

# Regime Change in Libya: “Good for Business”. Picking Up the Spoils of War

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Global Research, August 24, 2011

[periscopepost.com](http://periscopepost.com) 24 August 2011

Region: [Middle East & North Africa](#)  
Theme: [Global Economy](#), [US NATO War](#)  
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## Fall of Gadaffi: A boost for the world economy?

What will “the benefits” be to the world economy? The North African country has oil huge reserves....

The civil war in Libya has been raging since mid-February. Now, as rebel forces take over the capital city, Tripoli, and the soon-to-be-erstwhile tyrant Colonel Gadaffi apparently flees, what will the effect be upon the world economy?

Rebels now control about 80 percent of Libya, and they’re going to need some cash. The European Union and NATO have already taken steps to release previously frozen assets, [entering into talks to relase about \\$100 billion of Gadaffi’s](#), and the European Bank for Reconstruction and Development will start lending to North Africa and the Middle East, said [Euractiv.com](#)

- **The Italian connection.** Well Italy has already benefited, said Ed Conway on [Sky News](#). The Libyan government owned, via various investment funds, 7.2 percent of the shares in the Italian Bank UniCredit. This bank had one of the worst balance sheets in Europe (as shown by the stress tests) – but, because Libyan assets were frozen, the bank could “rely on its biggest aggregate shareholder” not to sell up and push share prices further down. The combined stake was worth 2.8 billion euros in February, but is now worth a mere 1.2 billion. However, the “unintended consequence” is that there’s been at least “small relief” for Unicredit.
- **Things can only get, well, slightly better.** James Saft on [Reuters](#) said the fall of Gadaffi hasn’t come a moment too soon. It’ll take pressure off energy prices. Regime change will also mean that “production and exploration” are now “more competently and aggressively pursued.” Low energy prices are an “unalloyed good” for the global economy. But the impact as a whole “will be small.” At least the European Central Bank might reverse their “disastrous hikes in interest rates.” Consumers will be helped; but it won’t aid the banking industry. The effects in America will be even less noticeable, though it might make the Federal Reserve’s position “slightly easier” as it too might ease off interest rate hikes.
- **Donald Trump in piratical mode.** [Newser.com](#) quoted [Donald Trump in somewhat piratical mode](#) as he spoke on **Fox & Friends**. “We are NATO. We back NATO in terms of money and weapons. What do we get out of it? Why won’t

we take the oil?" he said. "Why aren't we reimbursing ourselves? You know, in the old days, when you win a war, you kept 'to the victor, belong the spoils.'"

- **Softly softly.** [Sky News](#) gave a run-down on Libya's assets, and how the fall would affect the economy: Libya has huge amounts of oil and gas, but they are "less than half the size of Iraq or Kuwait's." Libya's total foreign assets are "estimated to be worth \$150 billion," according to the International Monetary Fund, and are mostly located in Italy, with some in London and Africa too. The Libyan Investment Authority opened a branch in London, and was buying up British property. Libya's Central bank "has 143.8 tonnes of gold." But Libya hasn't had the reforms to make it a "dynamic, healthy and balanced economy." Its industries are "nationalised" and run like a "fiefdom." But youth unemployment is high, financial markets underdeveloped, and the economy's become more reliant on oil revenues. So it's "extremely fragile, and will need enormous amounts of work, care and attention in order to bring it back to stability and health in the coming years."
- **Surely it's good news for Europe.** It's there for the taking, said Matthew Lynn on [MarketWatch](#). It's a victory for modernisers, opening up a "vast new market, and it is right on Europe's doorstep." The North African countries are big, and they've got young populations, and have "deep historical links" with European nations. We'll be "reaping the benefits" for years. It isn't just oil - it's the fact that a "new, vibrant economic region" is blossoming. We don't know what will happen - new autocracies could arise, and Islamic extremists could take over. But if Turkey can do it, then surely the rest of North Africa can. Amid all the gloom about Europe, Gadaffi's fall "is undoubtedly good news."

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