

**Testimony by Claudia Gazzini, Senior Analyst, International Crisis Group, for Hearing of the Senate Committee on Foreign Affairs on “Libya: The Path Forward”**

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I appreciate the opportunity to appear this morning on behalf of the International Crisis Group before the Senate Foreign Relations Committee to discuss the political, economic, and security crisis in Libya and possible ways forward. We want to thank the chairman, ranking member and members of the Committee for calling U.S. attention to the situation in Libya. For the past three years, Libya has continued a downward trajectory towards security and political fragmentation, economic collapse and – more recently – towards becoming a haven for, and therefore the latest frontier in the fight against, the Islamic State.

The International Crisis Group has been working in Libya since 2011. We are an independent, non-partisan, non-governmental organization that provides field-based analysis and policy recommendations to governments, the United Nations, the European Union and other multilateral organizations on the prevention and resolution of deadly conflict. Crisis Group came into being because our founders believed that too often, major powers and international organizations ignored the cables, however incomplete they might be, coming in from Rwanda, or Srebrenica or the Congo. After the Cold War, there were no strategic linkages from those countries affecting major powers, other than the sheer horror of the human suffering being inflicted.

In some cases, after-action reports blamed inaction on an absence of sufficiently early warning. In others, it was the absence of mechanisms to implement a perfect response. Most of the time, it was the failure to forge the political will to respond.

We were founded in 1995 by distinguished diplomats, statesmen and opinion leaders including Career Ambassador Mort Abramowitz, Nobel Prize winner and former Finnish president Martti Ahtisaari, the late Congressman Stephen Solarz, and former UN deputy secretary-general and British diplomat Lord Mark Malloch-Brown, now our co-chair.

Jean-Marie Guéhenno, our current president, is the former head of UN peacekeeping under Kofi Annan.

Our board of national and international leaders includes six former heads of state including President Ricardo Lagos of Chile; and eight former foreign or defense ministers including Javier Solana of Spain and the EU, Lakhdar Brahimi of Algeria, Emma Bonino of Italy and Sweden’s Carl Bildt and distinguished U.S. foreign policy leaders including former Senator Olympia Snowe, Ambassador and former Undersecretary of State for Political Affairs Thomas Pickering, and former NATO Supreme Commander Wes Clark.

We publish some 60 reports each year on what is happening on the ground prepared by our staff in about 10 sub-regional and national offices in Africa, Asia, Latin America, Europe and the Middle East, covering between them more than 50 conflicts. We maintain advocacy and research offices in Washington where we interact with the U.S. government, in New York with the UN; in Brussels where our global headquarters engages the European Union, in London with outreach to Europe.

Our main asset is our field-based research. We talk to stakeholders on the ground and try to understand, in real time, what is happening and why. This is because we believe that the first step towards resolving deadly conflict is to gain a deep and nuanced understanding of what moves rival factions or governments to take up arms, who is backing them and for what purpose.

In a country as fractured as Libya, this means talking to representatives from and those with access to Libya's rival parliaments and governments, militia leaders, army officers, smugglers, tribal leaders, displaced people, jihadists, as well as wide range of businessmen and civil society activists, medics, women and foreign stakeholders. On the basis of these conversations and on-the-ground observations, we draft publicly available reports and make concrete, implementable policy recommendations.

That is essentially what I do in my capacity as senior Libya analyst for the International Crisis Group. While most Western embassies and organizations pulled out of Libya in the summer of 2014 when armed groups launched a violent assault on Tripoli international airport, we remained present in the country. In mid-2015 we also relocated our operational base outside of Libya, but continued to travel there on a regular basis. Throughout this past year, I have visited the west, the east, and south of the country on multiple occasions.

I mention this because I believe that access to the country and talking to a wide array of stakeholders on the ground gives us a deeper, more fine-grained (and at times more critical) perspective on the events taking place and the challenges ahead. For example, while most of the foreign diplomats were (and remain) upbeat on the possibility of implementing the UN-backed Libyan Political Agreement (LPA), on the basis of our meetings with a wide spectrum of Libyan stakeholders in late 2015 we at Crisis Group took a more critical view of the deal's potential and warned that the agreement lacked sufficient Libyan buy-in, and that attempting to push an agreement without broader elite support would unfortunately doom it to failure and possibly precipitate a sharp deterioration of the situation.

Before looking at the path ahead for Libya, let us see where the country stands today.

