Merchandise Trade Territorial and Commodity Structure Development: The Analysis of Selected Factors Influencing Libyan Merchandise Trade Performance

(Case of Study Libya During 1999 – 2009)

PhD Dissertation

Author: Bashir .A .M. Elshibani

Supervisor: Doc. Ing. Lubos Smutka, Ph.D

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ABSTRACT

For a long period of time, foreign trade has been an important aspect of globalisation and international trade as goods and services exported and imported between different countries across the world continue to contribute significant proportions of world economies as well as development of both developed and developing countries. However, foreign trade is influenced by various variables that determine the differences in volumes, composition and geographical distribution in foreign trade between countries. However, these variables influence foreign trade differently which necessitates the need for the policy makers to have succinct understanding of the dynamics of these variables imminent. Hence this is the focus of this thesis because its findings are essential in ensuring that the provided information can enable explicit understanding of foreign trade in Libya as well as facilitating formulation of good foreign trade policies in the country. Thus, this thesis investigates whether there is significant relationship in Libya between foreign trade, exports and imports (dependent variables) and oil prices, FDI, GDP, Exchange Rates as well as Tariff Rates (independent variables).

The thesis has adopted a "simple linear regression model". Such a model is applied primarily to investigate the form of the relationships that exist among the dependent variable and the independent variables as well as the direction and strength of the relationships present between the dependent variable and the independent variables through correlation coefficients. Correlation and regression analyses have also been adopted in this thesis to facilitate determination of relationships between dependent variables (foreign trade, exports and imports) and independent variables (oil price, tariff, exchange rate, GDP and FDI).

The results suggest that there are significant relationships between foreign trade and oil price, tariff and exchange rate in Libya while the relationships between foreign trade and GDP and FDI are not significant. However, when the relationships between exports and independent variables are considered, the relationships between exports and oil price, tariff and exchange rate in Libya are significant while the relationships between foreign trade and GDP and FDI are not significant. Furthermore, when the relationships between imports and independent variables are considered, it was determined that the relationships are not significant except for the relationship between imports and exchange rate.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
AMF	Arab Monetary Fund
AMU	Arab Maghreb Union
CBL	Central Bank of Libya
CIA	Central Intelligence Agency
COMESA	Common Market for East and South Africa
EIA	Energy Information Administration
EMP	Euro-Med Partnerships
EU	European Union
EXR	Exchange Rate
FAOSTAT	Food and Agricultural Organization Statistical Database
FDI	Foreign Direct Investment
FT	Foreign Trade
FTZ	Free Trade Zone
GAFTA	Greater Arab Free Trade Area
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GMMR	Great Man-Made River
ICT	Information Communication Technology
IEEs	International Economic Embargos

IMF	International Monetary Fund
IPOs	Initial Public Offers
LDCs	Least Developed Countries
LIA	Libyan Investment Authority
LNG	Liquefied Natural Gas
LYD	Libyan Dinar
MFNs	Most Favoured Nations
MNCs	Multinational Corporations
NTC	National Transition Council
OAPEC	Organization of Arab Petroleum Exporting Countries
OP	Oil Price
OPEC	Organization of Petroleum Exporting Countries
PAFTA	Pan Arab Free Trade Agreement
SDR	Special Drawing Right
T	Tariff
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
U.S	United States
USA	United States of America
USD	United States Dollar
WTO	World Trade Organization

CHAPTER 1: GENERAL INTRODUCTION

1.1. Introduction

Foreign trade is an important aspect in the components of GDP for most countries of the world. This is mainly because it plays a significant role in the process of economic and social development, additionally, the higher the value of exports compared to the value of imports leads to greater value of surplus of foreign currency, which can be used for the importation of capital and production inputs, needed to enable economic development plans. Foreign trade involves the process of exchanging goods and services across the world over a wide range of national borders [60, 61]. Today, foreign trade represents a significant part of GDP for most countries. However, despite the fact that foreign trade has been present for a relatively considerable period of history, it's political, social, and economic importance has tremendously increased in recent centuries, mostly as a result of industrialization, advanced transportation, globalisation, and outsourcing [4, 6, and 10]. In fact, it is the foreign trade's increased prevalence that has in recent times come to be associated with the term "globalisation". Thus, in modern world it is inevitable to underestimate the significance of foreign trade when the role it usually plays in economies is considered for both developed as well as developing countries such as Libya [29, 30, 31, and 43].

Foreign trade consists of the trade of one country with other countries across the world, and it involves importation and exportation of goods and services. However, in foreign trade between different countries across the world in the aggregate contributes to international trade, but the determinant of level of development, significance and nature of foreign trade is as a result of specific mode of production [9, 11]. In addition, foreign trade involves many complexities associated with transactions between different countries as well as the unfamiliar aspects of the host-country environment such as those linked to regulations, financial, legal, economic, political, ethical, socio-cultural, and many others.

The rise of foreign trade can be traced far back in antiquity and has greatly contributed to the growth of production of commodities as well as commodity-money relations between most countries across the world. For instance, in the feudalism and slave owning age, when the nature of commodity production was basically nonmonetary, the portion of foreign trade globally was very small because of its insignificantly small contribution to factors of production and it primarily served to fulfil the ruling classes' personal consumption needs [60, 61]. However, as feudalism decayed, there was a relatively great extent to which foreign trade

was furthered as a result of consolidation of the modern modes of production and the formation of a world market. Since then foreign trade has been receiving greatest developments, and in particular from the phase of industrial revolution. Nowadays, foreign trade constitute an inseparable part of the international trade. Therefore, in modern world it is impossible to imagine a country that does not engage in foreign trade; indeed, there is no such country because it is evidently true that no nation can exist in isolation. However, this has been the case in order to enable supply of the required commodities and production inputs as well as finding market abroad for the goods that are locally produced. Therefore, over the past three to four decades foreign trade between African countries (Libya included) has recorded a phenomenal growth as a result of supportive institutions, increased competition, and advancements in technology [8, 11, 13, 19, and 23].

Moreover, over a long period of time Libya has been a crucial player in foreign trade globally where it has been involved in the exportation and importation of various goods and services. As a result of this, Libya has for a long period enjoyed a favourable trade balance in its foreign trade involvement mainly due to the exportation of crude oil, mostly to European countries [26, 27]. In Libya, foreign trade is mainly based on crude petroleum and petroleum products which constitute the major export products in the country. However, there have been other exports including natural gas, hydrocarbons, as well as fertilizers. Moreover, Libya has been importing a wide range of commodities distributed among categories such as consumer goods, food, fuels, industrial supplies, machinery, transportation products, and many others.

However, foreign trade in Libya has not been without challenges because of the international economic embargoes (IEEs) that have on several occasions been imposed upon the country thereby significantly influencing the patterns and volumes of foreign trade in the country [1, 3, and 7]. This is mainly because IEEs have serious impacts both economically and socially on the target countries. Historically, there are several countries on which the imposition of international economic embargoes has occurred including Libya, Cuba, Iran, Iraq, North Korea, among others [1, 2]. Indeed, Libya presents a unique case among these countries because it has been under unilateral sanctions from the United States of America (USA) from 1981 to 1989, as well as from the United Nations (UN) from 1990 to 2003. As a result of the imposed international economic embargoes (IEEs), the sanctions that follow lead to a limitation and/or restriction of Libya to access various nations as well as international resources. Moreover, there was also the period of international sanctions (1978- 2006), which

also had a significant influence to the pattern of Libyan exports and imports as well as the balance of payment.

Beckwith [9] observed that trade sanctions are often expected to effectively hinder foreign trade between the target countries and other countries, especially when such sanctions are taken at a multilateral level by the international community, leading to worsened trade linkages. According to Caruso [11] international economic embargoes (IEEs) lead to restriction of importation or exportation of one or more goods from the country that is targeted thereby reducing the country's foreign exchange as well as its ability to strengthen foreign trade relations. However, in spite of these sanctions significantly affecting a country's foreign trade, they are usually not very effective since target countries easily find alternative markets that greatly help them to circumvent import and export controls. From this perspective, Libya's economy and particularly foreign trade has during Qaddafi's reign suffered for a long period from imposition of strong economic embargoes by the United States, the United Kingdom and the United Nations [9, 11, and 12]. In Libya's these sanctions have been particularly through restriction of imports and exports, freezing of Libyan government assets as well as restricting access to technology that can be used for the development of petroleum refining operations in Libya. However, Libya's economy and participation in foreign trade have managed to survive these sanctions by seeking for alternative foreign trade partners who continued to engage with them in terms of foreign trade [29, 35, 39, and 42].

This thesis aims to investigate the relationship between Libya's independent variables such as tariff, exchange rate, oil price, Gross Domestic Product (GDP) as well as Foreign Direct Investment (FDI) and the country's dependent variables (foreign trade, exports and imports). In particular, this case study investigates duration of eleven (11) years, that is, the period from 1999 to 2009. The main emphasis in this thesis focuses on different aspects and sectors of Libyan economy that directly influence foreign trade.

1.2. Thesis Objectives

The objectives of this thesis were broadly categorised into two: general objectives and specific objectives where the former are two and broadly stated while the latter are eighteen and precisely stated in order accurately test the hypotheses proposed in this thesis. However, one of the general objectives deals with the investigation of the relationships between a set of independent variables and Libyan foreign trade, exports and imports while the second general objective deals with analysis of the general structure, composition, distribution and value development of Libyan exports, imports and total foreign trade turnover. Both of these general objectives are crucial in deciphering the merchandise trade territorial and commodity structure development in Libya as well as facilitating analysis of selected factors that affect merchandise trade performance in Libya.

1.2.1. General Objective

1. To evaluate the relationships between the set of independent variables and the Libyan foreign trade, exports and imports.

2. To analyse general structure, composition, distribution and value development of exports, imports and total foreign trade in Libya.

1.2.2. Specific Objectives

Specific objectives are very crucial because they aim at facilitating investigation of the relationship between a particular independent variable and either Libyan foreign trade, exports or imports. The specific objectives in this thesis are aimed at precisely establishing the anticipated relationship in order to facilitate an amicable way of accepting or rejecting proposed hypotheses through the process of hypotheses testing. Moreover, the specific objectives also aim to analyse general indicators or value development of Libyan foreign trade, exports, and imports as well as separately analysing commodity structure and general distribution of exports and imports in Libya. Therefore, specific objectives are broadly categorised into four: analysis of Libyan exports, imports and total foreign trade, investigation of the relationship between individual independent variables and Libyan foreign trade, investigation of the relationship between individual independent variables and Libyan exports, and finally investigation of the relationship between individual independent variables and Libyan import.

Analysis of indicators or value development, structure and composition of Libyan exports, imports and total foreign trade

1. Analysis of general indicators and value development of Libyan exports, imports and total foreign trade. This objective seeks to investigate whether indicators and value of the above mentioned dependent variables are increasing or decreasing with time.

2. Analysis of commodity structure and geographical distribution of Libyan exports. This objective aims to critically analyse how exports in Libya are structured as well as analysing how they are generally distributed.

3. Analysis of commodity structure and geographical distribution of Libyan imports. The goal of this objective is to analyse the structure of imports in Libya over the case study period as well as providing an analysis of the general distribution of Libyan imports.

Investigation of the relationship between Libyan foreign trade and selected independent variables

4. To investigate the relationship between Tariff (T) and foreign trade performance in Libya. This objective seeks to determine how tariffs are related to foreign trade in Libya, and determine whether the relationship is either positive or negative in addition to determining the extent of the relationship if present.

5. To investigate the relationship between Exchange Rate (EXR) and foreign trade performance in Libya. This objective aims to use correlation and regression analysis to determine the relationship between exchange rates and foreign trade in Libya. This objective seeks to investigate how changes in exchange rates influence foreign trade in Libya.

6. To investigate the relationship between Oil Price (OP) and foreign trade performance in Libya. Oil prices have not been stable in the global market, and this objective is to determine whether such fluctuations in global oil prices influence foreign trade in Libya as well as determining the extent and directions of the relationships (both positive and negative).

7. To investigate the relationship between Gross Domestic Product (GDP) and foreign trade performance in Libya. The goal of this objective is to determine if Libya's GDP is in any way related to its foreign trade value, and if they are related, which kind of relationship (positive or negative) and the strength.

8. To investigate the relationship between Foreign Direct Investment (FDI) and foreign trade performance in Libya. The goal of this objective is to determine if an increase or decrease in FDI influenced foreign trade in Libya over the case study period.

Investigation of the relationship between Libyan exports and selected independent variables

9. To investigate the relationship between Tariff (T) and Libyan exports. This objective seeks to determine the relationship between tariffs and exports in Libya, as well as determining whether the relationship is either positive or negative in addition to the strength of the relationship which is present.

10. To investigate the relationship between Exchange Rate (EXR) and Libyan exports. The aim of this objective is to determine the relationship between exchange rates and Libyan exports because it is generally observed that exchange rates are directly related to Libyan exports.

11. To investigate the relationship between Oil Price (OP) and Libyan exports. The goal of this objective is to determine the relationship between oil prices and Libyan exports and the extent of the relationship whether positive or negative.

12. To investigate the relationship between Gross Domestic Product (GDP) and Libyan exports. The goal of this objective is to determine whether GDP in Libya is related to its exports, and if they are related, which kind of relationship (positive or negative) as well as determining whether the relationship is significant.

13. To investigate the relationship between Foreign Direct Investment (FDI) and Libyan exports. Determining the relationships between FDI and exports in Libya is the main goal of this objective. In particular, this objective seeks to determine whether low or high levels of FDI have influence on FDI in Libya.

Investigation of the relationship between Libyan imports and selected independent variables

14. To investigate the relationship between Tariffs (T) and Libyan imports. This objective seeks to determine the extent and direction of relationships between tariffs and imports in Libya.

15. To investigate the relationship between Exchange Rates (EXR) and Libyan imports. This objective aims to determine the relationships that exist between exchange rates and imports in Libya, by establishing how changes in exchange rates influence imports in Libya.

16. To investigate the relationship between Oil Prices (OP) and Libyan imports. Oil prices have not been stable in the global market, and this objective is to determine whether such fluctuations in global oil prices are related with Libyan imports and the extent of the relationship as well as determining whether the relationship is positive or negative.

17. To investigate the relationship between Gross Domestic Products (GDP) and Libyan imports. The goal of this objective is to determine the strength and direction of the relationships that exist between imports and GDP in Libya.

18. To investigate the relationship between Foreign Direct Investments (FDI) and Libyan imports. This goal aims to determine whether an increase or decrease in FDI is related to imports in Libya.

1.3. Significance of the study

Considering the importance of foreign trade to a country's economy, it is essential to note, that this research will contribute to an immensely rich source of information for both entrepreneurs and policy makers. The essence of this is that, very little research has been conducted on this field in Libya making the significance of this research an issue that cannot be easily overlooked. The findings of this research will act as a guide to entrepreneurs planning of entering into a business venture in a developing nation like Libya. This is mainly because it will give them an opportunity to understand in detail the considerations that are necessary to make prior to taking up decisions to invest in Libya as well as highlighting the possible limitations to be faced, and facilitate the process of devising appropriate methods of managing the identified limitations. The research findings will also be of great significance to policy makers by providing guidance to the process of policy formulation. Moreover, as the research is not limited to a particular sector of Libyan economy (specifically foreign trade), it will guide various partners in different sectors of the economy planning to invest in Libya foreign trade.

1.4. Problem statement

The foreign trade is undoubtedly one of the most significant aspects of a country's economy because of its contribution to GDP for almost all countries across the world [5, 6]. This is mainly because foreign trade has a very crucial role in the process of economic development,

mainly because exports have a significant contribution to economic development by acting as an important source of funding for the country. In addition, if the value of exports is high compared to the value of imports, this leads to a greater value of foreign currency surplus, which in turn can be converted to imported production inputs and capital goods, needed to finance plans for the country's economic development. Therefore, having an explicit understanding of the variables of foreign trade within a country is inevitable if proper planning is to be achieved [2, 7, 11, 45, and 62]. This is mainly because it facilitates an establishment of the existing relationships between independent and dependent variables of the foreign trade, information that greatly suit a country's policy formulation process. As a result of this, the essence of this study cannot be underestimated because a country without information about its foreign trade variables of GDP is not able to formulate effective policies for controlling foreign trade.

1.5. Research questions

This study proposes to investigate the following research questions:

1. What are the general indicators and value development of Libyan exports, imports and total foreign trade?
2. What is the commodity structure and geographical distribution of Libyan exports?
3. What is the commodity structure and geographical distribution of Libyan imports?
4. Is there a significant relationship between (OP) and foreign trade in Libya?
5. Is there a significant relationship between (T) and foreign trade in Libya?
6. Is there a significant relationship between (EXR) and foreign trade in Libya?
7. Is there a significant relationship between (GDP) and foreign trade in Libya?
8. Is there a significant relationship between (FDI) and foreign trade in Libya?
9. Is there a significant relationship between (T) and Libyan exports?
10. Is there a significant relationship between (EXR) and Libyan exports?
11. Is there a significant relationship between (OP) and Libyan exports?
12. Is there a significant relationship between (GDP) and Libyan exports?

13. Is there a significant relationship between (FDI) and Libyan exports?

14. Is there a significant relationship between Tariff (T) and Libyan imports?

15. Is there a significant relationship between (EXR) and Libyan imports?

16. Is there a significant relationship between (OP) and Libyan imports?

17. Is there a significant relationship between (GDP) and Libyan imports?

18. Is there a significant relationship between (FDI) and Libyan imports?

1.6. Research hypotheses

This study will focus on investigating the relationship between the foreign trade dependent variables and independent variable of foreign trade (exports and imports) in Libya, and on basis of this, the study will comprise of the following hypotheses:

H1: There is a continuous increase in general indicators and value development of Libyan exports, imports and total foreign trade.

H2: The commodity structure and general distribution of Libyan exports are diverse.

H3: The commodity structure and general distribution of Libyan imports are diverse.

H4: There is a significant relationship between oil price and Libyan foreign trade.

H5: There is a significant relationship between Tariff and Libyan foreign trade.

H6: There is a significant relationship between Exchange rate and Libyan foreign trade.

H7: There is a significant relationship between Gross domestic product (GDP) and Libyan foreign trade.

H8: There is a significant relationship between foreign direct investment (FDI) and Libyan foreign trade.

H9: There is a significant relationship between oil price and Libyan exports.

H10: There is a significant relationship between Tariff and Libyan exports.

H11: There is a significant relationship between Exchange rate and Libyan exports.

H12: There is a significant relationship between Gross domestic product (GDP) and Libyan exports.

H13: There is a significant relationship between foreign direct investment (FDI) and Libyan exports.

H14: There is a significant relationship between oil price and Libyan imports.

H15: There is a significant relationship between Tariff and Libyan imports.

H16: There is a significant relationship between Exchange rate and Libyan imports.

H17: There is a significant relationship between Gross domestic product (GDP) and Libyan imports.

H18: There is a significant relationship between foreign direct investment (FDI) and Libyan imports.

1.7. Study limitation

In course of any study, some limitations must be encountered that often narrow the research's scope and the limitations of this research were: as the study is investigating the relationship of a few independent variables of Libyan economy and foreign trade, there is limitation of generalizing the obtained results to the entire relationship of other economic variables to the overall foreign trade [28, 61]. This may not be appropriate since each economic variable requires its independent consideration. Moreover, the other limitation is that, since the research is based on a single Islamic, developing and oil producing country, these characteristics makes it unique which again makes transferability of the obtained results difficult not only to the developed countries, but also to a majority of developing countries. Moreover, the civil war in Libya which lasted for over one year leading to the overthrow and death of Muammar Gadhafi had destabilised the entire political and economic system in the country attributing to numerous challenges in the process of data collection as well as data availability. Furthermore, the limited availability of time and resources posed another significant limitation since Libyan foreign trade consists of various sectors including oil and natural gas, industry, agriculture, services, tourism, and others. Therefore, it is not possible to conduct a research on all aspects of Libyan foreign trade and thus the findings of the study are slightly dependent on the availability of data with reference to accessibility and time.

1.8. Methods and methodology

A combination of case study and descriptive research designs was used to conduct this thesis. The decision to use these two methods of research was to ensure that sufficient data concerning Libyan foreign trade was collected through the case study research design followed by adequate description of the variables of foreign trade in Libya through descriptive research design in order to establish their relationships with the country's exports and imports. The case study was used as an empirical inquiry to investigate the contemporary phenomenon of foreign trade in Libya. This research strategy comprised of an all-encompassing method that covered the logic of design, techniques of data collection as well as specific data analysis approaches used. The case study research design included collection of quantitative evidence and relied on multiple sources of secondary data as evidence.

