

State of economy and possibilities for Libyan economic development today

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Abstract- Economic development is a complex concept that, in addition to economic growth, includes changes in the structure of the economy, changes in the social sphere, technology. Economic development can be defined as a process that involves the creation of new features in the country economy (in addition to the quantitative growth of structural elements). Dynamic character of the economic structure gives a qualitative dimension to this process.

Economic development considers an increase in national income, as a consequence of an increase in production, with comparisons of structural changes and changes in the functioning of the economy. "It is the unity of movement and development, that is. the most general form of movement and development of the economy. Economic development is a process that is subject to human control and active management. With the development of human society, it expands and strengthens, becoming the most important and most complex human activity. Economic development is influenced by many factors, both material and immaterial, as well as economic and non-economic. Taking into account the previously taken factors, each economic system should determine priorities or strategies of action. Priorities or strategies are determined by the strength of their effect on the rate of economic growth.

Index Terms- Economic, Development, income, management, determine.

I. INTRODUCTION

The degree of economic development is used to enable an understanding of the degree to which a country has reached in the development process and what its prospects are for further economic progress. In theory, the following indicators of economic development are most often used, namely: economic and non-economic. The local business development strategy is a plan that helps local governments to organize, develop and establish their activities in the most efficient way. A strategic plan is a planning document that contains a number of strategic goals. It provides guidelines for municipal development activities over a period of time (usually 3 to 5 years) and sets out the direction, priorities, actions and responsibilities for implementation. That is why strategic planning is one of the most important elements of

efficient local self-government and local economic development, because good strategic planning enables adaptation to rapid changes in an increasingly dynamic environment.

Situation in the economy and economic development in Libya today

The situation with Libya's public debt was brought to a critical point in the period after the revolution. In order to preserve social peace, the Libyan leadership has continued the trend with subsidies for basic foodstuffs. About half of Libya's budget is spent on these types of subsidies. For decades, the state has subsidized the prices of basic foodstuffs, especially food and energy, but as the price of energy and food raw materials has risen, these costs are becoming incomparably more difficult to finance from the ever-shrinking state budget.

"However, with the lifting of sanctions against the Libyan Arab Foreign Bank and the Central Bank of Libya, but also due to the recovery of the oil refining sector in early 2012, there has been an improvement in liquidity and the financial situation as a whole. At the end of 2014, the gross domestic product of the seven most economically affected countries in which the "Arab Spring" took place - Egypt, Tunisia, Libya, Syria, Jordan, Lebanon and Bahrain, was 35% lower than before the popular protests in 2011. The special danger lies in the growing impatience of the people who expected a better life after the overthrow of the previous regime."¹

"According to the reports of the International Monetary Fund from 2009, Libya had nearly 144 tons of gold in gold bars. The market value of this gold stock is around 6 billion dollars. All the gold was in the depots of the central bank in Tripoli. Just before the outbreak of the riots in 2011, Muammar al-Gaddafi announced that the currency of Libya - the dinar - would have a base in gold and would be a competitor to the euro and the dollar. He also announced that Libyan oil will be able to be paid exclusively in dinars. There was also talk of creating an African Monetary Fund, which would mean the complete independence of African countries from the International Monetary Fund. Islamic banking is basically a ban on selling money with interest. This type of banking is becoming very popular in the world. Loans are approved without interest, and are very stimulating for investors. They stimulate business development by providing excellent and

¹ <http://www.bankar.me/2013/12/25/which-are-the-economic-consequences-of-the-Arab-spring/>, 02.12.2020. seap

attractive conditions. Libya had a public debt of only 3.2 percent of gross domestic product in 2012.²

Libya's economic development potentials

Libya has created an institutional framework for attracting foreign capital by, among other things, reducing the corporate income tax rate and the personal income tax rate to the lowest amount of the surrounding countries. However, the existence of other factors that negatively affect the economic climate in Libya, such as: corruption rate, risk of terrorist attacks, ease of economic activities, too much bureaucracy, etc., prevents faster economic development of Libya. The modern business, economic, social environment imposes such a system of values, that the growth and functioning of a national economy, in every sense, largely depends on the relationship it establishes with the rest of the world. These relations, in addition to trade, are marked by investment flows that provide internationalization, with a special emphasis on foreign direct investment, either directly through capital, technology or knowledge.