From a political point of view, Libya remains institutionally divided. The LPA, a UN-backed plan signed by a group of Libyan politicians on 17 December 2015 and backed by the UN Security Council on 23 December, was supposed to put an end to the crisis that has split the government and divided this oil-rich country since mid-2014. It was also supposed to lead to the creation of a government of national accord (GNA). Despite the ongoing mediation efforts of the UN Secretary General's Special Representative, Martin Kobler, Libya today still does not have a

unity government in place. The internationally-backed Presidency Council – a committee of nine men including a Prime Minister-designate, Fayeze Serraj, tasked with proposing the cabinet line-up for the GNA – continues to operate from outside Libya, first in Tunisia and more recently from Morocco. A sizable number of members of Libya’s two rival parliaments continue - for different reasons - to oppose the terms of the agreement. Some Libyans who backed the UN deal are now calling for its complete reset. In short, Libya today remains a divided country and the chances of implementing the UN-backed deal remain scant. Even in the most optimistic of scenarios, the agreement will take time to be implemented and the new government will face a number of difficult hurdles, including taking its seat in Tripoli, a city currently dominated by anti-deal forces. This is deeply regrettable, because it is clear that most average Libyans are tired of these divisions. Their lives are getting worse by the day and most want to see a unity government in place that restores order and launches economic reconstruction.

Libya’s economy is reaching a critical point. Libya is an oil-rich country, but over the past two and half years attacks on oil fields, pipelines and export facilities have dramatically reduced production – from over 1.8 million barrels per day in early 2011 to around 300,000 barrels per day today. Together with the drop in global oil prices, this has forced the country to run a deficit of up to \$2-\$3 billion per month. This is rapidly draining the country’s foreign currency reserves, which now are estimated to be \$50-60 billion, less than half of what they were only two years ago. There are growing cash shortages, and fuel and medicine are difficult to come by in a country that is heavily dependent on the importation of both, as well as of food. The Libyan dinar is worth a third of the official rate on the currency black market, and living costs have risen dramatically. Smuggling – of ordinary goods but also weapons and people – is thriving, as is corruption. In short, a parallel war economy is taking over as the state heads towards bankruptcy.

Further compounding the country’s economic problems, Libya’s main financial institutions are institutionally divided along the same political fracture lines that have split the country since 2014. The two most important state financial institutions – the Central Bank of Libya (CBL) and the National Oil Company (NOC) – remain physically under the control of the Tripoli authorities, but the Tobruk-based parliament and its associated government have established their own parallel CBL and NOC. The two sides also continue to contest the ownership of the assets of a third crucial entity, the Libyan Investment Authority (LIA, the sovereign wealth fund), in international courts. In December 2015 Crisis Group published a report about the state of the country’s economy in which we urged international action to contain the rifts and help reverse the negative economic trend. In 2016 Libya’s GDP growth is expected to be minus 8 per cent, potentially the world’s worst performing economy. But I regret to inform you that, to this day, international engagement on the economic front is virtually non-existent.

The country’s security landscape is also dire. Libya’s two rival military coalitions – Libya Dawn in the west and Operation Dignity in the east, allied respectively with the Tripoli-based and Tobruk-based parliaments – have become increasingly fragmented, and leadership of both coalitions is contested. In the west the rifts are largely between (in some cases within) security units supporting the UN-backed proposed unity government and those against it. Similar fractures also exist within the so-called Libyan National Army (LNA), which operates in eastern

Libya and is backed by the House of Representatives in Tobruk. Despite public attempts to minimize these rifts for the sake of public consumption, a number of local commanders have broken ranks with the leader of the LNA, General Khalifa Haftar, who has been one of the main obstacles to peace negotiations. There are opportunities to capitalize on these divides to form a moderate pro-peace bloc, but one should tread carefully: greater fragmentation could foster local conflicts, especially if Libya's neighbors continue to see the country as a theater for their rivalries. Yet it is critical for international supporters of a Libyan government of national accord to make a concerted effort to bring the country's security actors together in support of such a government. The absence of a security track as part of UN-led negotiations has been particularly glaring in this respect, an error that should be rectified as a matter of urgent priority.

Despite a UN arms embargo, new firearms and ammunition continue to enter the country, provided by regional powers that are backing one side or the other. Egypt and the United Arab Emirates in particular have allegedly continued to provide support for General Haftar in the east, while Turkey and Qatar have in the past provided support for militias in western Libya. The US and other concerned parties have pushed these regional actors to take a more constructive approach, but some continue to provide support to their proxies and, despite their official support of the negotiations, continue to act in a manner that is counter-productive to peace. More must be done to stem this flow of weapons and funds, which only perpetuates the conflict, especially since weapons often find themselves on the local market where they can end up in the hands of radical groups.

This brings us to the question of extremist armed groups, which unfortunately have proliferated since 2011 and the tragic attack on the U.S. consulate in Benghazi. More focus needs to be directed to finding a security roadmap for the country. The most worrisome group is the Islamic State, which has made important advances in Libya in 2015 and sees the country as its major new front outside of Iraq and Syria. IS affiliates have managed to build a base in the city of Sirte, a former Qadhafi stronghold where Libya's main east-west and north-south roads intersect, and have expanded 200km east towards the country's main crude-oil export terminals. IS supporters control a few neighborhoods in Benghazi, eastern Libya's largest city, and are present in the outskirts of Derna. They have also carried out deadly attacks in the country's west and cells of IS operatives are believed to exist in towns such as Sabratha, Bani Walid, Jufra.

