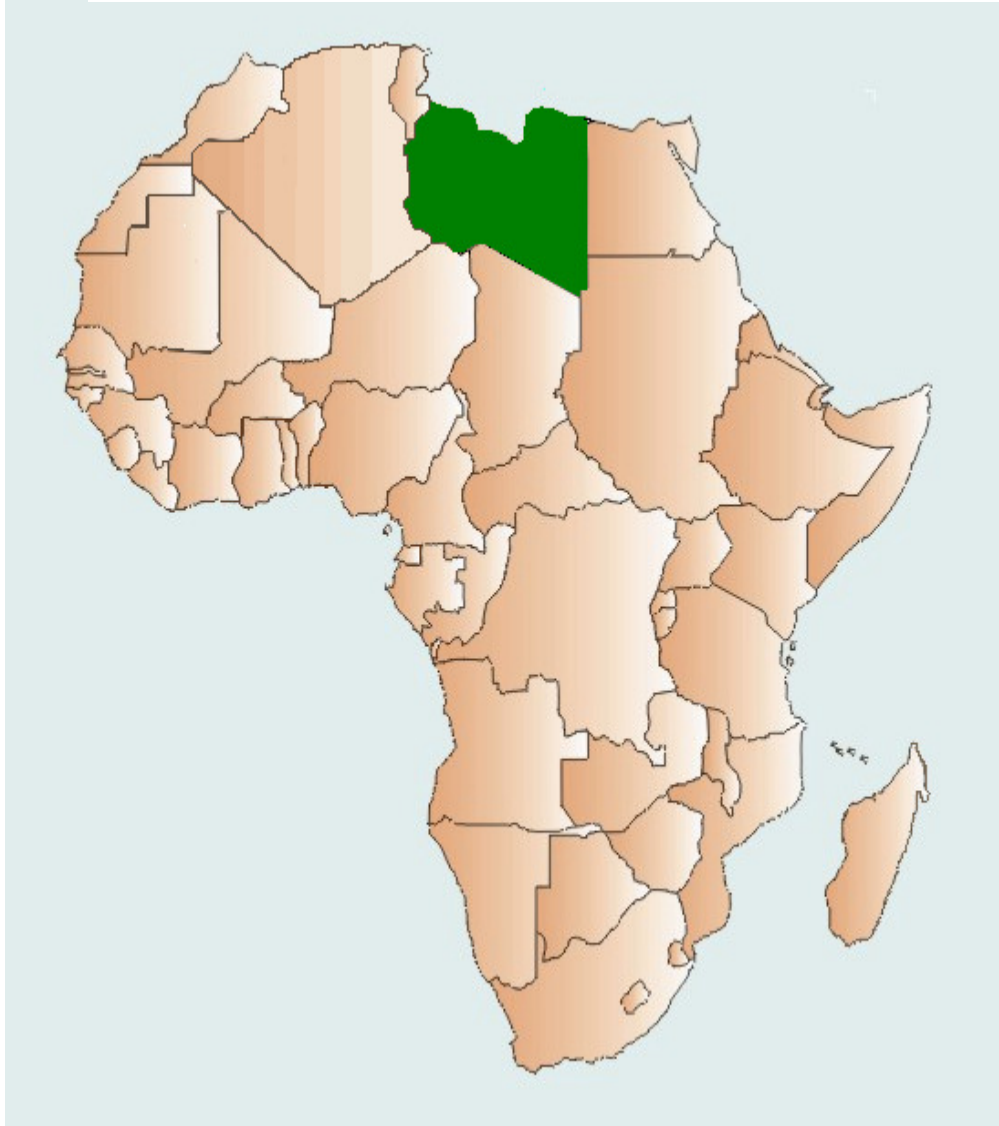


UK TRADE & INVESTMENT

LIBYA

LIBYA

***A CHALLENGING
OPPORTUNITY***



Libya: A Challenging Opportunity

Overview

Change is in the air in Libya. Not just the sprucing-up of the main cities for the 40th anniversary of Col Qadhafi's revolution. Not political change, but clear business opportunity for those patient and persistent enough to take it.

The overall business climate has also improved over the last two years, and Libya is well resourced to withstand shocks in the global business network. Personal relationships matter in Libya, as elsewhere in the Middle East - you will not do business here long-distance. So come and take a look for yourself!

