

12 February 2012

This is a fortnightly report that analyses the strategic and tactical risks for companies considering entering, or already operating in, Libya. It combines Aegis Advisory's proprietary information with expert knowledge from our country team based in Tripoli to deliver unparalleled insights into the evolving situation in Libya in the context of its region.

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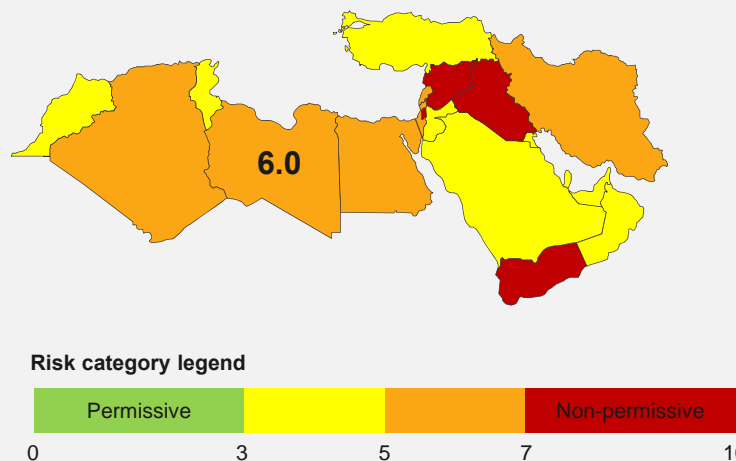
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Strategic Outlook

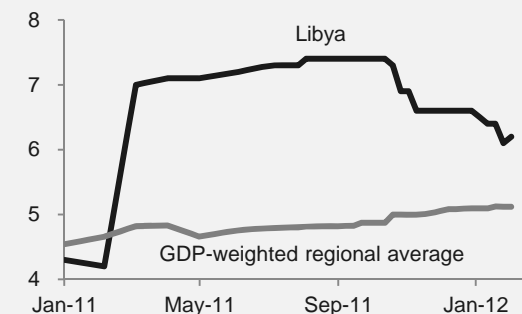
Public dissatisfaction with the National Transitional Council (NTC) continues to rise as the interim government proves unable, and to some extent unwilling, to take meaningful steps to meet popular post-revolutionary aspirations. On 21 Jan, the NTC offices in Benghazi were ransacked. As parties continue to form and mobilise ahead of elections this summer, critical voices are likely to grow, as are those supporting regional or religious interests.

Little progress has been made on disarming militias, which continue to dominate the streets and have been involved in significant recent fire fights in Tripoli, Gharyan, Kufrah and Bani Walid. The security situation remains volatile, and low-level crime is on the rise in Tripoli. The combination of limited opportunities, disenchantment and a lack of effective centralised security forces means that this situation is likely to worsen over the coming months. The anniversary of the start of the revolution on 17 Feb is a particular date for caution, given the inevitable celebratory fire and militia bravado on the streets.

