Phosphore	50.0	-	50.0
	Power	25.0	-	25.0
	Highways II	29.0	-	29.0
		136.0	-	136.0
Oman	Education	5.7	-	5.7
	Technical Assistance	2.8	-	2.8
		8.5	-	8.5
Somalia	Livestock	-	10.0	10.0
Sudan	Agriculture (Southern Region Rehabilitation)	-	10.7	10.7
	DFC (IDBS)	-	4.0	4.0
	Railways III	-	24.0	24.0
		-	38.7	38.7
Syria	Balikh Irrigation	63.0	10.0	73.0
	Power	25.0	-	25.0
		88.0	10.0	98.0
Tunisia	Urban Transport	11.0	7.0	18.0
	Tourism Training	5.6	-	5.6
	Water Supply III	23.0	-	23.0
		39.6	7.0	46.6
Yemen AR	Education	-	11.0	11.0
	Small Industry Development	-	2.3	2.3
	Sana'a Water Supply	-	6.3	6.3
		-	19.6	19.6
	Totals	429.6	134.1	563.7

F

Libya

France and Libya sign major oil-for-aid deal

BY ROBERT MAUTHNER

PARIS, Feb. 19.

PURSUING its policy of bilateral deals with oil producers, France to-day concluded a wide-ranging oil and industrial co-operation agreement with Libya, on the lines of the $3,000m. Franco-Iranian pact reached earlier this month.

Under the outline agreement, which was signed by M. Pierre Messmar, the French Prime Minister, and his Libyan opposite number, Major Abdel Salem Jalloud, Libya has undertaken to supply France with unspecified quantities of oil in return for French industrial aid and exports ranging from the construction of nuclear power plants, oil refineries, telecommunication networks and transport equipment, particularly ships, to agricultural aid.

It has been agreed that French and Libyan companies will co-operate closely in carrying these vast industrial investments and that close links will be established between French and Libyan banks and financial institutions for this purpose.

No estimates were given by either side of the value of the contracts involved, which have yet to be negotiated in detail. But the impression given by French officials was that the agreement was comparable in magnitude to that signed with Iran. A French mission will go to Libya shortly to study its implementation and M. Michel Jobert, the French Foreign Minister, has also accepted an invitation to visit Libya within the next few weeks.

As regards the oil clauses of the deal, Major Jalloud merely said at a Press conference that Libya had agreed to supply France with "certain quantities of oil" at a price which will be negotiated separately between France and the national Libyan oil company. But he indicated that the terms would be favourable. "France is a friendly country and we will treat it as such," he said.

Arms factor

French imports of Libyan oil dropped sharply last year to only 5 per cent. of the country's total supplies, compared with 14 per cent. in 1971, mainly as a result of Colonel Khedaffi's unpredictable policies. The quantity which France is likely to take from Libya in the future will clearly depend very much on its other sources of supply, but it is bound to rise substantially as the result of to-day's agreement.

No mention was made in the official communique of French arms sales to Libya, but these have obviously also been the subject of Major Jalloud's discussions in the French capital, given that Libya is one of France's main clients for military aircraft and equipment. Following Libya's controversial purchase three years ago of 110 Mirage fighter bombers, it is now known to be interested in other sophisticated French weaponry, such as the ship-to-ship Exocet missiles and the ground-to-air Crotale missiles.

At his Press conference, Major Jalloud had nothing but praise for France which, he said, was an industrialised country which understood Libya's problems.

Libya wanted to co-operate with France so as to encourage its policy of independence, he added. The agreement which the two countries had signed opened up vast perspectives and was important not only for themselves but for Europe and the whole Arab world.

"We hope that a real economic force can be created to the North and the South of the Mediterranean as a result of co-operation between Europe and the Arab countries," Major Jalloud said.

The Arabs did not wish to use oil as a means to exert pressure on Europe and the West. What they were trying to do was to create fairer trading conditions between the raw material producing countries of Africa, Asia and Latin America and the major industrialised powers of the West.

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NEWS SERVICE

INFORMATION AND PUBLIC AFFAIRS DEPARTMENT

This news story appeared on page 47 of the Feb 20. 1974 issue of: Libya

[X] THE NEW YORK TIMES [ ] THE CHRISTIAN SCIENCE MONITOR

France Agrees to Give Libya Long-Term Aid in Return for Oil

By FLORA LEWIS
Special to The New York Times

PARIS, Feb. 19 — France and Libya today signed an agreement in principle for a long-term program of Libyan economic development.

France would get oil in return for aid in a variety of industrial projects. The French would also get the use of some Libyan oil revenues for joint investments in third countries.

A figure for the total value of exchanges was not specified, nor were any specific projects named. These are all to be negotiated later by a special commission, which has been established, and by businessmen.

Because of the lack of sacrifice, it was not clear whether the deal that would eventually follow today's agreement in principle would constitute the type of country-to-country approach for dealing with the oil crisis that the United States opposes.

The accord was signed by the Libyan Premier, Abdul Salam Jalloud, who has been here on a week-long official visit, and the French Premier, Pierre Messmer. After the ceremony, Premier Jalloud left for Budapest.

Atomic Plants Envisional

The official communique published with the agreement listed ships, telephone and telegraph installations, agricultural development, peaceful uses of atomic energy and financial and banking services as fields for future specific deals.

French officials said that the Libyans were thinking of using atomic energy in desalting plants that would permit a vast irrigation project to make their coastal deserts bloom.

France has an agreement in principals, similar to today's accord with Libya, with Iran, and officials hopes to work out more specific details in the spring. On a long-term basis, the agreement would permit France to invest, alone or jointly with the Teheran Government, in the construction of up to five nuclear power plants, an oil pipeline to Europe, a Steel mill, a Petu,-c ETAOIN SHRDLU —— petrochemical complex and other projects up to a value of $5-billion.

Paris hopes to reach still another agreement in principle this spring with Saudi Arabia, on a 20-year basis.

With Kuwait, France has concluded a firm $250-million agreement for construction of four methane-carrier ships at French yards. Another deal for construction of a huge power stion, is under study.

Talks With Iraq Begin

Talks with Iraq are in an exploratory stage, with the Iraqis interested in acquiring heavy industrial and pettrochemical plants, pipelines, and cement, textile and paper industries. The French do not see Syria as providing much of a market at present.

