

9 January 2017

Dear Colleague,

The end of 2016 in Libya marked the first anniversary of the formation of the Government of National Accord's Presidency Council (GNA PC) after a year in which it and its President Fayeze Serraj have survived, but been unable to impose their authority on the capital, let alone the country. Political manoeuvring by managers of the House of Representatives (HOR) led by Agila Saleh, the Speaker, had prevented the last elected parliament meeting in sufficient numbers to endorse the GNA, as provided for under the Libyan Political Agreement (LPA), and this has enabled the GNA's opponents to describe it as illegitimate. One beneficiary (and ally of Agila Saleh) is General Haftar, whom the HOR promoted to Field Marshal during the year. Haftar heads the Libyan National Army (LNA), rejects the right of the GNA to appoint all senior military (and civil) officials and has ominously talked at times of 'liberating' Tripoli. At the end of the year, the GNA's internal divisions surfaced with the resignation of Deputy Prime Minister Musa al Koni.

The GNA and the LPA remain both relevant and important. Western countries continue to support them. Efforts are being made to establish a Presidential Guard to provide the GNA with a military force of its own. A row between Serraj and the Governor of the Central Bank (CBL) was sufficiently resolved by late 2016 for the CBL to allocate the GNA its first budget. Militias currently aligned with the GNA, led by the powerful bloc centred on Misurata and supported by US airstrikes, registered the major military success of 2016 when they wrested control of Sirte (half way between Tripoli and Benghazi) from the Islamic State (IS/Daesh). This coalition provides the GNA with some protection from Haftar's ambitions but occasional clashes between units loyal respectively to the GNA and the LNA have illustrated the risk of wider conflict. There is also an increased risk of - and from - further internationalisation. Haftar already enjoys political and military support from Egypt and the UAE but has also latterly courted President Putin. With Russian objectives in Syria largely achieved and Russian forces drawing down there, Putin may be attracted by the opportunity to play a higher profile role in Libya, to show up another example of unsuccessful Western policy and to extend his influence in the region. In those circumstances, President Trump's response would be hard to predict and a more active Russian stance on Libya could provide an early test of whether Putin or Trump is calling the shots in their novel 'special relationship'.

Libyans are increasingly worn down by continuing insecurity, weak or absent government, inflation and the decline of the Libyan Dinar (LD). These messages came through at the 'Mediterranean Business Networking Forum' in Malta on 6 December 2016 which was attended by a strong LBBC delegation. It was reported that inflation of 6-7% was eroding the purchasing power of many households and this effect was being compounded by the shortage of currency, delayed deposit of government salaries in customer accounts at Libyan banks and the latter's consequent rationing of daily cash withdrawals (also causing long queues). Suggestions by some Libyan speakers that the LD should be devalued sparked heated debate. But the area of difficulty that is causing particular aggravation for Libyan businessmen is the one around Letters of Credit (LCs) which arises particularly from de-risking by major foreign banks who have nearly all stopped accepting Libyan business entirely. Those who are willing to contemplate it are requiring answers to constantly evolving questions in order to comply with know your customer (KYC) regulatory requirements. ABC International Bank and the BACB are working hard to process LCs and are an excellent source of advice.

The Forum recorded encouraging confirmation, however, that 100% foreign ownership is still recognised as a firm element in the Libyan Investment Law (even if enabling legislation is still required and the Commercial Law is in need of an overhaul). The Libyan private sector offers continuing opportunities, even in current circumstances, in health, fast moving consumer goods (FMCG) and low scale, private sector financed construction. This helps to explain why UK visible exports to Libya reached some £109 million in the first nine months of the year, ahead of the figure of £105 million for the whole of 2015. These figures are modest by international and historical standards but show that even in the current restricted circumstances, some UK exporters are finding business opportunities in Libya - and the figure does not include trade in services.

LBBC delegates to the event in Malta were met by a very large number of Libyan participants, many of whom had to go through the hoops of obtaining a Schengen visa to attend. This suggested an appetite for rebuilding their country's economy and some optimism about the prospects for doing so. We heard too that many of the Libyans were pleased that 26 British delegates had come to Malta and were particularly impressed that they had paid to do so. All good for the image of UK business in Libya and the trust we seek to establish and maintain.

Our own Government's continued recognition of Libya's business potential and support for the LBBC were also registered on 15 December when the Rt Hon Greg Hands, Minister of State for Trade & Investment, addressed an LBBC Council Lunch as the guests of BACB at their offices in the City.

The next business event is the **Libya Reconstruction and Investment Forum** on 26 January at Lancaster House, London, which we are organising jointly with the Middle East Association (MEA) and Developing Markets Associates (DMA). The event is supported by the British Government and Libya's Presidential Council. Mustafa Sanalla, Chairman of the National Oil Corporation, is among a strong cast of Libyan participants. Bookings (with a 20% discount for LBBC Members – code LBBC2017) can be made online [here](#).

Looking further ahead, we are planning to respond to the strong Libyan interest shown in meeting us in Malta by organising a follow up mission and programme in Tunis this spring. We will circulate details after this month's Forum.

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