The role of foreign trade in the GDP in the Libyan economy during the period (2000-2012)

*** First Author. Hisham Ahmed Al ebeid**
Ph.D, Student Serbia-Belgrade megatrend University, Faculty Economic Sciences and Business Studies
Bul: marsala Tolbuhina 811070 Novi Beograd. Srbija
Tel. (011)2203000 – Fax (D11)2203047
www. megatrend.edu.rs

****Second Author Saber Saleh Zagrat**
Ph.D, Student Serbia-Belgrade megatrend University, Faculty Economic Sciences and Business Studies
Bul: marsala Tolbuhina 811070 Novi Beograd. Srbija
Tel. (011)2203000 – Fax (D11)2203047
www. megatrend.edu.rs

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Abstract- The objective of this paper is to highlight the reality of Libyan exports and imports and their contribution to GDP growth for the period (2000-2012) by studying the foreign trade coefficient, the average export tendency, the average import tendency, In terms of whether it is in the interest of the national economy or not.

This study emerged with a series of results, most notably.

1 - The dependence of the export sector on the export of one commodity is crude oil, which indicates the high contribution of oil exports in the growth of GDP, in return for the decline in the contribution of non-oil exports in this output.

2 - The Libyan economy is an economy open to the outside world at high rates.

3 - Growth rates in the gross domestic product of the Libyan economy is unstable, for dependence on the revenues of oil exports.

Index Terms- foreign trade , economic growth , GDP, exports – imports , diversification of the economy .

I. Introduction

Foreign trade plays an important role in the economies of both developed and developing countries. However, the importance of the foreign trade sector varies from one country to another depending on the stage of growth of the economy, its economic structure and the factors determining its growth.

The importance of foreign trade in general is increasing in developing countries due to the low elasticity of the productive sector. Through foreign trade, countries, especially developing countries, can obtain the necessary inputs to implement their development programs.

Foreign trade plays an important role in economic growth and development, according to most economic theories, because of its expansionary role in the production and marketing of the national economy by opening up new markets for local products.

In the study of the foreign trade sector in Libya, it is clear to us the great role of this sector in the movement of economic activity because of its effective influence in the various economic and productive activities and thus on the GDP.

This study aims to identify the role of foreign trade in the GDP of the Libyan economy by studying a number of topics:

First: The percentage of foreign trade in GDP (foreign trade coefficient).

Second: the proportion of exports and imports in GDP (average export trend, average import trend).

Third: the proportion of the absorption of imports of export earnings.

We conclude the study with a set of conclusions and recommendations that the researcher deems necessary.

the study Problem :

The Libyan economy is an economy open to the outside world due to the relatively small size of this economy on the one hand or the characteristics of the structure of foreign trade on both sides of exports and imports on the other hand. Crude oil, whose prices vary from one period to the next, as renewed in the global market, which is affected by factors of demand and supply, which in turn are affected by what is happening in the world from time to time of political crises and strategic changes on the international scene. Biting organizations **(Kaliope).** With regard to imports characterized by the commodity and geographical diversity of their export-related components, any fluctuation in their yields has an impact on imports, and exports are the engine of growth and economic development.

The decline will lead to fluctuations in imports and therefore this will have an impact on the GDP growth rate of the Libyan economy.

Hence, the idea of this study to discuss this problem and the possibility of identifying, and provide solutions.

the importance of studying:

The importance of this research stems from the scientific importance of the study by knowing the effective role of foreign trade in GDP by studying and analyzing the components of foreign trade represented in exports and imports.

This will allow greater flexibility for policy makers to choose appropriate export and import policies, which will contribute to raising scientific efficiency to achieve the objectives of this policy on the one hand, and to achieve and promote sustainable development in the economy.

Objectives of the study :

This study aims to:

1 -To know the impact of foreign trade on the GDP of the economy and the change in the structure of exports and imports as a result of the economic development process.