Because of the nature of France's agreements with the oil-producing nations thus far, there has been no indication of how much of the cost of her energy needs France might eventually be able to finance from the hypothetical business in the area.

The series of agreements that have been signed has been described by the weekly magazine Nouvel Observateur as representing dreams of "a thousand and one factories."

A careful analysis of what has been announced so far shows that with few exceptions, such as a recent oil-for-arms deal with Saudi Arabia, the agreements have been on general principles of expanded trade and on pledges to investigate feasible projects. How much will eventually turn up on commercial balance sheets remains in question.

guarantee supplies of petroleum as to guarantee markets in which they can earn the funds needed to pay for their petroleum imports.

Labor Supply Is Limited

In view of the current economic capacity and limited labor supply of Libya, which has a population of only about 2.2 mililon, the development programs envisioned by Premier Jalloud seem a mirage.

But his remarks at a news conference here today revealed an underlying hope for an eventual integration of Libya's great financial resources, deriving from her abundant oil, with North Africa's manpower and Europe's technology.

Mr. Jalloud said that the agreement with France "opened great prospects, because we want to prove to Europe that a real economic force can be created in an association of the Mediterranean countries, Europe and the Arab world in general."

With official encouragement, French businessmen have been streaming into Arab countries looking for large development contracts, on the principle that it is better to sell equipment and use local manpower and capital than try to expand French exports of finished goods with imported manpower.

Libya: Putting the Oil to Work

by Sir Geoffrey Furlonge

Author of 'The Lands of Barbary'

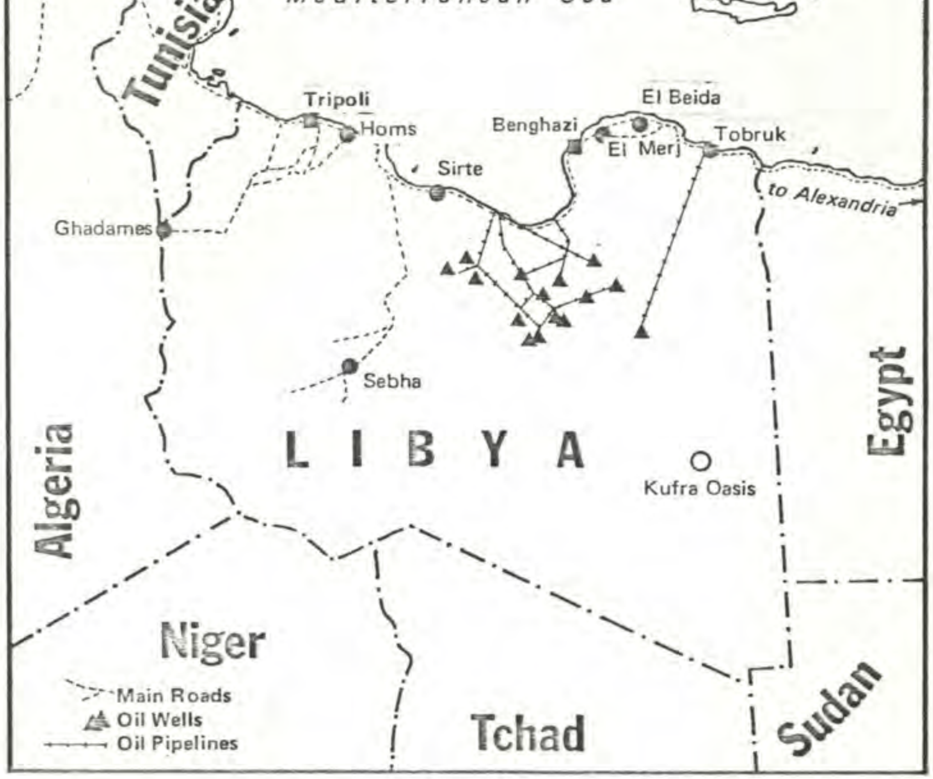
Few countries – if indeed any – can have experienced so complete a change of fortune in ten years as Libya between 1961 and 1971. For the first years of its independence the country had been running a large and increasing annual trade deficit, which was only covered by foreign aid and foreign military expenditure; and the efforts of successive Governments and their foreign advisers to develop its few natural resources gave little promise of more than marginal improvement.

By the late 1950's, however, the discovery of oil in Algeria had raised hopes that the Italian failure to find it in Libya had been due rather to inadequate technology than to any lack of it in the subsoil, and a number of oil companies were expressing interest. By 1955 the first exploration concessions were awarded, and by 1958 fifty-five per cent of the land surface had been allocated between fourteen different international groups.

The next three years brought only frustration and disappointment. The oil explorers faced severe physical and climatic conditions, and their operations were hampered in many areas by the millions of mines left unexploded from the Desert War of 1940-42. ESSO's first surveys and drillings in the Fezzan, not far from the Algerian border, struck oil but not in commercial quantities; and by the beginning of 1959, after eighteen months of hard work and a total expenditure of more than £42 m., the oil industry had failed to sink a single profitable well. Some of its members were in fact already preparing to pull out.

Then, in April 1959, one of ESSO's exploratory wells, at Zelten in the Sirtica, produced results which could be announced as "promising"; by August it had been confirmed that one of the world's largest oilfields had been discovered. Soon afterwards came news of other strikes: in Sirtica by the Oasis group (Continental Oil, Amerada, Shell, and Marathon), in what became the Waha and Dahra fields; by Amoseas in the Beida, and by Mobil-Gelsenberg in the Amal fields; and in an entirely separate area in southern Cyrenaica by British Petroleum, which in 1960 had bought a half-interest in a concession granted to an independent American operator, Nelson Bunker Hunt, in what became the Sarir field. In 1966 Occidental, a new entrant, discovered the Augila and Idris fields in eastern Sirtica, both of which proved exceptionally rich. Other discoveries followed, and in 1970 crude oil production reached the figure of 159.2 million metric tons.

Meanwhile in 1960 ESSO, having chosen the best available site for a terminal on the barren and exposed Sirtica coast, had awarded a contract for a 105-mile pipeline to bring out its Zelten oil; by August 1961 innumerable engineering difficulties had been surmounted and the oil had begun to flow; and in September, 21 months after the first Zelten strike, the first oil to be shipped from Libya was loaded on to



tankers. Between 1961 and 1968 new terminals, to serve the other fields, were opened at Es-Sidra, Ras Lanuf, and Zuetina, on the Gulf of Sirte, and at Mersa al Hariga, near Tobruk.

