

# LIBYA AND ITALY

## BEHIND THE SCENES OF A COMPLICATED FRIENDSHIP

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*A former colonizer-colonized relationship can evolve if both countries engage in a mutually beneficial cooperation. That's what happened between Italy and Libya in the late 1950s, in sectors such as banking and oil. The legacy of this transformation is still visible today.*

Maddalena Zaglio

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- “ German and British diplomats returning to their embassies to develop trade relations  
*The Libya Observer*, 20.05.23 and 14.06.23
- “ Exhibition on friendship with Serbia in the city of Belgrade  
*The Libya Observer*, 20.07.23
- “ Agreement with the Netherlands on combating organized crime and strengthening security  
*The Libya Observer*, 12.07.23

**N**ews from Libya about cooperation and friendship may come as a surprise. But despite over a decade of political turmoil in the country, recent discreet communications between Eastern and Western Libyan factions suggest a potential breakthrough. While Libya faced intense violence and upheaval two years ago, particularly in attempts to seize the capital Tripoli, the situation has calmed considerably. Even though the political situation remains fragile, Tripoli appears peaceful, with fewer roadblocks and better infrastructure, bringing a sense of relief to the people. In addition, from early 2023, the UN Support Mission in Libya (UNSMIL) and the Special Representative of the Secretary-General (SRSG), Abdoulaye Bathily, intensified their endeavors to ensure that national elections are held.

We have become accustomed to the volatility of the Libyan scene and to witnessing rapid changes. Libya has been in a state of political and military turmoil since the ousting of Muammar al-Qaddafi in 2011. Efforts to establish stable governance have been undermined by internal divisions and external interference. Various factions, including Marshal Khalifa Haftar's Libyan National Army (LNA) and Prime Minister Abdelhamid Dbeibah's UN-backed Government of National Accord (GNA), have engaged in conflict, leading to a full-fledged civil war. The presence of armed Islamist groups, including ISIS, further complicated the situation. International actors such as Egypt, the United Arab Emirates, France, and Russia, supported Haftar's LNA, while Turkey, Qatar, and Italy backed Dbeibah's GNA.

Today's fragile peace is threatened by a multitude of factors. Libyans suspect their political leaders of delaying elections for fear of losing power. Additionally, natural disasters including catastrophic floods in September 2023 have contributed to the humanitarian crisis in Libya, often exacerbated by mismanagement and bad governance. And regional tensions further contribute to the country's fragility: Libya serves as a major transit point for African migrants wishing to reach Europe, leading to the growth of established and robust smuggling and trafficking networks within the country.

However, the country is more determined than ever to end all forms of military and political interference by multiple external actors, ensuring its territorial integrity and sovereignty. And in recent months it has seen major improvements in areas such as communications, transportation, health, security and trade—signs that give hope for a better future for the Libyan people. One of the most important developments is the growing interest by foreign companies to

invest in the country. Among Libya's partners, Italy figures as a major one. The agreement between the Italian oil company Eni and the Libyan National Oil Corporation last January is perhaps the best example for this. But one should not forget the partnership agreements that are flourishing in many other areas, including information technology, communications, digital transformation, or the health sector.

Viewed through the prism of decolonization, it might seem as if old power dynamics between the former colonizer state Italy and the former colonized Libya were being reproduced. But at a closer look, this is not the case: today, Libya and Italy are important partners engaging in a mutually beneficial relationship. For example, initiatives are being considered to strengthen the cooperation between Italy and Libya in the field of archival heritage preservation and historical research—something which could help illuminate the shadows of colonialism and further reinforce the relationship between the two countries, as the Italian embassy in Tripoli wrote on X in October this year. This is supported by the resumption of direct flights between Rome and Tripoli, to stimulate (business) relations between the two countries.

The current friendship is the result of a reconfiguration of power dynamics between the ex-colonizer and the ex-colonized. A reconfiguration which began to take place in the 1950s—after Libya was granted independence by the United Nations in December 1951—in a sector as unsuspected as banking.

## Act one: Occupation and colonial settlement

Relations between Italy and Libya did not start off on the right foot. Craving to be admitted into the group of the "Great Powers" (i.e., sovereign countries who, due to their military, economic, or diplomatic superiority, enjoyed a leading position in the international arena), Italy wrested Libya from the Ottoman empire in 1912. It was the beginning of a 32-year-long colonization, characterized by alternating phases of liberal and indirect rule and direct occupation—which was coupled with deportation and genocide.

After the establishment of the fascist regime in Italy in 1922, Libya was officially integrated into Italian territory in 1939. Following this, an increasingly large

number of Italians, especially peasants, were located in Libya, as a part of the Italian settler colonialist project. According to official Italian census numbers, in 1931 the number of Italians in Libya exceeded 40,000; in 1936 there were about 65,000; by the end of 1939 about 120,000. At this point, Italians made up roughly 12 percent of the population of Libya.