2- To know the percentage of exports and imports **(the average inclination of each)** in the GDP.

3 - Know the percentage of the absorption of imports of export earnings in the Libyan economy, and the impact on GDP.

Study Hypothesis:

This study proceeds from the following hypotheses:

1- Achieving stability and economic development and accelerating growth rates in Libya, especially in the present and future, depends on diversification of sources of income from foreign currency

2 - Increasing the degree of openness in the country, which will affect the economic growth rates in Libya, and this increase in openness is increasing in both exports and imports, the real demand for exports reflected on the growth rate of GDP, and increased openness Which will work to increase inflation rates in the country, and this indicates a positive relationship between each Export growth rate, growth of intermediate and capital imports and growth rate of Libyan GDP.

Methodology of the study:

The methodology of the study is defined as a specific analytical method that is followed to achieve the objectives of the study.

In economic research there are many analytical methods that can be adopted and applied, and one of the most important methods used in the analysis of economic variables.

(Descriptive analytical method of economic variables), (quantitative analytical method of economic variables).

In this study, the methodology will be descriptive analytical method based on the collection of statistical data and tabulation in the form of tables, indicators and extraction of the most important percentages and their averages and description and analysis to clarify the relationship between Libyan trade and GDP in line with the objectives and objectives of the study.

The limits of the study :

Spatial boundaries: The study will be limited to studying the role of foreign trade in the GDP of the Libyan economy.

Time Limits: The study covered the period of time (2000-2012)

Data and information source:

The problem of this research was analyzed and prepared based on data and information provided by the National Authority for Information, Documentation, Economic Reports and Economic Publications of the Central Bank of Libya and some reports of the various committees.

Previous studies :

Several empirical and applied studies dealt with the relationship between foreign trade and GDP by estimating and analyzing, using statistical methods and different research methods. Among these studies, **we find, for example:**

1 - Michel study (1977):

In this study, the ratio of exports to GDP was used to test the hypothesis that rapid export growth leads to an increasing growth in the GDP of two groups of countries, industrial and developing countries. Through this study, Between exports and GDP growth, especially in less developed countries **(Mufraj Al-Qahbani, 2002: 685) .**

2 - Ajanta study (1979):

The purpose of this study is to examine the relationship between foreign trade and economic growth in Nigeria during the period (1954-1974), in which the ratio of exports to GDP was used, in addition to using the regression of change in output to change in exports using current prices. To prove the hypothesis of export leadership for economic growth, and this study confirmed a strong positive relationship between exports and economic growth.

In terms of imports and their relation to economic growth, Fajana used a variable regression equation, the ratio of imports of capital goods to GDP, and the ratio of exports to GDP to measure the effect of imports on economic growth for the period 1954-1974 using data on previous variables in prices This study found a positive relationship between imports of capital goods, raw materials and economic growth, but this relationship is not strong **(Mohammed Al-Quraishi, 1990:11) .**

3 - Study of Abdullah Amhamed Shamia ((1970-1986):

This study examines the effect of the import substitution policy and the export promotion policy in the Libyan economy (1970-1986). This study used the real annual growth rate of GDP, the growth rate of total exports, oil exports and non-oil exports to measure the correlation between Growth in exports and economic performance as an indicator of export promotion policy. Finally, this study concluded that there is a strong positive correlation between the growth rate of output GDP and oil exports, while the correlation coefficient between the rate of growth of output and non-oil exports is negative and has a relatively low value, which confirms that the growth of the Libyan economy depends on oil exports **(Abdullah Shamia ,1990 :39) .**

II . The percentage of foreign trade in GDP (foreign trade coefficient

Foreign trade plays an important role in the economic life of the country. This importance is reflected in the role played by foreign trade in economic development in the export revenues that contribute to the development of other economic sectors. Foreign trade is one of the most important economic activities in the Libyan national economy. The economy of foreign markets for the disposal of Libyan products to various sectors of the national economy, and the provision of foreign exchange necessary to support and finance various programs and development plans, and to secure the need of the national economy of goods **(**industrial, consumer, and productivity**)** Produced by developed countries.

