

HEAD OF LIBYA'S ECONOMIC DEVELOPMENT BOARD: U.S.-LIBYA RELATIONS NOT JUST ABOUT OIL

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C O N F I D E N T I A L SECTION 01 OF 03 TRIPOLI 000917 SIPDIS STATE FOR NEA/MAG; COMMERCE FOR NATE MASON; ENERGY FOR GINA DEPT FOR NEA/MAG E.O. 12958: DECL: 11/26/2018 TAGS: PGOV, PREL, ECON, EFIN, KPAO, SCUL, KMPI, EAID, EPET, LY SUBJECT: HEAD OF LIBYA'S ECONOMIC DEVELOPMENT BOARD: U.S.-LIBYA RELATIONS NOT JUST ABOUT OIL REF: TRIPOLI 227 CLASSIFIED BY: Chris Stevens, CDA, Embassy Tripoli, Department of State. REASON: 1.4 (b), (d)

1. (C) Summary: The head of Libya's national economic planning apparatus and the effort to implement Muammar al-Qadhafi's vision for government restructuring and privatization told the visiting NEA/MAG Director that a new, commonly agreed frame of reference for U.S.-Libya relations that took into account more than oil was needed. Libya's strategic location, aversion to extremist iterations of Islam and hydrocarbon resources will make it increasingly important in the coming decade. The U.S. would do well to focus more on cultivating people-to-people relationships by engaging more on health care, education, technology and training, and should not expect "all or nothing" from Libya by way of its political and economic choices. Libya needed to diversify its economy beyond oil and develop its human resources, and wants to place more students in U.S. universities for undergraduate and graduate study. Libya would also like to attract greater foreign direct investment in its technology and health care sectors; he expects U.S. universities will be able to establish satellite campuses in Libya soon. On plans to implement government restructuring and privatization, he conceded that "everyone is confused", does not expect greater clarity by year's end, and does not expect real change to be implemented before the second quarter of 2009. On reports that education would be privatized, he expected that basic education would continue to be free of charge and that the General People's Committee for Higher Education (ministry-equivalent) would remain in place, but said the GPC for Basic Education could be dismantled and replaced by a government-run accreditation and inspection system for primary and secondary schools. Plans are underway with Georgetown, Princeton, Harvard and Yale for a series of DVC's for Muammar al-Qadhafi End summary.

LIBYA: "PRECIOUS" IN TERMS OF OIL RESERVES AND STRATEGIC LOCATION

2. (C) Visiting NEA/MAG Director Stephanie Williams met with Dr. Mahmoud Jibril, Chair of Libya's Economic Development Board and head of the National Planning Commission, on November 5. Williams was accompanied by the CDA, A/DCM and Econoff. In his typical professorial fashion, Jibril framed his remarks in broad historical and geostrategic terms: the Arab Gulf region will witness greater instability in the coming decade because of demographic pressures, increased extremism, greater competition for hydrocarbon resources from Russia, China and India, and a new generation of (implicitly) less competent leaders. Jibril's "hunch" is that Libya will become "more

precious" in coming years by dint of its relatively virgin hydrocarbon resources, aversion to extremist iterations of Islam and strategic proximity to Europe. He referenced the Libya-EU partnership negotiations currently underway and also Libya's efforts to forge a new foreign policy with Russia (including al-Gadhafi's recent trip to Moscow).

U.S.-LIBYA RELATIONSHIP SHOULD BE REASSESSED: IT'S NOT JUST ABOUT OIL

3. (C) Arguing that the U.S.-Libya relationship needs "a common frame of reference", Jibril offered that the U.S. approaches relationships as economic and transactional, whereas Arab culture puts a premium on tribal ties in which gifts are given and expected, but not asked for or stipulated. He offered the example of Kissinger perceiving Anwar Sadat as being a "clown" because he did not ask the U.S. for anything when he expelled Soviet advisors from Egypt. Jibril stressed that as an Arab, Sadat did not feel he needed to ask for anything because the U.S. should have perceived that he had offered something and reciprocated of its own accord. Jibril argued that a new perspective, particularly from the Department, was needed that took into account more than oil. Informed by Libya's rich culture and long history, a new generation of Libyans is emerging and there is real potential for civil society development.

4.(C) Arguing that there had been "too much talk and not enough deeds" in the U.S-Libya relationship since ties were re-established in 2004, Jibril urged the U.S. to focus to a greater extent on cultivating people-to-people relationships by engaging more on health care, education, technology and training. Our globalized world is characterized by diversity (which he defined as mutual respect for the choices of others) and multiplicity of choices (economic decisions are not as politically-charged as they used to be because economic actors have more choices). A frame of reference that encompasses culture and economics is needed. Cautioning the U.S. against expecting "all or nothing" from Libya by way of political and economic choices, he stressed that developing countries are increasingly taking an ala carte (vice prix fixe) approach to political-economic choices.