Moreover, since the data collected in this case study was descriptive in nature; then the case study research design used can be regarded as descriptive since no primary data was collected and it involved a critical description and analysis of the secondary data collected about variables of foreign trade in Libya. This was essential to ensure that the main objective of the study, which is to investigate the relationship between Libyan foreign trade variables and the country's exports and imports, is achieved. Therefore, the use of descriptive research design was also necessary to facilitate description and inference about foreign trade (particularly exports and imports separately) in Libya and the relationships between the foreign trade, exports and imports and independent variables under study. Descriptions and inferences of foreign trade variables in Libya were quantitative in nature. Description of the Libyan foreign trade variables relied on quantitative secondary data designs to describe the foreign trade phenomenon in Libya with a goal of establishing relationships between the independent variables under study and foreign trade (including both exports and imports separately) in the country. The use of descriptive research design in addition to the typical case study research design, which seems more appropriate for this study, was to ensure accurate descriptions of variables of Libyan foreign trade under consideration were provided. Furthermore, the characteristics of foreign trade in Libya were described by studying their averages, frequencies, and other statistical calculations. Hence combination of these research methods enabled the researcher to collect adequate information about foreign trade variables in Libya and gain a better understanding of Libyan economy and foreign trade.

This thesis heavily relied on quantitative statistical analysis and descriptive analytical method where some statistical tools were used including the simple regression linear model which was very crucial in helping the researcher to know the trends and relationships between foreign trade variables in Libya. Therefore, these methods of data description and analysis helped in the investigation of development of foreign trade, particularly the exports, imports, as well as the structure and geographical distribution of the country's exports and imports. Thus, in order to effectively achieve the study objectives or appropriately test the research hypotheses, it was essential to adopt the necessary analytical techniques had to allow any significant relationships between Libyan foreign trade, exports and imports and the independent variables under study. In this thesis, SPSS Software was used to ensure this was achieved. The SPSS Software significantly helped in in the process of conducting data analysis for the facilitation of the testing of initially stated research hypotheses, thus it enabled making of thesis conclusions. The SPSS Software was particularly used in conducting data analysis where correlations and regression analysis were carried out through correlation statistics, ANOVA analysis, regression statistics and coefficients, as well as a scatterplot.

The quantitative data analysis in this thesis is based on descriptive statistics as well as correlation and regression analysis using simple graphics such as scatterplots and histograms. This is due to the fact that scatterplots and histograms have been used in the correlational and regression analyses respectively to analyse the case study data and provide graphical representations that show the data's visual outlook and distribution, and has been very crucial in highlighting any significant relationships between foreign trade, exports or imports and independent variables. In order to facilitate regression analysis in this thesis, SPSS Software was used to conduct simple one-way ANOVA analyses aimed at checking for any significant differences between study variables in addition to deciphering trends, patterns or relationships between variables under study, both dependent and independent. Thus, in overall regression and correlation analyses have been used in this thesis as analytical tools to enable quantitative data analysis in order to identify relationships between the dependent variables (foreign trade, exports and imports) and each of the independent variables. However, succinct determination of the existing relationships between the study variables, a relationship model was hypothesised where actual data values of study variables (both dependent and independent) have been used in developing regression equations. The hypothesised relationship model was derived directly from a simple linear regression model

which was deemed satisfactory, and each regression equation developed for various relationships considered prove to be very critical in the prediction of the value of the dependent variables (foreign trade, exports or imports) when the values for the independent variables are known. This implies that, the regression equations developed can be used as the basis of carrying out correlational analysis between dependent and independent variables under consideration in this thesis.

The study period of the case study which is between 1999 and 2009 represents the time period during and after the United Nations (UN) and United States (US) international economic embargoes. This is mainly because the United Nations (UN) and United States (US) international economic embargoes were suspended in 2003 and 2004 respectively. Therefore, it means the study period of the case study was 5 and 6 years before the UN and US economic sanctions were respectively suspended as well as 6 and 5 years after the UN and US economic sanctions had been respectively lifted. However, in some instances some data prior to the case study period was included where such inclusions were necessary to facilitate effective comprehension of the relationships between variables of Libya's foreign trade under study.

However, the process of carrying out this thesis was a step-by-step procedure where the first step was to plan on the study schedule and determine the study objectives, hypotheses and research questions as well as identification of the potential sources of information and methods of collection. Identification of the elements of the case study and documents needed for review followed. Collection of the relevant quantitative data and secondary information needed for this thesis was conducted. The case study data subjected to statistical analysis using the SPSS software was retrieved from the World Bank Database only in order to ensure there was consistency. The collected data was then analysed on the basis of the proposed theoretical model using the necessary quantitative data analysis methods with the assistance of SPSS Software. This enabled dissemination of the analysed data after the outcome of hypothesis testing which facilitated making of conclusions and recommendations. However, the secondary information gathered in the literature review was retrieved from various online databases such as the Central Bank of Libya, World Trade Organisation, European Union, CIA World Factbook, US Department of State, FAO AQUASTAT, United States Library of Congress, US Department of Commerce, Eurostat Statistical Yearbook, among others. Other secondary sources of information were reviewed for additional information including books, journal articles, and reports.

Furthermore, in order to ensure that thesis objectives were achieved, necessary analysis data about the study variables was retrieved from the World Bank Database whilst literature review information was collected from the above mentioned sources. This was only achievable through identification of appropriate sources of the required information. However, the data collected for this study was both secondary and quantitative. The data collected was quantitative meaning quantitative data analysis techniques were applied, and this facilitated an easy way of making comparisons and establishing relationships between variables under study [28, 61]. Moreover, collection of secondary data was deemed more economical due to the time and money saved as a result of ease and speedy access of data compared to primary data [17]. Furthermore, secondary data facilitated the collection of voluminous amount of secondary data which was sufficient for convenient data analysis; hence this helped in improving the understanding of the phenomenon under study since it availed all the required information [28].

However, evaluation of secondary data used in this thesis was significantly crucial in order to ensure that both the data and the data sources were credible and reliable. For instance, the secondary data collected for this thesis was evaluated to ensure it satisfied certain requirements such as availability where it was considered whether the required information was available. The secondary data collected was also evaluated for relevance to ensure it was appropriate and relevant for the case study period and not outdated. Furthermore, accuracy of the secondary data collected was evaluated through examination of the dependability of the used data sources. In addition, the secondary data collected for this study was evaluated to check its sufficiency where the available data had to be adequate [28, 61]. Evaluation of secondary data retrieved for this thesis showed that it succinctly satisfied the above mentioned requirements.

CHAPTER 2: LITERATURE REVIEW AND OVERVIEW OF FOREIGN TRADE

2.1. Foreign Trade

2.1.1. Definition of Foreign Trade

Foreign trade involves the process of exchanging goods and services across national borders, and in most countries across the world; foreign trade represents a significant part of Gross Domestic Product (GDP). Thus, foreign trade is the trade between one country with another country or a multiple of other countries, consisting of exportation and importation of commodities [4, 6, 10, and 14]. Foreign trade between different countries across the world in aggregate contributes to international trade, but the determinant of level of development, significance and nature of foreign trade is the specific mode of production. In addition, foreign trade involves many complexities associated with transactions between different countries as well as the unfamiliar aspects of the host-country environment such as those linked to regulations, financial, legal, economic, political, ethical, socio-cultural, and many others [22, 23].

2.1.2. Difference between international trade and domestic trade

International trade differs from domestic trade on various aspects. For instance, domestic trade is restricted to national frontiers. Moreover, there is also a difference in the international business management function from those in domestic trade. The visibility of these differences is evidently present in the area of personnel, marketing, accounting and finance, as well as production. For example, international trade includes international production of goods, international transaction of economic resources, and provision of services. Therefore, this implies that the broad forms of trade internationalization are technical collaboration, trade, and investment. Participation in international trade is most significantly represented by multinational corporations (MNCs) that simultaneously operate in many countries.

Conducting and management of the international trade operations are more complex compared to domestic trade. However, differences in the nationality of involved parties, customer heterogeneity across markets, relatively less mobility of production factors, variations in political systems and business practices, varied business policies and regulations, as well as use of different currencies are usually the crucial aspects differentiating international trade from domestic trade [40, 43, 50, and 77]. Moreover, these are the factors making international trade to be much more difficult and a complex activity.

However, there are differences between international trade and domestic trade including:

Scope: Scope of international trade is undoubtedly quite wide. This is mainly because it includes not only merchandise exports, but also trade in licensing and franchising, services, as well as foreign investments. On the other hand, domestic trade covers a limited territory.

Benefits: The differences in benefits that ensue from both international trade and domestic trade are imminent. For instance, international trade benefits both to the firms and nations involved are wide, while the range of domestic trade benefits is smaller compared to international trade.

- To the nations: Through international trade nations benefit through earning foreign exchange, gaining greater prospects of growth, gaining more efficient domestic resources usage and creation of employment opportunities. However, domestic trade is locally conducted and there is limited involvement of foreign currency [6]. It can also lead to creation of employment opportunities as well as resulting to perfection in utilisation of local resources because it is locally conducted using the same resources meaning it would obviously reap the benefits.
- To the firms: There are numerous benefits that firms gain by conducting trade globally including greater utilization of production capacities, prospects for higher profits, way out to domestic market's intense competition and improved business vision. Alternatively, profits gained by firms engaging in domestic trade are always lesser in comparison to those of firms dealing transactions globally through international trade [7, 12].

Market fluctuations: It is evident that international trade can be influenced by market fluctuations and the involved firms should be able to withstand these situations that may result to huge losses because their operations are wide spread. However, despite the fact that losses may be accrued in one area, this may be offset by profits gained in other areas thereby providing stabilizing effect during seasonal market fluctuations. On the other hand, domestic trade is conducted locally and faces minimal situations of market of fluctuations, but sometimes they also occur resulting to low profits and sometimes losses too.

Modes of entry: An entry into the international trade has several options available that differ from those adopted in domestic trade. These entry options range from importing/exporting to contract manufacturing abroad, joint ventures, licensing and franchising, and setting up subsidiaries that are wholly owned abroad [22]. Each entry mode presents various merits and demerits which must be keenly taken into consideration while making a decision on the one to prefer. Alternatively, modes of entry options for firms opting to deal in domestic trade are limited compared to those of the former one. Moreover, prior to entry and establishing business internationally firms and countries initially have to undertake the processing of numerous documents in order to complete many formalities involved, while on the other hand, starting a domestic trade business the process involved is usually an easy task because it doesn't require any difficult formalities to be processed.

Ability to share latest of technology: International trade provides for optimal conditions that facilitate the process of sharing the latest technology innovated and implemented in various firms across the world leading to improved quality and mode of production. On contrary, domestic trade limits the firms' ability towards sharing new technologies because business activities are restricted within a single country.

Political relations: Since its inception, international trade has been an obvious avenue for political relations improvement among the countries giving rise to cross-national agreements as well as cooperation. This has led to increased bargaining power both in politics and business as a result of established trading blocks. As a result of this, more cooperation has been experienced between countries due to increased foreign trade related transactional issues. On the other hand, this is evidently not achievable when domestic trade is mostly embarked on by a country [25, 30].

2.1.3 Reasons for Foreign Trade

There are numerous reasons that motivate a country to engage in foreign trade. These reasons are undoubtedly the driving force that has lead to phenomenal growth of foreign trade as well as improved economic development among the countries participating in foreign trade. For instance, the most significant reason for a country to engage in foreign trade is to make sure the things that are needed (and wanted), as well as those that are unavailable in their own country are availed through importation. Moreover, foreign trade also gives a country an opportunity to sell its products which are produced in surplus enabling the earning of foreign

currency [13, 21, 25, and 36]. A very good example is oil, a rare product which is needed all over the world in significant quantities, but only limited to particular countries, making it one of the most important product traded internationally. When Libya is considered, foreign trade allows the country to sell its surplus in crude petroleum and petroleum products produced as well as giving the country an opportunity to buy commodities that are scarcely produced including food, machinery, consumer goods, etc.

Moreover, it is widely accepted that foreign trade benefits, and therefore, the reasons behind countries' engaging in it are: It increases sales and profits; it enhances competiveness in the domestic market; it usually take full advantage of international trade technology; it maintains domestic market's cost competiveness; it extends the existing products' sales potential; it increases the potential for the expansion of businesses; it ensures that a country achieves a share of the global market; it reduces the dependency on the already existing markets; as well as stabilizing seasonal market fluctuations. These benefits accrued by a nation that has embraced foreign trade are one of the major reasons for foreign trade.

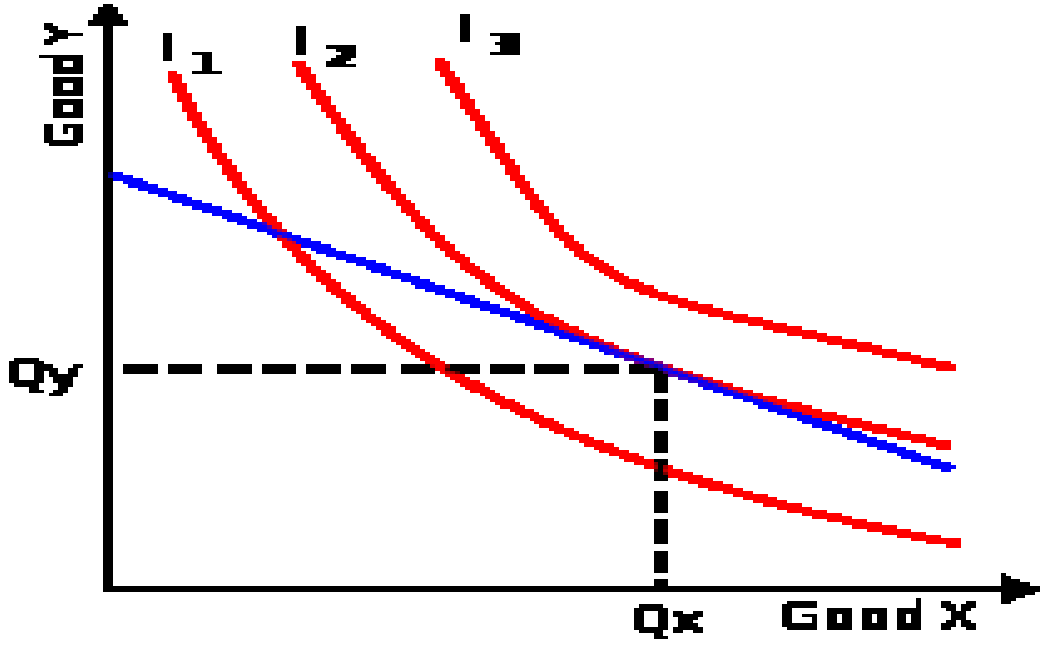
2.2. Importance of Foreign Trade

The foreign trade importance is usually attributed to the gains achievable from it, and these gains can be in broad terms classified into static and dynamic as they are discussed below:

2.2.1. Static Gains

Static gains are those that arise from the country's optimum use of the factor resources or endowments in labour, money and material, in order to ensure that there is maximisation of the national output leading to an increase in social welfare. The comparative cost theory operation in the foreign trade field is the one which results to static gains [61, 62]. Acting on this principle, countries that participate in foreign trade are able to make optimum use of their factor endowments or resources to achieve greater national output. In return, this leads to a raise in the country's level of social welfare. Indifference curves can be used to measure welfare or utility, extension or introduction of foreign trade can move the people in a particular country to a higher indifference curve.

Figure 1: Illustration of static gains through indifference curves



Source: Silberberg and Suen (2000)

To maximise utility, a household should consume at (Qx, Qy).

2.2.2. Dynamic Gains

On the other hand, dynamic gains are referred to as the benefits leading to participating countries' economic growth promotion. Participation in foreign trade leads dynamic gains which are usually related to economic growth and development. According to the comparative cost theory, different countries' specialisation in production of commodities they are best suited, results to improved productivity as a result of larger volumes of production. This leads to an obvious promotion of economic development. Therefore, it is undoubtedly evident that foreign trade extension accelerates economic growth and development among the participating countries [12, 23, 24, and 40].

Participation in foreign trade has been a very crucial factor in facilitating economic growth development. For instance, foreign trade leads to increased national income as well as facilitation of saving and opening out new investment channels. Increase in investment and saving is bound to tremendously promote economic growth and development. Foreign exchange earned from exports can be utilised in purchasing of capital and know-how and equipment from other countries which can serve as key instruments facilitating economic growth and development. Alternatively, a country may also export labour which in turn can

earn the country foreign exchange. The higher the rate of economic growth and development, is an indication of a larger the national income and output. This is mainly because a higher level of output is vital in enabling a nation to avoid the vicious poverty circle thereby putting the country in a self-sustaining economic growth and development. However, promotion of economic growth and development through foreign trade occurs in different ways discussed below:

2.2.2.1. Acquisition of capital goods from developed countries

Through foreign trade developing countries (Libya included) are enabled to obtain capital equipment and machinery in exchange for their goods to foster their economic growth and development. For example, Libya embarks on exportation of petroleum products and in exchange of heavy engineering tools and machines, trucks, as well as other capital equipment from countries that are developed.

2.2.2.2. Import of technical know-how or skills

Developing countries are often in short supply of professionals like architects, engineers, doctors, accountants, economists, managers, and other technical personnel. In order to cover this shortage and facilitate transfer of these technical know-how skills, developing countries such as Libya in most cases allow the inflow of technical brains in these professionals from developed countries where they are more.

2.2.2.3. International market access

Foreign trade enables extension of a country's business scope to the international market compared to domestic trade which deals with domestic market that is limited. Moreover, foreign trade facilitates the opening of new vistas, new markets and new marketing channels [22]. Extension of the markets through foreign trade enables economies of scale to be reaped and increased efficiency and productivity.

2.2.2.4. Foreign investment

Foreign investment is also attracted through foreign trade. This is mainly because attraction of foreign investors mostly occurs towards countries' engaged in active trading and investment in the form of technical expertise and capital goods. In this way, the manufacturing plants, the assembling plants and the latest technology in production of commodities will flow into the country [6, 7].

2.2.2.5. Source of public revenue

Importation and exportation of goods and services which occurs in foreign trade enables the government to earn revenue in form of custom duty, import licence fees, tariffs, etc.

2.2.2.6. Foreign exchange earnings

Foreign trade results to the opening up of employment opportunities in foreign countries for the citizens of the countries participating in the foreign trade. For instance, there are hundreds of thousands of Libyan citizens working in foreign countries who earn the government a significant amount of foreign exchange earnings in terms of taxes and the money they remit back home.

2.3. The policy of foreign trade

The policy of foreign trade in today's international trade is an issue of utmost concern particularly to developing countries because they are intended to determine the terms on which both developed and developing countries are integrated into the global economy. However, the policy of foreign trade is aimed at boosting the country's international trade. This is due to the fact that its purpose is to help in the smooth running of a nation's international trade, by setting goals and standards that are clear which potential trading partners can easily understand. In many regions across the world, groups of countries work together in the process of creating foreign trade policies that are mutually beneficial. Therefore, policy for foreign trade may be particular to a certain country, but often it tends to control most of the countries that take part in foreign trade [21, 23, 25, and 66]. For instance, preparations for global competition by developing countries is only one part of the international business equation that is determined by the policy of foreign trade policy, and what they inevitably encounter after making a decision to take part in foreign trade. Hence considering that Libya is a developing country, it is imminent that the need for her to familiarise with policy of foreign trade for other countries participating in foreign trade is inevitable.

2.3.1 Definition of policy of foreign trade

The policy of foreign trade is a set of rules and regulations with an intention of changing international trade flows, especially towards imports and exports restriction [65]. Every nation across the world has some form of policy of foreign trade in place, formulated by the

government with the aim of ensuring that it would be most appropriate when foreign trade in their country with other foreign countries is considered.

2.3.2 The goals of policy of foreign trade

There are various goals that are aimed to be achieved by the policy of foreign trade and they include: (1) To ensure foreign trade with other nations appreciates; (2) Establishment of businesses that are vibrant and supported by infrastructure and social amenities that are well established and functioning; (3) Expansion of goods and services exportation in order to generate jobs and prosperity for the people; (4) To protect the prevailing domestic market in the country; (5) To prevent importation of particular goods so that developing key industry or infant industries are protected as well as saving foreign exchange, etc.; (6) To restrict importation of particular goods which create balance of payments that are unfavourable; (7) To encourage capital goods importation to speed up the country's economic growth and development; (8) To enable home country with other foreign countries to enter into trade agreements for stabilizing the foreign trade; (9) To prevent or assist the import or export of goods and services in order to achieve the desired rate of exchange; and (10) To increase exportation of a particular product which is key in the expansion of the domestic market.

