Embassy of India

Tripoli

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Monthly Commercial Report for the month of June 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 1200 KM from the capital). Militias have taken over control of Tripoli with all the central Ministries and departments with de-facto control resulting in the closure of government offices, chambers and other government institutions since July, 2014. Prominent businessmen, expatriate community including diplomatic corps have shifted to neighboring countries. The Embassy itself has been relocated to Djerba in Tunisia. Tripoli airport has been completely destroyed. The civil unrest, which Is significant deterrent to international trade and investments, also impacted on our own exports.

Hydrocarbons

2. **Libyan oil production up to 500,000 bpd:** Libya's oil production is up to around 500,000 bpd and gas production is up to around 200,000 cubic metres, the NOC in Tripoli has reported on 14th June. If these figures are correct, it would represent an increase in production as the most cited production figures had put production at around 300,000 bpd. These increased production figures will come as a great relief for the Libyan authorities, but are still a far cry from the peak 1.5 million bpd that Libya reached in 2012 after the collapse of production during the 2011 revolution. Libya is currently going through an acute economic and financial crises with low oil revenues and depleting foreign currency reserves

3. **Ras Lanuf port back in business:** Ras Lanuf port is back in operation after a three-month disruption by fighting in Libya's oil crescent.First tanker, coming from Turkey, delivered 5,800 tonnes of product to the port Ras Lanuf and Es-Sidra on 1st

June. Two of Libya's largest export terminals were closed earlier this year because of fighting between Misratan-led Libya Dawn forces and the Libyan army.

4**.** **HoR Government unable to sell a single barrel of oil**: It was reported on 13th June that two months on from its move to bypass the National Oil Corporation and supply oil directly to world markets, the government in Beida has not managed to sell a single barrel. Even though it is internationally-recognized, traders have proved unwilling to work with the government of Abdullah Al-Thinni and to bypass their established commercial links with NOC and the risk of NOC suing over ownership of cargos sold directly by Beida has not seemed worth it. The oil export terminals in the government-controlled east of the country, including that at Hariga, within sight of the Tobruk-based House of Representatives, have continued to work with NOC in Tripoli, loading tankers against paperwork raised in the capital. The government controls more than half of the current exports of 460,000 barrels per day. Its failure to generate much-needed foreign currency from an asset that it is actually in its hands in an embarrassment. Last December the government fired NOC chairman Mustafa Sanalla replacing him with Mabrouk Busief. It has since threatened to sue any traders buying from Tripoli-based NOC but no cases have yet known to have been launched. There are also unconfirmed reports that deep discounts have been offered to customers willing to pay into a special bank account that the government has opened in Dubai. However, NOC, like the Central Bank and the Libyan Investment Authority continues to insist that it is neutral in the power conflict between the government and Libya Dawn.

INTERNAL

5. **HoR passes LD 41 bn 2015 budget:** The House of Representatives (HoR) On 22nd June passed the 2015 budget. The 2015 budget totalled LD 41 bn but is forecast to result in a LD 26 bn budget deficit which means Libya's revenues are expected to be no more than LD 15 bn in 2015. The drastic fall in Libya's 2015 budget reflects the equally drastic fall in Libya's oil production, down to under 500,000 bpd from a peak of 1.5 million bpd in 2012. It also reflects the collapse in international crude oil prices from over US$ 100 pb to around US$ 65 pb.

6. **New industrial zone for Tobruk:** Tobruk is to have a new industrial district which it is hoped will attract investors and businesses to the area. The 1,000 hectare site in the Batrona district, 15 kilometres south of Tobruk military base is designed to boost jobs and economic activity. The spokesman for Tobruk municipality, at a ceremony said "It is one of the largest and most important projects and we believe it will prove highly attractive to investors". However, no forward move could be expected till the political and security situation stabilizes.

7. **New Central Bank of Libya HQ opened in Beida:** HoR President, Ageela Saleh opened the new headquarters of the Central Bank of Libya (CBL) in the eastern city of Al-Beida on 4th June. He was accompanied by CBL Governor Ali Salam Hibri as well as a number of Representatives, a representative of the Abdullah Thinni government and head of Al-Beida city council. In an interview, bank Governor Hibri told that the opening of the CBL in Al-Beida was evidence of the breakup of centralization which the country had suffered from for nearly 50 years and is part of Libya's modern efforts to decentralize, and the expansion of executive

powers to banks in Tripoli, Benghazi and Sebha. However, Hibri went on to add that the CBL was a well-established institution that is indivisible which will remain as the financial core for Libya and the compass that will lead the country to prosperity.