Economy

The country is moving slowly and patchily from centralised state control to engaging with globalisation. The state earns more in oil revenues than it spends in the annual budget, and has no external debt. The credit agencies rate it AAA minus. State control remains in areas such as insurance and banking. The playing field is improving, but is not yet level: foreign investors need to associate with the right Libyans, to get on. More investment projects are announced than those, which actually happen. A well-chosen Libyan partner will help you to know what is for real. There is an acknowledged need to diversify the Libyan economy, and to provide quality jobs for its growing student population. The private sector is growing, cautiously, after the many years of nationalisation and state control. The quality retail sector is set to grow.

Tourism

1 September 2009, Colonel Qadhafi's 40th year as leader of the country. Libyans are making up for lost time after years of isolation ended when Colonel Qadhafi announced in 2003 that Libya would relinquish its weapons of mass destruction. It is now an exciting new Mediterranean destination, only a 3¼ hour flight from London (direct with BA seven days a week). It is once

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more a regular port of call for cruise ships and its tourist industry is expanding, if slowly, to meet the demands of increasing numbers of visitors. It will never be a mass tourism market and alcohol is banned, which means you can be alone and undisturbed as you soak up the atmosphere and the sun.

For the historians amongst us, Leptis Magna and Sabratha are two of the finest Roman cities in existence. To the east, Cyrene and Apollonia are exquisite monuments of ancient Greece, while Tobruk evokes memories of valour in World War II.

Infrastructure

Libya now feels like a country on the upswing. Tripoli and the other major cities are, developing; slowly architectural design and infrastructure improvements are changing the skyline. There has been a new impetus to building activity to mark the 40th anniversary of the Libyan Revolution in September 2009. Work is underway on the Tripoli Airport project and the Tripoli ring road. Building has also started on several 5-star hotel projects, which means that business visitors will have more choice in years to come. Today, the Corinthia Hotel and the Al-Waddan are the best in town. Libya's state-owned Housing and Infrastructure Board has let contracts worth \$50 billion in the last 2 years - mainly in housing and utilities, but also roads and bridges. Libya's infrastructure is improving, though there is still quite a way to go to join things up, e.g. in wastewater treatment.

Oil & Gas

With production currently at approximately 1.5 million barrels of oil per day, Libya is the second largest of Africa's oil producers and the fourth largest gas supplier, and Europe's single biggest oil supplier. Capacity is 2 million bpd and the National Oil Corporation is working to increase this to 3 million bpd by 2016.

Libyan oil is light and "sweet", costing less to refine. Only 25% of Libya's surface territory has been explored to date. It has the largest proven oil reserves in Africa of 42 billion barrels of oil and over 53 trillion cubic feet of gas. There is every chance that actual reserves are twice those figures. Libyan investment in exploration

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and development should total \$42bn in the next five years, with nearly 50 International Oil Companies active in the market. In 10 years' time, Libya could be supplying gas to the UK - already, Libya provides a third of Italy's energy needs.

Banking/Financial Services

Libya has an estimated \$136bn in foreign currency reserves and is looking for places to invest. The Libyan Central Bank currently holds \$67bn of these reserves. A further \$69bn is held by the Libyan Investment Authority, which is due to open its first overseas office in London in the coming months. But the economic traffic is not all one-way. The private sector's share of the Libyan banking sector is steadily increasing. Foreign consultancy services are in demand, and UK banks are investigating the potential of the Libyan market.

The Central Bank of Libya announced in May 2009 that nine commercial banks could seek "strategic partnerships" with foreign banks, capping at 49 per cent the stakes foreign investors can own. The participation of the foreign partner should increase the capital of the local bank by at least 70 million dinars (\$55 million). The Central Bank also said that any partnership agreement between a local bank and its foreign investor should provide for at least 90 per cent of the venture's employees to be Libyan nationals. The nine commercial banks affected are: Commercial and Development Bank, Trade and Investment Amen Bank, Arab Ijmaa Bank, Moutawassat Bank, Wafa Bank, Waha Bank, Unified Bank for Commerce and Investment, Arab Commercial Bank, Saraya Bank for Commerce and Investment.