The most important indicators that measure the extent of the opening of the national economy to the outside world is the ratio of foreign trade to GDP. The higher this percentage, the more open the national economy is to the outside world, and some economists believe that the economy is open to the outside if this percentage (40%) or more **(Abdullah Amhamed Shamia ,1991:139).**

This indicator expresses the relationship between the total value of foreign trade **(**exports + imports**)** and the gross value of GDP, calculated by calculating the percentage of foreign trade value of the value of GDP.

It is true that the rise of this indicator in some developed countries **(**Britain, Germany**)** does not necessarily mean the dependence of the economy of these countries abroad, but this means the ease of exposure of their economies to external influences, and this is especially true for developing countries that rely on the export of a few commodities in raw form . Therefore, the rise of this indicator is evidence of the dependency of the economy of these countries abroad and its vulnerability to fluctuations in the export markets.

The impact of foreign trade on the national economy is illustrated by the relationship between the total value of foreign trade and GDP, noting that there is a positive correlation between the components of foreign trade **(**exports, imports**)** and GDP.

Thus, the higher the rate of openness to the outside, the greater the impact of external factors and variables on the national economy, especially in light of the dependence on the export of one commodity **(**oil**)**, which means that any volatility in foreign markets can move its effects to the Libyan economy, Oil, for example, or low prices leads to a drop in oil revenues, which would upset the development plans and economic stability in Libya.

Table (1)

The growth of foreign trade in GDP **(foreign trade coefficient)** during the period (2000-2012)

Table (1)

* foreign trade coefficient (%)	GDP	The volume of foreign trade	Imports	Exports Total	Non-oil exports	Exports Oil	the year
% 24.8	33126.7	8226	2106	6160	230	5930	2000
% 28.8	33290.2	9615	2895	6720	256	6464	2001
% 68.7	33163.5	22784	9493	13291	354	12937	2002
% 77.7	37423.3	29106	9386	19720	906	18814	2003
% 103.5	39678.9	41092	13110	27982	1150	26832	2004
% 132.7	44087.2	58519	15683	42836	1181	41655	2005
% 156.2	46583.6	72785	16659	56126	1447	54679	2006
% 170.6	48898	83424	21698	61726	1473	60253	2007
% 204.9	50228.7	102965	25938	77027	1784	75243	2008
% 148	49854.3	73822	27503	46319	1693	44626	2009
% 179.8	52009.9	93539	31881	61658	1808	59850	2010
% 183.2	20146.3	36918	13664	23254	465	22789	2011
% 273.3	39922.7	109136	32243	76893	1538	75355	2012

Table of the researcher's numbers based on the data received from:

1. Central Bank of Libya, Forty-third Annual Report, Fiscal Year 1999, pp. 58-61.
2. Previous source, Forty-sixth Annual Report, fiscal year 2002, pp. 54-55.
3. Previous source, Fifty-first Annual Report, Fiscal Year 2007, pp. 32-33.
4. Previous source, Fifty-third Annual Report, fiscal year 2009, pp.37-38.
5. Central Bank of Libya, Economic Bulletin, Volume IV, First Quarter, 2014, pp. 67-69.
6. National Information and Documentation Authority, Foreign Trade Statistics, multiple editions of the year (2000-2012).

***** Foreign Trade Factor = Volume of Foreign Trade \ Gross Domestic x100

Table (1) notes the following:

The rates of openness of the Libyan economy to the outside world are very high, as the average rate during the study period (2000-2012) (134.7%).

In general, this percentage did not fall below (24.8%) during the study period. The highest rate was in (2012) (273.3%) while the lowest level was (24.8%) in (2000).