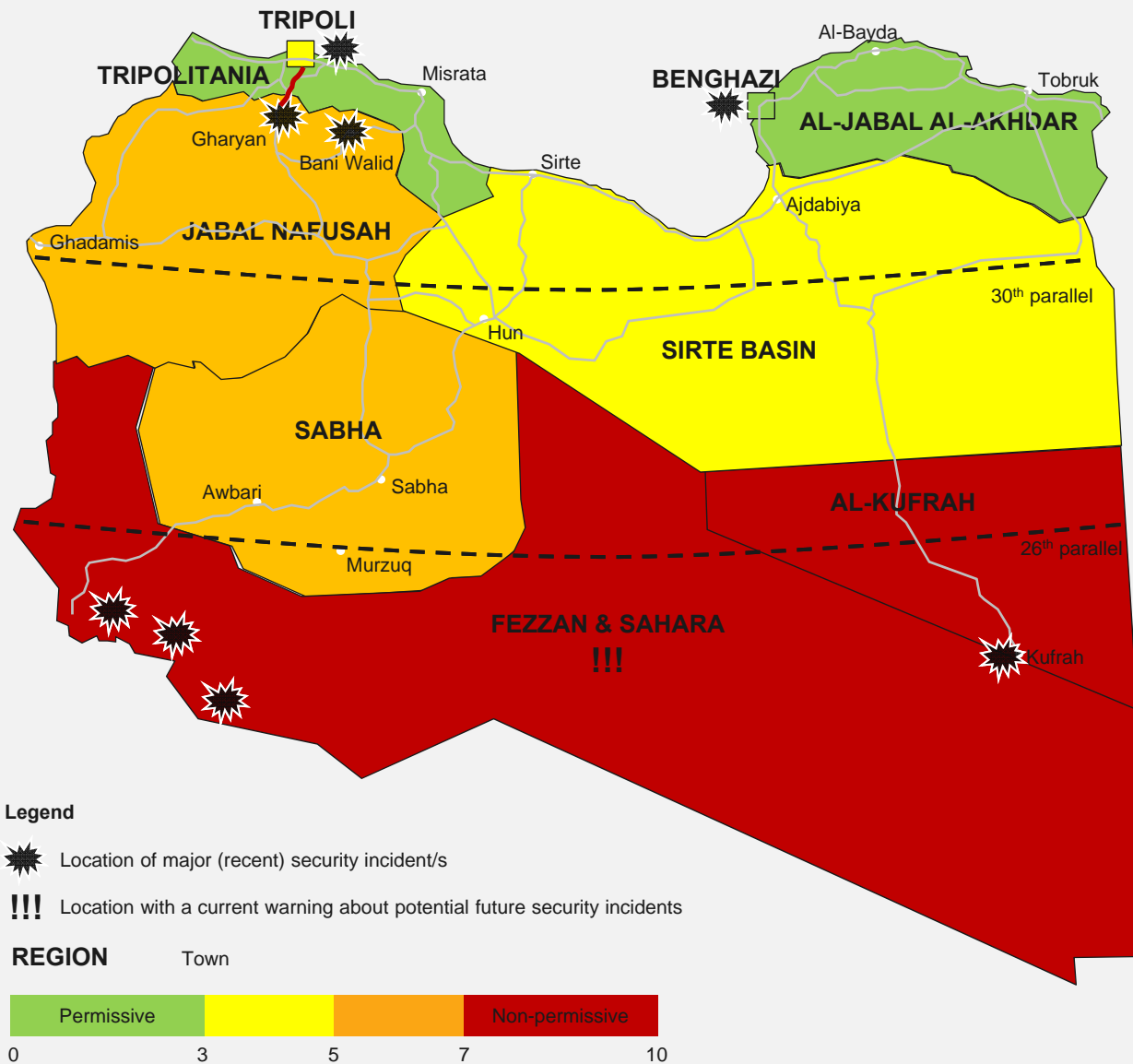
Security and criminal risk level by country



Strategic risk scores over time



The risk scores shown above are from the Aegis Strategic Risk Assessment (ASTRA) system. For background information on ASTRA, please see the last page of this report.



- **Gaddafi heir threatens counter-revolution:** On 11 Feb, Saadi Gaddafi threatened to return Libya to violence for the first anniversary of the start of the revolution, as the elections process continues (see page 4 for details).
- **Deteriorating security in Tripoli:** On 1 Feb, the Misrata and Zintan militias fought a two-hour fire fight in Tripoli that left four dead (see pages 3 and 6).
- **Clashes in Kufrah, Gharyan and Bani Walid:** Serious fire fights occurred between militias in Kufrah on 13 Feb and in Gharyan on 6 Feb. On 23 Jan, the NTC temporarily lost control of Bani Walid to Warfallah tribesmen (see page 7).
- **NTC offices in Benghazi attacked:** On 21 Jan, up to 200 protesters violently ransacked the local headquarters of the NTC (see page 4).
- **Trade delegates visit:** Delegates from Canada, the UK and the UAE visited Libya over the last three weeks to explore business opportunities, as oil export levels continue to rise (see page 5).
- **UN Sahel-Sahara warning:** UN Security Council (UNSC) warned about deteriorating security in this region (see page 7 for details).