That is why foreign investment, in any form, is of great importance to Libya because it contributes to economic growth. The Libyan government should, through an economic development strategy, reverse ways and create a stable macroeconomic environment to make it more attractive to foreign investors. It is a whole set of measures, which refers to the laws that mock the system of international relations, and especially the system within the state, that is, the regulations concerning investments of a local character. In order for Libya to think about attracting foreign capital, ie to be able to compete with competitors, it needs political stability, stability of the national economy, favorable business environment, affirmative legal regulations for foreign and domestic investors, built infrastructure and credibility of government policy.

Perspectives of Libya's economic development

Libya's economic development requires additional investments in the country's economic development, all with effective legal regulations that need to be enacted and that would define the manner and procedures for investing in the economy. The main precondition for the efficient implementation of the successful transition of the Libyan economy is announced in the ongoing process of creating an appropriate business environment for the development of the private sector, as well as improving the production capacity of Libya's primary products, oil and natural gas. But in practice, Libya faces a number of challenges. During the civil war in Libya, investments from abroad were drastically reduced, whether in money, technology or knowledge. After the end of the war, expectations were met that most of the capital for investment would be directed to the energy sector, which is the basis for the development of the Libyan economy.

Foreign investment as a factor in the economic development of Libya

² Taken from the doctoral dissertation of Masadak Ali, entitled "The impact of corporate governance and political will on economic reforms in the state of Libya", 9.12.2020. years

³ Alsnusy O. Alfadel, Kertahadi M. Com, Imam Saudi, „The Effort of Economic Growth through Foreign Direct Investment in

Revenues generated by Libya through the oil exports sector had the largest share in the structure of gross domestic product. Due to the natural wealth of crude oil, foreign investors have shown the greatest interest in investing in the energy sector. Some of the companies that have invested in Libya and its energy sector are: Sheell, ExxonMobil, Total of France and ENI. After the end of the war in 2011, these companies became active again in the area of investing in business in Libya. However, for Libya to become an attractive destination for foreign investment, it needs to implement serious administrative reforms. The reforms that have been initiated are largely in line with European Union standards, due to the fact that the countries of the European Union are Libya's main trading partners. Therefore, it is necessary to carry out reforms in the field of investment in local governments, to make a strategy for the economic development of Libya, in different segments.

“Dependence on foreign direct investment should not provide privileges for foreign investors to the detriment of domestic firms. Domestic and foreign investors must work and compete under the same conditions. International experience shows that economic growth is best accelerated by creating more favorable business-legal, institutional and administrative frameworks that open the door to investment, both domestic and foreign.

Investments coming from the European Union, the World Bank and the United States Agency for International Development (USAID) can play a key role in providing financial as well as other types of assistance, in the form of experience from the transition economies in Europe and the former Soviet Union with private development. sectors, including regulatory frameworks and capacity building of relevant agencies, which are crucial for Libya's economic reforms. Libya's strategic position opens the way to a large market, primarily to the European Union, but also to African countries such as Egypt, Tunisia, Chad, Mali, Niger and Sudan. Therefore, it is very important to develop policy instruments, which will integrate the country with regional trade networks and deepen trade and economic ties with potential business partners. Libya's border and customs administration should facilitate the efficient entry and exit of goods, while improving transport and communication infrastructure should facilitate the movement of goods. Also, the establishment of regulations and bilateral trade agreements with potential trading partners is very important.³

“Foreign investment in non-energy sectors will have to play a key role in reviving Libya's economy.” The contribution must not be limited to providing more than the required capital; but profit can also be achieved through the transfer of modern technologies, the integration of domestic production into world production and the marketing of domestic production chains.⁴

Other relevant factors for Libya's economic development

The current Libyan government, formed after the civil war in 2011, faces numerous challenges in the future, some of the key

Libya“, Journal of Business and Management, 2013, 9.12.2020. godine

⁴ <http://www.ly.undp.org>, 9.12.2020. year

ones are in the sphere of politics - the fight against corruption and strengthening of institutions, while in the sphere of economic development economic diversification is needed. sector, especially the banking sector, amendments to the law, etc. In addition to the aforementioned economic challenges, Libya is also facing emerging demographic challenges and difficulties. Due to the still present restrictions in electricity supply, lack of adequate drinking water, lack of medical workers and adequate health services, etc., Libya is facing internal displacement of the population, which is a significant problem.