2.3.3 Kinds of policy of foreign trade

According to Beckwith [9] foreign trade policy consists of both bilateral as well as multilateral arrangements between countries and is responsible of dictating the terms of foreign trade between them. This implies that foreign trade policies precisely consist of a market's rules and regulations, and have major consequences for how foreign trade operations are carried out. Therefore, there are two major kinds of policy of foreign trade such as *free trade policies* and *protectionist trade policies*. Free trade policies are a kind of policy of foreign trade which open up markets by removing barriers to goods that come in and out of countries [4, 6, and 7]. Therefore, in the scenario of free trade policies, the market itself determines the functioning of the global international trade economy through promotion of the comparative advantage concept. The concept of comparative advantage provides description of a system by which prosperity of countries in foreign trade is attributed by them doing only what they do best, or particularly, doing what they can do most profitably or efficiently using a distinctive mix of locally available resources such as raw materials and labour. However, what they cannot produce competitively and efficiently for the global marketplace, in free trade policies the market dictates their importation from countries with the ability to produce

them competitively and efficiently [70, 77]. This has led to specialisation by some countries in production of some products, an aspect which is paramount in this era of globalization where the market does the work of sorting.

Generally, developing countries such as Libya have a comparative advantage in low-skilled, labour-intensive activities, such as light industry and agriculture. Therefore, in developing countries where foreign trade is controlled by free trade policies production of cotton, sugar, and corn for foreign trade is cheaper due to lower land values, and cheap labour that is adequate to effectively engage in such activities [7, 12, 25, 36, and 65]. In addition, textile goods that are easily manufactured capitalize on similar features that characterise developing countries' economies. On the other hand, developed nations have comparative advantage in the production of goods and services that are technology-intensive. Thus, in terms of free trade policies the presence of skilled, educated workers in developed countries concentrated in urban areas makes it necessary for them to embark on producing high technology goods as well as engaging in delivering services capitalizing on their expertise. This implies that free trade policies as one kind of policy of foreign trade allow the world to make production and purchasing decisions (exports and imports) on the basis of competitive expertise and pricing meaning it is primarily concerned about efficiency.

The other kind of policy of foreign trade is the protectionist trade policies aimed at distorting the sorting effect caused by free trade policies. In foreign trade, protectionism involves the barriers imposed to influence the way movement of goods and services take place between countries. These barriers are in many forms such as tariffs, and subsidies. Other protectionist trade policies' measures include labelling standards and requirements for imported goods, tax breaks for domestic producers, and import quotas [14, 64, and 66]. The rationale of this kind of policy of foreign trade is to ensure that market price of goods are skewed for a country's advantage leading to the propping up of the inefficient industries by protecting their goods from competition from goods produced in foreign countries, where they may have been produced more efficiently and cheaply. Therefore, in the protectionist trade policies there is disruption of the natural market supply and demand, and there is no limitation of countries to do only what they do best.

2.4. Risks of foreign trade

Risks associated with foreign trade are usually the major barriers that hinder its growth. Foreign trade has been subjected to extensive debate. This is mainly because of its phenomenal growth over the past three or four decades becoming one of the most significant drivers of global economy. However, the assessment of risks in foreign trade plays a significant role of helping in the process of making a decision on the modes of payment to be used between buyer and seller. Foreign trade risks can be divided into several categories, such as:

2.4.1. Economic risks

Economic risks that are associated with foreign trade can be regarded as: (1) Risk of economic control concession; (2) Risk of non-acceptance; (3) Risk of buyer insolvency; (4) Risk of Exchange rate where fluctuations in exchange rate may incur losses to the buyer or seller as a result of currency devaluation; and (5) Risk of protracted default where the buyer fails to pay off the amount of money that is due after six months from the date when the payment was due [70, 77].

2.4.2. Political risks

Risks of foreign trade can also be political where they can be categorised into the following categories: (1) Risk of non-renewal of exports and imports licenses; (2) Risk of an import ban imposition after goods are delivered due to reasons that may range from quality to price; (3) Risks due to war which creates disability in a country making it impossible to continue to importation and exportation of goods; and (4) Surrendering of political sovereignty especially when the foreign trade is involving a developing and a developed country.

2.4.3. Buyer Country risks

In foreign trade there are also other risks that are linked to the buyer country, and they include: (1) Changes in the government policies; (2) Foreign currency insufficiency; (3) Exchange control regulations; and (4) Trade embargoes.

2.4.4. Commercial risk

Risks of foreign trade may also occur as a result of commercial risk which may arise due to the following: (1) Lack of a bank's ability to honour its responsibilities (2) Failure of a buyer in terms of payment due to limitations that are financially related; (3) Inability of a seller to provide the required quality or quantity of goods.

2.4.5. Other Risks

There are also other risks that have been hindering the growth of foreign trade such as: (1) Cultural differences where, for example, some cultures regard payment of an incentive towards helping trading as lawful; (2) Language barriers; (3) Lack of overseas markets knowledge; (4) Inclination to business associates who are corrupt which incurs unnecessary expenses that cannot be accounted for; (5) Effects of business environments that are unpredictable and exchange rates fluctuations; and (6) Low legal protection for non-payment or breach of contract.

2.5. Determent of foreign trade

The growth of foreign trade is undoubtedly deterred by a number of factors such as economic, political, and practical factors. Many nations have a wide range of legal regulations that must be conformed with by businesses prior to engaging in foreign trade, and there are some countries with economic policies that discourage foreign trade in favour of an economy that is more internally-focused [4, 7]. Practical concerns include resources availability and the ability of a country to produce materials or products that are desirable on a global market. Moreover, practical factors also involve communication which is also very important, because technology advancement nowadays allow for nearly-instantaneous communication between foreign trade partners across the world, thereby giving businesses an opportunity to globally market their products and services easily. Failure to embrace it may greatly hinder growth of foreign trade.

Political policy as well as other concerns that are government related, such as the relationships between the nations involved in foreign trade, is highly essential to foreign trade growth. A country that is politically stable with few policies that restrict foreign trade will tap on this potential to tremendously expand its foreign trade worldwide. However, political instability, particularly when it results to violence, can greatly hinder foreign trade growth. Moreover, many countries place steep tariffs on imports or exports from certain industries or countries for such reasons. While the role of such tariffs may be to place political pressure on certain countries or to protect fledgling industries, they always have an overall negative effect on foreign trade in most cases.

The economic policies and economic condition of a given country are also important factors affecting foreign trade growth. For example, a business from a country suffering from depression or recession may find it difficult to enter into foreign trade. On the other hand, a country that is economically healthy provides an excellent foundation for entry into foreign trade. In former conditions, it is generally very difficult for businesses to attract investors or obtain loans, greatly reducing their ability to continue engaging in foreign trade or expanding into global market [34, 66]. Therefore, foreign trade growth, then, is largely hindered by unfavourable economic conditions or economic policies of the countries engaged in trade on a global scale.

2.6. The world trade organization (WTO)

The World Trade Organization (WTO) is an international trade organization engaged in the supervision and liberalization of international trade. The official date for the commencement of this organization was on January 1, 1995 as a result of the Marrakech Agreement, that replaced the General Agreement on Tariffs and Trade (GATT), which had been operational since 1947 [75]. WTO deals with trade regulation between countries that participate in international trade; it provides a framework for trade agreements negotiation and formalization [61, 62]. The organization also facilitates a dispute resolution process whose aim is to enforce adherence to WTO agreements by participants, which are signed by member governments' representatives and ratified by their respective parliaments. However, most of the issues focused on by the WTO are derived from previously enacted trade negotiations especially the Uruguay Round (1986–1994).

2.6.1 The history of World Trade Organization (WTO)

The commencement of WTO was as a result of the General Agreement on Tariffs and Trade (GATT), established in the year 1947. GATT rounds which were a series of trade negotiations began after the World War II ended and their aim was to reduce tariffs in order to facilitate global trade on goods. The Most Favoured Nation (MFN) clause was the basis for the rationale of GATT, because when a country assigns it to another, gives the selected country privileged trading rights [75]. As a result of this, the aim of GATT was to help all countries throughout the world to obtain MFN-like status in order to make sure that no particular country would have trading advantages over others that are participating in international trade.

The GATT was replaced by WTO as the global trading body in the world by the year 1995, and the set of rules currently governing WTO stems from the GATT negotiations of the Uruguay Round, which occurred from 1986 to 1994. However, GATT trading regulations that were established from 1947 to 1994 (and especially those that were negotiated and enacted during the Uruguay Round), are primarily used to control multilateral trade in goods (Steinberg, 2002). These negotiations address specific sectors such as agriculture, and issues that deal with anti-dumping. The foundations trade regulations in services were laid down during the Uruguay Round [61, 62, and 75]. This led to General Agreement on Trade in Services (GATS) which acts as a guideline that direct multilateral trade in services. Moreover, the Uruguay Rounds also addressed intellectual property rights by establishing regulations that protects the trade and investment of designs, patents, ideas, concepts, and so forth.

Since inception, the purpose of the WTO has been to ensure that commencement of global trade occurs freely, smoothly and predictably. There is creation and embodiment of global trade rules by the WTO among member countries and thus it offers a system that facilitates international commerce. It has also been the aim of WTO to create global economic peace and stability through a multilateral system that is ratified on the basis of consenting member states (currently there are 158- 159 members) that have ratified the WTO rules in their respective countries as well. This implies that the rules of the WTO become a part of domestic legal system for the country's that have ratified the WTO rules. Therefore, the rules apply to local nationals and industries while conducting business in the international trade. For instance, if a company makes a decision to make an investment in a foreign country, by, setting up a subsidiary or an office in that country, the WTO rules (and then local laws of the country) will govern the operations of such company. Theoretically, for countries that are WTO members, their local laws can't contradict the rules and regulations of the WTO, which is currently responsible of governing about 97% of the entire trade in the world [65, 66, 75, and 77].

2.6.2 Definition of WTO

The World Trade Organization (WTO) is the only international organization across the world that deals with the rules and regulations of trade between nations. WTO is regulated by the WTO agreements, which are negotiated and signed by most of the trading nations in the world followed by their ratification in their parliaments. The goal of the WTO is to help goods and services producers, importers, and exporters to conduct their business in an effective manner [75].

2.6.3 The goals of WTO

Since the time WTO was commenced, it has six key goals which it has been striving to achieve and they include: (1) to set and enforce international trade rules [27]; (2) to resolve trade disputes; (3) to provide a forum for further trade liberalization negotiations and monitoring; (4) to increase the transparency of the international trade decision-making processes [27, 75]; (5) to cooperate with other economic institutions operating internationally and involved in the management of global economy; and (6) to help countries that are developing benefit fully from the system of global trading [27].

2.7. The role of WTO in developing countries

Considering countries that are currently members of WTO, it is evident that over three quarters are developing or else least developed countries. All WTO agreements that have been negotiated and enacted contain special provisions for the developing countries, including giving them longer time periods for them to undertake agreements and commitments implementation, measures to make sure that their trading opportunities are increased and supporting towards helping them build the infrastructure for the facilitation of WTO work, handling disputes, and implementation of technical standards [27, 75]. In particular, in 2001 there was a Ministerial Conference in Doha which set out the tasks including negotiations, for a variety of issues that concerns developing countries [36, 40, 65, 66, and 75]. Prior to this, in 1997, a high-level meeting on technical assistance and trade initiatives for developing and least-developed countries led to an "integrated framework" that involved six intergovernmental agencies, to help these countries by increasing their ability to trade. Moreover, a WTO committee on trade and development, with the assistance of developing countries sub-committee, looks at the special needs of the developing countries. This committee has the responsibility of implementing technical cooperation, agreements, and increased participation of countries that are developing in the global trading system [27].

In addition, the WTO has the role of providing technical assistance and training to the developing countries. The WTO achieves this by organizing on average 100 technical cooperation missions on annual basis to developing countries. Also on average it holds three trade policy courses annually in Geneva for developing countries' government officials. Moreover, the WTO holds regular regional seminars in all regions across the world where African countries (where most developing countries are located) are given a special emphasis [75]. The WTO is also involved in organising training courses in Geneva for officials drawn

from countries that are in transition from central planning to market economies where a significant portion of them are developing countries. In its attempts to promote technical assistance and training in developing countries, the WTO set up reference centres in more than 100 regional organizations and trade ministries in capitals of least-developed and developing countries, providing computers and internet access essential for enabling ministry officials to be always updated about the events in the WTO in Geneva as a result of increased online access to the official documents and other material available in the WTO's immense database [65, 66, and 75].

2.7.1. The position of developing countries in foreign trade

World's economies are broadly classified into the developed or industrialised nations, newly industrialised nations and developing countries. Developing countries constitute the most common economies across the world and range from the poorest to those that have begun to establish an industrial base, but they are still in the process of achieving stable growth in both production and income. However, a considerable number of these nations have large urban populations that are still rapidly growing, but face serious challenges with poverty, crime, and unemployment in the cities [27, 75].

According to The Organization for Economic Cooperation and Development [63] all African countries with exception of the Republic of South Africa, all countries in the Middle East, all Latin American countries except Cuba, all countries of Asia except Japan, North Korea, Cambodia, China, Laos, and Vietnam are all in the category of developing economies. This imply that most of the oil producing countries are placed in the category of developing countries' economies because they often suffer serious internal income equality and have not yet significantly diversified their industrial base beyond oil exploration and production [29, 30, 33, 43, and 61].

Moreover, many developing nations experience intense political upheavals that are periodic, including war and military coups, as well as natural disasters, such as hurricanes and droughts. However, the staggering array of economic problems facing developing nations includes lack of skills, organized financial markets, stable currency, productive capital, commercial diversification, technological infrastructure, transportation and communication infrastructure, capital formation, and stable government. Thus, virtually all developing nations in one way or another receive some forms of economic assistance and aid.

As a result of less economic development among developing countries, their contribution to global foreign trade has been minimal compared to the developed countries. For instance, it is obviously evident that most of the developing countries greatest contribution to foreign trade is in form of natural resources such as oil and minerals; while in others agricultural products contribute to a considerable portion of foreign trade [60, 61]. However, their industrial base development and diversification is significantly low leading to their substantial reliance on developed countries for capital equipment, automobiles and machinery importation which costs them a significant portion of their national budgets. However, the three major developing countries' economic sectors that significantly contribute to foreign trade and economic growth are agriculture, services and industry sectors.

Most of developing countries depend on small scale commercial farming, which leads to production of exports such as bananas, coffee, tea, cocoa, and timber, as well as on subsistence farming, which enable people to grow food for their own consumption. Therefore, as a result of the exports obtained from small scale commercial farming in developing countries, agriculture contributes to a significant portion of foreign trade and subsequently economic growth and development. However, agriculture sector in developing countries contribute to foreign trade in various ways, all of which synergise each other. For instance, agriculture leads to increased food availability, which in turn increases farmers income resulting to an elasticity of the demand for other food stuffs some of which have to be imported subsequently contributing to an increase in foreign trade [63, 65]. Moreover, agriculture leads to increased demand in industrial products in developing countries most of which have to be imported from developed countries. This is attributed to increased farmers' purchasing power caused by agricultural sector surplus, which in turn increases their demand for industrial goods. In order to satisfy this demand, the developing countries have to import these goods thereby contributing to foreign trade.

The agriculture sector also contributes to foreign exchange earnings to the developing countries specializing in production of certain agricultural products for exportation. With increasing production and productivity of these agricultural products the exports for these countries increase contributing to foreign trade. The increase in earned foreign exchange by such countries can then be utilized for importation of capital goods, which can be used for industrialisation. By doing this, a tremendous increase in the use of domestic raw materials is achieved leading to a reduction in the export surplus [65]. The increased domestic

industrialisation helps in producing import-substitutes which could save foreign exchange. Therefore, it is the agricultural development which results from the revenues of agricultural products' exportation which lead to foreign exchange earnings. This contributes to both foreign trade and economic growth and development for developing countries.

Moreover, service sector significantly contribute to foreign trade in developing countries. Nowadays, trade in services has become a dynamic component of global trade and developing economies account for a considerable percentage of world exports of commercial services. However, there is a considerable variation by region and by type of service when the participation of developing countries in global trade in services is considered where the highest export shares of developing countries are in travel and construction [63]. Thus, service sector has significantly contributed to foreign trade. In addition, services sector has led to economic development because it acts as an avenue for export diversification, an input into the goods and services production, as a way of poverty alleviation and as a contributor to employment. These reasons have made service sector to become important in its contribution to foreign trade.

The industry sector is the other important sector of developing economies which significantly contribute to foreign trade. However, most of the contribution of industry sector to foreign trade in developing countries is in form of importation of capital goods and equipment. Industry sector in most developing countries is for self-sufficiency and rarely leads to production of export goods. However, it leads to economic growth and development by saving foreign exchange, but the foreign trade is maintained in the importation of capital goods for the purpose of setting up industries in home countries leading to domestic industrialisation [61, 62]. This has significantly contributed to an increase in FDI because most foreign investors are interested to invest in developing countries where production inputs are easily and cheaply available [57, 62]. For instance, it is able for foreign investors to access cheap and readily available labour in developing countries. Furthermore, raw materials are also easily available thereby reducing production costs. This has led to high levels of net FDI in many developing countries, which is an indication of increased foreign trade engagement by developing countries.

2.7.2. The special position of the countries which economies are based on oil production

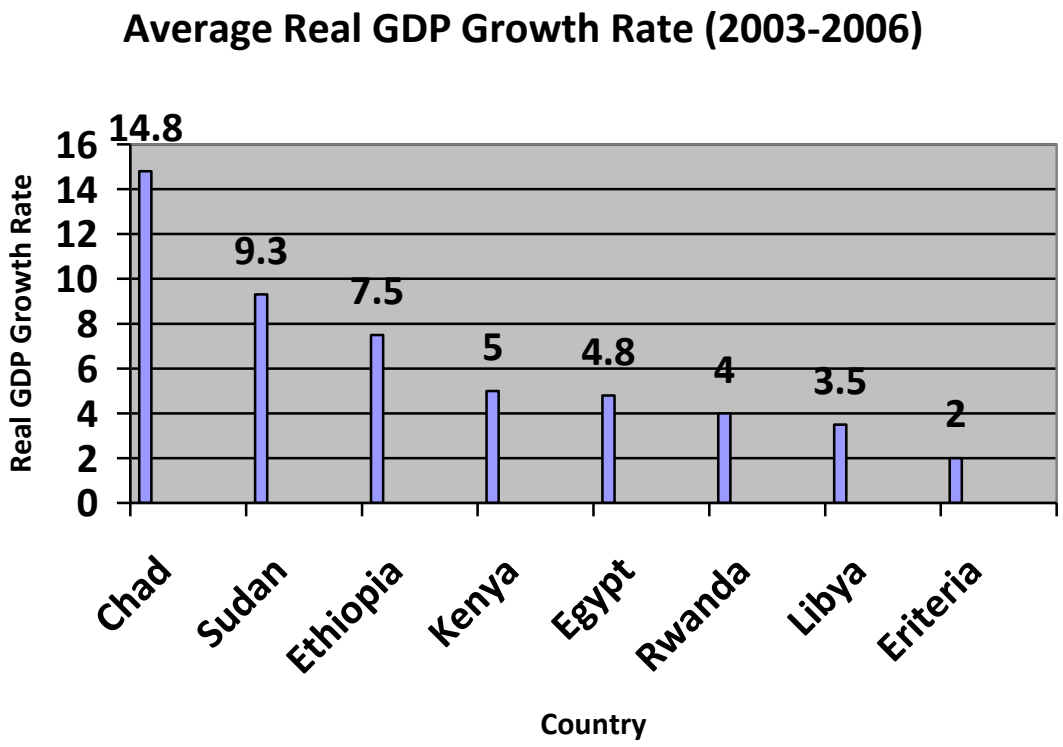
Economies of most oil producing countries come second after those of industrialisation based countries because of the significance of oil as a natural resource which is widely used meaning it contributes to substantial foreign exchange revenues among oil producing countries. The extensive use of petroleum products across the world makes oil production one of the most lucrative economic activities, something which has contributed to considerable economic development among oil producing where many of them are developing. For instance, in Africa together with Libya there are other oil producing countries such as Egypt, Algeria, Tunisia, Sudan, Nigeria, Mali, Chad, among others whose economies have been greatly improved by oil production. Thus, this had made most of the oil producing countries across the world to occupy a special position in the global economy due to the significance of petroleum oil and its products as a driving force for the global economy [1, 3]. The reasons that make oil producing countries to occupy a special position in the global economy are discussed below.