Based on the above facts, what can be done? What is the best course of action for the U.S. government to take in Libya?

The international community, including the U.S., has understandably focused on IS because of the potential transnational threat it poses. Some have talked of military intervention to prevent the group from turning Libya into a platform from which it could attack neighboring countries such as Tunisia, which last year saw two major attacks believed to have been planned in Libya. These neighbors and Europe feel particularly threatened, and Libyans are also growing increasingly anxious despite a tendency towards denial about the IS threat.

But one should proceed with caution. Rushing an international military intervention in Libya to counter IS would be short-sighted and would probably backfire. Any such intervention should

be discreet, measured and linked to a political strategy aimed at bringing Libyan factions together into a single government. That must remain the overarching goal. A large-scale air and ground campaign would likely create more problems than it would resolve, particularly if it is perceived to take the side of one mainstream camp against the other. It is particularly important that any unity government, if formed, or the Presidency Council that exists today but lacks broad support not be pushed to issue a formal invitation for any type of military intervention: because of the fragility of the ongoing political process, this would enable spoilers to accuse their pro-peace rivals that they are enabling a foreign occupation of Libya, which would almost certainly provoke a nationalist backlash.

Any effective action against IS will require local Libyan allies: this should be a Libyan-led effort. The best way to ensure this would be to encourage a dialogue between Libyan security actors. As I stated earlier, this has been a sorely missing element of the UN-led negotiations over the past year, and is more necessary than ever to bring to the table Libya's real powerbrokers. While working towards supporting the political track's aim of establishing a unity government, this security track would help resolve local-level differences between armed groups, encourage their coordination and the elaboration of a compromise on how the country's security will be managed, as well as help create the conditions for a coordinated anti-IS strategy. Security arrangements and the political negotiations must go hand in hand, and not – as has been the case over the past year – treated as two separate processes.

Indeed, one of the main reasons that implementation of the deal signed in December is stalling is because there was insufficient preparation in securing the support of security factions, especially in the east of the country. In the months preceding the signing of the agreement, the UN made weak and contradictory arrangements to set up a security plan for Tripoli (the idea being that the GNA was supposed to be based there), and obtained the backing of some armed groups from the nearby city of Misrata, some brigades in Tripoli and others from Zintan. But the broader military divides were never bridged and rivalries between different local factions were never overcome. Disagreements on future security arrangements and top security positions continue to undermine the efforts to form a government of national accord to this day. For this to have a chance, more resources have to be set aside to pursue what Crisis Group has long advocated for – a security track dialogue.

Similar strategic mistakes were made with the economy. The question of how to better manage, secure and distribute Libya's resources and wealth cannot wait. Some issues can be addressed through UN-led negotiations or parallel initiatives, pending a more formal review by a future unity government. The incentives all sides have are two-fold: if they do not act quickly to stem the bleeding, ordinary Libyans' living conditions will deteriorate beyond the threshold of the sustainable, and the current leadership on both sides will lose support as a result. Furthermore, should militia members' salaries stop being paid, mutiny and chaotic, predatory behavior is likely to ensue. More thought and preparation has to be put into these questions.

A short-term requirement to stabilize Libya's finances would be an agreement by the rival camps on two broad issues: what measures can be taken to increase oil and gas production in order to replenish state coffers, and how to maintain a coherent, unified financial system. These issues

become ever more urgent as the five-year mandate of the Tripoli-based governor of the CBL expires this month, which will likely trigger a political contest over who will appoint a successor.

The Libyan conflict is multidimensional and complex. The political dimension cannot be dealt with separately from the economic dimension, and both are dependent on the security dimension. The international community should not repeat the mistake of last December, when it decided to push ahead with a political agreement with insufficient preparation, announcing a unity government when no unity was achieved and no body of any sort was in a position to govern. Rushing things through and ignoring the crucial task of making the necessary security and economic arrangements prior to any deal will only serve to undermine efforts to stabilize Libya and could impede the creation of a common front against IS. What is needed is a more concerted effort by all stakeholders on these three fronts. The U.S. has a major role to play here, particularly in ensuring that regional actors that are enmeshed in the conflict play a more constructive role through enticements in the form of promises of security and development assistance.

In conclusion, neither forcing a political deal alone nor implementing a strictly counter-terrorism strategy in Libya will be successful if either is carried out in isolation. There need to be simultaneous efforts to overcome Libya's economic fractures, build bridges in a fragmented security landscape, and build confidence in a future GNA. Only these simultaneous efforts can prepare the ground for an inclusive, constructive, and lasting agreement and a return to a united and peaceful Libya.

Thank you.