




Situating the oil contradiction on a global scale: the case of modern Libya (1951–1980s)

Matteo Capasso^{1*}  and Roberta Biasillo² 

¹School of Country and Region Studies, Institute of Middle Eastern Studies, Northwest University, Xi'an, People's Republic of China 

²Department of History and Art History, Utrecht University, Netherlands 

ABSTRACT

This article argues that, to study the role of oil as a primary contradiction determining the mode of social reproduction of a global South country, it is fundamental to understand the role that oil has played in consolidating the US-led global order after the Second World War. Moving beyond methodological nationalism and regime type theories – especially rentier state theory – the article focuses on the case of modern Libya (1951 to the 1980s) and assesses how oil provided both opportunities and limitations for the development of the country's national sovereignty. It promoted both globalisation and nationalism, colonial and decolonisation strategies, and adherence and resistance to imperialist policies. Ultimately, the article shows that, while oil resources can serve different national developmental programmes, the real curse for developing countries is the US-led imperialist structure. The latter is an inherently undemocratic system for socio-political formations in the global South, especially in the Arab region, whose developmental ambitions prioritised popular needs and regional integration over elite enrichment and Western dependency.

KEYWORDS

Imperialism; oil; Libya; Marxism; ecology; extractivism

*Corresponding author email: capasso@nwu.edu.cn

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Beyond rentierism

Stories about Libya, oil and the globe are so interwoven that it is no longer possible to discuss them as independent variables, although mainstream international relations literature would say otherwise. From the perspective of international relations, Libya and oil are often presented as exceptional and distinctive actors. The Northern Africa region, as a latecomer to extractivist processes, benefited from the experiences of other oil-producing countries in drafting its petroleum legislation and found itself in a position to weaponise oil in international relations earlier and for a longer period. In contrast, oil companies deployed all their acquired expertise in applied technologies, labour management and negotiation strategies to ensure that the Libyan industry turned into an extremely profitable and low-risk investment from both an economic and a geopolitical perspective.

Due to its materiality and significance, oil stood out as a unique and politically versatile global commodity. As a concentrated source of energy essential to industrial capitalism yet unevenly distributed across the globe, oil became a strategic resource that could determine the fate of nations. Its control meant control over the economic lifelines of modern states – from powering military machines to fuelling industrial production. This unique position allowed oil to function simultaneously as a tool of imperial domination and anti-imperial resistance. Oil thus translated into an instrument of political dominion and liberation, generating networks of producers, consumers, governments and workers and a plethora of brokers. Via oil, Libya was embedded into the canvas of international relations, global capitalism and anti-imperialism. Through production and distribution processes, oil blurred the distinction between colonialism and postwar orders, neo-imperialism and decolonisation, revolutionary policies, national sovereignty and foreign dependency. This ambivalent character meant that the same pipelines and extraction sites that enriched Western corporations could also become instruments of national liberation movements.

This article questions and expands such scholarly debates, reconstructing and interpreting the relationship between Libya and oil in the twentieth century. In particular, it rejects those approaches grounded in resource nationalism, the curse of natural resources, and the clash of civilisations that sustain the existence of ‘liberal and illiberal oil networks’, juxtaposing corrupted institutions in oil-producing countries – always located in the global South – with a culture of democracy in oil-consuming countries, always located in the global North (Colgan 2013; Herbstreuth 2016). With respect to Libya, international relations scholars have disproportionately emphasised how oil revenues acted as lubricants to the incremental erosion of democracy and the pursuit of an authoritarian project in the country (Colgan 2013), particularly during the Jamahiriya¹ (1977–2011). Drawing on the concepts of the rentier state (Beblawi and Luciani 1987; Martinez 2012) and resource curse (Collier 2008; Ross 2013), the dominant argument is that the Jamahiriya’s political-economic structure was sustained through alliances with traditional networks of tribes, families and gangs as the most effective levers for the distribution of revenues. This system required the creation of strong security apparatuses used to suppress and silence the population, while rewarding loyalty (Springborg 2020).

This article overcomes this argument's methodological nationalism by expanding its chronological scope, as well as situating the oil contradiction – to paraphrase Mao Zedong (1937) – on a global scale. To study the role of oil as a primary contradiction determining the mode of social reproduction that has governed Libya, we must understand the role that such a natural resource has played in consolidating the US-led global order following the Second World War. The article examines oil and the political history of Libya – a country on the periphery of the world – from the wider global structures at play, specifically in relation to the capitalist world system (Amin 1976; Kadri 2015). It considers the unique role that oil has played in consolidating the US-led global financial order, the dollar seigniorage, conditions of economic subordination, draining of wealth (Patnaik and Patnaik 2017) and unequal exchange in which the political trajectory of the global South, including Libya, has taken place. Numerous studies provide important insights on the limitations of an oil-driven model of economic and political development. However, they overlook how, for Libya and many other countries of the global South, to possess oil did not simply translate into a curse, but rather into the possibility of embarking on a political and economic path that, despite its numerous limitations, directly challenged the dominance of US-led imperialism. This alternative path – what we term *popular development* – represented a fundamentally different vision of modernisation than the Western model. Rather than development oriented toward elite enrichment and integration into global markets on subordinate terms, popular development prioritised meeting mass social needs through state control of strategic resources. It emphasised regional integration and South–South cooperation over North–South dependency and pursued self-reliant industrialisation rather than export-oriented extraction for Western consumption. Libya was not alone in this process: between the 1950s and 1970s, many postcolonial governments in global South countries asserted direct control over their oil reserves through both nationalisation and negotiating contracts with multinationals on more favourable terms. As Adom Getachew aptly remarks, 'post-colonial nationalism in the age of decolonisation continued to confront the legacies of imperial hierarchy with a demand for the radical reconstitution of the international order' (Getachew 2019, 5). From this perspective, actual independence – rather than formal independence – required a revolutionary project that pursued a change in the relations of domination in the international order.

