

Embassy of India

Tripoli

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Monthly Commercial Report for the month of April 2015

Overview

Libya is passing through a very fragile security situation with armed conflicts and a political stalemate with two governments – one legitimate elected House of Representatives (moved away to east of Libya around 1300 KM from the capital) and the other by militias who have taken control of all Capital with all the central Ministries and departments with de-facto control. The commercial activities have come to standstill. Due to the security situation prevailing in Libya, the Embassy in Tripoli has temporarily moved to D'jerba (Tunisia). Libyan oil production suffered heavily after the Islamist militants shifted attacks to energy facilities including the country's largest oil export terminal in the last week of December.

Hydrocarbons

Work Resumed at Al-Irada and Sahel Gas Fields: Work resumed on 3rd April at the Gas Fields of Al-Irada and Sahel in eastern Libya, as well as Sirte Oil and Gas Production Company which runs the two fields after tens of thousands of citizens ended their sit-in demanding to be employed as guards of oil installations at these two fields.

2. **Exports by Hariqa Oil Terminal:** Arab Gulf Company announced on 4th April that the Hariqa Oil terminal exported crude totalled 5.6 million barrels in April. The company said the two fields of Nafoura, and Majed linked to Zawitina produced 1.02 million barrels of crude oil whereas Hamada oil field pumped 271,000 barrels of crude oil to Zawia refinery. The company pumped 594,000 barrels daily to Tobruk refinery and its capacity 20,000 barrels of oil. However, on 24th April, two tankers

were turned away from Hariga in the after the oil export terminal was forced to shut down by the striking Petroleum Facility Guards over delays in the payment of their salaries.

3. **Oil Production:** Libya's oil production increased to over 600,000 b/d in early April as Islamist militias withdrew from their stand-off against forces loyal to the government of Mr Thinni at the eastern oil ports of Sidra and Ras Lanuf.

4. **Emergency shutdown at giant El Fil field:** The giant El Fil oilfield was subject to an emergency shut down on 25th April when dangerous pressure built in the system because the pipeline to Zuwara had been shut down by Zintani members of the Petroleum Facilities Guard.

5. **Total writes down over three quarters of a billion dollars in Libya:** France's Total, the first foreign oil company to resume operations in Libya after the revolution became the first overseas player to write down the value of a large lump of its Libyan assets. The firm has announced that it is writing down \$755 million from its onshore properties. These are principally in the Mabrouk field in the Sirte Basin, some 170 kms south of Sirte. Total, which was the operator in partnership with NOC and Norway's Statoil, has withdrawn from the field because of collapsing security.

INTERNAL

6. **CBL warns 2015 budget deficit up to LD 30 bn:** The Central Bank of Libya (CBL), based in the eastern city of Al-Beida representing the .House of Representative government in its report has warned that "firm financial measures" must be taken in order to halt the deficit that Libya is going through in 2015. It said that the 2015 deficit is expected to reach 68% of GDP or LD 30 bn if state salary and subsidy spending continued at present levels. It recommends a series of firm reforms in order to reduce the deficit to around LD 11 bn. The report explained that the deficit was caused by the collapse in Libya's oil production in 2013 as a result of the political and military conflict in the country as well as the sudden collapse in international crude oil prices in 2014. These factors negatively affected the state's revenues and directly affected the foreign currency reserves which were depleted by a total of US\$ 25 bn (US\$ 3 bn in 2013 and US\$ 22 bn in 2014).

7. **Audit Bureau Report on Libyan Economy:** In its 2014 annual report released in early April, The Audit Bureau of Libya has warned of dangerous indicators, economic disasters, an economy devoid of life, wasting money on consumer goods, with no work or productivity and cautioned that all financial indicators are negative. The Audit Bureau acknowledged the division of the country and the military operations, admitting that Libya has become devoid of life without work or production. The Audit Bureau warned that the deficits will continue to multiply in 2015 if Libya continued to follow the same economic and financial policies in view of the depletion of oil revenues.

9. **World Bank report on Libya:** The World Bank 2015 Middle East and North Africa Economic Monitor said that "Libya is in recession." However, it adds that "If the security situation in Libya improves and oil exports increase, the regional average could surge to 4 to 5 percent in 2016. On Libya, the report says that "In addition to the impact of cheap oil, the violent conflict has interrupted oil exports, a major source of government and external revenues. The economy is estimated to have contracted by 24 percent in 2014, following a contraction of about 14 percent in 2013". The report warns that "Libya is counting on its large foreign reserves, which have declined dramatically. Estimates by the Central Bank of Libya show that foreign reserves stood at \$85.5 billion in December 2014, a 40 percent decline from July 2013".