THE GLOBAL FINANCIAL CRISIS & THE TIMELINE FOR LIBYAN GOVERNMENT RESTRUCTURING

5. (C) Responding to a question about how the global financial crisis was affecting Libya's plans for government restructuring and privatization, Jibril said the government was developing contingency plans for three possible scenarios: 1) a one to three year dip in oil prices and a global recession; 2) a global recession leading to a depression; and, 3) a global recession and a relatively quick recovery. He believed global stability could be achieved within one to three years, but predicted a recurrence of the crisis after the initial recovery due to the gap between industrial age economic theories and policies and the postmodern technological revolution, particularly in the financial sector. The world had transitioned in the late 20th century from a "work creates wealth" to a "wealth creates wealth" model; we therefore need to better regulate and control the critical financial system. He noted that the world's 66,000 multi-national companies can produce much more than the world's population can consume. He dismissed current efforts to resolve the global financial crisis as being merely "painkillers", and argued that deeper reforms are needed in the international system.

6. (C) Responding to the assertion that potential investors in Libya are confused about myriad, ill-defined plans for restructuring and privatization first articulated by Muammar al-Qadhafi in March (refel), Jibril conceded that "... everybody is confused!" Noting that the five committees tasked with implementing al-Qadhafi's reform vision had considered many options, he stressed that the critical thing was to get the final decision on a course of action right. (Note: Addressing rumors that Jibril had lost his position as head of the EDB, EDB official Khaled Bezaylia told us shortly before the meeting that Jibril had relinquished management of day-to-day operations over the summer to chair a supra-committee that coordinates the efforts of the five committees tasked with implementing al-Qadhafi's vision. End note.). Confirming reports from other contacts, Jibril flatly stated that nothing had been decided with respect to restructuring and privatization. He said he expected the "period of ambiguity" to last until at least year's end, and did not expect major changes to take place during the first quarter of 2009. He offered that some GOL officials have argued for delaying restructuring/privatization in light of the global financial crisis, while others believe it is actually an ideal time to take steps to restructure the government.

ECONOMIC DIVERSIFICATION, EDUCATION REFORM & HUMAN CAPACITY DEVELOPMENT ARE KEY

7. (C) Dr. Jibril said he expected oil prices to pick up, but not to reach the USD100/barrel mark. He took this as a sign that Libya needed to diversify its economy beyond oil and to develop its human resources. Libya is keenly interested in placing more students in U.S. universities for undergraduate and graduate study. The EDB plans to send 60-70 graduate students to the U.S. to pursue MA's and PhD's, with the idea that they would constitute a nucleus of competence in key ministries and serve as catalysts for change until the rest of the government can be reformed. As an example, MA and PhD students in political science would be fast-tracked into key positions in the MFA. The EDB would like to send many of them to Georgetown University; it has independent funding for the program and intends to

pursue it regardless of broader restructuring efforts. Williams noted the Secretary's keen interest in Education, stressing that a partnership between the GOL and AMIDEAST would help facilitate placement of larger numbers of Libyan students in American universities and improve English language instruction available in Libya. Noting ongoing discussions with AMIDEAST, Jibril added that the EDB is collaborating with the British Embassy to send 70 judges to the U.K. for training in British court procedures. A/DCM informed him that the U.S. is working with the General People's Committee (ministry-equivalent) for Justice to facilitate training and engagement under the MEPI-funded Commercial Development Law Program (CLDP). Jibril noted that such efforts would help counteract the stereotype that the U.S. is only interested in oil.

8.(C) Jibril said Libya is looking for U.S. companies with which to partner in all technology development, hospital management and human resources development, and was considering different incentive mechanisms. In terms of restructuring the healthcare system, Dr. Jibril said Libya is evaluating systems in the United Arab Emirates, Sweden, and the UK as possible models. Williams noted that Cornell Medical Center's presence in Doha could offer a good exemplar and point of reference for those efforts. Offsets for foreign direct investment in the health care sector had also attracted significant investment and development in the UAE. Partnerships between U.S. universities and the UAE and Qatar also afforded models for potential parallel arrangements in Libya. On reports that the GOL plans to privatize its universities as part of the broader restructuring program, Jibril said many options were under consideration, including programs for scholarships and loans for higher education. He expected that basic education would continue to be free of charge and thought the General People's Committee for Higher Education (ministry-equivalent) would remain in place, but said the GPC for Basic Education could be dismantled and replaced by a government-run accreditation and inspection system for primary and secondary schools.

9. (C) Jibril also outlined a program of Digital Video Conferences (DVC's) the EDB was coordinating with Georgetown, Princeton, Harvard and Yale universities, which would kick off in early 2009 and feature Muammar al-Qadhafi (in a reprise of his 2006 DVC with Columbia University). STEVENS