According to the results obtained in this study, increasing the degree of openness of the Libyan economy to the outside world will affect the economic growth rates in Libya. This increase in openness will increase in both exports and real imports and inflation rates in the country. The effect on exports is reflected in the rate of economic growth, which means that this economy has a high degree of trade dependency and hence the economic dependence of the outside world. Thus, the liberalization of foreign trade improves the flow of exports abroad, leading to higher economic growth rates Starting from full trade liberalization phase.

III. Evolution of the ratio of exports and the proportion of imports in GDP (average export trend, average import trend)

The average export trend is one of the indicators that measures the economy's ability to export. It is measured by the ratio of exports to GDP, and the higher the percentage, the greater the ability of the national economy to export. The overall average during the study period (2000-2012) shows that the average tendency for export reached (93.6%), due to the increase in the quantity and value of oil exports during that period,

As well as the average tendency for import is one of the indicators that indicate the extent of openness of the economy to the outside world, which is measured by the proportion of commodity imports to GDP, the higher this percentage increase the opening rate of the national economy to the outside world, but some economists that The economy is open and, to a high degree, if it reaches (20%) or more, which increases the impact of external factors on the national economy **(Ibrahim Al-Issawi , 1989 :17).**

Because this means that the national economy depends heavily on the outside world in the provision of its various commodity needs and the increase in this tendency means on the other hand increased spending on imports.

The average year during the study period (2000-2012) shows that the average tendency of imports reached (41.0%). This means that the Libyan economy is living in the stage of openness to the outside world. This rate has been in some years low due to the decrease in oil revenues, And the slight increase in GDP at the beginning of the nineties caused by the economic returns of many development projects on the other hand, and the rise in import prices due to high prices in the countries of importation led to a decline in Libyan imports, The results were as shown in Table (2).

Table (2)

Evolution of the ratio of exports and imports in GDP **(average export trend, average import trend)**

* Average mileage of import (%)	* Average mileage of export (%)	GDP	Imports	Exports	the year
% 6.3	% 18.5	33,126.7	2,106.0	6,160.0	2000
% 8.6	% 19.4	33,290.2	2,895.0	6,464.0	2001
% 28.6	% 40.0	33,163.5	9,493.0	13,291.0	2002
% 25.0	% 52.6	37,423.3	9,386.0	19,720.0	2003
% 33.0	% 70.5	39,678.9	13,110.0	27,982.0	2004
% 35.5	% 97.1	44,087.2	15,683.0	42,836.0	2005
% 35.7	% 120.4	46,583.6	16,659.0	56,126.0	2006
% 44.3	% 126.2	48,898.0	21,698.0	61,726.0	2007
% 51.6	% 153.3	50,228.7	25,938.0	77,027.0	2008
% 55.1	% 92.9	49,854.3	27,503.0	46,319.0	2009
% 61.2	% 118.5	52,009.9	31,881.0	61,658.0	2010
%67.8	% 115.4	20,146.3	13,664.0	23,254.0	2011
% 80.7	% 192.6	39,922.7	32,243.0	76,893.0	2012

Table of the researcher's numbers based on the data received from:

1 - Central Bank of Libya, annual reports, multiple versions of the year (2000-2012).

2 - Central Bank of Libya, economic publications, multiple versions of the year (2000-2012).

3 - National Information and Documentation Authority, Foreign Trade Statistics, various editions of the year (2000-2012).

***** Average mileage of export = exports / GDP X100.

***** Average mileage of imports = imports / GDP X100.

From the above table it is noted that:

1- The average export trend during the period (2000-2004) was (40.2%), which indicates an increase in revenues from oil exports due to the rise in oil prices in the global market.

The average import rate during this period reached about (20.3%), which indicates that the improvement in oil prices achieved revenues that contributed to enabling the state to spend on the establishment and development of development projects.

2- The increase in the average export tendency during the period (2005-2008) to (124.2%), which indicates the increase in the growth of the national economy compared to the previous period (1990-1994), indicating that the oil exports positively affected the GDP.

