



September 2011

Dear Colleague

Prime Minister David Cameron and French President Nicolas Sarkozy co-chaired an international conference in Paris on 1 September to discuss the future of Libya with the National Transitional Council. The conference's conclusions were set out in a "Chair's" statement¹. A key passage states,

"To enable the Libyan authorities to cope with the pressing needs of the population and immediately embark on the restoration of the State and the reconstruction of the country, the participants also agreed on the need to make available to them urgently the Libyan assets frozen under Security Council resolutions. They welcomed the recent unfreezing of \$6 billion of those assets [comment: adding together US, UK, French and other European Government action]. The Libyan authorities underscored the National Transitional Council's commitment to ensure that all assets will be managed on behalf of the Libyan people in an accountable and transparent manner".

On 2 September, the EU released the frozen assets of 28 Libyan entities² including banks (but not yet the Libyan Central or Foreign Banks), oil companies (but not yet the NOC), ports - and Libyan Arab Airlines, raising the prospect of the resumption of air services.

Meanwhile Dr Ali Tarhouni, the NTC Minister of Oil & Finance, newly appointed NOC Chairman Nouri Berouin³ and his predecessor Dr Shukri Ghanem (who left Libya earlier and was speaking from Dubai) have all said that Libya's oil production and exports can resume within three months at around 250-300,000 barrels a day, rising to 2010 levels in about 15 months. At \$100+ a barrel, this could provide the Libyan authorities with revenue of up to \$1 billion a month - assuming that the security of oil installations and pipelines can be assured in the face of any continued military or terrorist threat from the rump of Qadhafi's forces.

¹ <http://www.fco.gov.uk/en/news/latest-news/?view=PressS&id=650726482>

² http://www.hm-treasury.gov.uk/d/fin_sanc_libya_reg_872_020911.pdf

³ <http://www.ogj.com/articles/2011/08/libya-sees-oil-production-rising-to-prewar-levels-in-15-months.html?cmpid=EnIEDSeptember12011>

For six months, the NTC and its partners have been preoccupied with winning the battle against Qadhafi and his forces. Now that the military campaign is drawing, we all hope, towards a conclusion and the NTC is turning its attention to stabilization, humanitarian relief and the restoration of basic supplies, it will soon focus on the needs for reconstruction and economic development which I identified in my newsletter of 26 February.⁴ Shortly, there will once more be a role for international trade and investment – and the NTC’s public commitment to an economic policy along the lines I described is encouraging.

You may have seen reports⁵ of French plans for a business conference in Paris on 6 September and for a trade mission sometime in September led by the French-Libyan Chamber of Commerce (and principally including French oil and defence supply companies). Like us, they will be keen to get the timing right. A government-backed German trade mission in early August was premature. Decision makers had other priorities then and there may yet be a reshuffle among their numbers to include representatives from Tripoli and other liberated areas.

Lord Trefgarne and I are therefore discussing with NTC officials the organization of a reconnaissance visit by us this month. We are likely to visit Tripoli rather than Benghazi, now that the NTC is moving there and has appointed key officials: Mohammed Layas has been retained as Chairman of the Libyan Investment Authority (LIA) and he has a new Chief Executive, Rafik El Nayed. The NTC Ministers of Oil & Finance (Ali Al Tarhuni), Health (Naji Barakat), Reconstruction & Infrastructure (Ahmed Al Jehani), Education (Suliman El Sahli) and Internal Affairs & Local Government (Ahmed Hussein Al Darrat) are all now moving to Tripoli.

We will explore with NTC decision makers what their plans, requirements, priorities and budgets are on a sectoral basis; and we will develop our proposal for a timely business delegation accordingly. Indeed, a secondary objective of the recce will be to clarify the logistics and costs of visiting Libya now and we are confident of bringing the delegate cost of a mission well down from the level I gave in my last newsletter. I am grateful to

⁴ “Any Libyan administration will need to develop oil and gas production and exports to fund the economic and social aspirations of its people. The people will expect a future government to do more to create jobs (and so diversify the economy), provide health, education and other services and build the physical, financial and legal infrastructure to support a modern economy. In turning their backs on the economic policy of the Qadhafi era, they are more rather than less likely to welcome an increased role for the private sector (although this is always harder when it’s the government that gets the oil revenues), demand more transparency in business as well as politics (due diligence anyone?) and, one would hope, be less tolerant of corruption”.

⁵ <http://www.reuters.com/article/2011/08/30/france-total-idUSLDE77TOMA20110830>

those of you who responded to my request for comments and these made it clear that there was no appetite for a high cost delegation.

Meanwhile, many of you will have received invitations to a UKTI Conference on Libya on 27 September. This is intended to provide advice on how to prepare for post-conflict reconstruction and how to engage with the National Transitional Council (NTC) and the Libyan private sector “when the time is right” (my quotation marks). It will also discuss areas of potential opportunity and break out sessions suggest that UKTI expects these to be in Oil, Gas & Power; Infrastructure; Healthcare; Banking, Financial & Business Support Services; Civil Security; and Education & Skills. Lord Trefgarne and I will be attending and we will report on its conclusions to those of you who are unable to take part.

I look forward to visiting Libya again and believe it will be a good market for UK firms. British support for this year’s revolution was not about business – as you can all attest. But if the removal of Qadhafi and his brutal and corrupt regime spells the end of arbitrary and unpredictable economic management and its replacement with an accountable, transparent and economically literate business environment, Libyans and their foreign business partners alike, including ourselves, will all be better off. In such an environment, UK firms (who already enjoy Libyan goodwill) offering high quality goods and services, supported where necessary by innovative financing proposals, are going to be well able to compete successfully for Libyan business.

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