Hence, the article's argument is that an oil-based political-economic system can serve different national political regimes, fostering both democratic and anti-democratic mechanisms domestically. At the same time, US-led imperialism is the real curse of those socio-political formations of Africa, and beyond, that aimed to pursue a popular developmental path. As such, the inherently undemocratic nature of the global order under US hegemony largely influenced how oil infrastructure was built in Libya, how its revenues could be used and for what political purposes. We aim to advance the literature on the geopolitical trajectories of oil-producing countries in the global South by utilising the under-researched experience of modern Libya, including its colonial and anti-imperialist networks and actions. Methodologically, Libya provides an appropriate case study. While the country has been labelled an 'oil nation', only 0.02% of its total energy production is destined for domestic consumption (Naama, Haven-Tang and Jones 2008).² Such a pronounced separation between

production and consumption elucidates that narrowing oil politics to the boundaries of the state sheds light on only one side of history.

The article starts by situating Libya in the capitalist world system that consolidated in the aftermath of the Second World War, then offers an overview of the twentieth-century dynamics of building and dismantling international relations and material infrastructure. The historical overview spans the boom of oil discoveries and commercialisation in the 1950s and 1960s to the oil nationalisation during the al-Fateh Revolution. We synthesise a wide-ranging body of literature into a historical narrative covering the twentieth century and integrate gaps in the literature with primary sources. Besides secondary literature on the oil industry and geopolitics, our analysis relies on the Exxon Mobil historical collection at the Dolph Briscoe Center for American History in Texas, declassified US Central Intelligence Agency (CIA) documents and published material from the United Nations Library in New York, as well as from the Libyan Arab Jamahiriya. Drawing on these sources, we now turn to examine how Libya's integration into the global oil system unfolded, beginning with the foundational period of Western penetration and moving through the revolutionary challenges that emerged by the 1970s.

Libya in twentieth-century oil geopolitics

It is a redundant habit for scholars working on Libya through mainstream approaches to claim 'oil, and the revenues its sales generated' as central in the historical development of the country (Vandewalle 2006, 2). What is hardly argued with the same clarity and analytical sharpness is how Western powers have played a significant role in shaping the country's oil infrastructure, consequently affecting the integration of its domestic class formation with the capitalist world order, state institutions and developmental policies. The first evidence of Libyan oil came in 1902, and in 1911 the region officially came under the control of the colonial power of the Italian kingdom, whose rule promoted the expansion of European-modelled agriculture through the creation of villages for white settlers (Cresti 2011) and the mass slaughter of the native population.³ While searching for water and mineral fertilisers, Italian authorities and scientists showed little interest in hydrocarbons, given that the global shares of energy carriers were relatively diversified and coal and fuelwood remained the main sources of energy (Kander, Malanima and Warde 2014, 257).

Between 1943 and 1951, the British Military Organization controlled Cyrenaica and Tripolitania, while Fezzan was under French military administration. In these years, Royal Dutch Shell, British Petroleum and Standard Oil gained access to the region. However, it was after the establishment of the Kingdom of Libya in 1951 – formally independent but with strong connections to the US and British governments and under United Nations supervision – that oil surged to become a central economic driver of Libyan, US, Western European and Japanese domestic and foreign policies. Mobil, a Standard Oil firm, launched significant and successful exploration campaigns in the late 1950s (Gurney 1996) and by 1961, rather unexpectedly, large-scale oil extraction had begun (Waddams 1980).

The oil bonanza for the West was soon challenged. When a series of global South governments – initially Venezuela, Saudi Arabia, Iran, Kuwait and Iraq – took steps to nationalise their foreign-controlled oil industries and coordinated in 1960 to establish an intergovernmental body – the Organization of the Petroleum Exporting Countries (OPEC) – Libya joined their ranks (Andersen and Ross 2013). By 1962, Libya had become an OPEC member and in 1963 a national oil company was established in an attempt to centralise the administration of oil production and revenues (Garavini 2019). This international mobilisation was based on the universal right of all countries to exercise permanent sovereignty over their natural resources (UN General Assembly 1962) and a desire to control oil production and prices. In Libya, support for these actions coincided with the weakening of the US-aligned Libyan kingdom, ‘at the time universally considered as anachronistic’ (Vandewalle 2008, 9). At the domestic level, Libyan royal institutions failed to deal with the challenges posed by the abrupt transition from a society based on pastoralism and semi-nomadic agriculture to an outward-oriented oil economy. Their legitimacy relied on an unquestioned pro-Western approach, whose appeal diminished amid a wave of decolonisation across Africa and Asia, and rising Arab nationalism (Sury in Allan 1982, 131–132).