In late September 2009 it was announced that Libya aims to privatise part of the National Commercial Bank (NCB) and will open the sector to more competition by selling bank licences. There will be a bidding round next year for two to three licences for new banks. The tender process would be open to international banks, which would not need a local partner. A 15 per cent stake in NCB worth 50 million dinars would be floated before the end of 2009 after already selling holdings in two other banks to foreign lenders in 2007 and 2008.

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The move follows the flotation of 15 percent of Al Joumhouriya Bank on the local stock market earlier this year and government steps in May to set regulations for its commercial banks to seek strategic partnerships with foreign banks. The measures are part of the Central Bank's strategy of reforming the country's banking system and improving its competitiveness. The authorities are trying to reform the highly centralised banking system, which is widely seen as the main obstacle to growth, and to attract more private investment outside the oil and gas industry.

Libya sold 19 per cent stakes in two banks to two foreign banks (BNP Paribas and Arab Bank) in 2007 and 2008 and government officials said they wanted to assess what benefits the country's banking system would gain from these sales before deciding whether to expand the privatisation. In March, the Central Bank said the government was planning to float at least 15 per cent of Al Joumhouriya Bank on the local stock market and aims to grant licences for three foreign lenders to open branches in Libya next year. Joumhouriya (Republic), Libya's biggest state-owned bank by assets, has capital of more than 1 billion dinars after merging with another bank, Al Oumma (Nation) Bank. Government officials have said they plan to give licences for foreign banks to launch operations next year, either alone or in partnership with Libyan investors.

UK Commercial Interests in Libya

In 2008, UK visible exports to Libya were £280 million, up 21% on 2007 (£232 million). After the first seven months of 2009, UK visible exports to Libya were up 37% to £223 million, compared to the corresponding period in 2008 when they were £163 million. Also in 2008, Libyan visible exports to UK were £960 million, up 66% on 2007 (£577 million)

UK invisible exports (i.e. trade in services) to Libya in 2008 were £244 million and invisible exports from Libya to UK were £137 million.

There are strong links between the UK and Libya in the oil and gas sector with Shell and BP looking for gas here. Shell is one of the largest investors in Libya, and is refurbishing Libya's only LNG

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plant. In 2008, BP returned in strength launching a US\$1.3 billion gas exploration programme. If they are successful in their search, BP's investment is set to increase significantly in the longer term, with significant job creation, and a strong educational component. BG also maintains a presence in the market.

Many other well known UK-based companies are also very active in the Libyan market, such as: Biwater, AMEC, WS Atkins, British Airways, Cummins Power Generation, Buro Happold, FG Wilson (Engineering) Ltd, Mott MacDonald, Halcrow, Bhs, Marks & Spencer, Monsoon Accessorize, Next, G4S, HSBC, Arup, Davis Langdon, British Arab Commercial Bank, GD(UK), Corus International, KPMG, GSK, AstraZeneca, JCB, Rentokil, De La Rue, BT, Interserve, Unilever, Ernst & Young, Parsons Brinckerhoff, PWC, Herman Miller, Land Rover, Aggreko, Chesterton Humberts and Weir Group; and the number is growing all the time.

More than 150 UK based companies operate here. The local British Business Group, with 100 plus members, has increased its membership by 25% in the last year.

Education and training are particular growth areas. The very good local British School (established in 1968), which goes up to Year 8 (and Year 9 is to be added in September 2010), continues to expand, and has trebled in size since 2006. It currently has 160 pupils with plans to expand to more than 180 in January 2010.

The UK/Libya relationship is strengthened by Libya's thirst for the English language, and by familiarity - many senior Libyans in government or in business have studied in the UK, and want their children to do the same. The Ministry of Education and Scientific Research allocate over 6,000 scholarships for study in the UK every year, worth over £100 million to UK Universities and colleges in fees.

The English language, and the British Council (BC), are therefore one of the UK's greatest assets in Libya, as English is the (unofficial) second language. The BC, which has 83 staff in country, teaches more than 1,200 Libyans directly at its teaching centre in Tripoli, and thousands more through the BC lecturers

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working in Libya's Universities across the country. The BC also organises the ELTEX Exhibition each spring, bringing scores of UK universities and educational/training institutions to Tripoli and Benghazi.

There are more Libyan undergraduates studying in the UK than from any other Arab country: remarkable, given that Libya's population is just over 6 million. More than 7,500 Libyan students are in UK at any one time in higher and further education or studying English, and over 3,000 Libyan doctors now undertake medical training or work in the UK NHS.