Relations between Italian settlers and Libyans were rarely built on cooperation and dialogue, and the fact that the former spoke little Arabic may help explain why. Except for the upper classes, the two communities had their own structures, whether in terms of schooling, social, religious, or cultural life. From the late 1920s to the mid-1930s, relations between Libyans and Italians grew more tense than they had been before. This was the result of a systematic campaign of genocide conducted between 1929 and 1934 by the vice governor of Cyrenaica, Rodolfo Graziani, with the objective of permanently quelling resistance against Italian colonial domination in the eastern part of the country.

The Libyan resistance was fueled by the fact that many Italian colonists were settled on confiscated lands: At the end of the 1920s the fascist regime set up a program of demographic colonization, as land was needed to send Italian peasants to Libya. Because the best land in the so-called Green Mountain (Cyrenaica) was in the hands of Libyans, the regime decided to confiscate it—even though anticolonial resistance was at its height in Cyrenaica. To break the resistance, Graziani needed to destroy any connection between the rebels and the local population, who fed and hosted them. Hence, Graziani deported people from the Green Mountain and confiscated their lands. When Libyans from the Green Mountain were later released from concentration camps, they were not allowed to go back to their lands, which were now occupied by Italian peasants.

### Act two: (Pseudo)Independence and the permanence of the Italian community

In 1943, a year which marked the beginning of the end for Italy and the other Axis Powers (Germany and Japan) in the context of World War 2, Libya passed under the temporary military control of Britain. Later, independence was granted by the Great Powers, es-

pecially the US and the UK, in accordance with the United Nations. The birth of the United Kingdom of Libya was proclaimed by the new king, Idris al-Sanusi, on December 24, 1951. Idris was a longtime close ally to the British. By putting him on the throne, at the critical time in the beginning of the Cold War, the UK and the US were ensuring the maintenance of their interests in Libya, whose position in the Mediterranean was increasingly strategic—not least because the country’s energy riches were being explored. Thus, the independence of Libya was purely formal.

What about the Italians after Libyan independence? They remained—because the UK and the US needed them to build the new Libyan State. At the time of independence, the Libyan elite was almost nonexistent, due to fascist repression and lack of access to education. Therefore, the expertise of Italians was needed to build the new State in areas such as administration, education, health, trade, or agriculture.

Yet it would be misleading to assume that the only players in the game were the UK and the US, and that the Italian and Libyan elites were mere puppets in their hands. In fact, an intricate web of actors, shifting alliances, and competing interests made the Libyan scene far more complex. In this act the Libyans could at times play their game and win. And at times, they would resort to the help of the Italians.

### Act three: the fight for true sovereignty: the National Bank of Libya

In the mid-1950s, the Libyan Government expressed its desire to set up a National Bank of Libya (NBL), in order to strengthen the country’s economic and financial sovereignty. In the UK, the Foreign Ministry, together with the Treasury and the Bank of England, who were in control of Libyan finances, welcomed this request reluctantly—and undertook all they could to maintain a dominant role in the new institution. As a result, the Bank of England drafted the National Bank Law (1955) and put its men in key positions within the NBL.

The Governor of the NBL, Libyan nationalist Ali N. Al Aneizi, however, was determined to progressively remove British (or any other foreign) control, and gradually achieve a “Libyanization” of the country’s elite and wealth. In his attempt to curb British influ-

ence, Al Aneizi turned to the Banca d'Italia (Bank of Italy). Having lived and studied in Italy, where he had obtained a PhD in economics, Al Aneizi had strong ties to the Italian financial elite, and now asked the Banca d'Italia to provide him with an Italian to occupy the position of General Manager, the third highest position below those of the Libyan Governor and the British Deputy-Governor. The Banca d'Italia accepted, and Felice Frasca was appointed General Manager in 1957.

But why should someone who was committed to Libyan independence seek help from the ex-colonizer? Italy's control would have by no means been better than that of the UK. But it was certainly not a matter of naiveté or incompetence, but a real strategic calculation. Al Aneizi, a clever and experienced politician, chose an Italian who had never lived in Libya before. An outsider to the Italian community in Libya, who had no interest in defending the latter's interests and would therefore devote himself to protect Libya's financial independence. As a result, there was a huge gap between Mr. Frasca's assignment at the NBL—working towards Libya's financial independence—and the expectations that the Italian embassy in Tripoli had of him. In fact, when Mr. Frasca was appointed General Manager, the Italian ambassador was satisfied, because he hoped that Frasca would take the reins of the bank and bring in other Italians. In this way, the political and economic interests of the Italian community, and of Italy in general, would be assured. But that would not be the case.