It was in this context that 1 September 1969 saw revolution in Libya – also called al-Fateh, which translates as ‘the Opening’ – led by the Revolutionary Command Council (RCC), inaugurating a government that soon pursued the nationalisation of foreign companies’ assets (Haight 1972). Cooperation with other Arab countries within OPEC culminated in the 1973 oil embargo towards the USA and the Netherlands due to their support of Israel in the October War against Arab states (Priest 2012). In the early 1970s, the Libyan government was key in providing leadership of OPEC, provoking a geopolitical earthquake that involved Europe, African and Latin American countries, West Asia and the Soviet Union, and the USA (Dietrich 2017). Yet, contrary to widespread expectations, due to the increasing availability of non-OPEC supplies from the late 1970s, the joint initiative of OPEC and flourishing national oil companies in oil-producing countries established neither a new international system nor controls on oil prices and supply (Herbstreuth 2016).

By this time, oil-producing countries in the Arab region – including Northern Africa – had become central to the geostrategy of US-led imperialism. Since oil was a key natural resource for the economies of the Western imperialist countries, the best means of ensuring guaranteed access was to secure political control of socio-political formations that could reject imperialist diktats, potentially tilting the balance in favour of popular and regional development. To achieve these goals, US-led imperialism operated closely with two faithful allies – Israel and the reactionary Gulf monarchies. Setting aside Israel (see Ajl 2024), the oil-rich Gulf monarchies guaranteed the international supremacy of the US dollar through dollar-denominated oil sales – also called dollar seigniorage – which were then recycled in the purchase of US treasury bonds and weaponry. Ultimately, these weapons constituted the necessary lubricant to fund opposition groups or undermine the national sovereignty of those Arab states that were building popular infrastructure.

Unsurprisingly then, when Libya started to embark on a more radical and independent use of oil revenues in the 1980s, the country became the target of various international forms of warfare (Capasso 2023b), from sanctions and attempted

coups to the NATO-led bombing in 2011. To understand how this trajectory unfolded, we need to analyse how Western powers initially established their dominance over Libya's petroleum resources in the post-independence period.

Free oil for the free world (1947–69)

If the economic growth occurring today in Libya were to be described without identifying the country, it would be dismissed most likely as an extremely hypothetical case, too dramatic to be real. (El Mallakh 1969, 308)

In 1969, Ragaï El Mallakh, professor of economics at the University of Colorado and former consultant to the World Bank, used these words to describe the effects of the twentyfold increase of petroleum revenues that has occurred over only six years. The total value of Libyan exports increased from US\$11 million in 1960 to US\$1.168 billion in 1967, with over 99% attributable to oil exports. From not being an OPEC member, Libya became the world's seventh-largest producer and the fifth-largest exporter (El Mallakh 1969, 308). This astonishing output expansion originated from a series of events in the global oil industry and international relations, as well as from the implementation of innovative domestic policies by the Libyan monarchy, established in December 1951. Libya had become a colony under ruthless Italian violence (Ahmida 2020; Del Boca 2024), and in 1951 it became an independent state at the behest of other colonial powers (Elkorghli and Capasso 2025). The military and diplomatic presence of British, North American and Italian officials, as well as UN and World Bank consultants, led to a programme of international financial aid coupled with aggressive oil exploration campaigns. International plans relied on the widely accepted observations of Benjamin Higgins, the economist appointed by the UN to draw up plans for Libya's growth in the aftermath of the Second World War. According to Higgins, 'Libya combine[d] within the borders of one country virtually all the obstacles to development that can be found anywhere: geographic, economic, political, sociological, technological' (Vandewalle 2006, 50). This powerful representation led to oil becoming the only hope for a country considered the world's basket case.

As soon as Libya ceased to be an Italian colony, the three usual suspects of the global oil industry inaugurated the age of international exploration. In 1947, Standard Oil of New Jersey (Esso Standard, then Mobil) recorded a few excursions into Libyan territory and asserted that there was a good chance of discovering oil in commercial quantity; in 1952, Royal Dutch Shell presented a conference report in London claiming that a 'certain amount of gravity work had been done by Shell'; in 1953, D'Arcy Exploration Co. Ltd. (BP) also undertook aerial and ground surveying (Gurney 1996, 21–22). What followed was the international legitimisation of the Western-aligned government under King Idris in 1951 and a call for national and international authorities to provide a novel legal framework in which an oil industry could flourish. The catalyst for widescale development of the oil industry was Petroleum Law no. 25 of 1955, amended in 1961 and 1965. This legislation exposed the country to large-scale ground exploration by a large number of firms and established a Petroleum Commission operating independently from the government – but not from the companies – in the implementation of the law and whose membership was not restricted

to Libyans (Gurney 1996, 17–41). This Western-engineered oil policy transformed Libya in a mosaic of concessions (Figure 1): the nine companies that were granted one-year survey permits in 1953 to 1954 became 25 companies from six countries in 1963 (Farrell 1967); in the late 1960s, 136 concessions involved 38 foreign companies – 24 North American, six German, three French, one British, one Anglo-Dutch, one Spanish – and 19 operators, the largest of which was Mobil (McLachlan 1989).

The US-led race to control the spread of socialism and national liberation struggles made Libya the perfect base for international oil:

Let your eye scan a map southward from Europe across the Mediterranean Sea to the North African coast. Between Egypt on the East and Tunisia on the West is the Kingdom of Libya, a sovereign nation since 1951 and increasingly a major source of oil for the Free World. (Living in Libya n.d.)



Figure 1. Map of Libyan oil concessions published by Standard Oil Company (New Jersey), October 1959.