Considering the positive economic impact of oil production, we find that the local production of oil leads to creation of important positive opportunities by enabling involved countries to gain self-sufficiency in oil as a result of satisfying domestic demand. In turn, this saves such countries foreign exchange/resources that would have otherwise been used to import oil as well as generating revenues from produced surplus, which is used to fund other domestic economic activities [2, 3]. Furthermore, it implies that countries that locally produce and export oil shifts from oil importing economies into oil exporting economies. Moreover, the positive impact of oil production on economies and government financial resources is observed from increased share of the involved governments in oil revenues as a result of entering into partnerships with foreign companies engaging in oil exploration and refinery.

In addition, oil production creates a positive impact on foreign trade for countries that are involved as it is often observed from the balance of trade as well as volume and structure of foreign trade (both exports and imports). It can be observed that in most oil producing companies, oil exports constitutes the major source of foreign exchange subsequently contributing to economic development. This has led to significant positive impacts on gross domestic product (GDP) for countries that locally produce oil [63]. This can be observed from the impact of oil exportation in the structure of the economies for such countries and macro-

economic indicators if they are measured by the share of oil in GDP, its composition and its growth rate. For instance, it is observed that oil production has an increasing impact when the continuous contribution of the oil sector in GDP is considered. Moreover, oil production has significantly contributed to economic growth and development because of its positive impact in real GDP growth, making most of the oil producing countries among the rapidly developing economies in the world. For instance, when some real GDP growth rates for some African countries are considered, it can be obviously seen that oil production plays a significant role in the growth of such economies [63, 65]. Figure below shows a comparison of Libya real GDP growth rate with those of neighbouring countries such as Sudan, Chad, Egypt, Ethiopia, Kenya, Eritrea and Rwanda.

Figure 2: Average Real GDP Growth Rate of Libya compared to other African countries (2003-2006)



Source: The World Development Indicators (WDI)/ IMF/World Bank Staff Estimate (2008)

Furthermore, oil production has a positive impact in the public budgets of the involved countries as it has been often observed from the contribution of revenues obtained from oil exportation in public finances and the budget both of which have led to a significant increase in revenues for the government and spending. For instance, there has been a large and increasing growth of the share of oil revenues in total revenues for oil producing countries over the past three or four decades, particularly those located in Africa [2, 4]. In particular, oil production in a country encourages an inflow of FDI which significantly boost the economy. For instance, the levels of FDI in oil producing countries are highest compared to those of non-oil producing countries. This occurs as a result of increased investment in oil, thus a sectoral distribution of FDI consideration implies that the large share of FDI in these countries are concentrated on the oil sector, implying that oil has enabled most of the producing countries to emerge as the highest recipients of FDI. Therefore, the increased FDI particularly from oil exploration and refinery companies has led to significant positive contribution to economies of concerned countries making them to occupy a special position in the global economy [1, 2, 3, and 10].

CHAPTER 3: SECTORS OF LIBYAN ECONOMY AND IMPACT ON GDP

Introduction

3.1 Stages of the evolution of the economy in Libya

Since Libya's independence in 1951, the evolution of its economy has undergone several stages. This has led to the development of the country's economy from a least developed one to a middle economy playing a crucial role in the global economy [6, 7, 12, and 23]. For instance, at the time of independence Libya economy entirely dependent on agriculture, but discovery of large deposits of oil became the turnaround point for the country's economy. Nowadays Libya economy is among the most strong in Africa and ranked relatively better in the global economy. However, by 2009 petroleum products' exports were the greatest economic factors attributing to about 95 per cent of the country's export earnings and 25 per cent of the GDP [63, 65]. Hence, the stability of Libya's economy is greatly influenced by the prices of petroleum products in the international market.

3.1.1. The economy of Libya before oil

At the time of independence and shortly after that when oil had not been discovered, the economy of Libya was mainly based on agriculture, which was chiefly divided between livestock and field (including tree) crop products in a more or less even manner. Therefore, before oil Libyan economy was mainly agricultural based, and agriculture played a very crucial role of providing raw materials for much of the industrial sector in the country, exports, and trade. The agriculture was also the major source of employment where it employed more than 70 per cent of the country's labour force contributing to approximately 30 per cent of the GDP [65]. However, the agriculture sector in Libya before oil was mainly dependent on climatic conditions because irrigation was non-existed or least developed.

Thus, the development prospects of Libya before the discovery of oil seemed markedly discouraging. These discouraging prospects were mainly attributable to the fact that in a primarily agricultural economy as it was the case in Libya before oil, agricultural crops cultivation was concentrated only on two physically separated costal belts that constituted less than 3 per cent of the country's total land area. Furthermore, the combination of the influence of the outmoded agricultural techniques and the hostility of an arid soil, agricultural production was low. However, the possibilities to develop other forms of economic activities were unpromising and few. Therefore, considering the fact that before discovery of oil in

Libya, the economy mainly dependent on agriculture mostly livestock rearing and field crops farming which made the country seem as though it was destined to continue depending on foreign assistance for survival.

To some extent, the trends indicating that Libyan economy was mainly dependent on agriculture is not neither new nor surprising because even for most other African countries in the 1950s and 1960s their economies were primarily based on agriculture. However, agricultural resources in Libya were limited to particular areas because of primitive agricultural practises, erosion was common, and inefficient use of agriculturally viable areas. Rainfall was unpredictable, with exception of the fact that it was also ill-timed and scarce. Moreover, lack of significant advancement on agriculture before discovery of oil in Libya is partly as a result of the country's lack of perennial rivers, which only led to limited potential for irrigation. In addition, at the time of Libya's independence and prior to oil discovery, the Lower Sahara located subterranean water supplies that are apparently abundant had not yet been discovered. Thus, during early 1950s before oil agriculture in Libya was characterized by low levels of productivity and income [65, 66, 70, and 77]. Moreover, there were other sectors that contributed to Libyan economy before oil such as industry, mining and service sector.

3.1.2. The economy of Libya after oil

The Libyan economy is unique in North Africa. Considering that the neighbouring countries such as Egypt, Morocco, Algeria, and Tunisia all have large populations, well-established industrial bases, and considerable agricultural potential, Libya enjoys few of these privileges. However, Libya possess abundant energy resources mostly the light low-sulphur crude oil which is an attractive type as well as a considerable amount of natural gas. Given that the population of the country is small (6.3 million in July 2009) and a considerable income which is petroleum-derived, the Libyan economy is more comparable with those of the small Persian Gulf states that export oil than with those of its neighbours in North African [63, 65].

Before oil discovery in 1958, Libya was a very poor agricultural country and its economic prospects were bleak. However, 1958 was a turnaround year for Libya's economy when petroleum was discovered 320-480 km south of the Gulf of Sidra putting the country in the list of oil exporting countries. Exportation of crude petroleum was on an increasingly significant scale between 1961 and 1981 making income from oil exports to increase markedly. This was partly contributed by government's step in early 1970s, to nationalise

(with compensation) 51 per cent foreign petroleum firms' owned subsidiaries that operated in the country. Furthermore, there was a complete nationalisation of the remaining subsidiaries. At the same time, there was a dramatic rise in petroleum prices, further increasing Libya's receipts. From this time, the Libyan economy has been almost linked in an inextricable manner to world oil prices [3, 4, 6, and 50].

Therefore, economic change between the time of Libya's oil discovery and the 1980s was dramatic considering in 1951, on the eve of the country's independence; Libya was characterized by the United Nations (UN) as the world's poorest country perhaps because of its underdevelopment and backwardness. Experts predicted that Libya's economy only survive through the support of the international aid or grants for years before the country could organise itself by trying to live within its own meagre means. However, this was not to be after oil was discovered in the country where in less than 25 years, Libya had actually turned into a country that was rapidly developing since it had accumulated foreign exchange and net gold reserves equivalent to more than 4 billion United States dollars and about annual income of between 6 and 8 billion United States dollars from oil revenues [63, 65, 77].

However, because Libya greatly depends on oil revenues, the general Libyan economy level has been in a close manner related to the petrochemical industry performance. This is mainly because in spite of massive investment in nonpetroleum-related industry and agriculture, the gross domestic product (GDP) percentage of Libya derived from oil had remained relatively constant since the early 1970s when nationalisation of subsidiaries owned by foreign petroleum companies was effected combined with dramatic rise of oil prices on global markets, ranging from 50 to 60 per cent up to 1982, when oil revenues decline as a result of decreasing oil prices on global markets began to cause a gradual decline in the GDP percentage derived from oil revenues. Moreover, since 1969 when Muammar al Gadhafi gained leadership of the country, reducing Libya's dependence on oil became the major economic policy objective set by the government [10, 12]. However, for a long period ill-advised policy decisions as well as economic diversification obstacles such as land lacking in both water resources and basic infrastructure have made the country incapable of achieving this goal. Achieving this goal is essential because long-term health of Libyan economy hinges on developing a self-sustaining economy which is not oil dependent and which can only be achieved through diversification.

Since the discovery of oil, the Libyan economy has been primarily depending on revenue from hydrocarbons, and in the year 2008 these revenues contributed to 95 per cent of export earnings, 25 per cent of country's GDP, 60 per cent of public sector wages, and 80 per cent of government revenues [65]. Thus, coupling the substantial revenue obtained from oil exports with Libya's small population (6.3 million by July 2009) give Libya one of the Africa's highest per capita GDPs. However, as a result of fluctuating oil prices on global markets, oil revenues have been reducing leading to subsequent decrease in the contribution of oil sector to the country's GDP, where its least contribution was observed in the year 2009 when there were significant fluctuations in oil prices on global markets due to global recession [65, 77].

Over the past decade, Libya made progress on economic reform in order to improve its foreign trade and as part of a broader campaign towards reintegrating the country into the international fold. The motivation of Libya to continue with these efforts was boosted in September 2003 after UN sanctions were lifted. However, after the announcement of Libya that it had abandoned its programs to build mass destruction weapons in December 2003, this began the process of lifting US unilateral sanctions in 2004 leading to removal of all sanctions by June 2006 [65]. This was a great boost to Libyan economy by helping the country attract greater foreign direct investment, particularly in the energy sector. Moreover, Libya faces a long road towards liberalisation of its primarily socialist economy, but undertaking this economy revolution will definitely increase the entrepreneurial activity opportunities as well as leading to a more market-based economy. This is mainly because some initial steps towards achieving this were began almost a decade ago while others are continuing including applying for WTO membership, announcing plans for privatization and reducing some subsidies all of which lay the groundwork for a transition of Libyan economy which was previously primarily socialist economy to a more market-based economy.

Although there has been a drop in petroleum production since the 1970s, oil exports in Libya continue to generate considerable revenues for the country [63, 65]. Furthermore, Libya is also a major exporter of natural gas and in the country there are several large plants for gas liquefaction. In addition, there has also been production of significant quantities of gypsum, salt, and limestone in the country. Over the past decade Libya has tremendously increased industrial production where the principal manufactures are liquefied natural gas, refined petroleum, petrochemicals, textiles, handicrafts, iron and steel, aluminium, and construction

materials. Processing of foods is also important because of its contribution to Libyan economy.

The service and construction sectors, which accounted for about 20% of Libya's GDP in 2006, greatly expanded over the past decade and could begin contributing to a significant share of GDP in the near future; especially after political volatility currently being experienced in the country subsides. In 1970s and 1980s, much of the income gained from oil exports was used to modernize transportation, to improve the cities, and to build up the military. This led to massive migration of Libyans from rural areas to urban areas which created unemployment growth, spurring the government to begin agricultural development investments in order to improve contribution of agriculture to the country's economy as well as making farming more attractive. However, poor soils and climatic conditions have been severely limiting agricultural output, and about 75% of food in Libya is imported [65]. Moreover, the chief agricultural products in Libya are olives, vegetables, peanuts, dates, citrus fruit, wheat, barley, and soybeans whereas large numbers of livestock such as cattle, goats, and sheep are reared. Most of the arable land in Libya is actually located in Tripolitania. However, in order to increase the amount of land that can be cultivated, "The Great Manmade River," a massive water development project was begun in 1984. The project has continued to significantly improve agriculture in Libya because it remains Libya's primary source of water for agriculture, but significant resources will continue to be required in desalinization to ensure that the growing water demands are sufficiently met. By 1999, the system was connected to the cities of Benghazi, Tripoli, and Surt (Sirte), as well as providing thousands of farmland acres with irrigation water [60, 63].

Since the discovery of oil in Libya, the country's economic prospects have been highly promising since Libya's annual oil exports earnings are usually much higher compared to the costs incurred by its imports. The oil exports earnings in the 1990s coupled with the county's small population made it to have the highest per capita GDP in Africa. However, exports from crude petroleum and natural gas are by far the leading; while the main imports in Libya are machinery, foodstuffs, transportation equipment, and manufactured consumer goods. Over the last decade Libya's principal trading partners have been Italy, France, Germany, Turkey, and Spain.

3.1.3. Country Strong Points

In Libya's attempts to be Africa's front runner in foreign trade it possess various strong points that have attributed to its success in foreign trade which has greatly contributed to its economic success. The country's strong points are discussed below;

- The oil resources: The country enjoys possession of large amounts of oil deposits making the country a key player in global trade due to increased foreign trade mostly because of the oil products exportation in exchange of machinery, foodstuffs, transportation equipment, and manufactured consumer goods importation [60, 61].
- The revenues earned from oil exports: On annual basis the country's foreign exchange earnings are in the range of billions of dollars as a result of exporting oil and oil products to other countries. The considerable revenues generated by oil exports have been significantly contributing to tremendous progress of the Libyan economy.
- Relatively low external debts: The fact that Libya has low external debts saves the country from burden of debt which has been a major challenge to most of the developing countries over the last few decades. For instance, in 2002, 2003 and 2004 the total medium-term and long-term debt was estimated at US$4.4 billion, US$4.2 billion, and US$3.9 billion respectively [65].
- The geopolitical strategic location of Libya is enviable because it is at the northernmost part of Africa, and bounded by the Mediterranean Sea. This makes its easily accessible because it is only a few hours flight away from centres of contemporary civilization, namely London, Berlin, Athens, Rome, Paris, and other capitals of southern and eastern Europe. Libya is also the gateway to Asia and the Middle East. Moreover, the convenient location of Libya makes sure it is relatively easy access to Canada, the United States, the Caribbean as well as South and Central America.
- Due the country's mild Mediterranean climate and beautiful beaches, Tripoli and Benghazi have been increasingly attracting tourists from all parts of the world. Moreover, because of the country's indigenous culture, Libya has the power to attract more foreign visitors.
- On October 23, 2011, the official declaration by the National Transitional Council (NTC) that the country was liberated, after Gadhafi was ousted followed by the defeat of the pro-Gadhafi stronghold, resulting in the constitution and new government

formation. This has the potential of restoring foreign investors' interest and confidence in the country

- Libya is a member of the Organization of Petroleum Exporting Countries (OPEC), it is an important exporter of oil, oil products and natural gas, and has the largest proven oil reserves in Africa [27, 36].
- Libya is also an important investment destination of European, Japanese, American, Chinese, and other multinational corporations. For instance, since the UN sanctions were lifted in 2003, hundreds of multinational corporations across the world have been scrambling to invest in Libya, especially in the energy sector making the country to have a high potential of achieving high levels of FDI.
- The country's Gross Domestic Product (GDP) reportedly has strong prospects. For example, according to Libya's Central Bank between 2003 and 2008, the country's GDP average was considerable. The GDP growth is expected to continue in addition to increased trend towards diversification of the economy to move away from a one-product economy, that is, oil, by supporting and encouraging growth of the private sector [65].

Therefore, it can be shortly stated that, Libya's outlook is stable.

3.1.4. Country Weak Points

The Libyan economy is however characterised by various weak points which have been a hindrance to the country's economic growth and development as a result of the negative impacts they cause. These weak points include:

- ❖ The Libyan economy is a single resource economy primarily depending on oil as the major export product and main source of revenue, and which in 2008 contributed to 95% of export earnings and 25% of GDP [63, 65]. This high dependency on oil export revenues makes Libyan economy prone to external shocks that may occur from fluctuations in global oil prices leading to negative impact on the country's economic growth and development. In addition, oil is also a depleting resource.

- ❖ Libya has a history of high social inequality, characterised by regional economic disparities, and high rates of youth unemployment, not to mention many years of

corruption and poor governance. Furthermore, the future of Libya currently depends on the ability of the interim government, headed by the National Transitional Council (NTC), to encourage reforms in the economy and guarantee political stability.

- The legal system is inefficient, slow, and opaque. This is mainly because much of the public administration machinery, judiciary included that is neither decisive nor responsive, and highly susceptible to political interference.

- The country is prone to political upheavals, for instance the former ousted leader Gadhafi came to power through a military coup in 1969, and he was also overthrown through a countrywide uprising in 2011. These political turbulent hugely disrupt the economy by cutting oil output, the primary source of revenue, as a result leading to contraction of the economy and scaring away prospective foreign investors [6, 10].

- Youth unemployment is high and it was among the main grievances that resulted to the uprising of 2011 Libya. The interim government led by the National Transitional Council (NTC), inherits a labour environment characterised by rigidity in the private sector, inadequate youth skills, as well as high preference of the youths for public sector employment. Moreover, there has also been hindrance of initiatives to encourage self-employment by the difficult business climate.

- Small population in Libya (6.3 million by July 2009) is a weakness in the sense that it cannot sufficiently meet all the human resources demands for its economic growth and development in various industries thereby making it necessary for the country to import foreign workers in some sectors [4, 6].

3.2. Sectors of the Libyan economy

3.2.1. Agriculture sector

The history of agriculture sector in Libya and its contribution to the country's economy has been closely related; even though in an inverse manner to the country oil sector growth and development. For instance, before oil discovery in 1958, agriculture contributed more than 26 per cent of GDP, and Libya was an exporter of foods. Although agricultural production gross levels have remained relatively constant, oil revenues that have been progressively increasing resulted to a gradual but steady decline in the country's overall income share from agriculture. Thus, two decades after oil discovery agriculture contribution to 7 per cent of GDP, and by 1978 this downward trend in the contribution of agriculture to the country's GDP had been greatly influenced by the rise in food imports [12, 65]. The agriculture sector share in the country's GDP has rapidly fallen to less than 5% in 2003, and throughout the last decade the range of this share has been between 4% and 6% [12, 63, 65, and 66]. However, the agriculture sector has not been of great significance to the country's economy because about 95 per cent of the country's land consists of wasteland which is agriculturally useless [27]. This is due to the fact that Libya consists of vast areas of Sahara desert estimated to be about 95% of its territory, making Libya to be largely arid and dry land not suitable for livestock keeping and crops cultivation. Therefore, as the share of agriculture in the country's GDP continued to decline, the country has continued to become wealthy due to oil exports revenues, but the economy remained less diversified because the share of non oil related sectors in the country's GDP remained small.

The retreating share of agriculture in the GDP of Libya has also been coupled with a decreasing employment in the sector. For example, from the 1960's through 2000, the aggregate sector (fishing, agriculture and forestry) was number one source of employment among all the other sectors in the country; it provided employment to about 17% of Libya's total labour force. However, in subsequent years, employment share in the sector had tremendously declined to about 5% of total employment. This is an inverse relation compared to most of other sectors of the Libyan economy where employment has been increasing. By the year 2004 the share of employment in agriculture sector was as outlined in the table below.

Table 1: Libya's total economically active population and population economically active in agriculture in 2004

All economically active population	2 020 000 inhabitants
As % of total population - female - male	36 % 25 % 75 %
Population economically active in agriculture	94 000 inhabitants
As % of all economically active population - female - male	5 % 67 % 33 %

Source: FAOSTAT database, 2005

However, the government of Libya has sought to expand its agriculture sector since 1970s, but its limited success has so far been recorded in this regard despite heavy investments in the 1970s and 1980s decades. The plans implemented in order to improve the country's agriculture sector have not effectively succeeded making Libya to continue depending on large agricultural imports, approximated to be about 75 per cent annually [65]. Thus, despite the attempts agriculture contribution to work-force and GDP has remained limited. However, apart from a limited production of wheat and barley, agricultural products that have been majorly produced are mostly vegetables and fruits such as dates, watermelon, olives, almonds, grapes, citrus fruits, and tomatoes, which over the past decade (from 1999 to 2009) constituted about 80 per cent of the country's annual agricultural production. Agricultural activities are mostly restricted along the coastline with very limited inland farming because of water shortages.

