Economic Effects of Libya's Development Strategy in the Period from 2003 to 2013

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Abstract- The Economic Reform Program (ERP) is a new phenomenon in the last two decades that has affected countries such as Libya, Egypt, Tunisia, Jordan and Saudi Arabia, as well as most developing countries. All of them are trying to implement the same program in order to achieve stabilization of their economy. Many of these countries did so because they had to earn enough foreign exchange to protect their currencies. Indeed, many of these countries have begun to transform their economies from socialist, state-owned, to market-oriented economies. The beginning of ERP was the Law 8 for the year 1988 on a number of economic activities, and the Law 9 for the year 1992. However, these laws were not sufficient to motivate the private sector. They only caused a small growth in the services and crafts sectors. More important sectors, as oil sector, stay on hold.

Index Terms- Economic,developing,program,sufficient,market.

I. Introduction

During the 1950s, the economic sectors of Libya went through a period when the agricultural sector was primary, despite the poor quality of the land, the lack of water and severe weather conditions. In the industrial sector, the production process was limited due to the inaccessibility of raw materials, the lack of qualified labor, the local market constraints, and the inability to produce the processing. The economy was unable to provide the necessary investment for change and promotion. However, when oil is discovered, Libya begins to export it in 1962, and the development problem in Libya is focused on looking for development alternatives, especially in relation to the sustainability of capital and working environment. During the 1950s, the economic sectors of Libya went through a period when the agricultural sector was primary, despite the poor quality of the land, the lack of water and severe weather conditions. In the industrial sector, the production process was limited due to the inaccessibility of raw materials, the lack of qualified labor, the local market constraints, and the inability to produce the processing. The economy was unable to provide the necessary investment for change and promotion. However, when oil is discovered, Libya begins to export it in 1962, and the development problem in Libya is focused on looking for development alternatives, especially in relation to the sustainability of capital and working environment. Since the early 1980s, when oil revenues have been reduced due to problems in the international oil market, the problem of growth in Libya is causing other difficulties, such as the lack of modern technology and efficient labor. Since the early 1980s, when oil revenues have been reduced due to problems in the international oil market, the problem of growth in Libya is causing other difficulties, such as the lack of modern technology and efficient labor. Colonel Muammar Gaddafi ruled the Libyan Arab Jamahiriya since 1969, when he and a group of officers were thrown out of the throne of King Idris. Libya then adopted Arab socialist ideas, after capitalism. In the early 1970s, led by the Green Paper, Libya decided to be a socialist country with the state economy. All investments were in the jurisdiction of the state, as well as trade, price control, and state subsidies were common for many products and services. Mixing the government into the economy has created an unfavorable business climate. Following the freezing of the UN sanctions in 1999, Libya gradually began to implement measures to introduce the reform and open its economy in order to strengthen the role of the private sector in the economy. On June 28, 2004, the United States renewed diplomatic relations with Libya. On September 20, 2004, President Bush lifted extraordinary measures against Libya. These decisions eliminated most of the economic sanctions imposed on Libya, which led to the release of Libyan assets frozen in the United States. Economics and politics play a major role in the development of the structure and reform of the Libyan economy. Fulfilling the society's needs for goods and services, on the one hand, and reducing dependence on oil revenues and the use of natural and human resources, on the other hand, have characterized political and economic development in Libya throughout history.[1]

II. Libyan economy

The Libyan economy is unique in North Africa. While Algeria, Egypt, Morocco, Tunisia and all have large populations, great agricultural potential, and affirmed industrial bases, Libya has quite a few of these advantages. Libya, however, has

[1] A Review of Libyan's Economy, Structural Changes and Development Patterns. (2013) Bus Eco J 4: 083. doi: 10.4172/2151-6219.1000083 Volume 4 • Issue 2

significant energy resources: an attractive resource for crude oil, as well as natural gas. Given the small population of that country (3.6 million in 1984) and the significant income of oil derivatives, the Libyan economy has more in common with those countries that export oil from the Persian Gulf than with neighboring countries in North Africa.[2] Because Libya is heavily dependent on oil revenues, the general level of Libyan economy is closely linked to the situation in the petrochemical industry. Despite massive investments in agriculture and non-peripheral industries, the percentage of Libya's gross domestic product (GDP) has remained fairly constant since the early 1970s, ranging between 50 and 60 percent by 1982, when the decline in oil revenues caused him to fall below 50 percent.
The Gross Domestic Product (GDP) in Libya was expected to expand 55 percent in 2017 from the previous year due to recovery in oil production. GDP Annual Growth Rate in Libya averaged 4.95 percent from 2000 until 2017, reaching an all time high of 104.37 percent in 2012 and a record low of -62.10 percent in 2011 because of starting of revolution. As we can see in this period from 2003 to 2013 there was couple of vary extreme situations: first, period of stabile, but not to big GDP growth rate (from 2003 until 2010), and then big fall of growth in 2011. After that from 2011 until 2013 there are 2 opposite situations high growth rate in 2012 and another fall in 2013. From the end of this turbulent period comes stabilization of GDP growth rate.