Source: Exxon Mobil Historical Collection, 2.207-H18 'Esso Libya, 1959–1970', Libya.

The geographical and political closeness of North Africa and Western Europe emerged out of the 1956 Suez crisis, a paradigmatic moment in postcolonial resistance that threatened and altered oil distribution routes and forcefully demonstrated to Western companies the need for energy security, as well as diversification of crude oil supply (Wolfe-Hunnicut 2021). Furthermore, the Suez Canal crisis occurred during the early stages of Western European economic growth (1950–73), at a time when this was heavily reliant on imported oil and gas, 85% of which came from Middle Eastern and Northern Africa countries (Vonyó 2008).

Nevertheless, Libyan oil came with costs. Although production entailed very little risk for private foreign investments, production costs per barrel were threefold those for Middle East crude oil (60 cents per barrel rather than 20 cents) (Moorman n.d.). The higher costs lay in the spatial arrangements of activities, where any industrial sector had to be built from scratch. To shorten those distances the scale of infrastructural interventions reached new levels. Indeed, in 1963–64, Libya hosted the world's largest portable drilling rig, built in Texas (Gillespie, 29 January 1963), and the world's largest skid-mounted, prefabricated oil production facilities, developed in Dallas and built in Tulsa, Oklahoma (Gillespie, 8 June 1964). Moreover, Mobil foresaw – although never implemented – a 'new concept of production operations' based on full automation of field production facilities with the goal of eliminating most field personnel, whose hidden purpose was to reduce the risk of sabotage and strikes. Inevitably, the practices of Western oil companies were doomed to clash with excluded local workers (Bini 2018) and the tide of pan-Arabism rising in the region.

In the 1960s, Libyan representations shifted from concession maps to maps showing oil infrastructure in the Sirte Basin, where in 1956 the greatest concentration of hydrocarbons were located (McLachlan 1980). In other words, Libya was always represented and imagined in relation to the capitalist interests of Western oil companies and their institutional backers. For those same reasons, heavy investment was pursued to develop the country's oil infrastructure. The commercialisation of the Zelten reserves inaugurated the movement of oil from the Libyan coast to European markets. In 1960, Esso Libya awarded a contract for the construction of a pipeline linking Zelten, 105 miles away in the desert, with Marsa el-Brega on the Mediterranean coast (Esso in Libya n.d./1965?, 15–19). The transfer and distribution of oil triggered further US and Western European entrenchment in Libyan territories. In 1963 a new actor, the German associate Gelsenberg Benzin A.G., joined forces with Mobil to construct the third major pipeline in the country. The expansion of West Germany's industry and gasoline market required oil: it was considered 'one of the fastest-growing oil markets in the world' (Gillespie, 4 July 1966). By the end of 1963, Mobil's first cargo of crude oil was en route to Rotterdam, in the Netherlands, for shipment via the Rotterdam–Rhine pipeline to a refinery in Horst, West Germany (Gillespie, 2 December 1963). Among others, Oasis Oil Company, the major competitor of Mobil in Libya, began production in 1962. Crude oil was drawn from the Gialo, Defa, Dahra and Bahi oilfields via a 528-mile trunkline to the Es Sider oil terminal (Baker and McLachlan 1982, 42–43).

All these projects – including the construction of a complete harbour and loading facilities at Port Brega, asphalt roads, offshore loading lines, a bow mooring device, as well as a new refinery in Belgium – completed in a scant few years, gave the public

relations department of Mobil extraordinary stories to tell (Esso in Libya, November/December 1963). At the same time, such extraordinary infrastructural projects were always carried out in the pursuit of the capitalist interests of Western countries and Western oil companies. Heavy investment in these facilities came about, especially after Libya's involvement in OPEC, because controlling marketing infrastructure would have prevented an increase in taxes for companies, at least in the short term (CIA, 28 September 1962).

However, as early as the 1960s, the promises of the 'oil boom' began to unravel. Oil in fact offered Libyans a shared experience with other Arab and non-Arab oil-producing countries, namely the necessity to expel imperialist forces from the region under the banner of pan-Arabism. Despite King Idris enjoying relatively strong support in the Cyrenaica region in eastern Libya (Ouannes 2009, 41), and the 1951 monarchical constitution offering a broad spectrum of civil and social rights, two fundamental characteristics of post-independence Libya – elections and the federal system – did not last long. When the first free general elections were held in 1952, opposition parties accused the monarchy of electoral fraud supported by the British government. King Idris reacted by suspending all political parties and, in 1964, abolishing the federal system altogether.

Moreover, following the discovery of oil, rapid economic growth occurred that changed the class structure of Libyan society. New social groups emerged that no longer related to each other based on kinship, as had the traditional elites, but on professional relations and – most importantly – ideological beliefs.⁴ The discovery of oil did not translate into the establishment of a wider, more inclusive process of political participation or rising living standards. Rather, the monarchy decided to centralise its control, assigning to the national government 'the sole right for all transactions involving finance, transportation and, most important, oil and taxation' (Al-Barbar 1994, 65). However, the monarchy's dependence on foreign technical assistance for oil extraction and production further eroded its ideological legitimacy in the eyes of the population. When the king made the unpopular move of conceding the Wheelus Field military base to the US government, his decision further signalled the country's ideological distance from pan-Arab sentiment in the region, especially after the humiliating defeat of the Arabs in the 1967 war.

