

DIRECTOR GENERAL'S NEWSLETTER – May 2017

Dear Colleague,

LBBC NOC Delegation to Aberdeen

On 8 May, Sir Vincent Fean and National Oil Corporation (NOC) Chairman Mustafa Sanalla signed the attached joint statement in Aberdeen on bilateral cooperation on matters relating to oil and gas. The signature of the **Aberdeen Statement** was witnessed by British Ambassador to Libya, Frank Baker, and the Lord Provost of Aberdeen. It followed a one-day conference organised in collaboration with Oil & Gas UK at which the NOC set out what they need from international partners to continue to develop Libya's production and export capacities. Further detail was shared at four roundtables covering training, advanced technology (off and onshore), early production facilities and restoration of damaged fields.

Mustafa Sanalla has set a public target to double Libyan oil production to 2 mbd by 2020. This and the NOC's admirable success in maintaining its role as Libya's sole national oil producer and exporter (in spite of the country's political and security divisions) have prompted increasing international oil company (IOC) interest in doing business with it. Among other things, BP has joined ENI in discussing future cooperation with the NOC.

LBBC mission to Tunis, 22 – 24 October 2018

These developments and the potential business opportunities for the UK industry prompted our mission to Aberdeen. I am delighted to say that the joint statement includes an undertaking by Mustafa Sanalla to attend our planned business mission to **Tunis** from 22-24 October when we shall review and follow up the development of bilateral business in the hydrocarbon sector. As last year, we shall also address other key sectors such as finance, infrastructure and power. The business mission dates of 22-24 October may coincide with school half term in some places. Please let me know if that means you will have any difficulty in joining us in Tunis then.

LBBC Annual Lunch

In the meantime, you should have received an invitation to register for our Annual Lunch at the House of Lords at 12.30 on 5 July when our President, Lord Trefgarne, has kindly agreed once again to be our host. Our guest speaker will be EBRD Secretary General Enzo Quattrocchio. Former Libyan Prime Minister **Mahmoud Jibril** has accepted our invitation to be a second speaker.

Security

Ghassan Salame, the head of the UN Special Mission in Libya (UNSMIL), briefed the UN Security Council on 21 May¹. This recorded much that is familiar but also some shifts in UNSMIL policy which have been developing for some time but now found expression in his report.

The familiar picture includes the continuing gulf between the Government of National Accord (GNA), the State Council, the House of Representatives (HOR) and the 'Libyan National Army' (LNA) under Khalifa Haftar. This mosaic allows smuggling and other criminal activity to thrive. Tripoli continues to suffer intermittent militia clashes. The Shura Council of Mujahideen Derna (SCMD) still hold Derna against the LNA. Intercommunal and inter-tribal conflict in southern Libya flares up regularly.

Occasional improvised explosive devices (IED) and vehicle borne (VBIED) variants, some of them suicidal, have been detonated at various locations (most recently, near Sirte). Responsibility has been claimed by ISIS – who have clearly not gone away. Indeed, they claimed responsibility for an attack on the Tripoli HQ of the High National Elections Commission (HNEC) on 2 May when thirteen people were killed (HNEC Chairman Emad El Sayeh subsequently issued a public assurance that the voter database was secure). A GNA response to reorganise and extend the remit of the Rada' (Deterrent) Force as the Deterrence Apparatus for Combatting Organised Crime and Terrorism (DACOT) under its existing commander Abdelraouf Kara has reportedly unsettled other militias and may be under review.

The FCO Travel Advice continues to advise against all travel to Libya². The considerations behind this advice explain why the LBBC is repeating its mission to Tunis this year instead of taking a high profile (and therefore vulnerable) mission to Libya. But we know that some members do visit from time to time and a few, particularly in the risk advisory sector, have expatriate staff resident in the country. FCO advice is, of course, just that (advice) and not an instruction but we hope that members visiting Libya will do so with all due care, taking note of the Advice and considering the advantages of securing the professional services of our risk advisory members.

Politics

One of Ghassan Salame's key statements to the UNSC on 21 May was that the Libyan parties had been unable to agree amendments to the Libyan Political Agreement (LPA) to make it acceptable to all. He concluded that amending the LPA had become 'a distraction' which had shrunk in importance as support for holding elections had grown among the international community and the Libyan parties (but by no means all: on 22 May, former Prime Minister Mahmoud Jibril voiced the view of many Libyans that Libya is "still not ready" for elections).