Natural gas, a natural concomitant of oilfields, was early detected in quantities which, as early as 1962, were estimated at 6 trillion cubic feet, with every possibility of further discoveries. In 1964 ESSO, again encouraged by experiences in Algeria, built a gas pipeline to its Mersa Brega terminal and a liquefaction and refrigeration plant there. Exports were held up for nearly two years by a protracted dispute with the Government over the pricing of the gas, but began in 1969 and now form an important proportion of the oil revenues. These, non-existent in 1960, were in 1971 valued at LD 959 million. (LD 1 = £1.35, June 1973.)

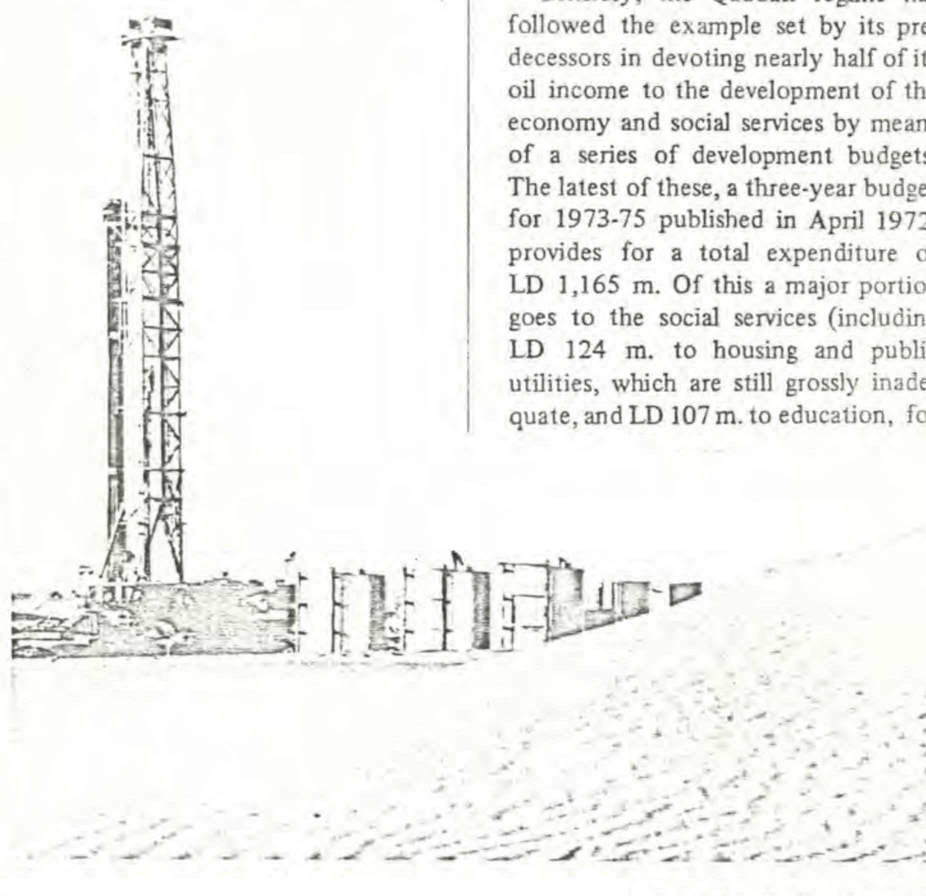
For the first few years of this stupendous development relations between the Libyan Government and the different oil companies were on the whole harmonious. In 1960 the Government issued its first Petroleum Law, a notably fair and farsighted piece of legislation, which *inter alia* declared all subsurface mineral resources State property, laid down rules for the granting and relinquishment of concessions, and decreed that the Government would take 50 per cent of the income from companies' operations, less operating costs, in the form of fees, rents, and royalties. At intervals thereafter the Government sought, and obtained, improvements in these conditions; and in 1968 they themselves became involved in the industry by setting up a State organisation, subsequently named LINOCO, which was to be financed by the State and engage in oil prospecting and development, either on its own or in association with foreign interests.