Moreover, Libya has paid more attention to the development of agriculture. Thus, in early 1980s agricultural development plans were evident, which led to the Great Man-Made River (GMMR) project, which greatly improved agriculture sector in Libya by providing water for irrigation. This project was the government's strategy to deal with the impending challenges to the agriculture sector. Both phases one and two of the GMMR project enabled pumping of large quantities of water from the fossil reserves of the southern desert to the coastal regions that are arable and major cities. Therefore, this project, the GMMR, has been a significant

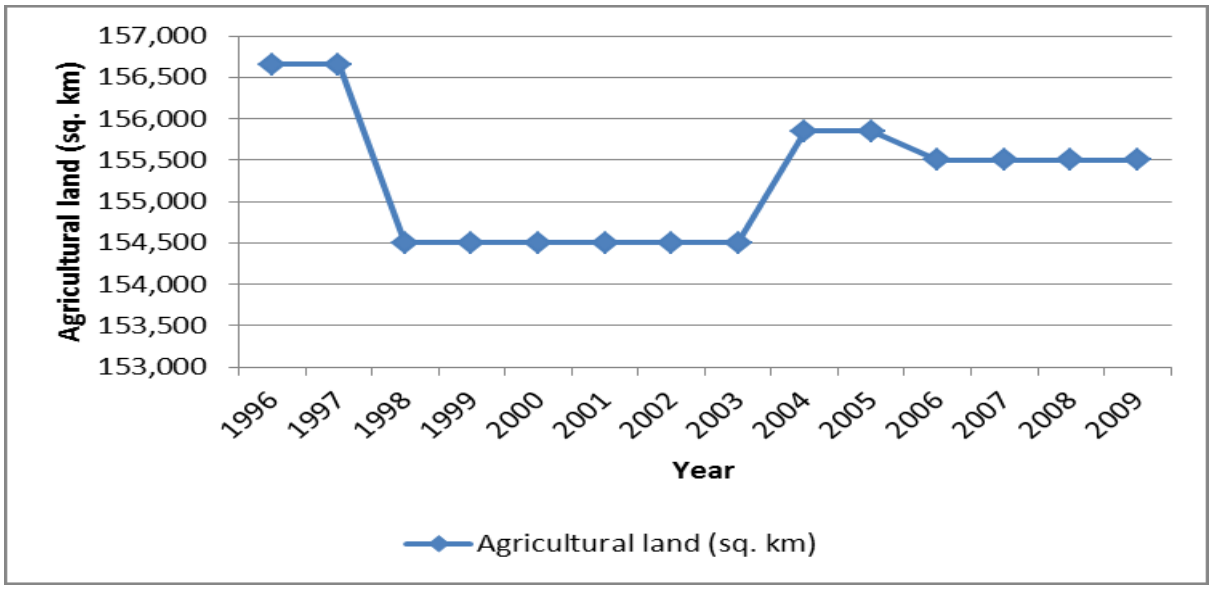
factor to the improvement of agriculture sector in Libya [50, 64, 65, and 77]. This project led to considerable increase in the acreage of land under irrigation in the country. Thus, agricultural land (sq. km) in Libya has been increasing and in 2009 it was 155,500 as the table and graph below shows (Table 2 and Figure 3). For the last 48 years agricultural land which is an indicator of the level of agriculture activities reached a maximum value of 156,660 in the year 1997.

Table 2: The size of agricultural land in Libya between 1996 and 2009

Year	Agricultural land (sq. km)
1996	156,660
1997	156,660
1998	154,500
1999	154,500
2000	154,500
2001	154,500
2002	154,500
2003	154,500
2004	155,850
2005	155,850
2006	155,500
2007	155,500
2008	155,500
2009	155,500

Source: Food and Agriculture Organization (FAO)

Figure 3: The size of agricultural land in Libya between 1996 and 2009



Source: Food and Agriculture Organization (FAO)

Furthermore, in the 1980s, livestock represented the largest revenue generating item in agricultural production, and there were numerous measures instituted by the government in order to make the country self sufficient in dairy products, meat, and poultry. The numbers of cattle, sheep, and poultry were gradually increasing, while there was a gradual decrease in the herds of camels and goats. This trend has persistent even over the past decade, which is, between 1999 and 2009 where sheep constituted the largest percentage of livestock. Moreover, livestock products that positively contribute to Libyan economy are meat, milk, and wool. However, contribution of Libya's animal husbandry to foreign trade and country's economy suffered from sanctions in the early years of 2000s, limiting animal feed imports on which Libyan agriculture (livestock) sector depends heavily. For example, beef and veal production dropped from 22,100 metric tons in 1994 to 2,100 metric tons in 1998.

Additionally, fishing has also been grouped in the agriculture sector and contributes to a considerable portion of the sector in Libyan economy. However, fishing has not yet been fully exploited in the country because the low annual catch (34,500 metric tons in 1999) is a demonstration that the Libya's fisheries are underdeveloped, despite the fact that its waters are rich in exportable fish (e.g., sardines and tuna). This is attributed to low investments in fishing boats, ports, as well as facilities to process fish all of which are major obstacles to growth of fishing in Libya [7, 10]. For instance, the country has only one major fishing port (Zlitan), two sardine factories, and one tuna plant with small processing capacities. The

underdevelopment of the fishing sector in Libya has made its contribution to the country's economy to be less significant.

3.2.1.1. The contribution of the agriculture sector in GDP

Agricultural activities in Libya greatly depend on irrigation, and it accounts for 7% of the country's GDP. Historically, the contribution of agriculture sector in GDP in Libya has had been inversely related to oil industry growth. For instance, in 1958 after oil discovery, agriculture contributed to more than 26% of GDP. Although there has been a relatively constant gross agricultural production, increasing revenues from oil exports resulted in a gradual declining share of agriculture in the country's national income [12, 63, 65, and 66]. In particular, agriculture contributed 10.3% of GDP in 1999, 8.1% in 2000, 8.5% in 2001, 5.35 in 2002 and 4.3% by 2003. However, since 2003 up to 2009 agriculture sector has been contributing to about 5% of Libya's GDP (CIA World Factbook, 2009). This is undoubtedly very small compared to Libya's GDP contributions from oil and industry sectors [12, 63, 65, and 66].

3.2.2. The oil and gas sector

Since the early 1960s, the oil and gas sector has increasingly dominated the Libyan economy, as a result of its remarkable and continuous development both in terms of its proliferation and its rapidity. The domination of Libyan economy by the oil and gas sector is attributable to an exceptional combination of two circumstances such as high oil deposits in Libya and the ability to lightly and easily handle Libyan crude oil compared to crude oils from most other petroleum producing countries. Libyan crude oil also has low sulphur content, making it less of a pollution contribution and easier on internal combustion engines than other crudes. These advantages have increased the receptivity of Libyan crude oil in global markets, especially after the UN and USA economic sanctions were suspended in 1999 and 2004 respectively. In addition, Libya's oil and natural gas sector development over the past decade benefited from the experience and technology acquired from other parts of petroleum world during the preceding years [12, 63, 65, and 66].

Contribution of oil and natural gas sector to Libyan economy has also been remarkable because Libya is an OPEC member in addition to holding the largest proven oil reserves in Africa, 41.5 Gbbl (6.6×109 m^3) by the month of January 2007, an increase from 39.1 Gbbl (6.22×109 m^3) in the preceding year 2006 [23, 25]. In the ten years from 1999-2009, there was a

growth in Libyan oil reserves from 29.5 billion barrels to 44.3 billion barrels coupled with an increase in oil output from 1,425 barrels per day to 1,652 barrels per day. However, at the end of 2009, the lifetime of Libya's oil reserve was 73.4 years which was equivalent to 3.3% of the world total. The Libyan economy is dominated by the government through control of oil resources, which accounted for 95% of export earnings and 75% of government revenues in the year 2006 amounting to 50.2 billion US dollars [63]. However, Libya's oil reserves are far much from exhaustion and the location of about 80% of these proven oil reserves in the Sirte Basin, accounting for about 90% of the country's total oil output. Moreover, the Libya's oil industry is dominated by the state-owned National Oil Corporation (NOC), along with smaller subsidiaries such as the Waha Oil Company (WOC), the Agoco, Sirte Oil Company (SOC) and Zueitina Oil Company (ZOC). Furthermore, oil revenues are very important to Libyan economy because they are the principal source of foreign exchange.

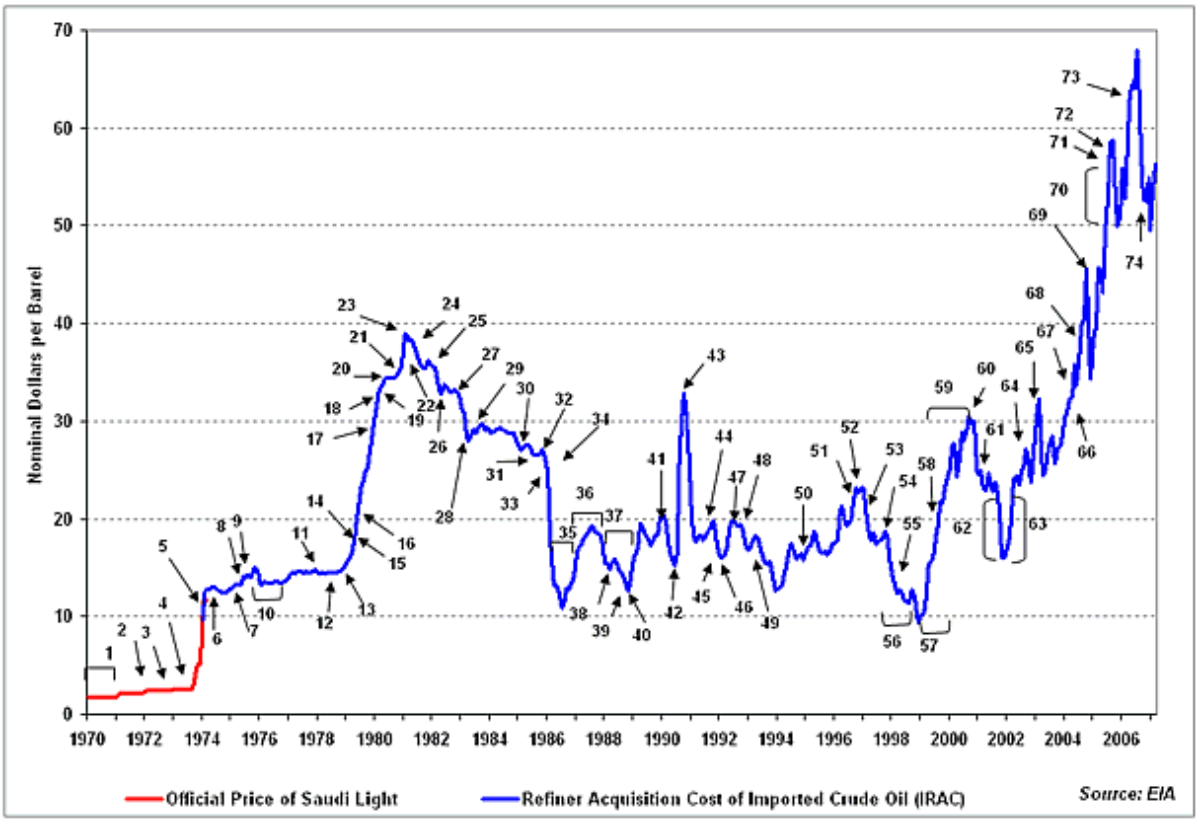
A combination of falling global oil prices in the early 1980s and embargos or economic sanctions from the UN and USA caused a serious decline in the country's economic activity, which eventually resulted to a private sector rehabilitation that was slow [2]. For instance, a 2.6% annual average, the real GDP growth rate was volatile and modest during the 1990s. However, the growth of Libya's GDP resumed in 2001 as a result of increasing oil prices, and increased foreign direct investment due to the UN sanctions suspension in 1999. Since then, Libya continued to experience a relatively high real GDP growth which was also boosted by high oil revenues and subsequent suspension of the US sanctions in 2004, reaching 4.6% in 2004 and 3.5% in 2005 [21, 22]. The Libyan economy growth has been hindered by its overreliance on oil and natural gas sector, and despite efforts for the diversification of the country's economy as well as encouraging private sector participation; these attempts have been constrained by the extensive controls of prices, credit, foreign exchange and trade.

Although there was suspension of the UN sanctions in 1999, foreign direct investment in the Libyan and particularly in the oil and gas sector continued to be severely curtailed because of the U.S. Sanctions that capped the amount of money which could be invested by foreign companies in Libya on annual basis at $20 million, a lower amount from the previous $40 million in 2001 [63, 65]. However, after these U.S. sanctions were lifted in May 2006, after Libya was removed from the list terrorism sponsoring states, Libya's ties with the U.S were normalised as a result of sanctions removal. This was the turnaround point for the Libyan economy to a positive direction because it cleared the road for U.S. based oil companies to

begin exploitation of Libyan oil. This move dramatically increased the levels of FDI in Libya especially into the oil and gas sector, which is attractive because of the low cost involved in oil recovery, high oil quality and quantities as well as the proximity of Libya to European markets.

Moreover, over the period when Libya was under international economic embargo or sanctions from both the United Nations (UN) and the United States of America (USA) its oil prices were very prone to fluctuations especially in the 1990s. This situation was attributed to the uncertainty that accompanied the Libya oil markets. Hence despite the presence of alternative markets for Libya oil, the embargo or sanctions from the UN and USA significantly affected the possible revenues that could have otherwise been obtained from oil exports.

Figure 4: The price of oil during the economic embargo in Libya



Source: EIA

Moreover, natural gas has been very important in the oil and gas sector of the Libyan economy. This is mainly because according to BP Statistical Energy Survey, by 2009 Libya had proven natural gas reserves of 1.54 trillion cubic metres (Tcf), accounting for about 0.82% of the world total. Furthermore, over ten years from 1999 to 2009 there was a continuous increased in natural gas production in Libya, and by 2009 Libyan natural gas production stood at 15.3 billion cubic metres, equivalent to 0.51% of the world total [63, 65, 66, and 77]. The significance of natural gas in developing Libyan economy is anticipated to continue since the country has vast natural gas reserves, proven to be approximately 46.4 trillion cubic metres (Tcf) even though most of these reserves remain largely unexplored and unexploited and unexplored [12, 65]. Domestic consumption of natural gas in Libya is also considerable and plays a significant role to the country's economy because currently natural gas accounts for about 45% of electricity generated in the country [12, 63, 65, and 66].

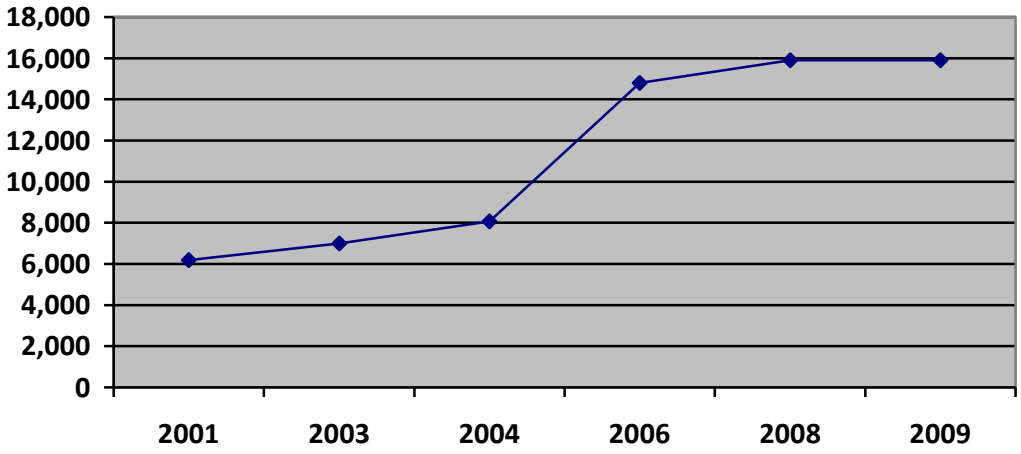
In 2009, domestic consumption of natural gas in Libya was 212 billion cubic metres (Bcf) and 349 billion cubic metres (Bcf) of natural gas were exported to Europe, particularly Italy. Exportation of the vast majority of this natural gas was by pipeline, while a small volume of natural gas exported in the liquefied natural gas (LNG) form. Piping is the main method through which export natural gas from Libya to Europe is transported. For example, the 370-mile "Greenstream" underwater natural gas pipeline has led to considerable growth in natural gas exports from Libya to Europe over the past decade because it enables transportation of natural gas from Melitah to Gela in Sicily. Moreover, due to technical problems most of Libya's natural gas is exported through pipeline, and LNG exports have stagnated. However, both the Western Libyan Gas Project (WLGP) and the "Greenstream" underwater gas pipeline had led to increased natural gas exports from 2003 through 2009 thereby attributing to a significant contribution to the Libyan economy.

Table 3: Libya's natural gas production (in cubic million meters)

Country	2001	2003	2004	2006	2008	2009
Production	6,180	7,000	8,060	14,800	15,900	15,900

Source: CIA World Factbook

Figure 5: A graph of Libya's natural gas production (in cubic million meters)



Source: CIA World Factbook

Table 4: Oil and gas statistics in Libya

Statistic	Amount
Proven Oil Reserves (2007E)	41.5 Gbbl (6.60×109 m3)
Oil Production (2006E)	1.8 million barrels per day (290×103 m3/d) (95% crude)
Oil Consumption (2006E)	284,000 barrels per day (45,200 m3/d)
Net Oil Exports (2006E)	1.5 million barrels per day (240×103 m3/d)
Crude Oil Distillation Capacity (2006E)	378 kbbl/d (60.1×103 m3/d)
Proven Natural Gas Reserves (2007E)	52.7×1012 cu ft (1.49×1012 m3)
Natural Gas Production (2006E)	3,999×109 cu ft (1.132×1011 m3)
Natural Gas consumption (2005E)	206×109 cu ft (5.8×109 m3)

Source: Energy Information Administration (2007)

3.2.2.1. The contribution of the oil and gas sector in GDP

For a very long period of time the Libyan economy has been greatly depending primarily upon revenues from the oil and gas sector, which in the year 2008 contributed to 95% of export earnings and 60% of public sector wages in the country [12, 63, 65, and 77]. However, in ten years between 1999 and 2009, the contribution of the oil and gas sector in GDP has been decreasing due to increasing diversification of the economy from a primarily oil-based economy, and despite increased oil exports after suspension of both UN and U.S. sanctions [63, 65, and 66]. Moreover, after the international economic embargos were lifted Libya had taken advantage of its improved ties with the West over the past decade towards attracting foreign investment, with the aim of reducing dependence on oil through diversification of the economy [12, 65]. Therefore, oil and gas sector in Libya has been contributing to a considerable part of the country's GDP, and the substantial revenues obtained from this sector coupled with the country's small population, have made Libya to be one of the African countries with the highest per capita GDPs.

3.2.3. Industry sector

The industry sector plays a significant role in the Libyan economy due to its considerable GDP contribution which makes the sector one of the most important after oil and gas sector and agriculture. However, industry sector in Libya is closely linked to oil and gas sector and the agriculture sector because there is a considerable number of oil, natural gas and agriculture based industries in the country. However, there has also been significant development of construction and manufacturing industries in Libya between 1999 and 2009, but in early 2000s it fell far behind the petroleum sector even though towards 2009 the importance of industry sector to Libyan economy had tremendously grown because of the government's efforts to diversify the economy. Moreover, the significance of industry sector continued after Libya began some reforms to achieve a market-oriented economy including application for membership of the World Trade Organization, announcing plans for privatization, and reducing subsidies [12, 63, 65, and 66]. Privatisation of government owned industries in the oil refining, agricultural products processing, construction and manufacturing dramatically improved the importance of the sector in Libyan economy. The construction and non-oil manufacturing sectors in 2003 accounted for about 20% of Libya's GDP. However, for ten years between 1999 and 2009 the industry sector expanded from processing mostly agricultural products to include the production of iron, steel,

petrochemicals, and aluminium. Therefore, industrial production growth rate in 2008 and 2009 was 5.8% and 2.7% respectively [63, 65].