“Climatic conditions and poor land quality make agriculture in Libya very underdeveloped, so Libya imports as much as 75% of the food consumed in the country. Despite the enormous efforts that Libya is investing in political and economic reforms, the economy of this country is in an even worse condition than in 2011. For example, the level of gross domestic product is low, the unemployment rate is still very high, exports are significantly reduced, the gray economy is growing, there is significant non-competitiveness of companies and there is a significant outflow of capital. If we add to that the security conditions that still look like war, losses in manpower, property, infrastructure, we do not get a positive picture of the environment for any kind of foreign investment. Libya's economy is struggling to recover from a sharp drop in oil production, which has shrunk from 1.5 million barrels a day, from pre-crisis times, to 250,000 barrels a day due to the state of war and the destruction of infrastructure and oil facilities. Libya has joined the so-called “The New Partnership for Africa’s Development (NEPAD), which aims to attract foreign investment to Africa. Foreign direct investment (FDI) is an integral part of an open and efficient international economic system and a major catalyst for the development process. The government's policy should be aimed at increasing transparency, creating a safe and efficient environment for investment, as well as providing human and institutional capacities to implement these measures.”⁵

Due to the continuing instability in Libya, the return of foreign companies to the Libyan market remains slow, which limits the inflow of foreign direct investment, which is necessary for the recovery of the Libyan economy. "Given the fact that Libya imports about 80% of total domestic consumption, the increase in export levels will not be enough to ensure the remediation of the large foreign trade deficit."

Future economic and social conditions in the so-called new Libya will be determined by the following principles:

- Libya is the seventeenth largest country in the world by area, with a strong need to expand and improve its own infrastructure network.
- According to estimates, the net foreign exchange reserves of the Central Bank of Libya amount to about 150 billion US dollars (data from the end of 2010)

- In Libya, there were intentions and plans to carry out mass privatization of the Libyan economy, which included the privatization of banks and mobile operators, through partial initial public offerings of shares, but little of that was implemented in practice.
- Libya has an exceptional geostrategic location in the central part of the Arab world and North Africa, on the shores of the Mediterranean Sea.
- Almost 80% of Libya's population lives in urban areas with the highest concentration in the cities of Tripoli, Misrata and Benghazi.
- Libyan oil is of high quality and belongs to the group of superlight-sweet for which there is a great demand. “Global multinational corporations are very interested in investing in Libya's economy, as is the large Libyan diaspora.”⁶

Conclusion

Foreign investment is in any form, of great importance to Libya because it contributes to economic growth. The Libyan government should, through an economic development strategy, reverse ways and create a stable macroeconomic environment to make it more attractive to foreign investors. It is a whole set of measures, which refers to the laws that mock the system of international relations, and especially the system within the state, that is, the regulations concerning investments of a local character. In order for Libya to think about attracting foreign capital, ie to be able to compete with competitors, it needs political stability, stability of the national economy, favorable business environment, affirmative legal regulations for foreign and domestic investors, built infrastructure and credibility of government policy. . Libya's local economic development strategy is a plan that helps local governments to organize, develop and establish in the most efficient way their activities throughout the country through local government. Libya's Strategic Plan is a planning document that contains a number of strategic goals. It provides guidelines for local government development activities in Libya over a given period of time (usually 3 to 5 years) and sets out the direction, priorities, actions and responsibilities for implementation. That is why strategic planning of economic development at the local level of Libya is one of the most important elements of efficient local self-government and local economic development, because good strategic planning enables adaptation to rapid changes in an increasingly dynamic environment.

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⁵ <http://www.ly.undp.org>, 9.12.2020. year

⁶ <http://www.ly.undp.org>, 9.12.2020. year