Change of Regime

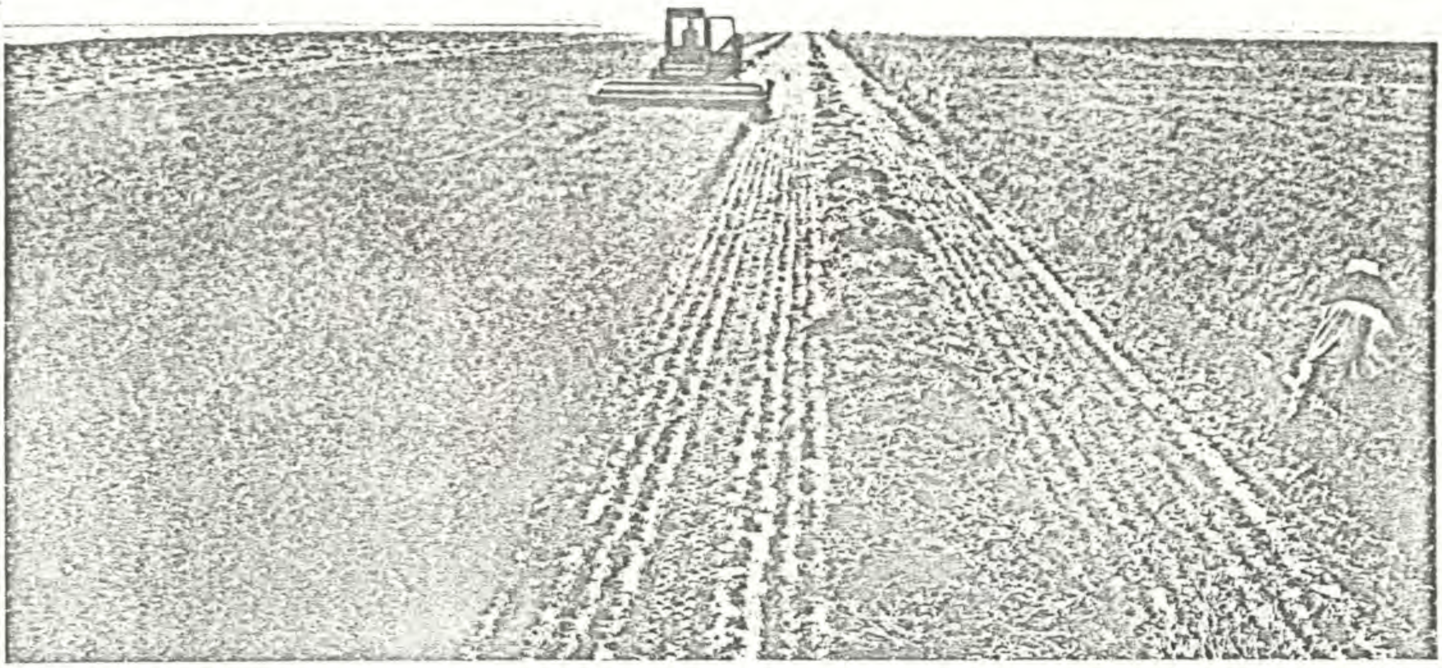
After the 1969 revolution, however, the Qaddafi regime, imbued with radical ideas and profiting from heavy consumer demand abroad and also from the currency reserves built up by its predecessor, stepped up its demands on the companies. Its first action was to nationalise, and to hand over to LINOCO, the internal distribution of petroleum products. In April 1970 the Government put forward demands for increased export dues on Libyan crude, and by October had secured a five-year agreement substantially raising them; by this success Libya set an example which other Middle Eastern producing countries were not slow to emulate and the effects of which are still spreading. In December 1971, for political reasons wholly unconnected with Libya, the Libyan Government nationalised BP's assets and handed them over to a subsidiary of LINOCO to run. In mid-1972 partly to conserve resources but mainly to improve its bargaining position vis-a-vis the companies, it decreed an overall limitation of 7½ per cent on the annual growth of companies' productions (which before 1969 had averaged between 15 per cent and 20 per cent,and also imposed far more drastic restrictions on the output of certain companies deemed guilty of what is known as "bad oilfield practice", i.e., failure to take necessary conservation measures. As a result, total production fell from its peak figure of 159.2 m. tons in 1970 to 132 m. tons in 1971; but, owing to the tax increases already negotiated, revenue rose from $ 1,294.8 m. to $ 1,766 m. during the same period. In June 1973 Libya, as a member of the Organisation of Petroleum Exporting Countries (OPEC), benefited from a rise of 11.8 per cent in dues which that body had negotiated with the companies to offset the effects of the devaluation of the United States dollar. Meanwhile, in January 1973, the Libyan Government had put forward an entirely new demand, for at least 50 per cent participation in the companies' operations; the Oasis Co., initiating negotiations on the subject, offered compromise terms but after months of fruitless discussions came to realise that the Libyans, no doubt encouraged by the success of the Shah of Iran in obtaining control over his country's oil, were now interested in nothing less than 100 per cent control. The issue is not yet decided; but it is already abundantly clear that the Libyans, even if they do not end by nationalising their oil, confidently expect still steeper rises in their oil revenue in the future.

Economic Development

Sensibly, the Qaddafi regime has followed the example set by its predecessors in devoting nearly half of its oil income to the development of the economy and social services by means of a series of development budgets. The latest of these, a three-year budget for 1973-75 published in April 1972, provides for a total expenditure of LD 1,165 m. Of this a major portion goes to the social services (including LD 124 m. to housing and public utilities, which are still grossly inadequate, and LD 107 m. to education, for



Extracting the desert's wealth



Harvesting the crops in the coastal strip

which, as in most developing countries, a burning desire is manifest); LD 163 m. to communications, mainly the roads which are so essential in this country of vast distances; LD 122 m. to LINOCO, for oil research and the construction of a new refinery; and LD 174 m. and LD 165 m. respectively to the two occupations in which the bulk of the working population is engaged, industry and agriculture. These last merit separate mention.

Industry

This is of comparatively recent growth, having been handicapped by a lack of natural resources, skilled manpower, and export openings, but has been consistently encouraged, and largely capitalized, by the Government. It began with the production of the building materials needed for the oil industry (cement, gypsum, glass, paint), but in the 1960's was extended to the processing of foodstuffs (flour, biscuits, macaroni, soft drinks), cigarettes, and motor accessories. Clothing and electric cables are envisaged, and in general industry, the total production of which in 1970 was valued at LD 30.6 m., is expanding fast.

Agriculture

Agriculture, by contrast, has been in decline since the 1960's, owing mainly to a shortage of labour caused by the drift to the towns. However, as oil creates little employment and other industries are still limited, over half the working population still gain their living from the land. Of greatest importance is stock-breeding in the steppe and desert areas which cover the major part of the country; settled cultivation, mainly of barley, olives, citrus, vegetables, and dates, is confined to limited areas along the coast, on the plateaux of Tripolitania and Cyrenaica, and in the oases further south. Successive governments have recognised its importance by providing injections of capital in development budgets, which have been used for such purposes as land reclamation and conservation; the renovation of requisitioned Italian farms; afforestation where possible (e.g., in the Jebel Akhdar of Cyrenaica); irrigation projects such as that of Kufra, where oil-drilling has revealed an immense underground lake; and a new method of consolidating sand-dunes by oil-spraying and then planting them. These efforts have, however, done no more than slow down the decline and the depopulation of the south: since 1960 Libya has become a net importer, instead of exporter, of livestock, and sharp increases in food-production costs are a major factor in the galloping inflation which is plaguing the economy.

The Future

This inflation is one of the main problems facing the regime, along with a decline – which should only be temporary – in agricultural production, the dislocation caused by the shift of population into the coastal belt where there is a shortage of accommodation and amenities, and a feeling among some sections of the population that the oil riches are being unevenly distributed. In terms of pure economics, Libya's future seems assured: currency reserves are already high enough to allow the Government, should it so desire, to forego oil revenues for four years without disaster, and the *per capita* income of its population of less than two million is, on paper, high for a country at Libya's stage of development. Whether these advantages will enable the revolutionary regime to surmount the difficulties facing it will depend largely on the fervour and confidence of the young men who now, under the idiosyncratic and unpredictable leadership of Colonel Qaddafi, wield power in Libya.

Qaddafi : Faith and Freedom

by
Sam Younger
Assitant Editor of Middle East International

"We must revive the identity of this nation. It is only in this way that this nation can stand firmly in the face of any threat to our values and ideals, or otherwise we shall wither away and perish." (Col. Qaddafi, in a seminar at the Arab Socialist Union, Cairo, Feb. 9th, 1973.)