Other manufacturing industries in Libya are small, lightly capitalized, and primarily devoted to the processing of agricultural products that are locally produced (e.g. tanning, processing olive oil, milling flour, and canning fruits and vegetables), and building materials, textiles, and basic consumer items. However, the industry sector also involves the processing of handicraft products including silver jewellery, carpets and rugs, textiles, leather goods and glassware. The Libyan industrial capacity growth began with earlier manufacturing efforts primarily concentrated on processing livestock products, domestic crops and on handicraft products. Over the past decade Libya's industry sector underwent tremendous revolution after the government embarked on the efforts of economy diversification.

Since Libya remains Africa's largest oil producer, oil and natural gas based industries play a significant role in the country's economy. Among the industries that utilize petroleum products are the oil refinery plants, natural gas liquefaction plants, and companies utilizing oil and natural gas by products commonly referred to as petrochemical industries. Libya is a direct producer and exporter of refined oil products, but the oil based industry sector was adversely affected by the United Nations (UN) and United States (U.S.) embargo or sanctions. However, since the suspension of UN and U.S. sanctions in 1999 and 2004 respectively, industry sector dramatically expanded due to increased foreign trade and foreign direct investment (FDI) from foreign oil companies. However, apart from oil and natural gas based industries, agricultural products processing, construction and manufacturing companies; mining industry mostly of iron and steel also constitute a significant part of the industry sector in Libya as shown in the table below.

Table 5: Libya's mining industry production (in thousand metric tons)

Commodity	2005	2006	2007	2008	2009
METALS					
Direct-reduced iron	1,669	1,663	1,660	1,569	1,097
Crude steel	1,255	1,151	1,250	1,137	914
INDUSTRIAL MINERALS					
Cement, hydraulic	3,621	5,300	5,500	6,000	6,500
Gypsum	175	200	240	260	300
Nitrogen:					
N content of ammonia	513	518	524	417	488
N content of urea	384	381	359	277	312
Salt	40	40	40	40	40

Source: Energy Information Administration (2009)

The petrochemicals industries are mainly based at the Marsa al-Brega plant, and are involved in the production of methanol, ammonia, and urea. The petrochemicals industry production far exceeds domestic demand and the surplus is exported. However, another important petrochemical industry is based at Ras Lanuf and it is concerned with the production of ethylene, propylene, butene, methyl tertiary butyl ether (MTBE), benzene, butadiene, and butane-1, polyvinyl chloride (PVC), ethylene dichloride (EDC), and vinyl chloride monomer (VCM).

Moreover, over the past decade Libya's manufacturing industry was not well-developed, and there was partial realisation of ambitious projects in heavy industries (e.g., fertilizer and aluminium complexes), as various economic sanctions had denied foreign investments, limited funds, and severely restricted technology transfer and purchase or sale of needed equipment. Manufacturing and construction sectors between 1999 and 2009 had highly constrained and the share of this industry of GDP was about 10 per cent in 1994. Initially, most manufacturing establishments over the past decade were owned by Libyans, but there were few joint ventures (mainly with Italy). These manufacturing industries in late 1990s and early 2000s were mostly small-sized and medium-sized and engaged in the production of light and consumer goods (e.g., foodstuffs, textiles, wood, and paper). Furthermore, there are

limited heavy industries including steel and iron complex, and a pharmaceuticals plant. However, nowadays the industry sector contributes a significant part in the Libyan economy after the Libyan government embraced the move to diversify its economy.

3.2.3.1. The contribution of the industry sector in GDP

In the early years of the period between 1999 and 2009, the Libya's industrial sector was dominated by the petroleum products' production. In fact, oil had everything to do with the Libyan industrial activities, in terms of raw inputs, financial investments, as well as overall profits. However, the non-oil manufacturing and construction sectors also formed a significant portion of the Libyan economy because in 2002 it accounted for about 20% of GDP. Moreover, the contribution of the industry sector to the country's GDP tremendously increased after the suspension of the UN and U.S. sanctions in 1999 and 2004 respectively. For example, in 2009 the industry sector in Libya accounted for about 47% GDP [10, 63, 65, and 66].

3.2.4. The Services and tourism sector

The services sector mainly consists of the financial services and transport services. However, the tourism sector is also an important component of the services sector. The financial system in the country is controlled by the Libyan government, including insurance, banking, and investment activities. In 1970, the government of Libya nationalised all financial institutions, however, this move was accompanied by many economic problems that forced the government to allow private banks operations in 1993. The Libyan banking system consists of the Central Bank of Libya together with other major banks such as the Jamahiriya Bank, the Agriculture Bank, the Savings and Real Estate Investment Bank, the National Commercial Bank, the Umma Bank, the Sahara Bank, the Wahda bank, and the Libyan Arab Foreign Bank. The broader financial services sector in Libya includes the Libyan Investment Authority (LIA) and its subsidiaries, the Libyan Stock Exchange and the insurance industry.

For the period of ten years between 1999 and 2009, the financial services in Libya underwent tremendous improvements because of the transformations that were characterised by privatisations, IPOs, mergers, and increasing foreign ownership. Furthermore, more banks with international backing were created after the suspension of the UN and U.S. sanctions in 1999 and 2004 respectively [4, 6]. This move encouraged the process of modernisation within the financial sector through introduction of new ICT systems, the launch of new services and

products as well as the development of the culture of sales and marketing. Moreover, the rising demand for insurance products and services and the emergence of Libya's capital markets increased the contribution of the financial services towards Libyan economy [12, 63, and 65].

In addition, the tourism sector has been playing a major role to the Libyan economy. This is despite the underdeveloped of Libyan tourism sector even though it has the potential to grow. This is mainly because it is a Mediterranean country with historic sites and long warm beaches; Libya has the potential of attracting many Europeans tourists, especially after the UN and U.S. sanctions were lifted. However, over the past decade, in particular between 1999 and 2009; the tourism sector in Libya lacked an adequate infrastructure such as hotels. Furthermore, the fall of tourism due to sanctions had led to deterioration of many Libyan beaches, but from mid 2000s the sector had begun to revive as the number of tourists started to gradually increase. Thus, due to the anticipation of an upsurge in the tourism sector in the wake of the suspension of UN and U.S. sanctions, tourism sector began to regain its normal performance again and a tourist centre with a large hotel and entertainment facilities was built in Tripoli in the early 2000s.

Therefore, for the period of ten years between 1999 and 2009, the tourism sector was on the rise, leading to increased demand for airports capacity such as Tripoli International and for hotel accommodation. This upsurge of visitors both as tourists and for business activities led to the approval of a multi-million dollar renovation of Libyan airports in 2006 by the Libyan government for the purpose of helping to meet the demand. In the previous years, that is, prior to the suspension of the UN and U.S. sanctions the country received only 130,000 people annually; but towards the end of 2008 the number increased to about 10,000,000 most of which were tourists [65]. This dramatic increase in the number of tourisms was attributed to the suspension of sanctions which had earlier made Libya a notoriously difficult destination for American and European tourists to visit due to stringent visa requirements. However, towards the end of 2000s, tourism sector had become a key sector to the Libyan economy.

Moreover, the transportation services forms another important part of the services sector in Libya. This is due to the fact that the Libyan transportation industry is significant, but for the period between prior to 2000 it had suffered a great deal from sanctions. However, it experienced a tremendous growth between 1999 and 2009 after the UN and U.S. sanctions

were lifted in 1999 and 2004 respectively. For instance, by the year 2008 Libya had 140 airports in total where the airports with paved runways were 58 while those did not have paved runways were 82. In 2007, the country also had 2 heliports. Moreover, in 2008 the country had an elaborate pipeline system where the pipeline for the transportation of condensate was 776 km, gas 2,860 km; and oil 6,987 km [63, 65]. Libya also has well established roadways where by 2003 it totalled to 100,024 km in which 57,214 km was paved while the remaining 42,810 km were not paved. The railways are not very well established because by 2009 the country only had seven railway lines totalling 2,757 km of 1.435-m gauge track. In addition, the country also had several merchant marines for transportation of cargo, liquefied gas, as well as petroleum tankers. This necessitated the country to have ports and terminals where by 2008 there were six major ports and terminals such as Marsa al Burayqah, Az Zuwaytinah, As Sidrah, Tripoli, Zawiyah and Ra's Lanuf [12, 63, 65, and 66].

3.2.4.1. The contribution of the services and tourism sector in GDP

Services and tourism sector in Libya form a growing economic sector, which in the year 2008 accounted for about 36.8 per cent of GDP [12, 65]. However, after the suspension of the UN and U.S. economic sanctions or embargo against Libya in 1999 and 2004 respectively, the growth in services and tourism sector was dramatic and it strengthened the role of this sector in the Libyan economy.

CHAPTER 4: THE BASIC FEATURES OF THE LIBYAN FOREIGN TRADE

4.1. Foreign Trade in Libya

4.1.1. The evolution of foreign trade in Libya

By the mid-1980s, all the foreign trade in Libya was virtually conducted by the government either directly or through public corporations. Businesspeople in the private sector were no longer issued with import licenses. Since 1982 in Libya, the foreign exchange required to buy imports had been done through the commodity budget allocations. However, exports in Libya almost entirely consisted of hydrocarbons mainly crude oil, refined petroleum products and natural gas. For instance, between 1978 and 1985, foreign trade in Libya through exportation of crude oil was responsible for between 85% and 99% of total exports on annual basis [25, 30, 38, and 48]. Moreover, exports of other hydrocarbons, such as liquefied natural gas and methanol, were irregular and relied on limited duration bilateral supply agreements. Throughout the history of Libya's foreign trade, the balance of trade has consistently been in the favour of Libya's where in the 1970s there was a wide margin between exports and imports.

However, foreign trade in Libya was negatively affected from 1981 onwards leading to a decline in Libya's trade position and this mainly attributed by the falling global oil prices and declining volumes of oil exports. The declining volumes of oil prices was caused by factors that were beyond the control of Libya, but a greater extent of the export volume decline was due to Libya's decision to stay within its production quotas as outlined by OPEC. There was also a reduction in production quotas by OPEC in the early and mid-1980s as this organisation strived to use its market power in its attempts of reversing the falling global oil prices trend. However, throughout the evolution of foreign trade in Libya the composition of imports in Libya has been more varied compared to the exports [25, 30, 38, 46, 47 and 48]. For instance, imports commodities have mainly been in the category of machinery, capital goods, transport equipment, manufactured goods, and foodstuffs. However, despite relatively constant imports of machinery, capital goods, transport equipment, and manufactured goods throughout the evolution of foreign trade in Libya, there has been a steadily rising percentage of foodstuffs imports since disposable incomes began rising through increased oil exports.

The evolution of foreign trade in Libya has undergone a major change from the mid- to late-1970s when the United States was the number one export market for Libya's oil exports. However, the foreign trade in Libya took a different direction after United States trade

restrictions had by 1983 reduced trade between Libya and the United States to zero. Moreover, despite the changing landscape of foreign trade between Libya with United States and most European countries, in mid-1980s Italy remained the most important foreign trade partner with Libya, followed by West Germany (the Federal Republic of Germany). By 1984, these two countries together bought slightly below 50% of Libya's exports and supplied about 30% of Libya's imports [25, 30, 38, 46, 47 and 48]. However, this trend was further influenced by the UN sanctions and further U.S. economic embargo that led to a significant reduction of foreign trade even between Libya and European countries. This was after Libya was implicated in several cases of terrorism bombings and production of weapons of mass destruction.

Since 1958 when oil was first discovery in Libya, the country's economy has been primarily dependent on oil sector revenues, which in the year 2008 contributed to 95% of export earnings, 25% of GDP, and 60% of the Libyan government public sector wages [38, 46, 47 and 48]. Therefore, since foreign trade in Libya has been revolving around oil exports as the main source of foreign exchange earnings, the evolution of foreign trade has also been sometimes significantly affected by fluctuating global oil prices. However, since late 1960s when Muammar Gadhafi took power in a bloodless coup, foreign trade in Libya begun to be influenced by the country socialist-based economy. Moreover, foreign trade in Libya took a new turn in late 1990s when the Libyan government began economic reforms in its attempts to reintegrate Libya into the international fold. These efforts were boosted by the suspension of UN sanctions in 2003 and US unilateral sanctions in 2004 which repositioned the country into the foreign trade leading to a steadily increasing oil exports as well as increased imports as a result of high oil exports revenues. Since 2006 Libya has managed to attract a considerable foreign direct investment especially in the oil and gas sector. This has led to expansion of other non-oil based sectors [25, 30, 38, 46, 47 and 48].

By 2008, foreign trade in Libya had tremendously evolved and when some parameters are considered, it can be observed that since independence foreign trade in Libya has undergone significant growth. For instance, the country's GDP (purchasing power parity) for 2006, 2007 and 2008 was $78.44 billion, $82.83 billion and $87.72 billion respectively. However, exports in Libya for 2007 and 2008 were $46.97 billion and $64.5 billion respectively and the major export goods were crude oil, natural gas, refined petroleum products, and chemicals. Moreover, imports in Libya in 2007 and 2008 were $17.7 billion and $26.55 billion

respectively and the major import goods were machinery, foodstuffs, transport equipment, semi-finished goods and consumer products [25, 30, 47 and 48]. Considering the exports and imports it becomes evident that the country has been experiencing a positive trade balance.

4.1.2 Commodity composition of foreign trade in Libya

Since 1960s, Libya's foreign trade has been characterized by a positive trade balance as a result of the country's foreign trade commodity composition, which has been leading to creation of trade balance surplus. The composition of imports in Libya is more varied compared to Libyan exports. For instance, oil and gas and their refined products constitute the major Libya's export as a commodity of foreign trade. Other export commodities from Libya making the composition of foreign trade in the country are metals, precious stones, fertilisers, petrochemicals, pearls, gypsum, steel, cement and iron. However, in order to complete the list of commodities making the composition of foreign trade in Libya, its important to highlight Libya's imports where its major imports are food (where 75% of foods are imported), transport equipment, capital goods, consumer goods, as well as iron and steel products [25, 30, 38, 46, 47 and 48].

4.1.3 Geographical distribution of foreign trade in Libya

According to Libya export, import as well as trade statistics and indicators obtained from both the Libyan Central Bank [12] and CIA World Factbook [65], it is revealed that by 2009 Libyan foreign trade partners were spread throughout the world and in all continents. This is mainly because among Libya's major foreign trade partners that constitute the country's foreign trade geographical distribution, Italy was the leading partner in 2009 accounting for 31% of the Libya's total foreign trade, followed by countries such as Germany, China, U.S., Turkey, UK, France, Spain, UAE and Tunisia.

In particular, in 2009 the Libyan exports were $37.44 billion and the major commodities that were exported include crude oil, natural gas, refined petroleum products, and chemicals. In addition, the exports partners were Italy 37.65 per cent, Germany 10.11 per cent, France 8.44 per cent, Spain 7.94 per cent, Switzerland 5.93 per cent, and the United States 5.27 per cent in a subsequent. Moreover, in the same year Libyan imports were $27.06 billion and the major commodities that were imported include commodities such as machinery, food, transport equipment, semi-finished goods, and consumer products. The major imports partners were as follows: Italy 18.9 per cent, China 10.54 per cent, Turkey 9.92 per cent,

Germany 9.78 per cent, France 5.63 per cent, Tunisia 5.25 per cent, and South Korea 4.02 per cent in a subsequent manner [25, 30, 38, 46, 47 and 48].

4.2. The structure of exports and imports in Libya

4.2.1 The basic features of the structure of exports and imports in Libya

One of the major characteristic features that characterise the Libyan economy (particularly exports and imports) is its high degree of interdependence with the rest of the world. Thus, according to Wilkinson [78] this situation has made Libyan economy to be heavily reliant on crude oil exports, as the main source of foreign exchange earnings. However, until recently Libya relied heavily on oil exports just like most of other typical oil-rich countries in the North Africa and Middle East region. Moreover, efforts to diversify Libyan economy have led to sustained investment in the non-oil sectors, especially in agriculture, manufacturing, and other economy sectors in the country [76, 78, and 81]. Libya has a large endowment of natural resources, oil and gas which constitute the major exports in the country. However, the country relies heavily on this single exportable commodity, as its major export (i.e. crude oil), and the main source of country's foreign exchange earnings. However, the major characteristic feature of oil and natural gas which are the major Libyan exports is that, they are exhaustible [25, 30 and 48]. Moreover, these exports are also natural resources which require to be explored prior to discovery. In addition, fertilizers and petrochemicals are other Libyan exports and they mainly rely on raw materials from the oil-based industries.

As a result of the developing nature of Libyan economy, and the limited natural resources availability other than (oil and natural gas), this makes the country to rely heavily on the intermediate inputs imports, as its way to sustain the living standards of the people as well as providing for the local market's various needs [12, 65, 66, and 77]. This has occurred through structural changes in the local economy, via the plans for socioeconomic development. This has led to gradual but steady increase in the country real GDP as well as the value of imports.

Libya also imports significant quantities of capital goods and raw materials that are essential because of their potentially important role in the process of economic development, as a means through which the country would sustain its economic development plans. Since 1970, there has been a consecutive increase in the value of imports and its ratio in GDP was highest in 1975 (28.5%). However, in the 1990s the Libyan imports tremendously reduced because of the imports restriction policy that was put in place by the government in order to reduce the

negative impact of the imposed U.N sanctions against Libya as well as freezing of Libya's assets. This led to a decline of the ratios of imports in GDP to 16.29%, 16.17%, 19.17% and 16.11% in 1990, 1995, 2000 and 2005 respectively [25, 30, 38, 46, 47 and 48]. The suspension of the UN sanctions led to a significant increase in Libyan imports because of various reasons such as increased foreign exchange earnings from a regained high oil exports after trade barriers were removed, increased local market requirements, lack of capital goods production in the local market and the ambitious development plans [65, 66]. The table below indicates the evolution of exports and imports in Libya.