A similar ideological distance emerged within the education system, where the reliance on Egyptian teachers and materials influenced the development of pan-Arab ideas and beliefs among students (Obeidi 2001, 37). In 1962, numerous student-led riots were organised in Tripoli and Benghazi opposing the traditional tribal ruling elite and demanding the recovery of the two Western military bases of Wheelus Field and El-Adem. Recognising the country's dilemmas, King Idris and his narrow circle – the royal palace – tried to legitimise their authority. They built a patronage structure aimed at integrating regional leaders into the governmental apparatus (Djaziri 1996, 53). However, social discontent increased as a result of two main factors: first, the emergence of newly enriched social classes that, far from serving the state, used it to their advantage (Djaziri 1996, 64); and, second, the start of the 1967 war, which confirmed the West's interference in the country's political affairs (Elkorghli and Capasso 2025). While virtually the entire Arab world sided with Egypt and its allies against Israel's pre-emptive attack, the Libyan monarchy maintained

a neutral position. More importantly, the defeat of the Arab countries by Israel, which ended up conquering the rest of Palestine – including the Gaza Strip and West Bank/East Jerusalem, plus the Golan Heights and Sinai Peninsula – simultaneously represented a major blow and a trigger for action for young Libyan nationalist and pan-Arabist military officers. The sense of humiliation, frustration and helplessness that spread throughout the Arab world in the aftermath of the 1967 war led these young officers to desire profound change.

The dramatic change that was about to take place in Libya came all but unexpected to oil companies (CIA, 7 April 1964). In an undated confidential report titled *Impact on the Oil Industry*, presumably drafted in the early 1960s, Mobil officials stated that in a very short spell ‘oil companies will have failed to provide the solution which ha[s] been expected of them: jobs, revenues, and the wherewithal to dispense with foreign aid’ (Exxon Mobil n.d./1960?, 22–23). The disillusionment and frustration that followed the oil boom offered Libyan political actors, for the first time, the opportunity to opt independently for alternative international networks to the ‘Free World’.

The anti-US ‘Libyanisation’ programme (1970–92)

In 1970, the Libyan government and international oil companies were ‘on a collision course’ and both parties were predicted to find themselves in the face of ‘precipitate and irreversible actions’ (CIA, 15 May 1970, 1). Libya’s new position mirrored the revolutionary shift of 1 September 1969, when a group of 70 graduates from the armed forces overthrew King Idris. This bloodless military operation, resulting in the al-Fateh Revolution, not only aligned with the anticolonial and pan-Arab values of Gamal Abdel Nasser’s Egypt, but also the wider historical process of decolonisation spanning Africa, Asia and Latin America. Libya’s national liberation necessitated the unmaking of unequal exchange and power hierarchies that sustained US-led imperialism (Getachew 2019). Even conciliatory figures within OPEC, who aimed for friendly relationships with US oil companies, considered the uneven relations between oil producers – mostly developing states – and the West as a form of ‘economic imperialism’ (CIA, 25 September 1974, 2). The collision course that took place in the 1970s and 1980s between the Libyan state and Western private and institutional actors can therefore be interpreted as a way to regain the national right to development – a form of Libyanisation.

Three main and interrelated points of geopolitical contention around oil emerged in the 1970s: the establishment of higher oil prices, the Palestinian question (CIA, 1 October 1969) and the national developmental programme. According to *TIME* magazine, during the summer of 1969 the revolutionary regime-to-be was already determined to question existing concessionary contracts and negotiate a satisfactory price increase. When this intention was confirmed in May 1970 and Libyan actions echoed those of other OPEC members, oil companies operating in Middle East and North African countries decided to collectively confront the cohesive cartel of representatives of major oil-producing countries – Iran, Iraq, Kuwait, Libya, Abu Dhabi, Algeria,

Saudi Arabia, Qatar, Indonesia and Venezuela – calling for higher royalties and taxes. Libya refused collective negotiations and instead approached individual companies.

The first capitulation, by US independent company Occidental, which lacked oil resources outside Libya, ‘marked the beginning of the shift in control of oil production and pricing in international oil markets from the head office of major oil companies ... to the host governments’ (*TIME* 1971a, 74–75). Consequently, all companies with interests in Libya negotiated a progressive increase over the period between 1970 and 1975 of the price of crude oil and agreed to an additional surtax on its income of 5.5%, with the government bringing total Libyan taxes to 55.5% of the resource value (Gillespie, 12 October 1970). In 1971, sources revealed the unprecedented close control over new oil discoveries held by Libyan government officials (Gillespie, 20 July 1971).

At the beginning of 1971, a second decision by the Libyan government unsettled the agitated waters of oil geopolitics. Mobil tankers carrying ‘any products of Israeli origin or seeming to have Israeli or Jewish connections’ were denied access to Libyan territory by harbour authorities (*TIME* 1971b, 75). Apparently, Mobil initially agreed to these terms without foreseeing any consequent political backlash. US public opinion, Mobil stakeholders and American Jewish organisations reacted by urging the president of the American corporation unequivocally condemn the Libyan initiative and withdraw from the rumoured boycott (Hedley, 18 February 1971; Hoyt, 6 May 1986). The controversy raised a broader issue that matched the one concerning the illegitimate presence of US military bases: the question of sovereignty. That is, when a company does business in a foreign country, it must either conform to the laws of that country or cease doing business. In a fully integrated global network of international alliances, operators, sellers, producers, state authorities, corporations, public opinions, consumers and stakeholders, Libya was reclaiming its national sovereignty around oil, ‘just as every country ha[d] the sovereign right to prohibit entry of any products’ (*The Jewish Advocate* 1971).

