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Session 2010-12

British foreign policy and the 'Arab Spring': the transition to democracy

AS 15

Written evidence from PLATFORM

SUMMARY

1. UK foreign policy on Libya focused excessively on improving relationships with the Gaddafi regime and promoting British business interests, at the expense of human rights and engaging with popular and oppositional opinion.
2. FCO activities and presentation of the Gaddafi regime as "reforming" strengthened a notoriously corrupt and repressive government.
3. Despite awareness of role of oil revenues in increasing repression, the FCO failed to provide sound human rights guidance to British corporations and backed their support for regime.
4. FCO allowed excessive influence on foreign policy by corporate interests, especially BP and Shell.
5. The Libyan British Business Council's (LBBC's) influence on foreign policy is questionable, given past lobbying and membership base.
6. The British government should allow Libya to develop and frame its oil and gas sector without trying to influence or shape any change.
7. The UK private sector has undermined democracy, transparency and human rights in Libya. UK companies should not receive taxpayer support from the FCO and UKTI, and should be subject to greater monitoring and regulation to prevent a repeat scenario.

BACKGROUND

1. PLATFORM is a London-based research organization that has monitored the impacts of the British oil industry for over fifteen years, exploring the social, economic, environmental and human rights shifts that result from oil and gas exploration, extraction and transportation. Our work is regularly published and cited by governments, academia, media and corporations. We are consulted for expertise on specific contracts by human rights defenders, parliamentarians and journalists. We have deep knowledge of the interaction between British oil companies and Nigeria, Iraq, the Caspian and North Africa.

2. This submission has been produced by Mika Minio-Paluello, who has worked on conflict and human rights issues in the Middle East for over a decade. Since 2005, Minio-Paluello has focused on the impacts of oil around the Mediterranean and the Caspian. Minio-Paluello is based in Cairo.

FACTUAL INFORMATION

Was there too much focus on contact with the previous regime rather than tracking popular, oppositional or youth opinion? Was policy overly dominated by considerations of regional stability and counter-terrorist co-operation?

3. Public statements indicate that UK foreign policy priorities on Libya since 2003 focused primarily on improving relationships with the Gaddafi regime and promoting British business interests, at the expense of human rights and engaging with popular and oppositional opinion. As a result, the FCO's activities helped to entrench Gaddafi's notoriously corrupt and repressive regime. The overthrow of Gaddafi has since exposed the UK's disturbingly close ties with him and the short-sighted nature of policy which prioritised commercial interests over other considerations.

4. It is widely understood that undemocratic and repressive regimes regularly use their oil reserves, and involvement of foreign companies in exploiting these, to bolster both their ability to oppress their own people and to prevent democratization. This happened in Sudan,^[1] Libya,^[2] Egypt,^[3] Syria, Burma,^[4] Iraq under Saddam Hussein, Saudi Arabia, Oman,^[5] Yemen and elsewhere.

5. Thus the Foreign Office should have been aware that its increasing engagement with the Libyan regime, especially on matters of oil investment and arms sales, enabled Gaddafi's control over the country while boosting his respectability in the international community.

6. Moreover, by publically presenting and promoting his regime as "reforming", both the British government and companies strengthened Gaddafi's hand while effectively shunning democratic opposition movements and those subject to continued human rights violations.

7. For example, in 2004 FCO Minister Mike O'Brien announced in a speech: "I was encouraged by [Libyans'] enthusiastic welcome and their readiness to discuss issues important to us such as economic reform. Libya has come a long way." His speech had headings including "Economic reform" and "Expanding trade and investment", but no mention of human rights or political reform. The closest he came was announcing that 'radical reform' was unnecessary: "We have made it clear to the Libyans that having reliable systems in place will go a long way to increasing business confidence with relatively little need for radical reform."^[6]

8. Similar promotion of Gaddafi's regime was conducted by oil companies involved in Libya. BP published an eight-page gleaming colour celebration of Libya's "progress". "[Libya Rising](#)" presented a rosy image of Libya in 2007: women are free, the streets are safe, Westerners are loved, people are becoming richer, BP will teach English, the country is open to business.^[7] The benefits of a closer relationship between Libya and BP are extolled, but mentions of the context of human rights violations and repression are not included.