¹ <https://unsmil.unmissions.org/remarks-srsg-ghassan-salamé-united-nations-security-council-situation-libya-21-may-2018>

² <https://www.gov.uk/foreign-travel-advice/libya>

Salame's conclusion followed a final attempt to agree amendments to the LPA. On 8 April, Khaled al Meshri was elected President of the High State Council in succession to Abdurrahman al Swehli (who had long been subject to personal UN sanctions because of his role as a 'spoiler'). After meeting GNA Prime Minister Fayeza Serraj on 17 April, Khaled al Meshri visited Rabat³ on 23 April to meet the Moroccan Foreign Minister. The latter also held parallel meetings with HOR President Agila Saleh. But the LNA refused to send delegates to the talks and said as much on 25 April (cf section on Haftar, below). With the LNA refusing to play, an agreement between the other parties would have been 'Hamlet without the Prince'.

Salame balanced this discouraging evidence that the parties remain unwilling to make the concessions showing willingness to put the national interest ahead of their sectional ambitions, with reference to some positive developments. These included municipal elections in Zawia, Libya's fourth largest city, and Salame's 'town hall' meetings in 27 cities and towns across Libya. These meetings are intended to identify the priorities and solutions espoused by local leaders, officials and civil society. Further meetings are to be held until the end of June when the findings are to be collected and presented to a National Conference.

This is part of the process of preparing for elections before the end of 2018. The HNEC voter database which survived the 2 May attack numbers about 2 million voters. Since January, UNSMIL has been 'working with the Libyan parties to facilitate the political, security and legislative conditions required for elections to be held'. This involves all sorts of divergent opinions, not least on the constitutional framework for elections, but a widely recognised precondition for a successful election, notably absent from the 2014 election, will be prior agreement by the parties to accept its results.

Economy

In presenting the positive side of his story, Ghassan Salame went on to tell the UNSC that "more importantly for Libyan citizens, the Government of National Accord has agreed the 2018 budget". The GNA's long awaited agreement was with the Central Bank of Libya (CBL) which announced the LD 42.5 billion (US\$31.4 billion) budget on 9 May 2018.

In spite of the NOC's remarkable success in bringing national oil production back to around 1 mbd, the budget announced again implies a substantial deficit. When it released its latest outlook for the Libyan economy on 16 April, the World Bank warned that "at the current pace of spending...Libya will either exhaust foreign exchange reserves or be forced into ad hoc adjustments necessary to stave off crisis but far from sufficient to re-establish growth foundations". It nevertheless projected 15% growth in 2018 and 7.6% average growth in 2019-20. The current rebound in oil prices, if sustained, could also go some way towards reducing the harm to the Libyan exchequer and economy of the national addiction to public sector pay and subsidies (an issue addressed by Ahmed Jehani at the LBBC Council Lunch on 1 May: we have circulated his paper separately).

³ Morocco was the venue of the original LPA when it was concluded at Skhirat in December 2015

Haftar

For two weeks in April, LNA Commander Khalifa Haftar mysteriously disappeared from the scene, giving rise to rumours that he was seriously ill or even that he had died. On 10 April 2018, the LNA's official Twitter account condemned the rumours as 'false' but on 13 April it conceded that Haftar had 'felt ill and visited a hospital in Paris for normal checkups'. What was wrong with him and whether it was (or is) serious is still unknown but on 26 April (the day after the LNA had announced it would not be represented at the political talks in Morocco), Haftar returned to Libya, looking hale and hearty. He has since sought to demonstrate his continued energy and command by launching a long-awaited assault on Derna to expel the Shura Council of Mujahideen Derna (SCMD).

Bilateral

Frank Baker took up his post as British Ambassador to Libya in February 2018 in succession to Peter Millett (who has retired from the FCO). Frank came to the job after three years as Ambassador to Iraq and is following Peter's example as a good friend to the LBBC, focussed on our concerns about promoting bilateral business and the obstacles (notably UK visas) which impede the relationship. He joined us and the NOC in Aberdeen and he will be a welcome partner on key issues and at future events.

Other high profile developments during his time in office so far have been the visit to Tripoli by Alistair Burt, Minister for the Middle East, on 8-9 April 2018; the signature of a Memorandum of Understanding (MOU) with Expertise France on 3 May to provide £1.5 million (US\$2 million) to establish a micro-finance scheme in Libya to support entrepreneurship and private sector development; and, more challengingly, Theresa May's formal apology on 10 May to Abdul Hakim Belhadj and his wife Fatima Boudchar over the role British intelligence agents played in their 2004 extrajudicial rendition to Libya.

I look forward to seeing as many of you as can make it at the Annual Lunch on 5 July. It's going to be an interesting occasion. In the meantime, please let us know if there is some support we can give you on specific issues or if you have ideas on where we should focus LBBC activity. The truly admirable Pauline Graham has retired from the LBBC's executive team but she has a worthy successor in Susie Davies. Sir Vincent and I remain on the case. I am glad to say that retired Ambassador Peter Millett has agreed to join the LBBC Board.

Robin Lamb
Director General

29 May 2018