10. **Pro HoR NOC warns against dealing with 'illegitimate' Tripoli government:** The chairman of the pro HoR National Oil Corporation (NOC), while reading out a statement at a press conference held at Beida on 4th April warned all sectors, national and foreign persons of the illegality or illegitimacy of dealing with the NOC located in the city of Tripoli, cautioned not to enter into any contracts or legal actions that would impose any obligations on the Libyan oil sector. The statement also reiterated the pro HoR NOC's permission from the Thinni government in starting to export crude oil and its by-products through its main ports and the import of fuel for local consumption.

11. On the heels of HoR's decision to form its own Corporation (NOC), on 9th April, the Governor of the Board of Management of the Central Bank of Libya (CBL) located at Al-Beida representing HoR, signed a decision which dismissed CBL Governor Saddek Elkaber based in Tripoli. The decision warned all banks and financial institutions operating in Libya or abroad from dealing with the former Governor in order to avoid any legal liability against violators, including internal departments of the Central Bank of Libya and its branches.

EXTERNAL

Egypt:

12. The Prime Minister of Egypt, Ibrahim Mahlab, has suggested the holding of a Libyan-Egyptian economic conference for companies and business leaders from both countries. The proposal was made to the Libyan Deputy Prime Minister Abdulrahman Al-Aherish on the side lines of the 18th COMESA Summit of heads of state held in Addis Ababa 30-31 March. During the meeting, the Egyptians expressed a desire to play a more prominent role in the future reactivation of the Libyan economy and its programme for future development. Egypt was keen to make available its trained labour force and was keen to encourage Egyptian investors to participate in joint ventures in Libya. The Libyans for their part assured that the Libyan state will standby those who stood by it in the current circumstances by offering it opportunities in the future after Libya returns to stability. Both sides

agreed to increase bilateral trade and to make Egypt a strategic partner on different levels for future Libyan trade and investment

Russia:

13. Prime Minister Thinni, accompanied by Foreign Minister and Minister of Economy and Industry, visited Moscow from 14th April. On 17th April, Thinni met with a number of Russia's business leaders in Moscow, assured the Russian business heads that Libya was studying Russian contracts signed during the Qaddafi era in order to amend and activate them. Thinni added that Russia had investments in Libya worth US\$ 10 bn, including the Euro 2.2 bn 550 km rail line project between Sirte and Benghazi, as well as Gazprom and its subsidiaries' investments in oil and gas exploration and production. PM Thinni assured of Libya's intention to open trade and commerce channels with Russia. In his meeting with the president of Russian Chambers of Commerce, Libya's Minister of Economy and Industry, Munir Aser, said that Libya wants to push economic relations and raise them to the level of political relations between Libya and Russia. Minister Aser said that Libya has a huge potential of resources and energies and that it is able to distinguish between colonialism and investment.

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BILATERAL

14. Exports by India to Libya during the period 2014-15 stood at US\$ 163.73 million and India's imports from Libya went down to US \$ 70.30. Thus the trade balance decreased substantially million mainly because of civil-war like situation in Libya and decrease in oil production due to militia fighting and perennial strikes.

Values in US \$ Millions LIBYA

S.No.	Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
1.	EXPORT	131.99	60.98	215.30	287.74	163.73
2.	%Growth	-40.54	-53.80	253.07	33.65	-43.09%
3.	IMPORT	969.09	38.33	1,834.80	451.54	70.30
4.	%Growth	55.64	-96.04	4,687.03	-75.39	-84.43
5.	TOTAL TRADE	1,101.08	99.31	2,050.09	739.28	233.86
6.	%Growth	30.36	-90.98	1,964.40	-63.94	-68.36%

15. The main items of India's exports to Libya are transport equipment, processed minerals, machinery & instruments, coffee, drugs & pharmaceuticals, natural silk yarn, fabrics, and other commodities. Incidentally India emerged as a major exporter of marble, granite and Hyundai cars. The main item of India's imports from Libya is petroleum (crude and products).

16. During the month of April, 2015, the Mission issued 16 business visas.

This issues with the approval of Ambassador.

(Sunil Kumar)

Second Secretary(Com)