Col. Qaddafi is often portrayed in the west as a religious fanatic, a dangerous troublemaker. He is accused, for instance, of doing anything and everything to damage the interests of the Western nations, in particular the United States, and of being blindly anti-capitalist. He has been portrayed as having created anarchy inside Libya with his cultural revolution.

Yet in spite of his denunciations of capitalism and his condemnations of American imperialism, he still tolerates a large measure of capitalist enterprise inside Libya, and still keeps up diplomatic relations with the United States. He did not nationalise all the oil companies as soon as he came to power, as his critics might have expected. In his own words "we have redressed the balance with the oil companies and tried to reach suitable conditions. We have to protect our rights, but this is not fanaticism." His cultural revolution has not created a situation of anarchy. Far from it. Laws have not all been abolished, the people do not exercise uncontrolled power over the country, books do not appear to have been burned wholesale.

Where there does appear to be an element of the irrational in Colonel Qaddafi is in his undoubtedly sincere belief in a picture of Libya that does not entirely correspond to the reality. He maintains that "the masses are taking over the government of the country." But the Revolutionary Command Council is still very much in control, and the extent to which the masses are actively involved in government seems extremely limited. He maintains with his "Third International Theory" that he is pursuing an entirely original path between communism and capitalism, a contention which appears unconvincing to anyone not imbued with the same religious belief in the originality given to Libya's path by its Islamic element.

Colonel Qaddafi is first and foremost an Arab nationalist, fighting for the moral and material regeneration of the Arab nation, and it is his Islamic faith that points the way to his goal. He claims that it is only by religion (and he sees Islam as embracing all other religions) that man can find the way to truth and righteousness. Only religion inculcates in man the sense of moral responsibility necessary for the construction of a just and prosperous society, and it is by following Islam that the Arab nation will avoid degeneration into an aggressive nationalism, and will use its nationhood in the service of justice and humanity. Furthermore, he believes that it is Islam that points the way to socialism. Muslims reject capitalism because of its fundamentally exploitative nature, and reject communism because of its atheism and the absolute power that it vests in the state. Hence the "Third International Theory".

Thus, in Qaddafi's own words "we should refer to religion and nationhood in order to solve our problems." What does all this imply in practice? Although he believes that the Libyan revolution will "echo from the Gulf to the Ocean", the most important manifestation of Qaddafi's revolution naturally is taking place in Libya itself.

In April of this year Colonel Qaddafi laid down the guidelines for his revolution in a Five-Point programme. He called, firstly, for the abolition of all laws currently in force and their substitution by procedures laid down by the people in accordance with the precepts of Islam. Secondly, he demanded a purge of all deviationists, defined as those who do not play their full role in the revolution. Posters all over Libya, in buses, shops and hotels, depict angry workers demanding the dismissal of those who are not pulling their weight. Also considered to be deviationists are those responsible for importing foreign ideas and ideologies. Another popular poster shows an angry crowd of Libyans surrounding a cowering cinema manager, who has incurred their wrath for showing a film which glorifies the amorality of Western society.

The third point is that there should be total freedom for the people, and no freedom for the enemies of the people. Fourthly, there should be a revolution in administration, cutting through the red tape and making of the bureaucrat a servant of the people. Finally there should be a cultural revolution, whereby all imported ideologies will be rejected, and for example all books that go against Islam and socialism will be banned or burned.

In order to implement this programme the Colonel has announced the formation of 'People's Committees', to be set up "in every village, city, faculty, institute, school, harbour, airport and popular organisation." These committees, elected by the people themselves, will give concrete expression to Qaddafi's avowed aim of "total freedom" to the people.

Accordingly a number of people's committees have been set up and are already taking decisions. In Tripoli one of the Directors of Libyan Arab Airlines is reported to have been dismissed. In a nationalised agricultural machinery firm in Tripoli a popular committee has dismissed its personnel manager and given him an alternative job as a cashier. At the University of Libya in

Tripoli the Faculty of Education committee has decided to abolish final examinations; it has also dismissed three teachers, two because of their membership of the Muslim Brotherhood, the other because he was thought to be an agent for the CIA.

More recently Qaddafi has ordered the people to take over control of Tripoli radio station. "Free citizens, the radio and television are important public utilities which should come under your direct control", he said (The Times, London, 4th June 1973). The radio station is now in the hands of a people's committee, the Times report stated.

Inevitably, however, the "five points" are not being implemented in anything like their entirety. Most laws remain in force, though they could be said to be more subject to alteration than previously. Popular enthusiasm for the revolution does not seem to approach the level of revolutionary fervour portrayed either in the numerous posters or in Qaddafi's own statements.

Even if popular enthusiasm were unlimited, there would still be limitations on the power of the masses to exercise their freedom, for Col. Qaddafi and his Revolutionary Command Council (RCC) remain very much in control of the revolution which they instigated and whose guidelines they, not the people, have laid down.

Not only does the proposed membership of each people's committee have to be submitted to the RCC for its approval before it can take any decision; even after a committee has been approved the RCC retains strict control over its decisions. There are reports of people dismissed by popular committees already having been reinstated by the RCC, or by a People's Committee 'in consultation' with the RCC. At the University, the committee of the Faculty of Medicine estimates that up to 90 per cent of the changes of law and personnel that it proposes will be changed or modified 'in consultation' with the RCC.

Not only is the power of the People's Committee circumscribed by the need for approval from the RCC; also in areas of 'national importance' the committees have no jurisdiction. For example in the oil industry Qaddafi has made it clear that questions such as Libya's attitude to the foreign oil companies operating in the country is not one for the committees inside the industry to decide but for the Libyan people as a whole, which in practice means the RCC. Similarly, in the field of foreign policy, the people can make its voice heard through the Arab Socialist Union (the country's only legal political organisation), but not through its popular committees.

Despite these very powerful limitations to Qaddafi's contention that it is the people who are taking over government of the country, the revolution does seem to have introduced a breath of fresh air into the Libyan political scene. Despite the fact that many controls, such as the banning of alcohol, are exercised by the RCC unilaterally without reference to the people, the new order seems to have enhanced the extent to which the ordinary Libyan feels that he is in control of his own destiny.

Although it is the activists from the Arab Socialist Union who largely dominate the people's committees, Libyans who feel they have something to say feel generally much freer to say it than under the old regime, and in his public meetings the 'brother Colonel' comes in for unusually frank questioning and criticism. This freer political climate, along with the undoubted increase in economic prosperity that the new regime has brought to the Libyan people, although by no means matching up to the propaganda picture painted by Qaddafi, nevertheless is an encouraging picture for most Libyans.

