



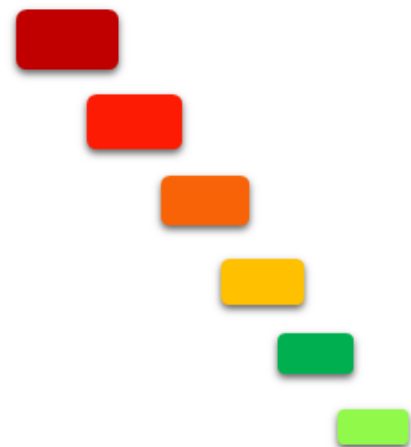
Business Briefing: Libya

	Country:	Libya
	Population:	6,754,507
	Source:	CIA World Factbook



Libya has a Possible risk rating of 6.0

6 Very High	The assorted threats described in the report are almost certain to have a derogatory effect.
5 High	The threats are extremely likely to negatively affect the business.
4 Very Possible	There is a strong likelihood of problems arising in this country.
3 Possible	There is a fair chance of problems arising in this country.
2 Low	There is a low likelihood of any threats impacting business.
1 Very Low	There are virtually no impediments to successful business in this country.



Overview

Since the fall of Muammar Gaddafi in 2011, after 42 years in power, Libya has been in a state of perpetual turmoil. A succession of convoluted councils and governments, claiming to exercise sovereignty over some or all of Libya, have come and gone. Politically, Libya is a failed state and has been so for the best part of a decade. This is lamentable, considering that reserves of oil, the largest in Africa, were discovered well over 50 years ago.

Libya is a story of wasted opportunity and squander but will always have potential by virtue of these vast reserves. Like so many states it has fallen victim to the “resource curse”. A historic absence of strong institutions checks and balances, the endemic tribal politics of the country, and a tendency towards “strongman” politics will all conspire to hamper Libya for generations.

At present, an ex-Gaddafi general is at the gates of Tripoli, besieging the UN-backed Government of National Accord (GNA) inside. There is now little optimism for a negotiated settlement, or even for a temporary ceasefire. Daily airstrikes from both sides are indiscriminate as they try to alter the ground war below. Despite General Khalifa Haftar’s stalled advance, and a dearth in popular support, it is possible that he will be Libya’s next leader as head of the Libyan National Army (LNA).

This will be unpalatable to many, both in Tripoli and outside the country. It is anyone’s guess what he would do with this newly acquired power, yet few are confident of a long-lasting or meaningful peace. Tripoli looks as though it may withstand the assault. If it does, Libya will remain in the doldrums, partitioned and stagnated by conflict.

Oil companies will simply hope for stability in whatever form it comes. A strongman in Libya may give new-found optimism and security to the Libyan oil industry, and potentially, for the country as a whole. At what price this is to be achieved, or by whom, remains to be seen. If we have learnt anything about Libya, it is boom and bust, all or nothing.

Political Landscape

Libya is as deeply divided as it was in 2011. The GNA is slowly been pushed back into a pocket on the north-west coast by the LNA. Tens of thousands of Libyans have already been forced to leave their homes in the Tripoli area, exacerbating the economic and social disarray. Six rounds of talks in the last few years between the two sides have failed to come to a solution. The factions within the country, the GNA in the west and the Tobruk administration in the east, are both supported by an amalgamation of militias that have little in common, bar who their enemies are.

Not armies in traditional sense of the word, they are heavily divided along religious, ethnic, local, tribal and ideological lines. Both sides have been accused of harbouring hard-lined Islamists and Salafists. Alliances and the balances of power are forever shifting – it is no wonder that, in 2011, once Gaddafi was defeated, they quickly turned on each other. There is no hope of an armistice in the near future, and so *“arms are pouring in again to both sides”* to be used against one another. The UN estimate that for every person in Libya there are now three guns. The UN Special Representative in Libya, Ghassan Salame, called Libya *“a textbook example of foreign interference today in local conflicts. Between six and ten countries are permanently interfering in Libya’s problem.”* Just like Syria, the problems in Libya come from far and wide and stoke the fire.