8. **Tripoli import ban reversed:** On 10th June, the Tripoli authorities have reversed the import bank issued on 17 May on 32 items through letters of credit (LC's) for six months. The import ban was announced as a move to stem the hemorrhaging of Libya's fast depleting foreign currency reserves. The authorities said they had reversed the import ban because the Central Bank of Libya (CBL) had failed to impose the ban.The acknowledgement that the CBL had ignored the Tripoli authorities' decree is an embarrassing revelation confirming that the CBL sets its own economic and fiscal agenda for Libya. It also confirms that the CBL was probably not consulted prior to the announcement of the import ban.The import ban had attracted much criticism from the business community as inflationary and encouraging black-market economy.

9. **Tripoli Business Incubator signs agreement with Tripoli University:** an agreement to create a Tripoli University Business Incubator was signed on 11th June between Tripoli University and the Tripoli Business Incubator Centre, which is part of Libya Enterprise, the Ministry of Economy department responsible for promoting small and medium-sized enterprises (SMEs) in Libya. The incubator will aim to narrow the gap between Tripoli University's educational outputs and the needs of the workplace and business environment in Libya. It aims to encourage projects at the universities into incubating into business ventures and hopes to attract finance from businesses. Businesses have long complained that Libyan universities are mass producing students who are not adequately skilled for the workplace, and the SME department in the Ministry of Economy rebranded Libya Enterprise has worked closely over the last few years with the Ministry of Higher Education to encourage students to prepare for the workplace and become more entrepreneurial.

10. **Deal over LIA control back on track:** Peace appears to have broken out among the rival chiefs of the Libyan Investment Authority, ending a row which threatened the continuation of claims worth $3.2 billion in UK High Court against two leading international investment banks. The dispute between the former LIA chief Abdulmagid Breish and the new LIA board appointed by the Beida-based government in March meant that the UK law firm, Enyo Law, hired to pursue both cases, threw in the towel last month when the firm had become alarmed because it could not receive clear instructions from the rival managements. The LIA has been suing Goldman Sachs of the US for $1.2 billion and France's Société Generale for $2.1 billion. It is claiming that Goldman advisers lured LIA investment managers into high-risk derivatives that went sour, losing virtually all their value. Meanwhile, SocGen is accused of handing out bribes worth tens of millions to top Qaddafi aides to secure the approval of another high-risk portfolio that also went disastrously wrong. Both banks are alleged to have also charged swingeing fees for their advice. Each has denied any wrong-doing.

11. **Arab Banking Corporation rebrands as Bank ABC:** Arab Banking Corporation (ABC) has announced that it has revamped its corporate identity and changed its brand name to Bank ABC. The bank's new identity launch coincides with the commemoration of its 35th Anniversary on 17th June. The legal names of the

Arab Banking Corporation and its subsidiaries will not change. Saddek Elkaber, the bank's chairman, who is also the disputed governor of the Tripoli Central Bank of Libya, sacked by the House of Representatives last September, said: "The rebrand marks a new era in the history of the bank. The rebranding will also support Bank ABC as it continues to develop as a truly global, client-centric organisation that bridges the world's markets to the Middle East. According to Bank ABC, the new brand underpins its core strategy to deliver a high-performing international bank. It says it will continue to grow its primary banking franchises in MENA and Brazil while seeking opportunities to add to its primary markets, international network and capabilities that complement its existing business. At the same time, Bank ABC says it will also to focus on enhancing its operating model around investment returns, strategic cost management and strict compliance with regulations.

12. **CBL eases LCs for manufacturing raw materials** The Central Bank of Libya (CBL) on 22nd June eased restrictions on the opening of documentary Letters of Credit (LCs) for Libyan companies importing manufacturing and industrial raw materials. It issued instructions to all domestic banks to give priority to this sector in facilitating the opening of LCs. The implication in the CBL circular to local banks was that the failure to open LCs for this sector would lead to a shortage of their products which would ultimately lead to their import at a higher price.

BILATERAL

13. 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%

14. 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).

15. During the month of June, 2015, the Mission issued four business visas.

This issues with the approval of Ambassador.

(Sunil Kumar)

Second Secretary(Com)