Current Libya risk category ASTRA scores and outlook

- Increasing risk
- Risk level steady
- Decreasing risk

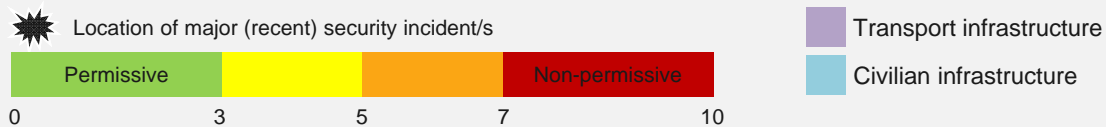
Political	5.9	●
Security	5.7	●
Criminal	6.3	●
Governance	7.5	●

Tripoli: Significant recent incidents

1. 27 Jan: Expatriate security manager's car attacked by mob of youths
2. 28 Jan: Misrata and Zintan militias clashed on the western outskirts of the city
3. 1 Feb: Misrata and Zintan militias fought a two-hour fire fight that left four dead (see page 6)
4. 1-6 Feb: Nightly militia fire fights
5. 1-8 Feb: Nightly illegal vehicle check-points



Legend



Assessment updates

- **Nationwide:** Increasing dissatisfaction with the NTC and the dominance of armed militias means that security support remains a necessity. The anniversary of the revolution (17 Feb) will see an escalated threat of attacks, militia clashes, and celebratory gunfire in urban areas.
- **Tripoli:** Permissive by day, but security is volatile and deteriorating. We assess only main roads to be permissive at night. Increasing criminal threat from groups of youths engaged in robbery and carjacking.
- **Western Libya:** Gharyan and Bani Walid should be avoided due to recent clashes. The Tripoli-Gharyan road is classed non-permissive.
- **Southern desert areas:** These parts remain uncontrolled and worsening security makes them highly unpredictable.

Current security and criminal ASTRA scores by region

	Security	Criminal
Tripolitania (including Tripoli)	3	4
Al-Jabal al-Akhdar (including Benghazi)	2	3
Sirte Basin	4	4
Western Libya (Jabal Nafusah and Sabha)	5	6
Southern desert areas (Al-Kufrah and Fezzan & Sahara)	8	8

Dissatisfaction with the NTC

On 21 Jan, up to 200 protesters violently ransacked the local headquarters of the NTC in Benghazi. The crowd, mainly students, demanded the resignation of NTC Vice-President Abdel Hafiz Ghoga. Outlining the growing impatience and grievances of the protesters, one remarked of the NTC: 'We hoped for security, peace and transparency. We have seen the opposite.'

Ghoga is seen by many protesters as an opportunist with ties to Gaddafi, and although he offered his resignation a day later, Aegis sources close to the NTC have stated that his resignation may not have been accepted by Chairman Jalil. This attack highlights the growing impatience of citizens toward the unelected NTC, their desire for faster-paced reforms and the ability of local issues, such as compensation for injured local fighters, to fuse with wider grievances to cause a major incident. Public frustration over the lack of visible improvement at the grass-roots level is increasingly visible and on 23 Jan, Jalil himself was mobbed by protesters and his car burnt out in a similar incident outside Benghazi.

Criticism of the interim government is likely only to grow as Libya's nascent political parties begin to mobilise for the elections. This, added to the disenchantment and lack of employment opportunities for young militiamen, will translate into a deteriorating security situation in the short term.

Elections

The political highlight of recent weeks has been the increasing focus on the political process that should culminate in elections on 19 Jun. Central to this process is the Electoral Law, which exists in draft format and was due for final release on 28 Jan. To date, the draft has been widely criticised.

Pragmatists indicate that there is little clarity on how Libya will be divided into different electoral units and civil society organisations have condemned the limitations placed on female and diaspora candidacy. At the time of writing, the articles responsible for such criticism were being reviewed, but Libyans point out that the damage has been done – the NTC has not made the issue of elections a consultative process.

Also relevant to elections is the Elections Commission Law, which established the creation of the Elections Commission to oversee a secretariat and five field offices. The Commission consists of 17 individuals, with one interviewee reporting that all members belong to local councils.

