

Libya: Glint of sunlight through the sandstorm

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- Diplomatic efforts to bring an end to Libya's east-west conflict are said to have made some progress, albeit with huge obstacles still in the way.
- The US is becoming concerned about a growing role by Russia in the conflict, fearing intervention such as occurred in Syria.
- The IMF expects 2019 real GDP at 4.3% based on oil production at around 1 Mb/d. But such growth will be difficult to sustain in 2020 in the absence of an agreement that reduces oil supply disruptions.

Inching towards a new roadmap for peace

Although Libya remains in the grip of its east-west civil war, diplomatic efforts to end the conflict have made some progress. Unravelling the self-destructive crisis remains some way off, however.

- Senior officials of the so called 5+5+3 countries met in Berlin in November to prepare for a larger peace conference in the city, likely to be early next year rather than the hoped-for pre-Christmas date.
- The 5+5+3 formula is designed to keep the numbers of countries involved to a smallish group. They are the UN Security Council's permanent five (US, Russia, Britain, China, France), five key countries (Germany, Italy, Egypt, Turkey, UAE) and three regional organisations (African Union, EU, Arab League).
- UN Special Envoy Ghassan Salame is playing a major role within the grouping.
- Talks host Germany reports that some progress has been made, although significant obstacles remain. There are six main issues, most of which were outlined in earlier agreements:
 - Getting Libya back to a position where it can run its own political process;
 - Reforming the battered economy;
 - Reforming the security sector (i.e. Libya's divided military and para-military forces);
 - Imposing a permanent ceasefire;
 - Making sure all countries respect the arms embargo;
 - Ensuring respect for human rights and humanitarian law.
- One key problem is trust: if Egypt, the UAE and Turkey sign up, for example, will they genuinely adhere to commitments in areas such as the arms embargo?

Economic and political reform remain the main goal, given Libya's competing governments, declining economy and the continuing conflict around Tripoli.

- The 5+5+3 are seeking unification of the central bank, the establishment of a reconstruction and development fund, and an economic commission to co-ordinate economic reform throughout the country.

Table 1 - Libya Macroeconomic Indicators¹

	2016	2017	2018	2019e	2020f
Real GDP Growth (%)	-7.4	64.0	17.9	4.3	1.4
Crude Oil Production (M Bpd)	0.3	0.8	0.9	1.0	1.0
Oil GDP Growth (%)*	-5.4	116.8	10.5	12.4	...
Non-oil GDP Growth (%)*	-2.0	0.0	5.0	3.0	...
CPI Inflation (%)	25.9	28.5	23.1	15.0	15.0
Fiscal Balance (% of GDP)	-113.3	-43.0	-7.4	-10.9	-14.9
C/A Balance (% of GDP)	-24.7	7.9	2.0	-0.2	-7.8
Total Gov't. Gross Debt (% of GDP)	189.7	140.8	102.5	104.8	111.6
Total Gross Extr'n'l Debt (% of GDP)	20.6
Gross Official Reserves (Months of Imports)	19.8
Nominal GDP (USD B)	18.5	30.6	43.6	45.0	50.4
Population (Millions)	6.4	6.5	6.6	6.7	6.8

- Political reform could include the temporary formation of a committee comprised of 13 members of the House of Representatives, 13 from the Higher State Council, plus 13 independents chosen by the UN.
 - The number 13 relates to the country's 13 electoral districts. The committee would amend the current Libya Political Agreement and arrange for elections.

Away from diplomacy, the situation on the ground in Libya remains relatively unchanged with, as we have suggested before, neither the internationally recognised Government of National Accord (GNA) in Tripoli nor the Benghazi-based Libyan National Army (LNA) of General Khalifa Haftar able to secure a victory alone.

- Haftar's forces drove rival groups from the 70 Kb/d El Feel oilfield in late November after attacking the area with air strikes that halted production.
- The US has become concerned about Russia beginning to play a larger role in Libya (in support of Haftar).
 - Russian mercenaries have been reported fighting in the country and US and GNA officials say Moscow has brought jets, missiles and artillery into the conflict.
 - This is described as the same strategy that Russia used to get involved in the Syrian civil war.
 - The US concern may translate into pressure on some of its allies, e.g. Egypt and the UAE, to force Haftar to compromise with the GNA.
 - US officials met with Haftar last week to press him to end his offensive on Tripoli.

The IMF expects real GDP growth at 4.3% this year based on oil production at around 1 Mb/d. The fall from 2018's roughly 17.9% of GDP is exaggerated by 2018's huge bounce from earlier chaos.

- Oil output has been hampered by technical breakdowns, protests and sabotage. Production averaged 952 Kb/d in 2018, up from 811 Kb/d in 2017.
 - In August, national output reached a five-month low of 950 Kb/d but climbed to 1.18 Mb/d in November compared with a recent five-year peak of around 1.17 Mb/d in April and May.
- Libya is struggling to bring on new supply due to security concerns. BP and Eni postponed their oil exploration venture following the deteriorating security situation.

¹ Arabia Monitor; IMF.

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