The average trend of imports during this period also increased to (41.7%) compared to the previous period, indicating that the state's ability to establish new projects and finance and expand the projects necessary for the country's economic development process increased.

3- The average trend of exports during the period (2009-2012) was (129.8%), which indicates that oil exports recorded a clearly high relative importance in the GDP during this period.

As for the average tendency of imports during this period, it reached(66.2%) compared to the previous period. This increase is due to the increase in imports of production goods and production requirements, as well as the increase in oil exports during this period.

IV. Evolution of the ratio of imports to exports (absorption rate

The ratio of the absorption of imports to the export earnings is measured by the ratio of imports to exports.

This ratio shows the effect of the change in the export earnings on imports. Therefore, the various commodity imports are financed by the export proceeds.

The average of the study period (2000-2012) (45.4%) of the export earnings, which is high, and the higher this percentage as evidenced by the increased dependence of the Libyan economy on the outside world and as this percentage will not exceed (100%), this means that the Libyan balance of trade in the case of surplus over the period Study however it should be noted that whenever The import uptake rate of export receipts increased, which led to a decrease in the surplus of the Libyan trade balance.

The results were as shown in Table (3)

Table (3)

Evolution of the ratio of imports to exports **((absorption ratio))**

* Import absorption ratio of export earnings%	Imports	Exports	the year
% 34.1	2,106.0	6,160.0	2000
%44.7	2,895.0	6,464.0	2001
% 71.4	9,493.0	13,291.0	2002
% 47.5	9,386.0	19,720.0	2003
% 46.8	13,110.0	27,982.0	2004
% 36.6	15,683.0	42,836.0	2005
% 29.6	16,659.0	56,126.0	2006
% 35.1	21,698.0	61,726.0	2007
% 33.6	25,938.0	77,027.0	2008
% 59.3	27,503.0	46,319.0	2009
% 51.7	31,881.0	61,658.0	2010
% 58.7	13,664.0	23,254.0	2011
%41.9	32,243.0	76,893.0	2012

Table of the researcher's numbers based on the data received from:

1 - Central Bank of Libya, annual reports, multiple versions of the year (2000-2012).
2 - Central Bank of Libya, economic publications, multiple versions of the year (2000-2012).
3- National Information and Documentation Authority, Foreign Trade Statistics, multiple editions of the year (2000-2012).
***** Absorption ratio Imports to exports = imports / exports X100

From the above table it is noted that:

1 -The ratio of the absorption of imports to the export earnings during the study period fluctuated between the rise and the decline. This percentage reached (48.9%) during the period (2000-2004). This means that the Libyan trade balance was in surplus during this period.
2- The percentage of imports absorbed by the export revenues during the period (2005-2008) decreased to (33.7%), which means increasing the openness of the Libyan economy to the outside world.
3- The import uptake rate of the export earnings during the period (2009-2012) increased to (52.9%) compared with the previous period (2005-2008). This increase was due to the increase in import prices during that period.

The high import uptake rate of export earnings can be attributed to two main reasons **(Hisham Ahmed , 2007 : 144).**

1- Exports **(or export earnings)** have been significantly reduced by the fall in oil prices, a serious negative side, to find industrial alternatives that contribute to the diversification of the structure of Libyan exports to mitigate vulnerability to external crises.
2 - The rise in imports may be due to the increase in prices below quantities, especially after the adoption of the Western industrial countries policies against the policy of oil-exporting countries, which aims mainly to increase the prices of manufactured goods imported by these countries.

V. CONCLUSION

First: Results:

The most important results in this study can be drawn, and summarized in the following points, which are **useful for this study:**

1 - The dominance of the oil sector on Libyan exports, by tracking the volume of Libyan exports of oil and non-oil, we find that the exports have a substantial percentage, which did not decrease throughout the years of study (93.6%) of the total exports during the study period (2000-2012) either non-oil exports Only a small fraction of the 6.4 percent of the study years remained. The Libyan economy is dependent on the export of one commodity, which makes the Libyan economy more vulnerable to price fluctuations in world markets.

