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Violence halts Texas companies' return to Libya

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WASHINGTON — For Hy-Bon Engineering, the door to Libya closed as unexpectedly as it had opened.

The Midland firm was one of a handful of small Texas companies that rode Big Oil's coattails back into Libya after U.S. government sanctions were lifted in 2004. Two years later, Hy-Bon scored its first project, after a Libyan company inquired about its technology to capture natural gas flares from oil wells.

But Hy-Bon's Libya venture is over, at least for now. New sanctions largely block U.S. firms from doing business in Libya, while the violence has forced foreign employees to evacuate the country.

"I think the entire business infrastructure will be shut down completely for a minimum of a year," said Larry Richards, Hy-Bon's chief executive.

"When you throw in the political turmoil and everything that has happened, I really would be shocked if any of the multinational oil companies are going to be looking to have any kind of investment infrastructure in Libya for the next year and a half to two years," Richards said.

Libya presented a major new opportunity for Texas firms after Moammar Gadhafi gave up his weapons of mass destruction and reconciled with the West. Oil companies, including Irving-based Exxon Mobil Corp., were eager to re-enter the country, which has Africa's highest proven oil reserves.

But the results have been mixed. Several U.S. oil companies that rushed into Libya, including Chevron Corp., have already exited the country. Exxon was awarded two offshore licenses in Libya but has drilled two dry wells so far, a spokesman said.

Texas and Libya were linked by oil long before U.S.-Libyan relations deteriorated during the 1980s. Many Libyan engineers and managers were educated at Texas universities in the 1960s and 1970s.

Trade began to rebound after the embargo was lifted. Texas exports to Libya totaled $261 million in 2010, making it Libya's top trading partner among U.S. states, according to the Commerce Department.

Most of that activity involved major oil and construction firms, according to the National Foreign Trade Council. Irving-based Fluor Corp., for instance, was selected to develop a master plan for two key oil ports and refineries, including Brega, a city that is controlled by rebels battling Gadhafi's forces.

Keith Stephens, a Fluor spokesman, said the plan was completed in 2009 for the Energy Cities Development Co., an investment vehicle of the Libyan Central Bank. It called for $55 billion in new investment. Fluor participated in investor meetings last year, but the project has not advanced to the engineering and design phase, Stephens said.

Some smaller businesses, including Hy-Bon and Richardson-based International Chem-Crete Inc., also found their way into Libya.

Radi Al-Rashed, chief executive of International Chem-Crete, said it was worth weathering the country's corruption and bureaucracy to get an early foothold in Libya. International Chem-Crete's sales in Libya were about $1 million last year, he said.

"When the embargo was lifted, the country was in the dark ages," Al-Rashed said. "They needed to build everything. So it was an opportunity."

'A struggle'

International Chem-Crete represents several other U.S. firms in Libya, including Ohio-based Seaman Corp., which sells chemicalresistant tarps used in oil fields. Seaman's 2011 sales in Libya were projected to be about $5 million, Al-Rashed said.

"In the last four years, a lot of these projects have been a struggle," he said. "We were hoping they would come [to fruition] this year."

The new American sanctions effectively block that business from moving forward, because the U.S. firms are paid with letters of credit from Libyan banks, Al-Rashed said. (Most Libyan banks are directly or indirectly state-controlled, making them subject to the sanctions.)

But Al-Rashed, who is chairman of the North Texas District Export Council, called for U.S. companies to stop dealing with Libya before the sanctions were announced.

"I want the people in the country to know that we are with the people," Al-Rashed said. "I believe that American companies, we are going to participate in rebuilding this country. We are going to have a better opportunity when Gadhafi is not ruling Libya. Gadhafi never has been a friend of the U.S."

Some groups have been critical of U.S. business involvement in Libya, saying that oil companies in particular are to blame for enriching Gadhafi's family and regime. The regime controls a $60 billion sovereign wealth fund whose investments include London real estate, Italian companies and Middle Eastern banks.

Move to improve ties

Big American companies pushed hard to improve commercial ties to Libya, and their efforts were often supported by the Commerce Department. Ali Suleiman Aujali, Libya's ambassador to the United States, had been scheduled to visit Dallas this week, but the event was canceled.

At the same time, diplomatic relations between the two countries were never completely smooth, according to U.S. employers. U.S. businesses often had trouble obtaining visas to enter Libya, and Libyans complained about American visa restrictions on them.

"The visa process to get [Libyans] trained [in the U.S.] was horrendous," Richards said. "There was a disconnect between the State Department and the Department of Commerce about whether the administration wanted U.S. companies to aggressively pursue business in Libya or not."

Bill Reinsch, president of the National Foreign Trade Council, said U.S. companies have been bit players in Libya's economy, compared with European countries.

Total U.S. trade with Libya last year was valued at $2.7 billion, according to the Commerce Department. Trade between Libya and Italy in 2010 amounted to $17.1 billion, according to the Italian National Institute of Statistics.

"There was not a huge uptick in American investment or American economic activity in Libya," Reinsch said. "If the question is, 'Was it worth it, for what we got?' My answer to that is yes. But I recognize that other people of good will can look at it and say no."