The Libya's saga of parallel institutions to be continued

In the last month the political crisis in Libya showed no signs of improvement. Even though the new Government of National Accord (GNA) obtained the backing of the Security Council of the United Nations (UN) and succeeded to transfer it's headquarter from Tunis to Tripoli, the struggle for power persisted.

The divide between the east and the west of the country increased and its economic consequences should not be underestimated. On 26th April an oil tanker was loaded at the eastern port of Marsa al-Hariga and left for Malta. The government of Abdullah al-Thinni tried to export a cargo of 650.000 barrels of crude oil through the India-flagged Distya Ameya. The tanker's route was unknown, despite different sources pointed at the United Arab Emirates (UAE) as a possible destination. Abu Dhabi has always been the main supporter of the HoR (House of Representatives), together with Egypt.

The Tripoli-based National Oil Corporation (NOC) warned against any possible oil sale by eastern authorities, rebuking companies interested to negotiate with Tobruk. On the other hand, the al-Thinni government created the eastern version of NOC, a parallel oil company destined to exploit and manage the oil resources of the country. According to Tobruk, its legitimacy derives from the fact that the HoR is the internationally recognized Libyan Parliament.

Recent political developments had direct effects on the issue. The UN recognized the GNA as the sole authorized government for the entire country: UN Security Council 2259/2015 calls upon all member States to cease support and any official contact with parallel institutions. As a result, the Distya Ameya was blacklisted by the United Nations and redirected towards Tripoli.

Furthermore, Libyan economic institutions promptly recognized the GNA as their legitimate government. The NOC chairman Mustafa Sanalla stated that he is ready to work with Prime Minister al-Serraj. The Central Bank of Libya (CBL) and the Libyan Investment Authority (LIA) took the same stance. As a result, the GNA is putting down roots in the west of the country, gradually replacing the General National Congress (GNC) and its government.

Nevertheless, the existence of parallel economic institutions highlights the risk of a possible partition of Libya. Apart from the NOC, the case of the LIA is exemplar: the $67 billion sovereign fund is now contended between the eastern government and the GNA. In 2014 the HoR appointed Hassan Bouhadi as the new head of LIA, dismissing the previous chairman Abdul Majid Breish. Breish took advantage of the repeal of the Political Isolation Law, preventing former Qaddhafi officials to run for public offices, and filed an appeal. Tripoli's Court reinstated him, despite the protests of the Tobruk-based parliament.

The case had international repercussions: in September 2015 Bouadi appealed to the High Court of London and on 7th March 2016 Judge William Blair (brother of the former British Prime Minister Tony Blair) decided to adjourn the case, stating that it is premature to rule during this difficult political transition. The British Foreign Office pressured the High Court, on prospects of the establishment of the GNA. However, the inability of the HoR to vote for the unity government led to a new stalemate.

In this context, it is highly unlikely that the High Court will decide on LIA's leadership anytime soon. Moreover, both candidates agreed to pursue Goldman Sachs and *Société Générale* for alleged mismanagement. Bouhadi and Breish demanded for $3 billion of assets, claiming they were stolen from Libyan people. In this context, the decision to adjourn the case favours the investment banks, buying time for them to negotiate the claims.

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