As well as imports did not lose their share of the increase during the study period due to the abolition of quantitative restrictions on roses and foreign exchange control, especially in the last years of the study, stressing the dependence of the Libyan economy on imports to fill a large part of domestic demand for consumer goods and investment.

2 - The Libyan economy is considered an economy open to the outside world, as evidenced by the indicators used to measure openness, **which can be explained as follows:**

A) The **(Exports and imports)** and GDP, as the increase in exports by a certain percentage will lead to an increase in GDP. The ratio of foreign trade to GDP **(foreign trade coefficient)** has not decreased from (24.8%) for The study period.
B) The ratio of exports to GDP **(average export trend)** reached about (93.6%) as a general average during the study period.
C)The ratio of imports to GDP ratio **(average import tendency)** reached about (41.0%) as a general average during the study period.
d) Imports absorb about(45.4%) of the export earnings as a general average during the study period.

Second : Recommendations:

Based on the previous results reached through this study, we can offer a number of recommendations to raise and activate the role of foreign trade in the future**, as follows:**

1 - The adoption of the economy on the export of one commodity (oil) makes it hostage to this commodity in terms of demand and prices in the future, and this dependence will not achieve the stable economic growth required, and therefore must be diversified sources of income and find strategic alternatives to help reduce dependence on oil , Which means the need to work on the diversification of the base of exports, and the trend to industries that have to do with the oil industry and the production of crude oil because of this type of natural resources of competitive advantage, such as industries based on the inputs of the oil sector, chemical and petrochemical industries proved successful Has through the experience of previous years, which means that the interest in these industries would contribute to the diversification of even a simple structure in Libyan exports.
2 - To seek alternative sources in generating GDP and gross income, and reduce dependence on oil revenues as a source of financing development projects.
3-To limit the import of locally produced goods and to concentrate imports on goods entering the economic development process.
4 - The need to adopt the policy of expanding the base of export sectors instead of focusing on the export of crude oil in its initial form, and work on the expansion and development of other economic sectors, the most important industrial sector, service sectors, and at the same time attention to the training and qualification in these sectors. Economically and economically, with a view to local marketing in the initial phase and then export it.
5- Review the structure of the trade policy followed and lay the foundations for protecting the emerging industries by providing an appropriate environment for the success of such industries such as reducing the tariff on intermediary and capital goods used in the production process.
6 - Focus on the policy of development of non-oil exports to overcome the problem of absolute dominance of oil exports on the structure of Libyan exports and this is according to the following:
A) Encouraging small-scale emerging industries, especially those based on locally produced raw materials based on economic feasibility, to be the basis for export at a later stage.
B) Development and development of local productive resources with competitive advantage, such as marine wealth and tourism, and geographical location with a view to diversifying sources of income and GDP.

C) Developing Libyan exports through production for export, paying attention to export-supporting services, establishing Libyan exhibitions and participating in international exhibitions.
D) Development of export industries in which Libya has a competitive comparative advantage, such as petrochemical and oil-related industries, to reduce reliance on oil as a major source of foreign exchange, to make the most of the oil sector, and to diversify the structure of exports.

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AUTHOR

First Author – Ph.D, Student: Hisham Ahmed Al-ebeid
Email: hishamalabied@yahoo.com
Serbia-Belgrade megatrend University, Faculty Economic Sciences and Business Studies
Bul: marsala Tolbuhina 811070 Novi Beograd. Srbija
Tel. (011)2203000 – Fax (D11)2203047
www. megatrend.edu.rs
Second Author – Ph.D, Student: Saber Saleh Zagrat
Email: saber4826@gmail.com
Serbia-Belgrade megatrend University, Faculty Economic Sciences and Business Studies
Bul: marsala Tolbuhina 811070 Novi Beograd. Srbija
Tel. (011)2203000 – Fax (D11)2203047
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