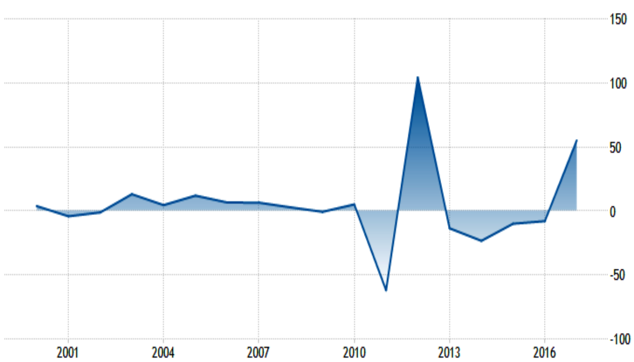

Figure 1. Libya GDP Annual Growth Rate[3]

Strategic economic policy of Libya

This paper aims to explain the strategic economic policy of Libya in the period 2003-2013. The effects on the financial market and economic growth determine the success of various production projects, so that they can be the basic factor that we will explore in this paper. The UN's economic expert, Farley, said the Libyan economy was a lagging economy before oil discovery, as there was no indication of economic growth. Due to higher oil export revenues, Libya experienced strong economic growth in 2003, with a real 8% increase in GDP, compared to 0.2% to 1.5% in 2002. In 2004, real GDP growth was 2.4% with consumer price inflation of 1.9%. Despite strong economic growth in Libya, unemployment was high as the country's population grew rapidly, and new jobs were not created fast enough. In addition, Libya has poor infrastructure (i.e. roads and logistics), an unclear legal structure, arbitrary government decisions, an oversized public sector (as much as 60% of state spending going to pay salaries of public sector employees), major public works programs, that is, a project "Great River built by human hands", and various structural obstacles set for foreign investment and economic growth.
As the Libyan economy was on the brink of collapse in 1999, primarily due to UN sanctions, the government has undertaken harsh reforms of the economic system that transformed the Libyan economy from a socialist, state-planned economy into a capital-based economy. This economic reform program set the Libyan economy in parallel with the market economy. The Libyan government tried to transform the vital sectors of the economy into the program, aiming at training workers, finding new jobs, fostering investments, and selling public companies in order to minimize public spending. In fact, Libya, like many other countries, has long been suffering from shortcomings in the economy, especially in areas such as inflation, balance of payments deficit, employment rate and growth, which has created an imbalance in the economy. Problems of irregularities in supply and demand had a negative impact on the balance of payments. Similarly, fiscal policy had a tendency to exceed the level of expenditures, resulting in an imbalance between the density of population and economic growth and employment, and structural distortion in the labor market occurred. Diversification is a very important issue for Libya economy because in the coming decades the production of Libyan oil is expected to fall because the reserves have their end. Thus, the long-term preservation of the Libyan economy depends on the development and self-sustainability of the non-chemical-related industry. Otherwise, when the oil reserves are reduced, Libya will become as it was before oil boom, undeveloped farming country.

[2] Alfaitori E (2003) Nationalisation and Economic Development in Libya, Difficulties and Expected Economic Effects. Economic Magazine for Economical Researches (in Arabic) 4: 1-25.

[3] Source: https://tradingeconomics.com/libya/gdp-growth-annual

Table 1. Number and classification of units that are transformed from 2004 to 2008[4]

Stages Activity	First stage	Second stage	Third stage	Total
Industrial	145	41	18	204
Agricultural	28	4	24	56
Live stock	11	-	11	82
Marine fisheries	16	1	1	18
Total	260	46	54	360

III. Libyan Government Role in Economic Policy

The General National Board (GNO) is responsible for the principles and objectives of the transfer of ownership, since this is one of the reform economic programs aimed at expanding the ownership base and restructuring economic activities. In this direction, the Libyan government takes measures through re-examining state-owned companies and replaces them with partner companies and joint stock companies. The launch of these reforms began in the late eighties and early nineties, when state socialism became a replacement for national socialism in Libya.[5] Senina and Shamiya explained that the privatization in Libya was the result of local conditions characterized by a fixed economic foundation and dependence on purely economic resources such as oil.[6] General indicators that usually measure the efficiency of the economy, such as income, loss, return on investment and the possibility of competition in foreign markets, show that in 1987, the percentage of losses in the food production unit reached 89%, in the construction sector 100%, and in the engineering and electricity sectors 50%. This process was halted following the decree of the General National Board No. 313 of 2003, when a public sector restructuring program and the strengthening of the ownership base were approved.[7] GNO also issued a list of public companies that should start the transformation process. 360 private units were then privatized in agriculture, industry, livestock and fisheries. The total assets of these units amounted to 8 million Libyans, and over 100,000 employees worked in these units. The program took place in the period of 5 years from 2004 to 2008. Law 1 for the year 2004 on the addition and adjustment of a number of rulings of the Law 21 for the year 2001 on different economic activities. This law facilitated the establishment of shareholding companies.[8]

IV. Conclusion

This article gave a short analysis of Libya's macro environment and the performance and evolution of the development of the economic sector in the Libyan economy. Since 1969, after the revolution, the Libyan economy has gone through three main systems: the nationalist and socialist period, through a period of open economic policy and reform programs. The Libyan economy experienced rapid expansion during the late 1970s and early 1980s when real GDP grew averagely by more than 10% a year. This expansion was largely financed by the sector from the proceeds of oil sales. In the mid-1980s, economic growth slowed down and the Libyan government began introducing anti-recession measures due to a collapse in oil prices and the 1990/1991 Gulf War. Following the abolition of the economic embargo against Libya in 2003, Libya entered a new economic phase of economic openness and freedom.

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[5] GPC General People's Committee Resolution 105 (2005) Transferred Responsibility of Establishment of Capital Market to the Libyan General People Committee for Economy and Trade.

[6] GPC General People's Committee Resolution 134 (2006) Regarding the Revised Establishment of a Stock market in Libya.

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[8] Law 1 (2005) The Libyan Bank Law.

[9] Law 21 (2001) Practice of Economic Activities for Individuals and Public Companies.

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