Prime Minister Fayez Sarraj of the GNA arrived in 2016 as part of an UN-backed deal but has since failed to consolidate his position. Those pushed aside by the same deal refused to relinquish power, refused to ratify a government of “unity”, and simply moved to Tobruk. Other groups have since exploited this power vacuum. The Islamic State group briefly seized control of several coastal cities, including Sirte, which were held until mid-2017. It retains a presence in the desert interior yet is severely diminished. Similarly, Chadian rebels, Al-Qaeda in the Maghreb (AQIM) and Ansar al-Sharia groups, not to mention the migrant smugglers, until recently enjoyed near total freedom in the sparsely populated interior of the country, devoid of law, bringing untold misery to the thousands crossing the desert in search of better lives in Europe and exacerbating the problems for those that remain.

UN Representative Salame, has focussed on the desperate position of the capital, callings for an immediate ceasefire; *“I am no Cassandra, but the violence on the outskirts of Tripoli is just the start of a long and bloody war on the southern shores of the Mediterranean, imperilling the security of Libya’s immediate neighbours and the wider Mediterranean region”*.

It is perhaps little wonder that ordinary Libyans have lost faith in the UN-backed government. It has repeatedly failed to offer even the most basic of services and failed to pay public sector workers months after salaries are due. Kidnappings, lootings and extrajudicial killings are common, especially as those under Haftar move across the country, winning towns that were until recently constituted the heartland of the opposition. A presidential and parliamentary election, set for April 2019 and with Gaddafi’s son as a candidate, was scrapped when it became apparent that fighting would take precedence.

The International "Community"

NATO supported the rebels in the fight against Gaddafi, destroying most of his military hardware with overwhelming airpower, yet gave absolutely no thought to what would happen in the aftermath. The so-called 'Arab Spring' failed to take root, just as it failed everywhere else. Now, international players are once again lending support, hoping to shape the next power in Libya and, in the process, acquire a strategic ally in the region.

Despite Libya being under a UN arms embargo Russia, Saudi Arabia and others have been clandestinely sending planes, doubtless with military ordnance, into Libyan territory controlled by Haftar, specifically in the run-up to the current siege of Tripoli. Equally, Egypt's military government has been very open in its support, with Haftar visiting President Sisi in Cairo to discuss his move on Tripoli. Even France, which provided military advisors and special forces units, and the US have warmed towards Haftar, as his star ascends and state actors begin to hedge their bets, undeterred by warnings from the UN.

Tellingly, a recent British proposed ceasefire agreement was rejected by the UN Security Council, with the other members unwilling to block Haftar's advance. Even the US opposed the recommendation. It seems that the international community is now convinced that the UN-backed government is living on borrowed time. While they cannot overtly denounce the Tripoli Government as a lost cause, warm overtures to the other side suggest that powers are erring on the side of realpolitik, rather than taking a dogmatic approach and risk being left out in the cold. The UK even removed from the resolution the idea that, by attacking Tripoli and becoming the clear aggressor, Haftar would forfeit his suitability to rule Libya. This, again, was ignored by the rest of the Security Council.

It may seem cynical, but the desire for an additional and compliant ally in the Arab world, especially after Assad's retention of power in Syria, is naturally a key foreign policy objective for the West, the Gulf States and Moscow. Given Libya's reserves, economic potential and strategic position on the Mediterranean, this is too good an opportunity to pass up.

Naturally, Sarraj still retains some support, from Turkey as well as Qatar, itself isolated and surrounded by hostile states. Italy, another strong supporter of the UN government, envisages the fall of Tripoli as a steppingstone to another migrant crisis in the Mediterranean, something that cannot be dismissed out of hand.

Another Syria?

With many holding the belief that Haftar is the victor-elect it may be that the powers involved are simply trying to avoid a protracted and bloody conflict; a repeat of Syria. The short-sighted nature of this approach will only help to entrench the possibility that Libya will go another generation without the opportunity to experience democracy or even basic rule of law. Even King Idris, deposed by Gaddafi all those years ago, didn't want to rule a newly united Libya post-World War II when offered the throne. He knew then there was little to bind a country together that had little in the way of cultural, ethnic, tribal affiliation or shared history.