In such a context, the 1973 Arab-led oil embargo of the USA and the Netherlands was a cathartic moment for developing countries since it built on – and further boosted – the rapidly growing awareness of the need for joint action to protect economic independence and reclaim permanent sovereignty over natural resources, which resulted in the call for a New International Economic Order (Hope 1983). For Libya, these policies

should not be regarded as necessarily an outright nationalisation. It was part of a general programme of ‘Libyanisation’ of the economy. It was to permit Libya to participate in the management and policymaking of the foreign-owned oil companies. (Dharat 1977, 19)

The Libyan government perceived these policies as a larger and international attempt by developing countries to consolidate ‘their position with the primary objective of strengthening their bargaining powers vis-à-vis Multinational Corporations in developed countries’ (Kikhia 1979, 4). In other words, they were part and parcel of a political and economic movement that Southern countries pursued to initiate dialogue with Northern countries on the need to restructure the international economic system on more cooperative and equal bases.

Moreover, Libya was also intentionally deploying the geopolitical use of oil in the pursuit of revolutionary goals (Mattes 2015),⁵ such as pressuring Western countries over the liberation of Palestine and providing financial and military assistance to liberation movements in Angola, Mozambique and South Africa. As early as 1973, US administrations realised that a considerable amount of Libya's budget and political energies were 'consumed by activities directed at the number one enemy, Israel' (CIA 1974). During 1973 alone, Libya provided at least US\$50 million in arms and supplies to the Palestinian fighters, together with training facilities in Libya for perhaps as many as 2,000 guerrillas, offering logistical and financial support, as well as extended documentation and asylum (CIA, 7 November 1972). In 1979, when Egypt and Israel signed the Camp David treaty, the Libyan government – like Syria – firmly rejected it. In response, the USA designated Libya a state sponsor of terrorism under the Export Administration Act on 29 December 1979, enforcing an economic embargo on aviation and oil equipment spare parts. During these years, the various US administrations were already planning how to curb Libya's regional influence in Africa and the Middle East (Ratliff, 22 May 1973). While Libya looked like a mosaic of colours, severed from the rest of the region, in the eyes of Western companies looking for oil and profits, pan-Arabism provided a very different imaginary of both oil and Libya's place in the region (see [Figure 2](#)).

Backed by its major success in gaining control of pricing and output and inspired by Iraq's recent nationalisation plan (Wolfe-Hunnicut 2021), Libya addressed the question of the government's role in capital structures and the decision-making processes of companies. These actions can be understood only within the goal of reducing US influence in oil geopolitics.

In 1973, Libya unilaterally announced that, except for small operators, it was taking a 51% stake in each oil company active in the country (CIA, July 1982, 4, 12). If this policy discouraged corporations operating in multiple countries, especially Mobil, which withdrew from its Libyan operations in 1982, and 'greatly softened the impact of US control on Libya's petroleum industry' (CIA, January 1986, iii), it also paved the way for a new set of bilateral agreements with France (CIA 19 February 1974, 4), Eastern European partners – Bulgaria, Hungary and Czechoslovakia (CIA, 26 February 1974, 4) – and, more importantly, with Italy and West Germany. These two countries alone accounted for half of Libya's oil exports. The late 1970s and early 1980s saw a new phase of infrastructural development in western Libya and offshore. Libyan industry continued to rely on foreign technicians, equipment and capital, although it experienced a drastic reduction of production compared to the pre-embargo years. At the time, Italian investment via the Azienda Generale Italiana Petroli (Italian General Petroleum Company) represented the largest development programme of the petroleum sector (CIA, January 1986, 1, 9–10, 15).

Threatened by the rise of socialist parties and countries, and liberation movements (CIA, 12 May 1973, 5; CIA, 11 May 1973), US-led imperialist threats of economic warfare and military violence escalated. In the mid 1980s, a sudden drop in oil prices was caused by the concerted actions of the USA and Saudi Arabia. These so-called 'oil gluts' revealed how natural resources could be used as a weapon (*Zahaf al-Akhdar* 1981a, 4) to either undo or maintain the imperialist structure. The USA considered Libya's 'extremist militancy' as 'undermin[ing] conservative Arab governments in the



Figure 2. A vignette calling for Arab unity, showing the people's fists holding the means to work and defend themselves.

Source: *Zahaf al-Akhdar* 1981d.

Gulf, making them more susceptible to political pressures to use oil as a political weapon against US-Middle East policies', thus challenging Western support of Israel (Burton and Howard 2014, Document 21). Hence, the artificial deflation of oil prices that Saudi Arabia engineered with the USA not only subverted the old pricing structure implemented via OPEC but also weakened the political and economic potential of those Arab states that did not align with US policies in the region, preventing their continued technological development. In doing so, as Libyan revolutionary newspaper *Zahaf al-Akhdar* commented, the 'oil gluts' had 'the effect of reducing OPEC's ability to proverbially point the gun at the west's head' (*Zahaf al-Akhdar* 1981b, 3), thus ensuring that developing countries fell victim to 'a modern-day international Dracula, bent on sucking the blood of the world's people' (*Zahaf al-Akhdar* 1981c, 16).

