

All of Libya Held Hostage by Gunmen Targeting the Central Bank

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Articles & Testimony

A political and literal fight over Libya's top financial institution could enable Russia to enjoy the spoils of war without having to fight one.

Since Libya's longtime dictator Col. Muammar Gaddafi was killed by rebel forces in 2011, the country he departed so brutally at the hands of his enemies has endured a cyclical civil war punctured by periods of fragile stability. Warlord Khalifa Haftar, whose power base is in the country's east, launched a war in 2014-15 against the capital Tripoli in the country's west, which ended with the Libya Political Agreement.

When that broke down in 2019-20, Haftar—armed with weapons and money from Russia, Egypt, and some Gulf states—attacked Libya's west again, this time halted by a Turkish military intervention on the side of Tripoli. The Libya Political Dialogue Forum (LDPF) sought a general election in December 2021. This is approaching three years' delay. In the meantime, the country has been 'managed' by a conglomerate of elites with no incentive to yield power.

Central Bank Siege

The struggle over the fate of Libya is currently being played out in Tripoli, with the country's central bank at the centre. On Sunday, the bank suspended operations after its head of information technology (IT) was kidnapped from his house, while other senior executives were threatened. This followed a week in which armed men laid siege to the central bank's headquarters.

The kidnappers, backed by Government of National Unity (GNU) Prime Minister Abdel-Hamid Debeiba, want the resignation of the bank's powerful governor, Sadiq al-Kabir, who has been in the role since 2012. Since then, he has used Libya's oil receipts to build up a sizeable surplus that plenty would like to get their hands on.

Obtaining his coveted position has long been the goal of Libya's illegitimate institutions. Libya's House of

Representatives still consists of members last elected in 2004. It is now fighting for control with the Western-based GNU, created in 2021 for a one-year term.

Aguilla Saleh, the powerful House speaker, was elected with fewer than 1,000 votes, while GNU prime minister Abdel-Hamid Debeiba, elected by 39 members in questionable circumstances, should have stood down two years ago. Even more institutions claim degrees of authority, including the Presidential Council (created as part of the LPDF) and the High State Council.

The Threat of Haftar

In the plethora of fora and initiatives—some of which are sponsored by the UN—nothing gives credence to the idea that Libya is being governed. Underpinning this political stasis is the perennial threat of war from the Russian-backed Haftar

His 2019-20 assault was conducted with Russian mercenaries and weaponry, including snipers, drones, and anti-aircraft systems. Since then, Russia has only deepened its relationship with Haftar, who has hosted Russia's deputy defense minister Yunus-bek Yevkurov and even been granted an audience with President Vladimir Putin in Moscow.

For Putin, this is a chance for Russia to build up yet more infrastructure in a Mediterranean country (beyond its current Syrian naval base in Latakia), advance its ambitions in the Sahel, and threaten NATO. Haftar and his powerful son Saddam now have the confidence to challenge the October 2020 ceasefire line, which has mostly held for four years.

Oil, Dollars, and Militias

Libya's oil production exceeds one million barrels per day (bpd), which has given it a solid foundation in dollar reserves, with no appreciable debt. Billions more are still frozen in the Gaddafi-era Libya Investment Authority.

Given that, Libya should be more than able to provide for its citizens, but endemic corruption, a complete lack of accountability, and a woeful record of mismanaging the economy mean that Libyans have not benefited. There has been virtually no development of public infrastructure, and ministry budgets are almost entirely spent on salaries for the vast number of people on the public sector payroll, or else on government fuel and energy which incentivises cross-border gas smuggling.

While Tripoli has controlled the money, Haftar controls most of the oil fields. Periodically, when Haftar needs more money, he closes oil fields until Tripoli recapitalises the banks and releases money for him to pay his troops' salaries. Such is the uneasy peace.

Most recently, Saddam Haftar shut in the Sharara field, depriving Libya of the sale receipts from 300,000 bpd since early August. The Haftar clan seem unmoved that this tactic deprives all of Libya of income, not just the west. Throughout, militias have grown rich through extortion, smuggling, trafficking, and schemes in which they use letters of credit from the central bank allowing them access to foreign currency, then add a significant surcharge to imports.

Taking Care of Kabir

Kabir has enormous leeway to fund political programmes or withhold funds from them. When Debaiba first became prime minister, the two men were on the same page, but as Debaiba began to take advantage and spend profligately, Kabir turned off the taps. There is now an unsightly fight involving Aguilla, Debaiba, the Presidential Council, and others over Kabir's fate, with questionably legal reasoning held aloft by both sides.

Haftar would like to see Kabir gone. The warlord successfully ousted the long-time chairman of Libya's National Oil Corporation in 2022 and attacked Tripoli in 2019 principally to get his hands on the central bank.

Troops loyal to Saddam Haftar have now been deployed to south-west Libya, nominally to enforce border security. In reality, it is to pressure Debaiba. Turkey's security offer to protect the GNU will prove key.

Turkey is an ally of Kabir's, with Kabir having deposited funds in Turkey's own struggling central bank. Turkey's President Erdogan is therefore Kabir's most powerful backer, and the reason he remains in-post.

International Responsibility

The US and UK have officially supported Kabir in recent days. They see him as a reliable steward of Libya's complicated economic portfolio.

But nominal Western support may not be enough, especially since the UN Support Mission, led by Acting Envoy Stephanie Koury, has not articulated a new effort to help stabilise Libya, and its mandate expires later this year. Russia could veto any renewal.

If Kabir is forced out under pressure from Haftar, that could turn some of Libya's considerable reserves over to Moscow. That can be avoided if Libya's state political and economic institutions come together to participate and make the process equitable.

The Berlin Process, chaired by Germany's former Chancellor Angela Merkel in 2020, established political, economic, and security tracks. The economic track got less attention.

A genuine audit of the central bank and state budget is needed, while the IMF's 2023 Article IV should follow up with a more detailed report for 2024 to help make Libyan data more transparent. An oversight body comprised of representatives of states with experience in successfully fighting corruption (such as Georgia or Moldova) would increase confidence, as would a World Bank mission issuing quarterly progress reports. If key international actors ignore this crisis, they leave Libya at the mercy of Russia, who could soon enjoy the spoils of war without having had to fight one.

Ben Fishman is the Levy Senior Fellow at The Washington Institute and former director for North Africa on the National Security Council. This article was originally published [on Al Majalla's website](https://en.majalla.com/node/321955/politics/all-libya-held-hostage-gunmen-targeting-central-bank)

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