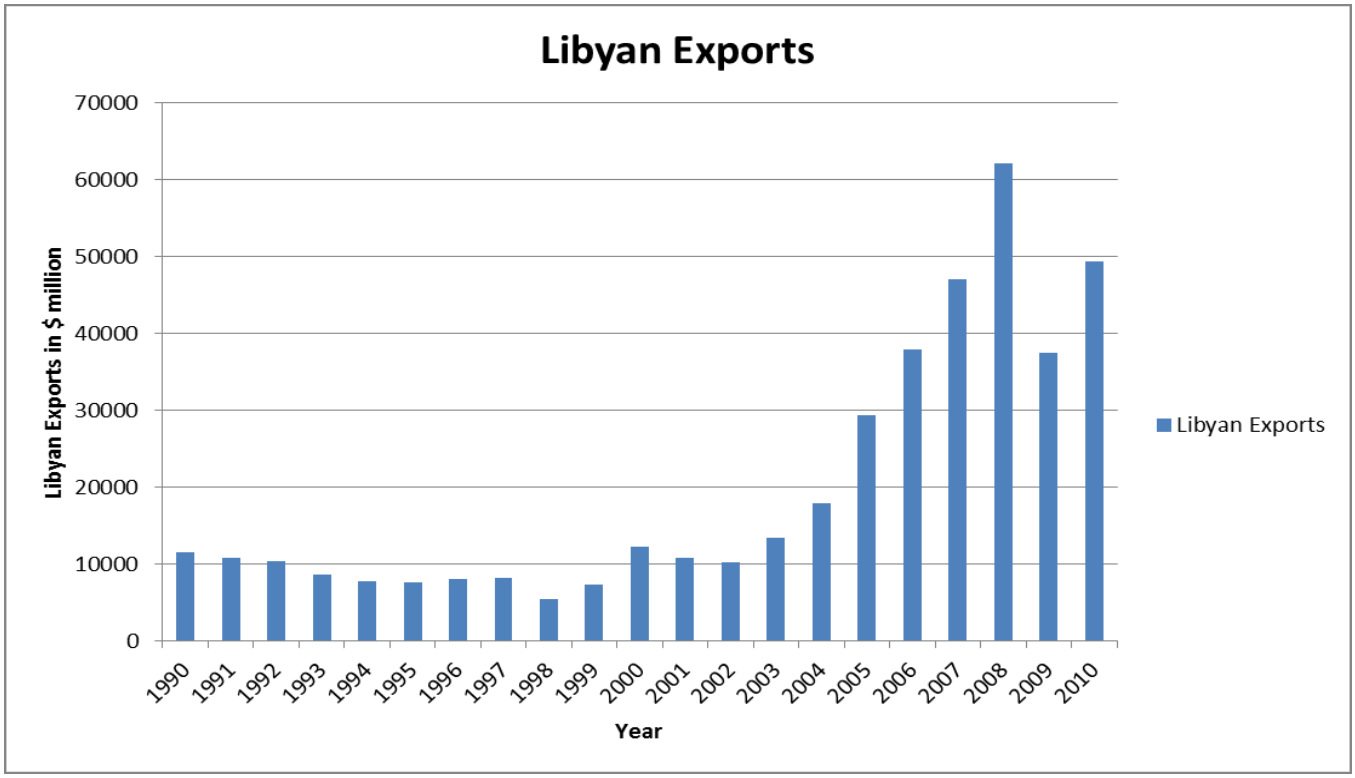
Table 6: Exports and Imports (US$ million)

Years	Total Exports	Total Imports
1990	11468.4	8960.1
1991	10800.4	10733.8
1992	10291.4	8750.4
1993	8599	9604.7
1994	7741.2	7478
1995	7513.4	5755.2
1996	7955.8	6617.2
1997	8204.1	6675.5
1998	5365.8	5665.2
1999	7334.9	5290.7
2000	12210	5024
2001	10818	5859
2002	10252	8952
2003	13320	8797
2004	17862	10682
2005	29383	13523
2006	37962	15783
2007	47078.5	20366.5
2008	62157.8	26002.5
2009	37440	27065
2010	49345	30686.4

Sources: World Bank

Central Bank of Libya [12] is the institution responsible of reporting Exports in Libya. There was a decrease in Libya Exports in 2009 to $37440 million from $62157.8 million in the year 2008. However, the Libya Exports average from 1990 until 2010 was $19671.56 million where the highest value of $62157.8 million was achieved in 2008; while 1998 recorded the lowest value of $5365.8 million [25, 30, 38, 46, 47 and 48]. With least developed industry and agriculture sectors as well as possessing the largest oil reserves in Africa, Libya exports almost exclusively crude oil, oil refined products and natural gas. However, in recent years Libya has began to export fertilizers and petrochemicals. A chart showing data for Exports in Libya between 1990 and 2010 is included below:

Figure 6: Libya Exports between 2002 and 2012 (in $ million)

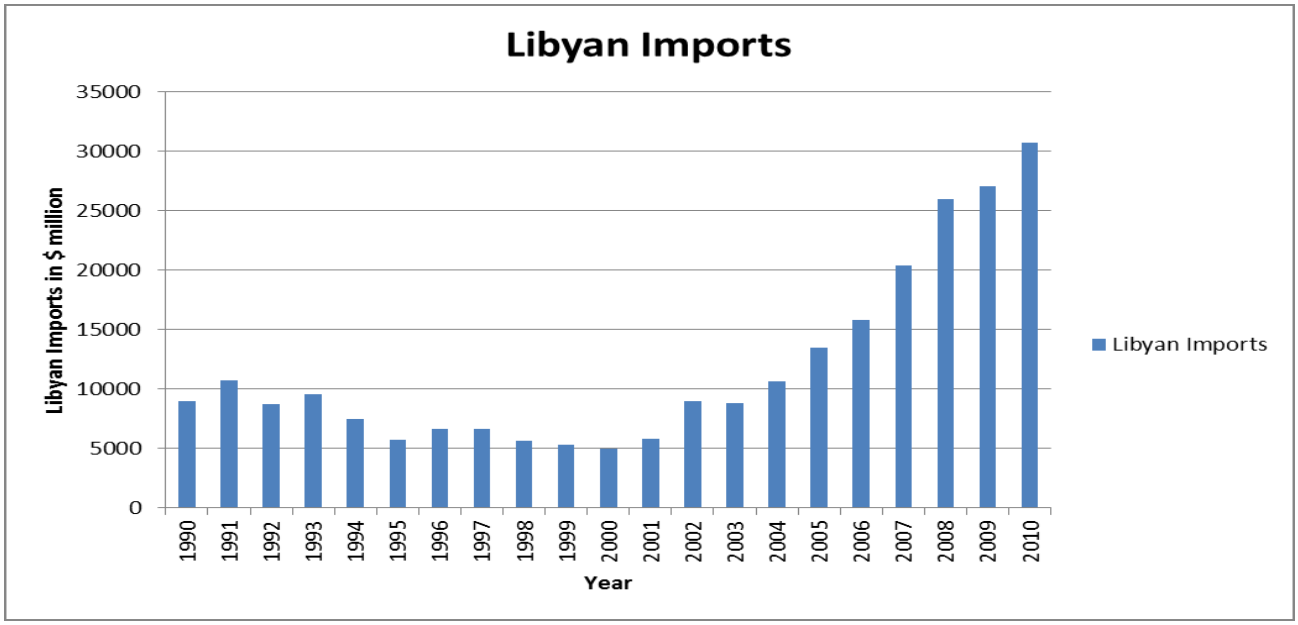


Source: World Bank

Central Bank of Libya is the institution responsible of reporting Imports in Libya [12]. Libya Imports increased in 2009 to $27065 million from $26002.5 million in the year 2008. However, Libya Exports average from 1990 until 2010 was $11822.4 million where the highest value of $30686.4 million was achieved in 2010; while 2000 recorded the lowest value of $5024 million [25, 30, 38, 46, 47 and 48]. However, Libya's main imports are: foodstuffs,

capital equipment and consumer goods. A chart showing data for Imports in Libya between 1990 and 2010 is included below:

Figure 7: Libya Imports between 1990 and 2010 (in $ million)



Source: World Bank

4.2.2 Geographical distribution of Libyan exports and imports

When the geographical distribution of Libyan exports and imports is considered, it is important to note that Libyan exports and imports are located throughout the world. However, a consideration of the historical ties between the European countries and Libya, it can be observed that the EU has been the traditional market for Libya's imports since 1970s up to 2009 [25, 30, 47 and 48]. Furthermore, the geographical distribution of Libyan exports and imports was stable across the world prior to UN sanctions and U.S. trade embargo both of which greatly impacted on the geographical distribution of Libyan exports and imports leading to tremendous reduction of Libyan exports and imports in the United States and most European countries. This led to a relatively significant change in the geographical distribution of Libyan exports and imports where more inclinations were towards sub-Saharan countries and Asian countries. However, despite all the happenings the geographical distribution of Libyan exports and imports was greatly inclined towards European countries [12].

According to World Bank, Libya's exports and imports were estimated at US$7334.9 million and US$5290.7 million respectively in 1999 [12]. Among the major exports in 1999 were oil

and gas and their refined products which constituted about 95% of Libya's exports [12]. In the same year, Libya's major imports were food, transport equipment, capital goods, semi-finished goods, and iron and steel products. This trend was sustained throughout the period between 1999 and 2009. However, diversification of the Libyan economy has led to the rise fertilizers and petrochemicals industries which have led to the addition of these two commodities into the list of Libyan exports because they are produced in large quantities (surplus) due to easily, cheaply and conveniently available raw materials.

The geographical distribution of Libyan exports and imports by 2009 included exports partners such as Italy 37.65 per cent, Germany 10.11 per cent, France 8.44 per cent, Spain 7.94 per cent, Switzerland 5.93 per cent, and the United States 5.27 per cent in a subsequent [4, 6, 10, 63, and 65]. Other geographical location Libyan exports partners are spread in African, European, Arabian and Asian countries. Moreover, in 2009 Libyan major imports partners were as follows: Italy 18.9 per cent, China 10.54 per cent, Turkey 9.92 per cent, Germany 9.78 per cent, France 5.63 per cent, Tunisia 5.25 per cent, and South Korea 4.02 per cent in a subsequent manner [12, 63, 65, 66, and 77]. This implies that geographical distribution of Libyan imports is as widespread as its exports.

4.2.3 Libya's trade balance and the degree of exposure

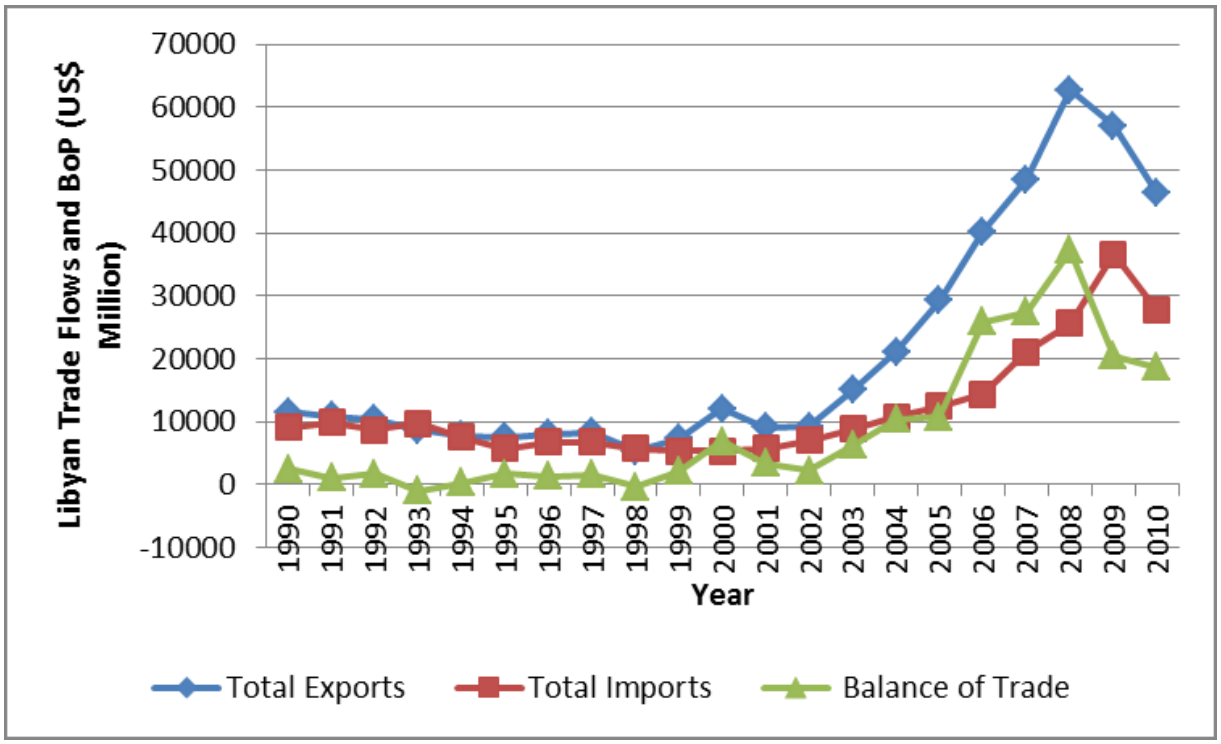
Since the 1960s, positive trade balance has predominantly characterised Libya's foreign trade. For instance, in 1999 it was estimated that the country had $7334.9 million in exports, and $5290.7 million in imports, leading to a positive trade balance of $2044.2 million [12, 25, 30, 38, 46, 47 and 48]. In the same year oil and gas together with their refined products were responsible for about 95% of Libya's exports, whereas its major imports were food, transport equipment, capital goods, manufactured goods, and iron and steel products. In 2004 and 2005, the Libya's exports were estimated at $17862 million and $29383 million respectively, while in the same years Libya's imports were estimated at $10682 million and $13523 million respectively. This resulted in an estimated trade balance surplus of $7180 million and $15860 million in 2004 and 2005 respectively [12, 25, 30, 38, 46, 47 and 48]. The table below highlights the trade of balance recorded by the country between 1990 and 2010.

Table 7: Balance of Trade ($ million)

Years	Balance of Trade
1990	+2508.3
1991	+66.6
1992	+1541
1993	-1005.7
1994	+263.2
1995	+1758.2
1996	+1338.6
1997	+1528.6
1998	-299.4
1999	+2044.2
2000	+7186
2001	+4959
2002	+1300
2003	+4523
2004	+7180
2005	+15860
2006	+22179
2007	+26712.3
2008	+36155.3
2009	+10375
2010	+18658.6

Sources: World Bank

Figure 8: Libyan Trade Flows and Balance of Trade (US$ Million)



Source: World Bank

The trade balance in Libya has been positive for the last two decades with its highest levels in the 2000s due to increased world oil prices. However, after the U.S. and UN sanctions in late 1980s and 1990s respectively, the trade balance of Libya was tremendously affected because the country's economy greatly dependent on oil exports to US and European countries. However, after the suspension of UN and U.S. economic sanctions the Libya's trade balance began to improve as a result of increased oil exports to countries that boycotted Libyan exports previously [4,6]. Despite the relatively good trade balance, its degree of exposure is minimal compared to most of other developing and African countries. This is attributable to three factors such as relatively low external debt, increased foreign investment and a stable currency exchange rate.

For example, Libya has always ensured that it maintain its external debt at levels that are relatively low. For instance, in 2002, 2003, 2004 and 2005 the total medium-term and long-term external debt was estimated at US$4400 million, US$4200 million, US$3900 million and US$3900 million respectively [12, 25, 30, 38, 46, 47 and 48]. Therefore, this relatively low external debt reduced the degree of exposure to Libya's trade balance. However, the necessity for infrastructure projects, and suspension of United Nations sanctions and the U.S.

trade embargo, Libya will likely take advantage of overseas financing in order to facilitate completion of some important development plans. This move is envisaged to raise Libya's external debt in future, but the increased external debts will the offset by the expected increase in oil exports and ability to outsource for cheaper imports after the suspension of United Nations sanctions and the U.S. trade embargo [12, 13].

Furthermore, increased foreign direct investments mostly in the oil and gas sector will continue maintaining high positive trade balance because of increased oil and natural gas exploration, production and exportation in the country thereby reducing the degree of trade balance exposure. However, this was achieved after the suspension of United Nations sanctions and the U.S. trade embargo, because previous Libya's "erratic economic policy," as well as the sanctions against Libya had tremendously decreased foreign funds leading to increased degree of the country's trade balance exposure [7, 10, 13, 23, 25, and 43]. However, the suspensions of United Nations sanctions and the U.S. trade embargo in 1999 and 2004 respectively led to increased foreign direct investments and oil exports thereby improving Libya's trade balance and subsequently reducing the degree of exposure. The increased foreign direct investments has been as a result of attracting foreign investors particularly in the oil and gas sector through numerous investment conferences and trade fairs hosted by Libyan Foreign Investment Board [77, 81].

Moreover, the other reason accountable for reduced degree of exposure to Libya's trade balance is its relatively stable currency exchange rate where as of 31st March 2005, 1 US Dollar equalled 1.32940 Libyan Dinar (LYD). This relatively currency exchange rate was achieved through a major development in 2003 when Libyan government devalued its currency by about 15 per cent after its exchange-rate system was changed, a move which ensured stability in the dinar leading to a reduction in Libya's trade balance degree of exposure. However, despite such increased foreign direct investments and the economic policy reforms that were in progress, the exposure of the country's trade balance is imminent because of the potential of failing to achieve tangible increases in foreign direct investment until some of the areas of concern highlighted by foreign investors were adequately addressed by the Libyan government, such as corruption among government officials, changes in economic legislations and their subsequent implementation as well as ensuring increased insurance coverage and availability of credit. This was the case in 2009 and 2010, but the situation may change since Gadhafi was ousted from power in 2011 and as the country gets a stable government from the current National Transition Council (NTC).

4.2.4 International and regional developments and their implications on the structure of exports and imports in Libya

Various international and regional developments had great implications on Libyan exports and imports. For instance, in the 1980s, the Libyan government confrontational and erratic foreign policies, improved relationship with the Soviet Union, involvement with terrorism greatly reduced Libya's exports and imports with the West, its North Africa neighbours and the Middle East. The severed diplomatic relations between Libya and United Kingdom in 1984 after the murder of a British policewoman, outside Libya's embassy in London totally stopped exports and imports between the two countries. In 1986, the United States (Libya's largest single customer for crude oil) imposed economic sanctions on Libya after the Libyan government was implicated in the West Berlin discotheque terrorist bombing often visited by American military personnel. This reduced Libyan oil exports to the United States to zero, as well as reducing Libya's imports from the United States to zero since the economic sanctions did not encourage any trade between the U.S. and Libya.

Moreover, after Libya was implicated in the bombing of Pan Am flight 103 over Lockerbie, Scotland, in 1988 leading to death of 270 people and subsequent implication in the bombing of a French flight over Niger in 1989 which led to death of 177 people, more sanctions were imposed by the UN in 1992–93. This further interfered with the structure of Libyan exports and imports where most European, Arabian and African countries shunned from engaging in any trade with Libya. This only left a few European, Arabian, African countries that continued to export and import with Libya, but Asian countries remained the exporters and importers with Libya.

Therefore, in the 1990s Libya's economic isolation both internationally and regionally led to significant decline of the country's oil exports. Moreover, the combination of the imposed sanctions and trade embargoes led to rising import costs and subsequent inflation in Libya, resulting in a deterioration of most citizens' standard of living and increased rate of unemployment. During this period of isolation, Libya attempted to improve its regional relations with its neighbours. This changed the destination of its exports to African and Asian countries particularly China, whereas most of the countries imports were also outsourced from African and Asian countries. During this period of sanctions, Libya's exports and imports structure with the Arab world also declined, because the then Libyan leader, Gadhafi was not pleased by their decision not to challenge the UN sanctions imposed on Libya. This

made Libya to concentrate its efforts on establishing closer relations with African countries located on the sub-Saharan region, even though he found only a lukewarm reception. However, these developments led to tremendous change Libya's exports and imports which mostly inclined to sub-Saharan African countries and Asian countries.

Furthermore, since early 1990s Libya reduced its foreign trade (exports and imports) with the ex-socialist countries, while expanding trade with Western and North African countries. However, the suspension of UN sanctions in 1999 led to the removal of trade barriers with most Western countries such as Italy, Turkey, France, Germany, Spain, and the UK, as well as African countries such as Tunisia and Sudan which became the major destinations of Libyan exports [65, 66]. Furthermore, after the U.S. lifted its economic embargo in 2004, the exports equation greatly changed because oil exports to U.S. resumed. However, in 2009 after Libya had improved its trade relations with most countries across the world, the structure of Libyan exports and imports was evenly distributed throughout the world.

4.3. Libyan Foreign Trade and activities with other countries across the world

4.3.1 Trade Liberalisation and WTO Participation

Over the past decade Libyan government has implemented various economic reform programs aimed at trade liberalisation in the country. For instance, privatisation is particularly one of the greatest economic reforms that were in progress from 1987 to 2008. The introduction of the concept of collective ownership allowed cooperatives to be created between 1987 and 1989, a new laws was passed that allowed, limited private sector investment in Libya for the first time since 1977. This encouraged the participation of small-scale private sector in service, retail trade, and light industries in order to overcome these industries' inefficiency. Alqadhafi [3] notes that the government intervention and control in the economy remained widespread including the price-setting, making it difficult for the established private firms to be profitable as in market economy.

In the early 1990s, the effects of international economic sanctions in Libya were imminent and the government adopted another economic reform program for trade liberalisation. This was the introduction of the joint-stock company concept, which gave privately owned companies an opportunity to import equipment and to open foreign currency accounts in order to surpass the previous privatisation experience as well as sharing the public burden with the private sector through reduced involvement of the government in the economy. The

other attempt of trade liberalisation took place in 2003, when the Libyan government carried out a large scale privatisation program, aimed at broadening the ownership base by encouraging residents towards owning the public firms and avoid concentrated ownership. The aim of the economy privatisation was to restructure the economy of Libya towards a popular capitalism through a more widely spread share of ownership. To this end, the residents and employees were encouraged to participate in owning the firms in the public sector through savings schemes. Moreover, participation of foreigners was also allowed but with an imposed limitation on their ownership. These reforms have significantly improved trade liberalisation through reduction of public sector in the economy while at the same time enhancing the role of private sector. Furthermore, according to WTO [75] the other action take to ensure trade liberalisation was to bring the country to the WTO membership.

In line with Libya's WTO membership ambitions, elimination of duties from more than 3,500 categories of products was announced by the Libyan Customs Administration in August 2005, whose previous levy was a flat rate of 4%. However, duties of between 25 and 50% were retained for about 80 products such as furs and high-end furnishings [12, 25, 30, 38, 46, 47 and 48]. By 2007, in the attempts of Libya towards trade liberalisation there was a reduction of overall import duties to 0% for all goods except tobacco, on which a tariff of 10% was applied. Generally, import duties' exemptions applied to particular areas particularly those under the Petroleum Law. These changes by the Libyan Customs Administration were appropriate measures towards trade liberation in Libya, as the country strived to attain WTO membership. This meant that Libya's domestic market was undergoing deregulation; as a result it became open up to the outside world leading to foreign trade improvement.