Col. Qaddafi wants to spread his revolution beyond the borders of Libya. He has espoused the project of union with Egypt because of his conviction that union will increase the strength of the Arab nation and enhance its capacity to reaffirm its identity in the face of outside hostility. The Colonel must also hope that the rejuvenating force of his own cultural revolution will spread to Egypt. At the very least he maintains that the Libyan people's revolution will continue as before after union is achieved.

Popular poster showing Libyan workers demanding the replacement of an idle offical.

Can union be achieved in anything more than name on September 1st of this year, the date set for it? When asked at a press conference in Tripoli on May 13th whether on September 1st Libya and Egypt will have a common currency, a common central bank, and a common development budget, Qaddafi replied that these were details that would be ironed out later. What is certain, he said, is that the two countries will be as one on that date. Without such things in common, however, it is hard to see what the substance of the union will be.

Even with the attraction of Libya's vast oil revenues and Qaddafi's recent assurance that Sadat is the only conceivable President in an Egyptian-Libyan union, will President Sadat welcome to a position of influence in his country a man who has described himself as "a leader without a country"? And will the Libyan President allow Libya and Egypt to be ruled as one if his Islamic revival fails to spread, and particularly if, on the contrary, association with Egypt threatens to contaminate the purity of Libya's revolution? It is hard to escape the conclusion that September 1st will herald little change in either country or in the relationship between them.

Beyond union with Egypt the main focus of Qaddafi's Pan-Arab nationalism is Palestine. The creation of the state of Israel was an intolerable blow to the pride of the Arab nation, and Israel's continued existence at the heart of the Arab world constitutes for the Arabs an aggression in itself. The Colonel's support for the Palestinian resistance, and his harsh criticism of the Arab governments that attempt to limit guerrilla activity, stem from his belief that the Arab nation cannot come to terms with Israel but must destroy it as a racialist state. Hence the Arab regimes that wish to come to terms with Israel are in his eyes at best misguided and at worst criminal; King Hussein, and more recently the Lebanese Government, by attempting to limit the freedom of action of the resistance, are part of the movement that is trying to destroy the Palestinian people.

"The revolution hasn't entered this man's head – he's a hopeless case."

To Qaddafi it is both the right and the duty of the Palestinians to resist, and it is the duty of every Arab state to support them in their struggle. So, the Colonel maintained at his recent press conference, "all our resources are at the disposal of the Palestinian people." Despite this commitment he will not be drawn into expressing views on resistance tactics. In reply to a question about his attitude to the Black September group he emphasised that the Libyan Government had nothing to do with operations such as those at Munich or Khartoum. He argues that the Palestinians themselves must decide how they are going to use their resources.

Not only must the Arab states support the Palestinian resistance; they must also prepare for battle against Israel themselves. But the battle must not be fought until the Arab nation can be certain of victory, and for that reason Qaddafi has been at pains to discourage President Sadat from considering a war against Israel at present.

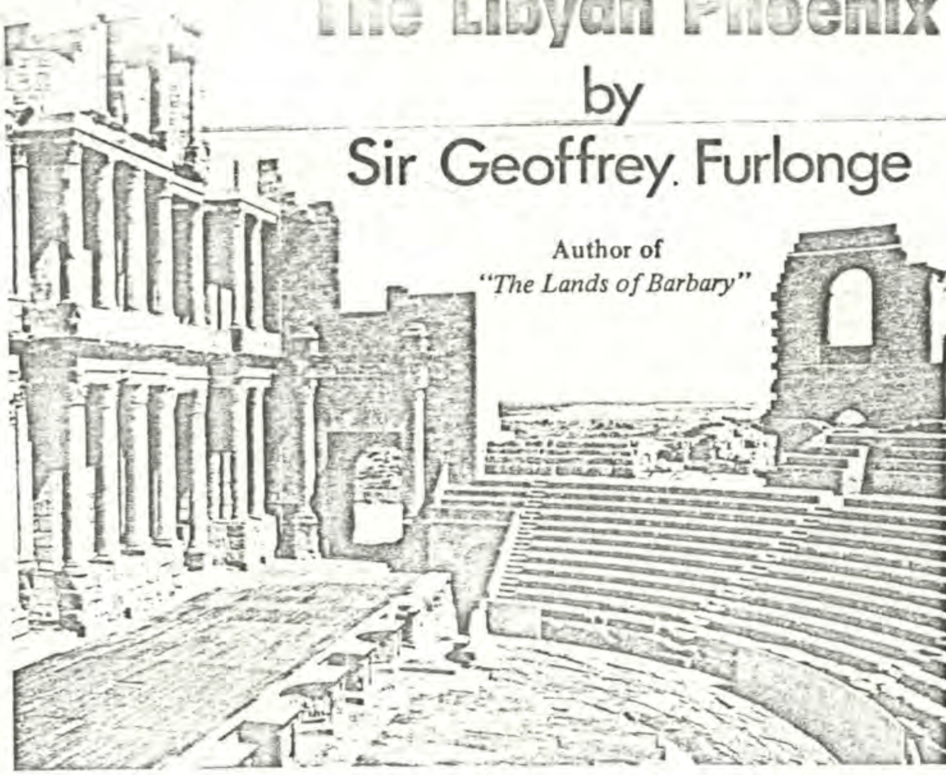
But it is not only Israel that the Arab nation must fight. "We do not fear Israel; Israel is but a pygmy in the Middle East." It is America primarily that Qaddafi sees as having been responsible for the perpetuation of Israel, and he sees America's hand behind every Israeli aggression. Even the murder raid into Beirut in April was essentially an American operation in his eyes, the Israelis only covering up for it afterwards.

Apart from the special animosity incurred by Britain and America for their part in the creation and perpetuation of Israel, Qaddafi's principles of non-interference and non-alignment lead him to be equally wary of both Russia and America. He said at his press conference that he did not feel he could offer naval facilities to the Soviet fleet, since that would have obliged him to offer similar facilities to the U.S. navy. His attitude to Europe is cautious. If it becomes a counterweight to the hegemony of the super-powers, then he will welcome the emergence of a united Europe. But – Qaddafi would say – there is always the danger that Europe will itself become just another imperialist power.