Nevertheless, evidence suggests the majority of the Libyan public does not appear to understand the purpose of political parties and many see their existence as divisive rather than as an expression of democracy. Likewise, despite lip-service paid to concepts such as democracy, there is little consensus on what this looks like, especially where politics meets religion. Here, Libya is in much the same situation as Egypt: the people will soon choose how far religion will direct their society .

The most promising development at the political level has been the small number of local elections that have already taken place. Although limited by nature, where they have occurred the winners have been welcomed as legitimate. There were further unconfirmed rumours that Benghazi is to have elections shortly and that Misrata will have elections on 17 Feb to mark the anniversary of the revolution.

Gaddafi counter-revolution threat

Saadi Gaddafi warned on 10 Feb of an imminent uprising in Libya, and declared he was in close contact with people in the country who were unhappy with the interim government. Speaking to the Al-Arabiya television channel, Saadi claimed he was in contact from Niger with the army, the militias, the NTC and other members of the Gaddafi family. 'The Libyan people should revolt against these militias and against this deteriorating situation. The NTC is not a legitimate body and is not in control of the militias,' he added, before calling on 'all to be ready for the coming uprising.'

Earlier in the week, Libyan armed forces chief Yousef al-Mangoush said there were concerns of sabotage of the 17 Feb anniversary by Gaddafi loyalists. We assess this latter threat as real.

Oil and gas

The Libyan National Oil Corporation (NOC) announced on 26 Jan that oil production had risen to 1.3 million barrels per day. Much of this has been enabled by the minimal damage caused to oil facilities during the revolution allowing a relatively quick restart of operations, especially by European oil firms keen to begin production again.

Meanwhile, there has been a rise in the number of expatriates associated with the oil and gas industry arriving in Libya over the last two weeks. Aegis sources have indicated that these personnel have almost exclusively been hired by the Libyan firms that partner international oil and gas companies. While international oil companies have started operating again in Libya, the preferred method is to use their Libyan partners on the ground, thereby reducing risk to their own personnel.

Aegis sources close to the oil industry in Libya have indicated that the main problem in dealing with the NTC is knowing who to engage with. Sources indicate that the oil and gas sector's current approach to contracts is 'wait and see', with all eyes looking toward the June elections; a date after which constructive engagement may begin to occur with the more domestically legitimate authorities. The same sources also confirmed that the NTC is very likely to honour the old oil and gas contracts signed with the Gaddafi regime, as they need the revenues, although they are obviously keen to remain tight-lipped about this.

In terms of the NTC's nascent oil policy, decision-making is carried out at different levels. Policy is debated and set by the NTC oil committee. The minister sets oil price and production levels. The NOC defines the level and type of foreign participation. Operational decisions are taken at the CEO level and it is worth noting that procurement for the energy sector began very early and quietly, in order to get production restarted. A leading Libyan businessman estimated the oil services sector to be worth roughly \$2 billion annually prior to the revolution, with only 150 companies competing.

Other sectors

Trade delegations from Canada, the UK and the UAE have visited Libya in the last two weeks. Major private sector firms, including Conesco, Ernst and Young, Capita Symonds and KBR met key government contacts in the housing, transport and infrastructure sectors, to discuss ways in which UK firms could achieve entry into the Libyan market. Similarly, a 100-strong delegation of UAE business figures and government officials used the inaugural flight of Etihad Airways to explore opportunities in the new Libyan market.

The Canadian delegation was headed by International Trade Minister, Ed Fast, and consisted of representatives from 15 Canadian companies in the oil and gas, transport, communications, infrastructure and education sectors. The Canadian embassy in Tripoli has a dedicated trade commission service that helps Canadian companies identify opportunities in Libya.

An obstacle to business development remains the legal status of contracts signed under the Gaddafi regime, coupled with the fact that the current administration is itself reluctant to sign off new contracts. The government has asserted that it will honour contracts signed with the Gaddafi regime if they were 'properly concluded', but that definition is unclear.

Finally, the Al Meera Consumer Goods Co. has said it will soon enter the Libyan retail market. The company operates chains of supermarkets across the Middle East.