FCO engagement with British corporations active in Libya

9. Human rights issues were consistently sidelined when they should have been central to the FCO's advice, guidance and warnings to UK companies operating in Libya.

10. A principled approach to human rights issues is in the UK's best interests, and would benefit the promotion of long-term external relations. The FCO, for example, has recognized the practical importance of human rights, issuing guidelines for businesses and supporting the UN Framework on Business and Human Rights (or the "Ruggie framework").^[8] In practice, the UK's compliance with these guidelines in Libya has proved inadequate.

11. The Ruggie framework requires home states to set out clear expectations on business to respect human rights and to enforce relevant laws to ensure businesses are held accountable. It also imposes a duty on companies to act with "due diligence" in order to avoid actual or perceived complicity in human rights abuses.

12. A company may be complicit in human rights abuses by "knowingly providing practical assistance or encouragement that has a substantial effect on the commission of the crime".^[9] Although presence in a country and paying government revenues are unlikely to be sufficient to establish legal liability, a company's silence on human rights incidents may legitimize abuse and raise potential liabilities. Complicity may also arise where "practical assistance or encouragement" does not cause the actual abuse.

13. Oil extraction in undemocratic countries tends to contribute to increased human rights abuses because (a) such strategically important resources are closely controlled by and linked to the regime; (b) sites of extraction are then militarised by forces already connected with human rights violations; (c) oil extraction provides vast revenues, which are comparatively easy to siphon off and steal; (d) even when used "legitimately" in the budget, revenues are directed towards entrenching regimes, through arming militaries, police forces and short-term patronage.

14. Paul Stevens, then BP Professor of Petroleum Policy at the Centre for Energy, Petroleum and Mineral Law and Policy in Dundee described how "The revenues support existing regimes simply because they allow low tax rates and large patronage. They also allow large spending on internal security further entrenching regimes. The revenues increase the potential for internal conflict and even civil war. Such countries also tend to be more heavily militarised."^[10]

15. Libya's oil sector is a salient example: the Gaddafi regime was heavily dependent on the oil industry for government revenues and collaboration between oil companies and government forces was routine. Despite these 'red flags', the FCO has consistently chosen to support the entry and expansion of British oil companies in Libya.

16. The FCO should have sought to prevent UK companies from becoming an important source of funding for Gaddafi's regime and thereby complicit in its abuses. There was widespread awareness among the business and diplomatic community of the Gaddafi regimes' poor human rights record, but the UK, like Nelson, turned a blind eye in order to further its short-term business interests. That the UK did not act alone is not a valid excuse. The UK bears responsibility for its actions and should have avoided a diplomatic 'race to the bottom'.

Foreign policy influenced and shaped by private interests

17. The high level of influence of British oil companies on British government policy is particularly concerning. The case of Abdelbaset al-Megrahi merits some scrutiny. Whatever the stated reasons of al-Megrahi's early release, it is clear that BP influenced government decision-making on this issue through its persistent lobbying for his release. It is plainly inappropriate for a private UK oil company to intervene in a Prisoner Transfer Agreement between two states. This runs counter to the democratic accountability of government decision making and compromises the independence of the UK judiciary. This case demonstrates how Gaddafi successfully projected his interests and demands internationally, using BP and the FCO as conduits for his own influence. The impact of this decision substantially undermined relations with the US and damaged perception of the UK's values and its reputation abroad.^[11]

18. Similarly, letters exchanged between Shell and Prime Minister Tony Blair reveal an inappropriate level of corporate influence over the UK's interaction with the Libyan government. Government documents released by The Times revealed that Tony Blair lobbied Colonel Muammar Gaddafi on behalf of Shell while he was Prime Minister. The relevant letter from Number 10 was drafted first by the oil company and bears a striking resemblance to a briefing note by Royal Dutch Shell weeks earlier promoting a \$500 million (£325 million) deal it was trying to clinch in Libya.^[12]

The influence of the Libyan British Business Council

19. Commentators like the Libyan British Business Council (LBBC) have suggested that the FCO and UKTI could provide higher levels of support and subsidies to British companies operating or seeking to operate in Libya.^[13] The LBBC does not appear to have taken on board the extent to which the UK's policy towards Gaddafi was misguided. The default position of the LBBC is that the UK's interests should prevail over its values. In the post-Gaddafi era, this position should be regarded with most anxious scrutiny. In Platform's view, continuing UK support for the private sector in Libya would re-enforce the negative impacts of the UK's policy over the last decade.