The newly established Libyan government understood perfectly how these policies were part of the imperialist war denying 'the Arab nation the ability to further its economic development and achieve independence from the technological dominance of the Western world' (*Zahaf al-Akhdar* 1982a, 14). The oil gluts were a reminder of the 'philosophical difference' (*Zahaf al-Akhdar* 1982b, 9) between a reactionary and a revolutionary government of the global South. Whereas Libyans 'have been using their oil for popular needs' (*Zahaf al-Akhdar* 1982b, 9), rejecting

‘both surrender and American guardianship for the Arab nation’ (*Zahaf al-Akhdar* 1982c, 6), the Saudi rulers ‘cannot take their own decision[s], because their decisions are made for them in Washington’ (*Zahaf al-Akhdar* 1982b, 9). Saudi Arabia uses oil ‘as a spinal cord of an investment system – that of the United States – which is not geared to the independent development of the Arabian economy’ (*Zahaf al-Akhdar* 1982d, 9).

In the following years, Libya came under increased US sanctions and bombings, which inevitably showed the shortcomings of oil production at the national level, triggering a wider debate on the use and future of oil. Numerous debates and speeches took place, signalling the necessity to prioritise a local system of economic production that went beyond oil. In 1987, for instance, Muammar Qaddafi addressed the nation, warning that:

You now have oil. When the oil runs out, tell me where you will get the raw materials. ... when the oil runs out, you will have neither the oil nor the materials. So, the [industrial] plant will come to a halt and become an ancient monument for people to come and visit. (CIA, 23 May 1987, 7)

Similarly, in March 1993, a heated televised debate took place between two major government figures, Abdessalam Jalloud and Muammar Qaddafi, on the role of oil revenues and their direct distribution to the population (Djaziri 1993). The instability of Libya increased with the imposition of UN multilateral sanctions in 1992, which further undermined the same infrastructural development that had represented a hallmark of al-Fateh. While scholars rightly acknowledge that European countries defied the sanctions regime and continued to buy Libyan oil (van Genugten 2016; Labbate 2019), the consequences of the sanctions were nonetheless significant. For instance, according to a report on the impact of sanctions submitted by the Jamahiriya representative to the UN (Chargé d’affaires, 4 September 1996), by 1995 the total financial loss related to the oil industry was US\$3 billion – out of US\$18 billion, without considering the delays experienced and investments lost in the development of oil refineries and related infrastructure. The sanctions also had huge social, economic and humanitarian repercussions (Niblock 2001), including an extended period of political upheavals and armed resistance in the eastern part of Libya throughout the 1990s (Capasso 2023a).

Conclusion: oil curse or imperialist dagger?

This article has demonstrated the importance of analysing the oil contradiction from a global perspective, situating it in relation to the capitalist world system that consolidated after the Second World War under US hegemony. Departing from the rentier hypothesis, which gives too much attention to the limitations of an oil-driven model of development and the manipulative uses of its revenues by the local political class to control society, the article has instead urged consideration of oil as a fundamental political and natural commodity that has been used to uphold the capitalist world system (Amin 1976; Kadri 2015). Since the discovery of petroleum in the country, oil

has enabled multiple changes in Libya's political path, which cannot be collapsed into the rentier hypothesis. Rather, the article has shown how oil acted as an ambivalent agent of political power.

Since the monarchical period, oil was yet another way to control Libyan sovereignty and open its institutions to foreign representatives and influences. Oil has integrated Libya into the postcolonial global order, rousing the interests of Western powers that aimed to establish a military and industrial presence in the country in the aftermath of the Second World War. But at the same time, Libyan legislators recognised that the competition for oil resources represented and would continue to represent the Achilles heel of Western counties and experimented with awarding concession contracts rather than introducing a monopoly. In line with the historical wave of decolonisation across West Asia, the 1969 revolution and subsequent nationalisation of the oil industry has provided the material tools to resist US-led imperialism, with governments experimenting with a new model of popular development that changed over time.

The period between 1970 and 1980 can undoubtedly be read as a moment in which oil geopolitics followed a democratising course, signalled by the emergence of revolutions and national liberation struggles. Arab countries gained the stage:

The Arabs will not be the same again. They have for the first time in Modern history, acted from a position of strength and employed oil as a weapon. Even they seemed surprised at its power and impact. The temptation to use it again will remain, but opportunities will not necessarily be as clear as at the present one. (CIA, 23 November 1973, 15–16)

In such a context, however, oil assumed a new and more central role in the maintenance of the capitalist world market and US hegemony, which simultaneously undermined Libya's revolutionary ambitions. For these reasons, the Arab region – and particularly the Gulf monarchies – became the fulcrum around which the global economy rearranged (Hanieh 2018). By the late 1970s, the newfound wealth of Middle East and North African countries and the search for oil in the Niger Delta served to augment the geopolitical power of the US-led alliance and the global expansion of an increasingly deregulated capitalism (Wright 2021). These limitations appeared clearly when the so-called oil gluts of the 1980s brutally affected the economies of oil-producing countries. These events coincided with the worldwide launch of the neoliberal political agenda, forcing countries of the global South into a huge cycle of debt, in which the recycling of petrodollars played a central role (Wright 2021). Moreover, economic and technological warfare – via sanctions and embargoes – further undermined the industrial capacities of revolutionary Libya.