### An Italian fighting for the Libyan cause

A concrete example of the NBL pursuing its own interest is the issue of credit facilities to Italian farmers. Since the colonial era and until the discovery and commercialization of oil in the early 1960s, the major Italian economic interest in Libya was agriculture. Therefore, the issue of agricultural loans, which should have been used to clear the debts of Italian agricultural properties, as well as to increase their productivity, was a major issue not only for the survival of the Italian community in Libya, but also for the preservation of Italian economic and political interests in Libya.

However, the Italian government encountered multiple obstacles and enemies in this operation—among

which the NBL. The NBL opposed giving out loans to Italian farmers because they would discriminate against Libyan farmers and favor the permanence of Italian farmers, while the NBL's goal was a “Libyanization” of the elite and of wealth.

The opposition of the NBL to the credit programs for Italian farmers was voiced in some cases by General Manager Frasca. More importantly, he played a crucial role in drafting an NBL decree published in 1957 that facilitated the transfer abroad of capital from the sale of real estate. This measure was clearly aimed at encouraging the sale of Italians' lands to Libyans and the departure of Italians for good. The measure was welcomed by a few Italian farmers who, because of political tensions and the crisis in agriculture, preferred to secure their capital and return to Italy. But it certainly did not favor their stay in Libya, and so it went against the political project of the Italian State.

It is worth noting that Felice Frasca found himself amid a new power dynamic in which the former colonized—Libya—claimed equality to the former colonizer—Italy. Frasca, an Italian, was placed under the leadership of a Libyan. So instead of serving the interests of his home country, as the Italian embassy would have it, he passionately played his role in defending Libyan interests. And in the battle over agricultural loans, Frasca's action was decisive in balancing out (at least partially) the Italo-Libyan power relations.

### Beyond the banking sector: the role of the “new Italians”

The banking sector is not the only one in which power dynamics evolved, contributing to the establishment of a more reciprocal relationship between Italy and Libya. The oil sector also played an important role in this.

The discovery and commercialization of rich oil deposits from 1959 onwards led to an influx in the oil sector of technicians and skilled workers, but also in construction and infrastructure. They came from all over Europe, and from Italy as well. These “new Italians” stayed in Libya temporarily and were considered as completely free from old colonial dross, which still affected some of the “old Italians” (i.e., those who had settled during the Italian colonial rule). Thus, the new Italians were seen as invaluable elements for strengthening Italo-Libyan relations.

In fact, when Colonel al-Qaddafi seized power in 1969 and declared the expulsion of all foreigners to free Libya from foreign control once and for all, his decree did not concern the new Italians. He only expelled the 20,000 old Italians together with the British and Americans employed in the military bases. By contrast, the new Italians, which in 1969 numbered approximately 5300, were considered the basis for building new fruitful political and commercial relations between Libya and Italy.

## Epilogue

The National Bank of Libya changed its name into Central Bank of Libya (CBL) in 1969. Since then, the CBL has held significant investments in Italy. To this day the CBL maintains interests in Italy (e.g., a 0.9 percent stake in Unicredit). But otherwise, there is little cooperation between CBL and Italy—at least that is what we can gather, although the situation is not completely clear.

Sad and unexpected history? I would rather say it's an expected and (at least partly) hoped-for ending. The CBL, that now has an entirely Libyan board, chooses autonomously where and with whom to make investments. This is the result of the (at least partial) financial sovereignty and “Libyanization” to which Al Aneizi aspired and to which the Italian Felice Frasca contributed. The reconfiguration of power dynamics that took place in banking in the 1960s has become the ground on which to build cooperative relations between the two countries.

As far as the oil sector is concerned, the cooperation between Italy and Libya has continued to grow over the years. In 1996, Eni, in partnership with the Libyan state oil company NOC, signed a significant agreement for the Western Libyan Gas Project, aiming to exploit and market gas in Europe from Eni's concessions. The project included the operational Greenstream Pipeline, a 500+ kilometer underwater pipeline connecting Mellitah on Libya's coast to Gela, Sicily. In October 2007, Eni and NOC signed a strategic accord, extending Eni's mineral rights and outlining plans for extensive development. The final step is the signing by Eni and NOC, in January 2023, of an \$8 billion agreement for gas production.

The strength of Italo-Libyan relations in the energy sector depends on the mutually beneficial partnership

status of the two countries, aimed at defending the interests of both and fostering parallel development between them. This approach was initiated in the 1960s, when the arrival of the “new Italians” allowed for a reconfiguration of power dynamics between Rome and Tripoli.

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### BIO

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*Maddalena Zaglio is a PhD student in Contemporary History and a teaching assistant at the Global Studies Institute of the University of Geneva. She holds a BA in International Relations and a MA in Middle Eastern Studies from the same university. Since 2021 she has been working on a PhD thesis under the supervision of Silvia Naef and Azzedine Rakkah (Sciences Po, Paris) on the Italian community in Libya after independence through the approach of social network analysis. She has been a visiting student at Università Sapienza in Rome and recipient of a research grant from the Deutsche Morgenländische Gesellschaft.*

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