Countrywide security summary

The Aegis country teams in Tripoli and Benghazi have classified these cities, and most of Libya's coastline, as permissive during the day. At night this is not the case, with many roads unsafe to travel, especially in the capital, due to the increased threat from carjackings and armed robberies over the last two weeks. As a rough guide, and notwithstanding the more detailed appraisals elsewhere in this report, we deem the general situation between the 30th and 26th parallels to be 'semi-permissive': there is some government presence but the risk of criminality and violence increases markedly. Below the 26th parallel is generally classified as 'non-permissive' by Aegis security teams; travel here should be avoided if possible as armed gangs operate with impunity, clashes occur frequently and there is no government or security force presence.

For all travel in Libya, the use of professional security services is strongly advised.

Tripoli security summary

NTC control of Tripoli remains nominal. Major militias control different areas of the city: Misrata Brigade hold the north-east, Zintan Brigade the south, and Tripoli Brigade the centre and north-west. Given the rising criminality, lack of law enforcement and continued public violence in the city, it is unlikely that any effort to disarm the militias and general population will succeed in the short term.

Our country team classes all roads in Tripoli permissive in daylight hours with up to date local knowledge. However, at night we class only main roads safe to use. At night, secondary roads are classed as 'semi-permissive', while tertiary roads are too dangerous to travel on. To the east, nightly illegal vehicle checkpoints manned by armed men have been reported in the last week. The risk of road traffic accidents remains high.

The airport continues to be controlled by elements of the Zintan militia under the command of Mukhtar al-Akhdar. Major airlines from Austria, the Netherlands and the UK will begin operating flights on 25 Mar. Currently, Lufthansa, Alitalia and numerous Gulf airlines fly to Tripoli.

Deteriorating security in Tripoli

On 1 Feb, the Misrata and Zintan militias fought a two-hour fire fight in Tripoli that left four dead and several wounded. The clash occurred in the El Saadi district, close to the Marriott hotel and western embassies, and involved the use of heavy and light weaponry. Aegis sources have indicated that the fight was over control of Saadi Gaddafi's Tripoli villa and two prostitutes. Despite the local nature of the dispute, Aegis sources report a general rise in tension and violence ahead of the revolution's anniversary celebrations on 17 Feb. An example of a fire fight was captured by our team in the photo below.



Deteriorating security in Tripoli (continued)

Much of this has been caused by armed youth gangs' increasing involvement in violent criminality. Aegis operatives on the ground in Tripoli have noted a marked rise in the presence of armed gangs of disaffected youths committing crimes such as carjacking, armed robbery and extortion. Most of these youths claim to be former members of the militias and embark on their activities after spending the day getting high on marijuana and fig wine. The fact that these gangs are often former revolutionaries strengthens their position, as does the lack of any coherent police force in the capital.

Rising tensions were also highlighted on 27 Jan, when an expatriate security manager was attacked by an angry mob while travelling across the city by car. Such an incident highlights the risks faced by foreigners in volatile areas of the city.

Aegis sources have indicated higher than usual rates of violence in Tripoli over the past two weeks, and a general feeling that the security situation has deteriorated over the period. There have been nightly fire fights reported in the southern suburbs, coupled with illegal checkpoints to the west. Companies operating in Tripoli should closely monitor the security situation and recognise that the level of threat does vary between streets and districts.

Southern desert areas

The UN Special Representative for Libya warned the Security Council on 1 Feb that Libya's southern borders in the Sahel-Sahara region are at risk from terrorism and violence. In particular he raised concerns over the proliferation of weapons in the area, especially man portable surface to air missile launchers. The threat from weapons falling into the hands of groups like Al Qaeda in the Islamic Maghreb was great, he said.

Effective security in this area remains absent, and this is unlikely to improve in the short term. Indeed, quite the opposite: these areas are likely to see an increasing number of incidents related to banditry and present an ideal corridor for the passage of illicit goods and the operation of extremist elements. They should be considered non-permissive and avoided.

Western Libya: Gharyan and Bani Walid

On 6 Feb, there were clashes between armed groups around the town of Gharyan and on the Gharyan road. The road is a main supply route from Tripoli to the south and is currently deemed non-permissive by the Aegis country team.