20. Further questions were raised in the British media as to whether the LBBC was a responsible actor, highlighting the role of the LBBC in trying "to uphold the myth of a good Gaddafi".^[14] Even well after the Libyan uprising began, the LBBC continued to publish positive images and praise in favor of Gaddafi on its website. This content was subsequently removed from the LBBC's website after Gaddafi's fall from power. Despite being sponsored in part by the FCO itself, the LBBC acts as a special interest group seeking to influence government policy in the interests of its members, which include companies whose interests do not necessarily align with the British government-as seen by BP's lobbying on al-Megrahi's release. Further, despite its name, LBBC's members are not all UK-based companies. Council Members-the highest grade of membership-include Exxon Mobil, Consolidated Contractors Company (Greek-Lebanese) and Standard Bank (South Africa). While each of these companies may have an office or a subsidiary within the UK, the benefits that their operations in Libya would bring to the UK are questionable. The activities of these companies in Libya are even less scrutinized than their British equivalents. When the LBBC seeks to influence government policy, it is doing so on behalf of non-British private companies and acting in their interests.

RECOMMENDATIONS

What specific assistance can the British Government give to help Libya build the institutions of democracy and civil society, and revive their economies?

21. The British government should allow Libya to develop its oil and gas sector without trying to influence or shape any change. This means that the British government should refrain from providing advisers on oil and gas policy to Libya. Libya has a well-developed domestic oil and gas industry, with the skills to rebuild and commission contractors where necessary.

22. Given the widespread and continued perception across the Middle East and North Africa that the British government prioritises the interests of British oil companies and its access to Middle Eastern oil and gas reserves over democracy and human rights-reinforced by its alliance with Gaddafi in Libya and Mubarak in Egypt-it would be best for Britain to refrain from making any interventions regarding oil or gas and to de-escalate and withdraw diplomatic resources which the private sector will demand as it seeks to expand and gain access to new contracts.

23. We can learn from British "engagement" in the Iraqi oil sector, where UK 'advisers', DfID reports and conferences undermined Iraqi domestic capacity to manage operations and rebuild export capacity, while increasing dependency on external companies. This has generated significant hostility and distrust of British government motives.^[15]

24. Similarly, any indication that Britain is trying to guide or influence Libyan governments towards certain contracts, investment agreements or structures will give the impression that the UK chose to commit armed forces to the overthrow of Gaddafi in part for the purpose of gaining access and control over Libyan oil.

How can the British Government best work with allies and through international institutions to support reform in Egypt and Tunisia?

25. It is too early to know what politics of the future Libya will be. To date, the UK private sector has not been a constructive force. Our government and businesses have strengthened a repressive elite whose corruption substantially deprived many Libyans of the benefits of our investment. In effect, the UK private sector has undermined democracy, transparency and human rights in Libya. UK companies should therefore not play a greater role in determining Libya's future, nor receive further taxpayer subsidies from the FCO and UKTI.

26. Specifically, the British Government should avoid engaging in Libya through international institutions with a record of non-transparent dealings and history of supporting corruption. This includes the European Investment Bank, the EU's house bank.^[16]

27. In Platform's view, the UK government's role should be consistent with its commitment to supporting universal human rights and comply with its obligations under the Ruggie Framework. This requires monitoring and tighter regulation of companies, particularly the extractives industries, operating in countries with poor human rights records. Greater effort should also be made to hold UK companies to European standards on standards on social and environmental performance.

12 December 2011

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