General Haftar has made no allusions as to his plans after the battle for Tripoli, meaning that many of these countries are flying blind, hoping for the best moving forward. Despite the fact that Haftar lived in the United States for almost two decades, and even became a US citizen, it seems that he has a heavily pragmatic approach when it comes to allies. Since his falling-out with Gaddafi in the 1980s, it seems that he has been playing the long game. Heavily wary of the media, it is a complete unknown as to what he will do if he gains Tripoli.

However, whilst the LNA is the force in the ascendancy, it remains too weak and disparate to form anything approaching a government-in-waiting, just as those militias failed after the death of Gaddafi - the only thing uniting them was a common enemy. With the common enemy gone, there is nothing to say, they will not turn on one another again. Furthermore, the battle for Tripoli, while intensifying, is not yet won. If Haftar does not take the city, it may yet prove to be his downfall. His advance has stalled. The longer this continues, the weaker he becomes.

Economy & Business Opportunities

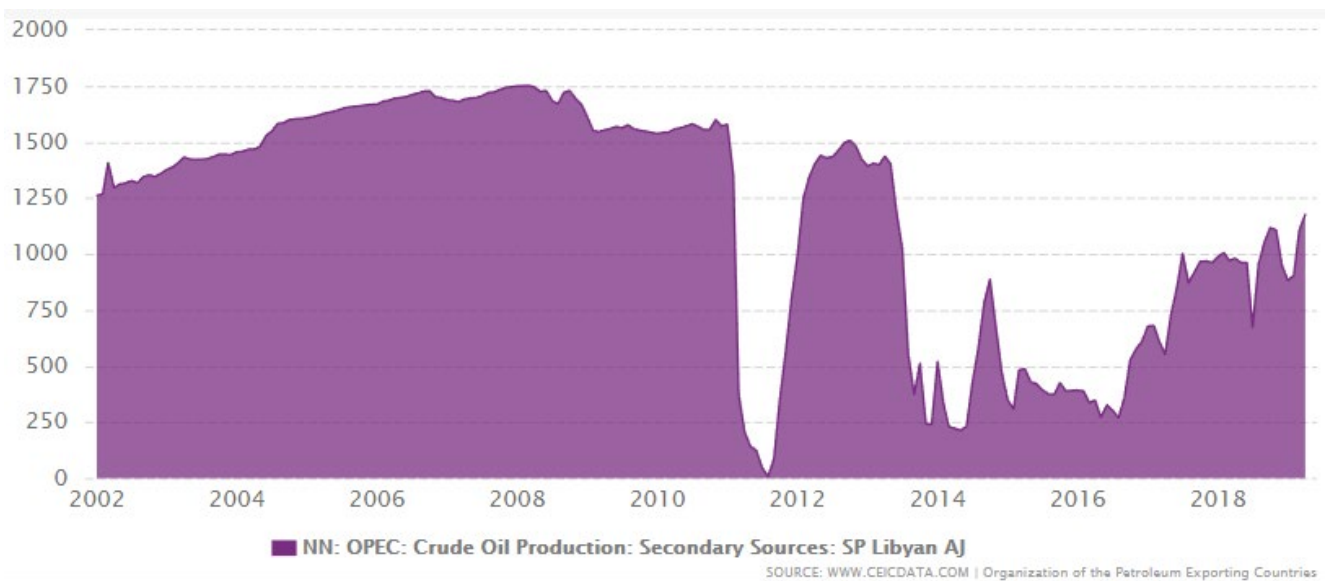
As of 2017, Libya's GDP per capita stands at around 60% of pre-war levels. The economy depends entirely on oil, which represents over 95% of export earnings and 60% of GDP. These oil revenues, coupled with a relatively small population, gave Libya one of the highest GDPs per capita in Africa. The potential, perfectly located on the Mediterranean and a member of OPEC, is astounding, especially given the light, sweet nature of the crude.

The situation in the country has destroyed all integrity in the business environment and wider economy. The 2018 Corruption Perception Index, compiled annually by Transparency International, ranks Libya 170th out of 180 countries, with a score of 17/100. This means it ranks below places like Haiti, Chad, Iraq and Venezuela. Equally, the World Justice Project does not now publish data on Libya.