The Libyan Phoenix

by Sir Geoffrey Furlonge

Author of *"The Lands of Barbary"*



To the traveller flying high over southern Libya, the land appears to dwarf the traces of human presence in it. For hour after hour he finds himself crossing endless desert, stony, gravel, or genuine sand-sea, its monotony interrupted only occasionally by inhabited oases or, even more rarely, by the pencil-lines of roads or pipelines, or the pinpoints of oilfield constructions.

By contrast, the northern landscape offers him abundant signs of human activity. Spaced out on narrow belts of fertility which lie along the coastlines of Tripolitania, to the west, and Cyrenaica, to the east, are all the main towns (Zavia, Tripoli, Homs, Misurata, Benghazi, Derna), and a string of villages, factories, farms, and olive-groves; and the plateaux which lie south of them, the Jebel Nafusa in the west and the Jebel Akhdar in the east, are also dotted with habitations and their surrounding cultivation. Even the 300 miles of the Sirtica, the hopeless waste which separates the two belts, now contains pipeline terminals and refineries.

It may come as a surprise to him to learn that, through the centuries, the south has changed more than the north. Innumerable bushman rock-carvings in the interior indicate that in the Upper Palaeolithic age, and perhaps as recently as 10,000 BC, its surface was covered by tropical jungle and inhabited by fauna such as are found south of the Sahara today. In it existed a race of whom little is known. They seem at first to have been hunters preying on the elephant, giraffe, bushbuck and the rest of the teeming game round them, but later to have developed a civilisation based on the breeding of cattle; these cattle, incidentally, according to Herodotus had horns so long that they were compelled to "graze backwards" to avoid catching them in the ground. Gradually, however, for unknown reasons the water-table sank, desiccation set in, the game moved southwards, the cattle could no longer survive, and the aborigines had to exist much as the Beduin do in the desert today, by grazing goats and sheep on sparse and irregular pasture.

(Above) The legacy of Rome – Amphitheatre at Sabratha.

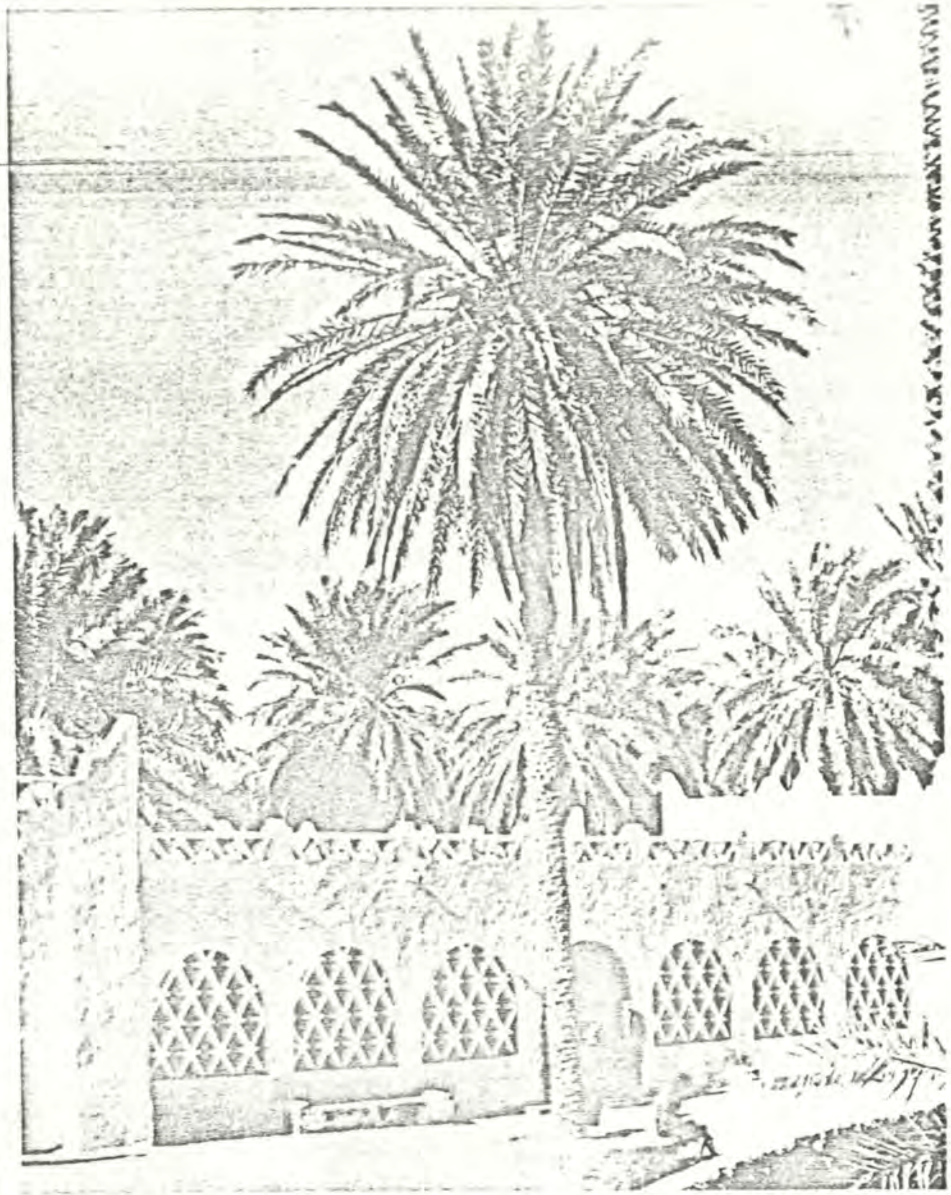
The north, on the other hand, has known prosperity and importance not only of late and during the Italian occupation, but also between the seventh century BC and the seventh century AD. It owed this early fortune partly to the Greeks, who colonised Cyrenaica and initiated agriculture there from about 630 BC; partly to the Phoenicians, who did the same in Tripolitania a century later and there founded the three cities, Leptis Magna, Oea, and Sabratha, which became collectively known as "the Emporia"; but mostly to the Romans, who occupied both territories in the 1st century BC.

