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Libya rebels desperately short of funds

Even as rebel commanders predict victory is near, the rebel leadership is short of cash to fight the rebellion and run civilian affairs. The lucrative oil industry has been shut down by the fighting.

By David Zucchino, Los Angeles Times

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Reporting from Benghazi, Libya

In early April, Mazin Ramadan left his American wife and two children in Seattle and flew to this Libyan rebel stronghold to help the opposition sort out its shaky finances.

Three months later, things are looking as bleak as ever.

"We're broke," said Ramadan, a Libyan American who founded a software tech company in Seattle and advises the rebel Transitional National Council on finances and oil.

Even as rebel commanders predict that victory over Libyan leader Moammar Kadafi is near, the rebel leadership is desperately short of cash to fight the rebellion and run civilian affairs. The lucrative Libyan oil industry, which normally earns billions of dollars in hard currency, has been shut down by the fighting.

Salaries for the rebel government's workers haven't been paid in two months. There is precious little cash to buy the imported fuel needed for the war effort and for the economy in eastern Libya, which the rebels control.

The council is beseeching Arab and Western nations to offer cash or credit.

"We're getting decimated on the financial front lines," Ramadan said this week.

As he spoke, the lights flickered and died in the conference room at a villa dating to the Italian colonial era that serves as a council office in downtown Benghazi. Fuel shortages have forced daily six-hour brownouts.

The council has been buying fuel in Europe on credit. But last week, a European financial company that had provided \$500 million in loans told the council that it could no longer shoulder the risk and shut

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About \$100 million donated by Qatar has nearly been spent, Ramadan said, and \$200 million promised by Turkey has yet to arrive. Several tankers loaded with fuel from Europe have left the Benghazi port without unloading after the council couldn't pay cash, he said.

The vast petrochemical complexes at Port Brega and Ras Lanuf, seized from the rebels by government forces this spring, have been shut down. Also closed is the natural gas pipeline that normally fuels electricity production in Benghazi and other eastern cities.

That means that rebel leaders in the country that is the world's 17th-largest producer of oil must import all their fuel. Several nations have promised to provide cash, Ramadan said, but only Qatar has delivered.

"We hear a lot of promises, but it's a lot easier to promise than to deliver," he said. "We don't count on it unless it's sitting in our account."

Ramadan said he is pursuing new credit lines. His two cellphones rang constantly as he spoke.

The council has sought loan guarantees backed by billions of dollars in frozen Libyan government assets overseas. But weeks of negotiations have failed to pry loose guarantees, Ramadan said.

In a July 7 letter to Secretary of State Hillary Rodham Clinton, four U.S. senators led by Sen. John McCain (R-Ariz.) asked Clinton to help unlock the assets for Libyan humanitarian aid. The letter reminded Clinton of her recent promise to help put the rebel council "on firmer financial footing."

Rebel finances "are in a perilous state," the letter said.

The United States has authorized \$25 million in nonlethal military assistance to the rebels and \$53 million in humanitarian aid. But Ramadan said loan guarantees backed by frozen Libyan assets would have a much bigger effect on the effort to topple Kadafi, a declared U.S. policy goal.

The main crisis in the east is financial, not humanitarian. Thanks to unusually heavy winter rains, eastern Libya is flush with grains, fruits and vegetables.

Many shops and restaurants have reopened in recent weeks, stocked with goods imported from Europe and the Middle East through rebel-controlled ports in Benghazi and Tobruk and overland through Egypt.

"Yes, we have food, but what good is it if people don't have the cash to pay for it?" said Mustafa Gheriani, a former council spokesman now in business.

Britain has rejected council requests to deliver 1.4 billion Libyan dinars (\$1.15 billion) printed by a British company and impounded in London, Ramadan said. Millions of dollars in cash reserves that were in the Libyan national bank branch in Benghazi when the eastern rebellion erupted in mid-February have been spent.

To conserve currency, banks that recently reopened in Benghazi now limit customers to monthly withdrawals of 200 Libyan dinars, equivalent to \$165, Gheriani said.

Ironically, the one commodity people can still afford is gasoline, which sells for about 45 U.S. cents a gallon, cheaper than bottled water. The council has decided not to raise gasoline prices, which are set by

the Libyan government.

"Cheap gas is considered a Libyan right," Ramadan said.

Ramadan, 43, was born in the United States but raised in Libya. After high school he returned to the U.S., earned a master's degree in computer science at Clemson University in South Carolina and has advised tech start-up companies in the U.S.

Finding ways to run a temporary government in a country starved of cash is far more challenging.

"We're surviving day to day," he said. "We're robbing Peter to pay Paul."

Kadafi's government faces even worse cash and fuel shortages. Gasoline lines stretch for blocks in Tripoli, the Libyan capital, and basic commodities are reportedly in short supply.

The Libyan leader had stockpiled 120 to 140 tons of gold, by some estimates, and is selling some to raise cash, Ramadan said. Kadafi also has stockpiles of cash, fuel and weapons but is being strangled by North Atlantic Treaty Organization-enforced embargoes.

"Yes, things are critical here in the east," said Gheriani, the former council spokesman. "But things are even tougher in Tripoli. We just have to outlast them."

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