From a theoretical perspective, the analysis of how Libyan oil affected and was affected by geopolitical circumstances introduces the complex conundrum between energy and democracy, national sovereignty and foreign dependency. In other words, while international relations and area studies scholars continue to regurgitate the hypothesis that oil is a curse for developing countries, this article proposes that imperialism is the true motor of unequal development, weighing like a dagger on the shoulder of the global South. Looking at the case of Libya, it is possible to see how the technological monopoly on the oil industry, the political integration of Arab and oil-rich countries into the imperialist orbit, and the possibility to swiftly weaponise

economic warfare played major roles in curbing and deforming the ambitions of a country whose developmental agenda was more oriented to the popular and regional levels. The 2011 NATO-led intervention can be seen as another ‘resource war’ triggered by the greed of foreign nations to extract and control oil access in the Mediterranean country (Campbell 2013). As such, these findings cannot be simply relegated to the realm of history; rather their relevance perdures as ecology, extractivism and climate-related issues are garnering much scholarly and governmental attention.

Recent scholarship on carbon and fossil capitalism has made important contributions to understanding the environmental dimensions of capitalist accumulation and imperial control (Mitchell 2013; Malm 2016; Hanieh 2025). However, much of this literature reproduces the same commodity fetishism that characterises rentier state theory, albeit with an ecological twist. By fixating on carbon and fossil fuels as the primary drivers of imperial domination, these approaches suggest that dismantling the fossil fuel industry will somehow automatically disintegrate imperialism and capitalism itself. Yet as the Libyan case demonstrates, the problem is not oil per se, but the imperialist structure that determines how oil – like any strategic commodity – gets extracted, distributed and weaponised. Oil, gas and coal are indeed crucial commodities in the contemporary world system, but they remain commodities, nonetheless. The same imperialist logic that subordinated Libya through oil extraction today operates through lithium mining for electric vehicles, rare earth extraction for renewable technologies, and the debt mechanisms that force global South countries to surrender their resources on unfavourable terms. Focusing on decarbonisation without confronting the underlying system of social reproduction that crushes and clobbers the South risks substituting one form of resource imperialism for another.

Another critical pitfall of carbon capitalism scholarship lies in its tendency to conflate different socio-political formations as equally ‘imperialist’ based solely on their engagement with fossil fuels. This approach leads to analytically problematic conclusions that equate, for instance, Chinese infrastructure development with US military wars and military interventions or treat all oil-consuming nations as equally complicit in global exploitation. Such analyses emerge from the theoretical privileging of commodity flows over structural power relations within the world system. By reducing imperialism to fossil-fuel consumption patterns, these frameworks do not consider the fundamental distinctions between core, semi-peripheral and peripheral formations, as well as the historical processes through which US-led imperialism established and maintains its dominance. While oil has played a crucial role in sustaining dollar seigniorage and global financial architecture, treating it as the primary analytical lens renders invisible the deeper mechanisms of unequal exchange, debt dependency and military coercion that structure contemporary imperialism. The result is a depoliticised understanding of global hierarchy that mistakes participation in commodity networks – including its extractive-related activities – for equivalent positions of power within them.

The carbon capitalism literature, like rentier theory before it, mistakes the symptom for the disease. As such, these contemporary debates reinforce the analytical necessity to centre the imperialist question (Capasso and Kadri 2025), reminding us how Marxism can still guide us to imagine more radical solutions to old problems.

Notes

1. Jamahiriya, meaning ‘republic of the masses’, was coined by Muammar Qaddafi. Libyan Arab Jamahiriya was the official name of the country from 1977 to 2011.
2. Oil production represents about 95% of export earnings, about one-quarter of gross domestic product (GDP) and 60% of public sector wages. Agriculture covers about 5% of the total gross national product (GNP) and is primarily for the domestic market; the tourism industry only emerged in the early 2000s (US Energy Information Administration 2022).
3. The Italian colonial genocide resulted in a loss of 83,000 Libyan citizens as the population declined from 225,000 to 142,000 citizens. Some 110,000 civilians were forced to march from their homes to the harsh desert and then were interned in horrific concentration camps. Between 60,000 and 70,000, mostly rural people (including men, women, elderly and children) and their 600,000 animals were starved and died of diseases. (Ahmida 2020, 3)
4. Al-Barbar (1994) provides a detailed explanation of the rapid social and economic changes that reconfigured the monarchy and caused its crisis of legitimacy.
5. Similarly, Gamal Abdel Nasser’s *Philosophy of a Revolution* (1955) defines oil as a fundamental pillar of Arab power, as well as the most efficient weapon in making the rights of the Arab nation prevail over those of Western powers.

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Notes on contributors

Matteo Capasso is a Professor at the School of Country and Region Studies, Northwest University, Xi’an, People’s Republic of China. He is the author of *Everyday Politics in the Libyan Arab Jamahiriya* (Syracuse University Press, 2023) and co-editor of *The Imperialist Question in the Middle East and North Africa* (Routledge, 2025). He is also Editor-in-Chief of the peer-reviewed journal, *Middle East Critique*.

 <https://orcid.org/0000-0001-8064-3708>

Roberta Biasillo is an Assistant Professor in contemporary political history at the Department of History and Art History, Utrecht University, Netherlands. Her research has focused on how marginal environments – such as forests and wetlands – are embedded in Italian 19th-century liberalism and on the role of African colonial environments in shaping the Italian fascist state and empire. Her current research project is on the global environmental history of modern Libya.

 <https://orcid.org/0000-0003-0785-8344>

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