The crumbling infrastructure, non-existent infrastructure in the case of the interior, is in need of address. No investment has been forthcoming since the fall of Gaddafi. At the time of writing, Tripoli International Airport is now part of the front lines. Most airports have been bombed or shelled, putting them out of action. This is indicative of the prevailing attitude on both sides.

Petroleum Products

The oil industry, the only viable route to economic recovery for the country, has not yet recovered to pre-war levels, despite early promise, in 2012 and 2013. Production has stalled since war returned to the country in 2014, but it is rising - in the last five years production has increased almost five-fold. Equally, last year foreign oil giants started to move back into the Libyan market. Total, Eni, ConocoPhillips and BP have all made agreements with NOC to resume operations. The recent violence, however, may have put this new-found progress on hold. Equally, the mature nature of the wells means production would have slipped over the past decade anyway. However, much of Libya still remains unexplored, offering massive opportunities to those willing to brave the desert.

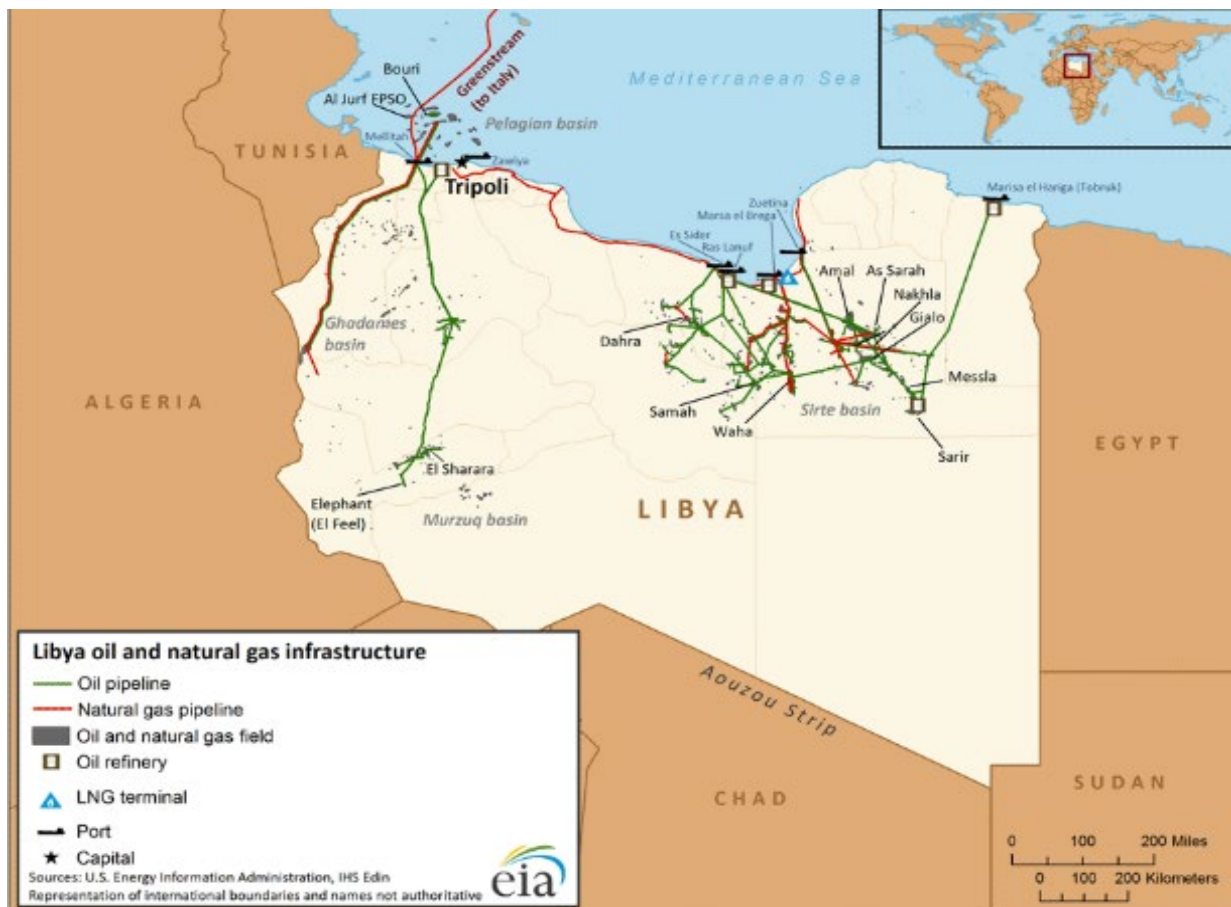


The National Oil Corporation (NOC) dominates the industry, with a 70% market share of known reserves. However, a recent press release (21st May) from NOC is indicative the day-to-day threats they have to deal with, and the desperation gripping industry:

“The headquarters of the North African Geophysical Exploration Company, which has been closed since the bombing on April 10, 2019, has seen the theft of various units of the main mechanisms and equipment, which means that the company has lost its headquarters completely.”

"In another incident, a fuel truck carrying 40,000 litres of fuel from the Sabha depot to the oil field in the Jarmeh region was seized on Saturday by unknown assailants. The body of an unidentified person was also found inside the truck. The continuation of hostilities is hampering the operations of the foundation and hampering our ability to serve the Libyan people."

As the LNA has captured oil fields, they have usually returned them to NOC under an agreement that allows the continued export of oil through Tripoli. However, the security forces around the oil fields, and local tribesmen, have disrupted production in protest at the lack of pay and access to basic facilities. The oil-rich south has long been neglected by those in the north, despite constituting the economic backbone of the country. A development fund of USD\$717 million dollars has been promised by Tripoli, but this is meaningless if they are no longer in power. Haftar has not set out his vision for the future of the industry.