The Romans came almost fortuitously. Cyrenaica was willed to them by the last of its previous Ptolemaic rulers, in gratitude to the Senate for having pronounced in his favour when appealed to in an internecine quarrel; while Tripolitania was taken over by Caesar a few years later because the Emporia cities, hitherto independent and in alliance with Rome, had aided his adversary Pompey in the civil war. The Romans, at first reluctant thus to extend their authority, finally felt obliged to do so and set to work with their usual thoroughness. The climate with which they had to contend appears to have been little less severe than that of today, for Roman historians are constantly stressing the lack of water; but their admirable methods of water-conservation enabled them to extend Greek cultivation in Cyrenaica and Phoenician in Tripolitania, and in the latter to grow corn and olives in immense areas which had not previously been cultivated and which have since reverted to, at best, casual grazing. Few of them seem actually to have settled on the land; they operated rather by means of local labour directed and controlled by comparatively few land-owners, between whom the land was divided and who lived either in the cities or in luxurious villas such as the one whose ruins can be seen at Zliten today. To protect these estates from the perennial menace of predatory tribes, such as the Garamantes, raiding out of the interior, the government created the *limes*, a triple line of fortified posts garrisoned until the 3rd century by a special legion, the "III Augusta", but later entrusted, with decreasing effectiveness, to local levies.

The success of Roman colonisation can be measured by the number of ruins of olive-presses scattered across the Libyan steppes today, and its value to the Roman economy by the records of olive-oil exported to the capital. Agriculture was, however, not the only benefit which the Romans derived from the colonies. Through the Garamantes, who from their homeland in southern Libya had already pioneered trade-routes across the Sahara, they established a lucrative commerce with the countries beyond the Niger, bartering their manufactured goods for gold, ivory, ebony, ostrich feathers, and above all wild beasts for the insatiable arenas of Rome. As a result, the Emporia became flourishing entrepots: the ruins of the market-place at Leptis Magna, and indeed of all else in that city and in Sabratha (those of Oea are overlaid by modern Tripoli) testify eloquently to their wealth and civic pride.

This comparatively high Roman civilisation was almost completely destroyed in Tripolitania, though not in Cyrenaica, by the Vandals, who in the 5th century AD expelled the Romans and, true to their reputation, razed the fortifications of the Emporia and thus left these cities defenceless against raiding tribes and encroaching sand-dunes. The Byzantines who replaced them in the following century partly dug out the ruins and restored them; but after another hundred years they in turn were expelled or absorbed by invading Arab hordes, and from then onwards the whole country, first under Arab-Berber rulers and then under the Turks, steadily declined into a waste-land through neglect of the complex Roman system of barrages, aqueducts, and cisterns and the destruction of trees by goats.

In 1911 the Italians ousted the Turks, and after 1922 the Fascist regime began to redevelop the country. Some of their methods were detestable, but their colonisation was nevertheless highly beneficial for the land, if not for the native population. Its prime object was to create areas of resettlement for surplus Piedmontese, and to this end unlimited funds were available to build farms, dig wells, provide stock, and plant grasses on sand-dunes to consolidate them and thus prevent further encroachment. By 1940, when Mussolini declared war on Great Britain, his administration had gone a long, though not the whole, way towards reconstituting the Roman agriculture and had been enabled thereby



Resthouse in the oasis of Ghadames

to settle some ninety thousand emigrants, by no means all of whom left the country after the British occupation in 1942. Italian farmers, in fact, remained a valuable asset to the economy of Tripolitania (though not to that of Cyrenaica, where memories of past oppression were too bitter, or of the Fezzan) until, from 1970 onwards, the present regime began a process of expropriation of their farms which has drastically reduced their numbers – and incidentally accelerated an agricultural recession which had already begun.

Nowadays the distribution of the Libyan population, and the appearance of the country, are changing again. The spectacular growth of the oil industry, and of the revenues which it provides, are having two related effects. One is to permit a steady expansion of light industries and public works, and also of the educational and health services. The other is to attract herdsmen and farmers from the more inhospitable central and southern regions into the coastal belts in which the majority of these enterprises, and services, are situated, in search of the higher wages which the former provide. The result is a proliferation of new buildings – oil installations, factories, hospitals, schools, workers' accommodation – in the Arab or Italian quarters of the towns or in the villages or spaces between them. This urban growth seems likely to become a permanent feature of the local scene, for Libya's future must surely lie with industry. The outcome can only be an accentuation of the contrast, in way of life and in its outward manifestations, between the north and the rest of the country.

Mr. William Clark (through Mr. Bravo) July 31, 1974

Mohamed I. Hakki

THE LIBYAN PRESS

There are five Libyan dailies in Arabic, three regular size papers and two tabloids. They are all nationalized and produced by the General Organization for the Press. They all come out in 8 or 10 pages, and they all try to emulate the Egyptian press, even with their cartoons. Despite their heavily committed political line, they tend to look less like the Algerian or Iraqi newspapers (which are on the dry side and ressemble Pravda and Izvestia) and more like the Egyptian and Lebanese press. Their religious and revolutionary content is high and their editorials sound like high pitched rhetoric. There is only one daily foreign language newspaper available, the Mediterranean, which is published in Malta. The old British daily, the Tripolitanean Gazette, which started in 1943 (as a tribute to the Eighth Army) was shut down by the Revolution. There are three weekly magazines: Al Wehda (the union), Al Beith (the house) and Kol El Fonoun (all arts) which are non-political family magazines. "Al Usbou Al Thaqafi" (the cultural weekly) is a supplement to "Al Fagr El Gedid" -- new dawn. Al Thaqafa Al Arabia (Arab culture) is an elite cultural magazine, mainly carrying articles by Pro-Nasser writers from Egypt and some Palestinian intellectuals.

Following are the names of the dailies and their editors:

- "Al Fagr El Gedid" published in Tripoli; Editor: Mr. Omar Hamidi
- Al Balagh" -- Tripoli; Editor: Mr. Salem Wali
- "Al Raed" -- Tripoli; Managing Editor: Mr. Yahia El Tokali (Egyptian)
- "Al Fateh" -- Tripoli;
- "Al Jihad" -- Benghazi; Editor: Mr. Mohamed Ali Al Showeihedi

The Libyan News Agency has been changed to Arab Revolution News Agency, now headed by Hosni Saleh Al Mudir. The Director of the Libyan Broadcasting Station and T.V. Network in Tripoli is Saad Mojbar.

If any help is needed to arrange press coverage or backgrounders, Mr. Fishawy can rely nn Mr. Al Mahdi Youssef Kajiji (home telephone 34229, office telephone 32929 or 31331). He will find him well connected with all leaders and government officials and very helpful.

MIHakki/mk