On 23 Jan, local Warfallah tribesmen took control of Bani Walid after attacking the barracks of the NTC-aligned May 28 Brigade militia who had been controlling the town. It appears that up to five militia members were killed, and afterward the defeated militia leaders and deposed local council officials accused their attackers of being pro-Gaddafi. This claim was later refuted by both the elders of Bani Walid and the NTC.

Bani Walid, a former Gaddafi stronghold 110 miles south-east of Tripoli, was one of the last towns to succumb to NTC forces. A spokesman of Bani Walid local council said 100-150 men armed with heavy weapons launched a carefully planned attack, quickly overwhelming the town. About 30 pro-NTC militiamen were reported to have been injured in the exchanges of fire. On 25 Jan, Libyan Defence Minister, Osama al-Juwali, held talks with the tribesmen and declared that the NTC had regained control of Bani Walid. Although al-Juwali was quick to downplay the incident, whether the town has been pacified remains to be seen. As such, it should be treated with caution and avoided where possible.

About Aegis Advisory

Aegis Advisory is a specialist consultancy that supports businesses in assessing and adjusting their exposure to risk by providing privileged insights and timely intelligence. We offer the following services:

Enhanced due diligence

In-depth intelligence from human sources on the companies, organisations and individuals that matter

Strategic risk analysis

The Aegis Strategic Risk Assessment tool delivers a customisable framework for assessing country risk

Operational risk analysis

Helping clients to understand day-to-day aspects of risk in unfamiliar places and to navigate new markets

Maritime intelligence services

Mapping and analysing maritime risk worldwide to help clients assess threats and plan accordingly

Aegis Advisory in Iraq

Helping clients enter and operate in Iraq through advisory services from detailed market research to due diligence

Market entry consulting

Advising clients on strategies, tactics and opportunities as they look to enter new markets

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About ASTRA

Aegis Advisory's strategic risk analysis is central to the efforts of many global companies as they seek to minimise downside risks and maximise returns on their investments. At the core of this service is our Aegis Strategic Risk Assessment (ASTRA) tool.

ASTRA is a risk profiling service that quantifies risk levels for a wide range of risk factors and countries relevant to our clients. This helps them understand the implications of strategic trends for their operations. ASTRA is regularly updated by our analysts based in London and in locations around the world, with regular input from Aegis' wide range of senior sources on the ground.

ASTRA at a glance:

- covers over 130 countries and 99% of world GDP;
- is numerical and textual, quantitative and qualitative;
- over 30 risk factors;
- comprises political, security, criminal and governance categories; and
- offers standardised risk factor, category and country scores.

ASTRA is fully customisable:

- Scope: clients select which countries and risk factors they want covered, and how those individual scores are weighted;
- Timing: updates can be sent whenever ASTRA is updated, or at agreed intervals;
- Format: risk scores can be presented as reports (such as in PDF), electronic data feeds (in Excel or XML), or they can be accessed on our interactive website
- Cost: access to our intelligence costs as little as £50 per annum per country.

ASTRA is a risk profiling service that monitors underlying strategic risk trends in a market rather than simply echoing events there.

www.aegisworld.com/advisory/strategicrisk

About Aegis in Libya

Aegis has been operating in Libya since February 2011 when it assisted an international oil company in executing its national evacuation plan. Aegis operates a fully resilient operations centre in Tripoli with a comprehensive communications suite and a global vehicle and personal tracking system. Our capabilities include:

Vehicles

Diverse and dedicated vehicle fleet caters for everything from long desert tasks to short term ad-hoc urban VIP tasks.

Medical

Every Aegis Operational Liaison Consultant is a highly trained medic equipped with tailor made, Libya specific trauma equipment.

Local staff

Aegis has recruited, vetted and trained highly educated Libyan staff who are all fluent English speakers.

Networks

Aegis has extensive links in Libya which can be leveraged quickly to ensure safe passage and the best use of client time in the country.

Communications

Every Aegis Operations Liaison Consultant carries a dual SIM card GSM phone, digitally encrypted UHF radio and an Iridium satellite phone.

Command and control

With a fully resilient 24/7 operations room in Tripoli, Aegis provides reassuring and effective oversight, monitoring and control of all its operations in Libya. It conducts journey management planning and fuses up-to-the-minute information from a large number of sources to ensure timely threats are mitigated.