Effectively, the situation is every group for itself, with NOC seen as an easy and profitable target. Those looking to do business in-country have to navigate a difficult path that comprises religious, ethnic and tribal disputes, a lack of infrastructure, warring governments, rogue militias and generals. The wells are generally located far into the remote interior, away from population centres and security forces.

The Migrant Trail

Libya is a major waystation for migrants moving north on the route to Europe. The beginning of the migrant crisis coincided with massive political instability and a complete collapse of border and port controls in Libya, as a result of the Civil War. Whilst migrant numbers have dropped significantly since 2015 – 2017, the lack of political authority means the route, for the most part, lies open right up to the coast.

While much has been made of the loss of life at sea in the media the land towards the coast is equally perilous, yet almost entirely undocumented. The routes are run by smugglers, militias and tribal separatists. They have been accused of systematic, violent crimes towards those on the trail, yet due to the lawless nature of the Libyan interior little has been done to thwart them, let alone bring them to justice.

Since 2017, the number of migrants has decreased dramatically, when detention centres sprang up across the country. The Italian government decided to fund the Libyan coastguard themselves, charged with returning outbound boats back to Libya. Thousands are now trapped along the coast, either against their will, or with not enough money to go on or turn back. Arms have flooded the area thanks to the extortionate prices these groups charge, ensuring a bleak future, where those in power will have to use force to tame the interior of the country.

Conclusion

With the exceptions of North Korea, Somalia and Syria, Libya represents possibly the most challenging place in the world to do business in 2019. The political landscape will not be “resolved” in the near future either. The country is simply not prepared, or ready, for democratic institutions to prevail. A lack of strong institutions means that the era of the strongman endures. This has never been a great issue for business in the past, especially not in Libya.

There may be a settlement in the not too distant future. What this looks like is anybody’s guess. What is true, however, is that Libya is too ideally placed, with too much untapped wealth, to be ignored. Whilst smaller companies may find Libya to be too unpredictable, or the risks too great, larger companies have begun to vote with their feet, with their eyes fixed on the future.

A settlement, or any kind, that ushers in security, even if that is at the expense of democracy, will be enough for companies to return. Libya, however, is deeply divided. In fact, it is not and never has been a nation in the strict sense of the word and may require another (benign) dictator to bring the various factions together. Only then will it become a viable and secure market in which to trade.