Whilst the energy sector remains the mainstay of Libya's economy and UK interest in Libya, sectors such as healthcare, financial services, retail, aviation, education & training, ports/airports, architecture, design, construction, infrastructure and environmental protection all offer opportunities for UK Plc.

Doing Business in Libya

Libyans look for trust and wholeheartedness. They value long-term commitment, and frequently do business with the same company for many years in a relationship which can become more like a friendship than a business. They therefore have a preference for friendships, seeing the same faces. Other key pointers for doing business here include:

- Have a good product or service that the Libyans really want;
- Choose the right local partner - be cautious; lots of new entrants in Libya making big claims;
- Get a good local lawyer;
- Use local knowledge e.g. British Business Group of Libya;
- Be in it for the long term; and
- Persistence and personal relationships are the keys to success.

The principal problems that UK companies face are:

- The absence of a level playing field for all companies, both Libyan and foreign;
- Increased commercial competition from the US since the appointment of a US Ambassador to Libya in 2008;

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- The need for more transparent bureaucratic and judicial processes e.g. for licences, and better access to information about future developments;
- Unwieldy bureaucracy, particularly visas for visiting British business people.
- Information, whether statistics, data about institutions, contact information or anything else, remains very hard to find.

Whilst Libya is a challenging business environment at times, persistence, patience and optimism are the keys to doing business successfully here, and it is certainly never dull!

Telephones

Telephones can be unreliable in Libya. Voicemail is unusual. Mobile phones are used far more for core business than in Europe and it would not be considered unusual if you were to contact someone for the first time on a mobile phone.

If you were to bring your UK mobile phone to Libya, please note that currently only T-mobile, Vodafone and 3 work in Libya.

The international dialling code for Libya is +218. Landline numbers in Tripoli are prefixed with 021 and mobile numbers with 091 (Al Madar) or 092 (Libyana).

Post

Post is unreliable in Libya and sending key documents by courier is recommended. Fax is the preferred method of communication, although there is an increase in the use of email. Not everyone has access to the internet, so including a brief summary of website material in print may be appropriate. Telephones, faxes and emails are not suitable in Libya for commercially or personally sensitive material.

Currency

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The unit of currency is the Libyan Dinar (LYD). The bank notes come in denominations of LYD ¼, ½, 1, 5, 10, 20 and recently 50. The currency is pegged to the US Dollar at a rate of LYD 1.24 to \$1. As at October 2009, £1 = LYD1.92.

Money

Libya is a cash society. Credit Cards are not widely used although VISA and MASTERCARD are starting to be accepted in some outlets. There are few reliable ATMs in Tripoli.

Electricity

Electricity is supplied at 220 volts, 50 cycles AC. Plug fittings are of the 2 pin round continental variety and light fittings of the screw type.

Hotels

When you are planning your visit to Libya please bear in mind that hotel space is at a premium. It can be very difficult to find good quality hotel accommodation during busy seasons and the problem is particularly acute around the dates of major exhibitions.

Language

Arabic is the official language. English is widely used and understood and it is also now unofficially the second language.

Getting Around

The easiest way to get around during a visit to Tripoli is by black and white taxi. They are generally inexpensive. They can be flagged anywhere on the street. Taxis from the airport to the main city centre should cost between 25 and 30 Dinars. You should expect to pay a flat fare of LYD5 for any reasonable journey inside the main Tripoli city boundaries. If you expect a driver to wait for you throughout a meeting, to find out directions to the next meeting or to help with additional services (such as helping you get through reception) it will cost more.

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There are no reliable street maps of Tripoli and not everyone (including taxi-drivers) uses them. The drivers are not always familiar with companies and most work on prominent landmarks or well-known shops. Make sure the driver knows exactly where he is going before you set off, and have to hand the mobile number of the person you are going to see.

There are many local and international car hire companies operating in Libya. Visitors will require an international driving licence to hire a car in Libya, but it is safer for you to hire a car and driver.

UK Trade & Investment Team
British Embassy Tripoli

6 December 2009

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UK TRADE & INVESTMENT TEAM
BRITISH EMBASSY TRIPOLI

**The UKTI Team in Tripoli is keen to help UK companies do business and
has the necessary skills and experience to help you successfully enter
*Libya: the Land of Opportunity and Challenge***

“Your Success is Our Success”

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