Libya applied for World Trade Organization (WTO) membership for the first time in 2001, but the application was declined due sanctions. However, after the UN sanctions and U.S. economic embargo were suspended in 2003 and 2004, Libya applied for WTO membership again in June 2004. Currently, Libya has an observer status and negotiations towards full membership are still on-going. After WTO received Libya's application a Working Party was established by the General Council to examine the application of Libya on 27 July 2004 [12, 75]. However, the process towards Libya's full membership has stalled because the country has not yet submitted its Memorandum on the Foreign Trade Regime in order to enable the Working Party meets to examine the application. This implies that the country still has an observer status [12, 75].

Therefore, Libya is among the 27 nations or organisations with observer status which helps it to follow WTO negotiations of interest as well as trade with WTO member states (World Trade Organization, 2012). The aim of Libya to achieve WTO membership is to achieve economic development, diversify its sources of income, to attain economic benefits and consolidate good economic and trade relations with WTO member states, which would lead to economic development accomplishment for all. However, despite Libya's observer status it has the privilege of improving its economic and diplomatic relations with other countries that are full members of the WTO as well as following negotiations, but it has to achieve WTO membership in order to access all the WTO membership benefits [12, 75].

Libya's goal to join the World Trade Organisation (WTO), forced it to undertake a deregulation and opening up of its domestic market more to the outside world. This is mainly because at present, the country has WTO observer status implying that it may take a few years before it can join; this has necessitated the amendment of the country's trade and investment regulations in order to fully comply with the rules of WTO [12, 65, 75, and 77]. Many measures had already been introduced by the Libyan government to ensure its accession to the WTO. In particular, the country enacted several laws such as a Competition Act and a Trademark Act, and has being aggressively embarking on the process of economic barriers reduction to facilitate trade and investment. This has to a greater extent led to trade and investment deregulation mainly through privatisation, a move that that created business opportunities for all parties, including opening its market to foreign investors [12, 75]. Libya's trade liberalisation has significantly improved foreign trade, and nowadays most exports from and imports to Libya can be conducted without licences requirement.

4.3.2 Libya and Free Trade Agreements

In order to bring Libya out of its economic isolation which would further bolster its economy, the country opted to embrace Free Trade Agreements and a number of laws were enacted to enable the country to create or join free trade zones (FTZ). For instance, in 1999, the Free Trade Act created a legal framework which enabled Libya to establish offshore free trade zones. In addition, the Libyan Free Zones Board was established by the Libyan General People's Committee's Law of 2006, to be in charge of the supervision and running of all the intended free trade zones in Libya. However, Libya's Free Trade Agreements are with Africa, Arabian and Mediterranean countries [63, 65].

For instance, Libya is a member of the African Free Trade Zone, a Free Trade Agreement which operates under the name Common Market for Eastern and Southern Africa (COMESA) and has 19 member states. These states are: Djibouti, Egypt, Eritrea, Burundi, Comoros, Congo, Ethiopia, Kenya, Libya, Rwanda, Sudan, Seychelles, Swaziland, Madagascar, Malawi, Mauritius, Uganda, Zambia and Zimbabwe [65]. The aim of this Free Trade Agreement is to eliminate obstacles to trade between Eastern and Southern Africa countries to facilitate economic expansion in the region. Libya is also part of the Arab Free Trade Zone through a Free Trade Agreement referred to as the Pan Arab Free Trade Agreement (PAFTA), also known as GAFTA (Greater Arab Free Trade Area). This Free Trade Agreement became effective on 1st January 2005, and 17 countries are already members including: Morocco, Egypt, Sudan, Libya, Lebanon, Tunisia, Yemen, Kuwait, UAE, Saudi Qatar, Iraq, Jordan, Arabia, Oman, Bahrain, Palestine and Syria. This Free Trade Agreement has enhanced trade and economic relations between the member states [10, 12].

Furthermore, Libya is also part of the Mediterranean Free Trade Zone through the Euro-Med Partnership (EMP) Free Trade Agreement which is a joint venture between the European Union (EU) and 12 Mediterranean states. This agreement was signed on 27th November 1995 with set goals of increasing commercial integration and reducing political instability among members (Javad and Péridy, 2007). However, in 1999 27 European partners in this agreement agreed to admit Libya conditionally (to participate in the agreement as an observer), other countries that signed the agreement include; Syria, Lebanon, the Palestinian National Authority, Tunisia, Morocco, Israel, Algeria, Egypt, Turkey, and Jordan. Moreover, Libya is also a member of the Arab Maghreb Union (AMU) established through the Arab Maghreb trade agreement with the aim of achieving economic and future political unity among member states including Mauritania, Morocco, Algeria, Libya and Tunisia all of which are members of the Maghreb region in North Africa. However, this Free Trade Agreement and subsequent union are inactive and frozen because of deep economical and political disagreements between Algeria and Morocco mostly on the issue of Western Sahara.

4.3.3 Libya and Arab Countries

Throughout the period when Gadhafi was the Libyan leader, the country was a leading proponent of the unity of Arab countries, calling for all Arab countries stretching from the Persian Gulf to the Atlantic Ocean to unite [65, 77]. Gadhafi believed that the unity of Arab countries would have ensured that the countries in the union would have access to complementary resources such as manpower, oil and other minerals as well as a space for population expansion.

However, Libya never succeeded in its pursuant of Arab countries unity because, over time, it has been proven that particularistic nationalisms for each Arab country are too powerful to be superseded by the Arab unity [4, 6]. Moreover, Libya made several attempts to unite Arab countries, but all of them were futile. This included Libya's proposal in 1981 to merge with Chad which did not materialise leading to Libya's involvement in the Chadian civil war, as a result worsening Libya's relations with other Arab countries. Obsessed by the goal of pan-Arab unity, Gadhafi the Libyan president continued to tirelessly push for his unification attempts that never succeeded. As a result, Libyan president (Gadhafi) began to condemn Arab leaders who opposed such schemes for various reasons. Since most Arab countries leaders worked against the purported goal of Libya to achieve unity, Libya resorted to threats, subversion, and meddling in other Arab countries' internal affairs, methods that continued to alienate potential partners, frightened prospective Arab union countries, and isolated Libya in regional affairs [38, 46, 47, 48, 63, and 65]. Therefore, up to 2011 Libya under the leadership of Gadhafi had being in on and off relations with most of Arab countries.

Moreover, despite the failure of Libya to unite Arab countries, the country relates with other Arab countries through various platforms. These include the Arab League which is an organisation of all Arab countries involved in fostering unity among the Arab countries. However, Libya had been shortly suspended in late February 2011 from Arab League proceedings over civilian's bombardment by Gaddafi's forces during the 2011 protests against Libyan government that were widespread. Libya is also a member of the Arab Monetary Fund (AMF) which is a sub-organization of the Arab League with the responsibility of facilitating monetary cooperation, and development of trade and financial market among the 22 member states [12, 63, and 65]. Libya has extensive relations with Arab countries on economic issues and it is a member of the Council of Arab Economic Unity, which became effective on 30th May 1964, with a goal to achieve complete economic unity

among its members all of which are Arab states. Libya is also a member of the Organization of Arab Petroleum Exporting Countries (OAPEC) which is an organisation that is multi-governmental based in Kuwait which the role of coordinating energy policies between Arab nations that produce oil with a purpose of development among member states [65].

4.3.4 Libya's Relation with the EU Member Countries

Libya's relations with the European Union (EU) member countries have been relatively good with the exception of the United Kingdom (UK). The severed diplomatic relations between Libya and United Kingdom in 1984 after the murder of a British policewoman, outside Libya's embassy in London totally stopped exportation and importation between UK and Libya [22, 23]. Libya's relations with the UK further deteriorated after the UN sanctions against Libya. However, Libya's relations with most of the other EU member states countries have been relatively good despite the restrictions that were imposed through UN and US sanctions. This is evident from the fact that for a long period of time EU member countries have been Libya's greatest trade partners accounting for the largest share of Libya's exports and imports [22, 23].

Therefore, despite the UN and US sanctions, a considerable number of EU member states maintained significant economic relations with Libya. However, irrespective of the fact that EU is autonomous in its ability to act, the close and long standing ties with the United States means that EU member countries mostly move in the same direction with the US on important issues, and sanctions on Libya one of these. Therefore, suspension of trade sanctions by the US in 2004 meant renewed relations between Libya and EU member countries [11, 17, and 19]. However, most EU member countries have maintained good economic relations with Libya, but lifting of the sanctions renewed talks between the European Union and Libya in trade on issues such as taxes, customs policies, as well as energy, as areas likely to allow broader cooperation between EU member countries and Libya [6, 8]. Thus, a series of policy shifts that took place in Libya over the last decade, including the suspension of UN and US sanctions in 2003 and 2004 respectively, the WTO membership application in 2004 and the market deregulation measures have significantly improved relations between the EU member states and Libya as remarked by the country's finance minister in 2005 [10]:

In terms of trade partners, EU member countries such as Italy, Germany, France, Great Britain and Spain have been the leading partners with Libya. However, despite historically close economic relations between Libya and EU member countries, and as globalisation continue to enhance competition and opportunities around the world; EU's market share has been gradually declining [22, 23]. Moreover, relations between Libya and the EU have so far a long time taken place outside any bilateral agreement that govern bilateral relations. However, trade relations between EU and Libya have led to preliminary free trade accords that are economically beneficial for both parties. This is mainly because these negotiations would include a Free Trade Agreement between the EU and Libya to cover trade in services, goods and investment in order to provide new export opportunities for both Libyan and EU exporters [22, 23]. However, following Libya's protests and Gadhafi's oust in early 2011, negotiations were suspended but close trade relations have continued.

4.3.5 Libya's relations with Asian countries

During the Gadhafi's era, Libya's relations with Asian countries were relatively good. This includes Libya's relations with specific Asian countries such as China, Japan, North Korea, South Korea, and Indonesia. The economic relations between Libya and these Asian countries were not strong prior to the economic sanctions imposed against Libya by the UN Security and Council and the United States in the 1980s. However, after these sanctions were imposed economic relations between Libya and Asian countries tremendously improved since they became important foreign trade partners accounting for significant exports and imports in Libya. Considerable amounts of crude oil began to be exported to Asian countries particularly China [4, 6, 10, and 12].

Moreover, as Libya's relations with US and some European countries especially the United Kingdom (UK) continued to deteriorate, the Asian countries found it easy to relate with it economically, politically and socially. Thus, Libya continued to improve its relations with Libya under the leadership of Gadhafi before he was ousted and killed by rebels during the 2011 widespread protests against Libyan government. Moreover, Asian countries particularly China continues to relate well with the National Transition Council (NTC) government currently ruling Libya since early 2011 after Gadhafi's was overthrown by the rebels.

4.3.6 Libya's relations with the USA

Initially Libya's relations with the USA were relatively good, that is immediately after the country independence in 1951. The USA supported the UN resolution to provide independence to Libya in 1951 thereby raising the status of its Tripoli office from a consulate general to a legation and then to embassy level [29, 49]. However, U.S. - Libyan relations started to be increasingly strained after Muammar Gaddafi's 1969 coup, when he authorised nationalisation of all oil companies. The U.S. ambassador was recalled from Libya in 1972, followed by imposition of export controls on civil aircraft and military in the 1970s (Haley, 1984). In 1979, staff members of the U.S. embassy in Tripoli were withdrawn after the embassy was attacked by a mob that set it on fire in December 1979. On 29th December 1979, the U.S. designated Libya a "state sponsor of terrorism". This action that was taken by the U.S. led to further strain on its relations with Libya [29, 49].

The Gulf of Sidra incident, that occurred on 19th August 1981 where a U.S. aircraft was fired by Libyan jets further worsened Libya's relations with the U.S. The U.S. retaliated in a revenge attack and shot down the Libyan jets [29]. In December the same year, all U.S. citizens in Libya were ordered to leave as well as invalidating all U.S. passports for travel to Libya. In 1982, U.S. prohibited crude oil importation from Libya and the controls were expanded to prohibit exportation of U.S.-origin goods to Libya. Licenses would be required for all transactions, except medicine and food [29, 49].

However, in January 1986, the U.S. adopted more economic sanctions against Libya which totally banned direct export and import trade, travel-related activities and commercial contracts [49]. In addition, assets of Libyan government that were in the U.S. were frozen. The Berlin discotheque bombing in 1986 implicating Libya's involvement led to further deterioration of the relations between the two countries, after the U.S. responded by attacking Libya killing 15 people and injuring more than 100 people [29, 49]. Subsequently, the U.S. continued to maintain its travel and trade embargoes that brought economic and diplomatic pressure to bear against Libya.

In 2004, the U.S. lifted its travel and trade embargos imposed against Libya after Libya denounced actions of terrorism, abandoned its mass destruction weapons production and accepted to bear the responsibility for its officials' actions [29]. On the same year, the Libyan assets that had been frozen U.S were unblocked. The U.S.-Libyan relations began to

normalise followed by reopening of embassies in the two countries. On 30th June 2006, the U.S.-Libyan relations were significantly improved after the U.S. rescinded its previous position designating Libya as a state sponsor of terrorism [29, 49]. The Libya's relations with the U.S. were severely strained in 2011 during the widespread protests against Gaddafi's government, making the U.S. to cut ties with the Gaddafi's government after he refused to given up as well as halting attacks on rebels. The U.S. recognised the National Transitional Council (NTC) and has shown full support for it even appealing with the UN to allow transfer of Libyan frozen assets to NTC. This led U.S. to lift the sanctions it had imposed against the Gaddafi's government. Moreover, the U.S.-relations were temporarily severed when on 11th September 2012, when the U.S. Consulate in Benghazi was attacked and firebombed by Libyan gunmen killing the American Ambassador to Libya and three embassy staff members.

CHAPTER 5: BACKGROUND OF FOREIGN TRADE VARIABLES AND THE ANALYSIS OF LIBYAN FOREIGN TRADE TERRITORIAL AND COMMODITY STRUCTURE DEVELOPMENT

5.1. Literature Review of Foreign trade variables

5.1.1. Introduction

The performance of Libyan foreign trade was considerable well since the country gained its independence except for the short intervals of extremely low global oil prices (during global recession), UN and US sanctions and the political uprisings in 2011. This is an indication that foreign trade has been significantly important for the growth of Libyan economy, a situation mostly attributed to the fact that Libya is among the leading oil producing and exporting countries in Africa while at the same time heavily relying on food, equipment capital and consumer products imports. However, the performance of Libyan foreign trade has been widely believed to be dependent of various variables of the countries economy such as Oil Prices, Gross Domestic Product (GDP), Exchange rates, Foreign Direct Investments (FDI) and Tariff rates. Apart from the above mentioned variables that are believed to significantly affect foreign trade in Libya, over the last century economic sanctions played significant role in influencing the country's economy. Hence, in the literature review the majority of previous studies conducted on variables that affect Libyan economy theoretically put more emphasis on economic sanctions impact on the country's economical and political stability. This implies that very few previous empirical studies have focused on the influence of economy variables such as Oil Prices, Gross Domestic Product (GDP), Exchange rates, Foreign Direct Investments (FDI) and Tariff rates on foreign trade in Libya. A brief literature review on each of the above mentioned foreign trade variables and their influence on Libya's foreign trade is done below:

5.1.2. Oil Prices

The economy of Libya is greatly dependent on oil exports revenues which contribute to a considerably high portion of the country's GDP. This is mainly because Libya is among the leading oil producing and exporting countries in Africa as well as globally [23, 27, 37]. Thus, for the stability of Libyan economy oil prices have to remain relatively constant to guarantee the country a consistent source of income. However, this is rarely achievable because global oil prices keep on fluctuating thereby significantly impacting on the country's economy. This result from the fact that, despite Libya's oil production and exportation levels maintaining relatively progressive increasing trends, the accrued revenues are subject to significant variations on the basis of fluctuating global oil prices. Hence, when such oil prices slumps the

country's export income decreases leading to an overall decrease in foreign trade income [23, 30]. This is evident from the sharp decline observed in Libyan exports in 2009 to $37440 million from $62157.8 million in 2008 as a result of global financial crisis at that period [76].

Various studies have investigated the relationship between oil prices and a number of Libya's macroeconomic variables, particularly foreign trade (both imports and exports) [20, 24, 50, 53, and 79]. Moreover, these studies have also put emphasis of other economic variables such as the country's GDP, employment rate and investment [20, 24, and 50]. Therefore, according to the authors of these studies, the oil prices impact on a country's economic activity is capable of being estimated, measured and classified in a statistical manner [50, 53, and 79]. For example, most of the researchers on this phenomenon in Libya points out that, fluctuations in oil prices are likely to exert a significant impact on the country's economic activity via varied channels, including foreign trade [50, 53].

In particular, there have been several studies that have specifically examined the impact of oil prices on Libyan economic growth and performance giving considerable focus on the influence of oil prices on foreign trade [20, 24, and 50]. However, fluctuations in oil prices have been identified as the oil prices factor which makes them to have significant influence on foreign trade. Therefore, a general conclusion by the authors of all these studies is that the Libyan economy, particularly foreign trade has on various occasions severely affected by fluctuations in oil prices because the country's foreign trade income heavily depends on oil revenues [20, 24, 50, 53, 79 and 81].

Hence, since majority of previous studies conducted on Libyan oil prices have focused on their effect on aggregate economy [50, 53]. This study attempts to investigate and provide new evidence on the specific influence of oil price fluctuations on Libyan economy. This is mainly because this study examines and evaluates the impact of oil prices fluctuations on foreign trade in Libya in order to determine the relationship between these two variables.

Furthermore, it will allow for a clear picture to be drawn concerning the role of the government in regards to oil prices fluctuations and the stability of the country's foreign trade.

5.1.3. Gross Domestic Product (GDP)

Gross domestic product (GDP) has for relatively long period of time been used as a measure of the development level of a country's economy mainly because it is the market value of all final goods and services that are officially recognised and produced within a particular country within a specific period of time [2, 3]. Therefore, high GDP levels are an indication of increased levels of foreign trade between a country and its trading partners. In Libya the reporting of GDP annual growth rate is done by the Central Bank of Libya. Libya's GDP annual growth rate between 1999 and 2009 was significantly varied recording the lowest rate of -4.3% in 2001 and the highest rate of 13% in 2003 [76]. This was mainly attributed to the suspension of US economic sanctions. The Libya's GDP is significantly attributed to the country's large oil reserves as a result, making the economy of Libya to be highly dependent on oil production which accounts for the highest percentage of the country's GDP. Hence since GDP is such an important variable of a country's economy, its significance in foreign trade has also been determined in various studies. For instance, some studies have asserted that a country's GDP is in a way positively related to foreign trade. This occur either through exportation of produced products or importation of the required raw materials or capital equipment. In particular, a significant percentage of Libya's GDP is achieved from oil production which is then exported while another considerable percentage is achieved from manufacturing industries which mostly require importation of capital equipment. Either way both of the above scenario lead to increased foreign trade.

5.1.4. Exchange Rates

Exchange rates of a country against those of other countries have been widely believed to have significant influence on the level of foreign trade in a country. This is mainly because an exchange rate between currencies of two countries is usually considered to be the rate at which the exchange of one currency will take place for another. Thus, exchange rate is also regarded as the value of currency of a particular country in comparison to that of another country or other countries. High exchange rates favour a surplus economy whose foreign trade is characterised by more exports than imports whereas low exchange rates favours a deficit economy whose foreign trade is characterised by more imports than exports. However, for a developing and non-food producing country like Libya, the need to ensure currency stability is important irrespective of being one of the leading oil producers. Very little research has so far been done to investigate the influence of exchange rates on foreign trade in Libya.

In order for the Libyan government to ensure that its currency was stable, in 1973 it pegged the Libyan dinar (LD) which is the country's currency to the U.S. dollar (U.S.$) at a fixed exchange rate. However, a new system was introduced in 1986 where the Libyan dinar was pegged at a fixed rate to an SDR (special drawing right). The SDR method is a very effective method because it allows greater flexibility in the process of stabilizing the Libyan dinar value when there are changes in the world economic conditions. Libya has two exchange rates such as the official exchange rates and the black market exchange rates which seem to differ significantly, but the official exchange rates are the ones which influence foreign trade because imports and exports are valued on its basis. For example, in the years 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 the official exchange rates between Libyan Dinar and US Dollar were 0.508182, 0.52733, 0.59531, 1.14449, 1.250583, 1.301505, 1.311279, 1.310938, 1.260479, 1.221447 and 1.252494 respectively [76].

Several studies have been conducted on the influence of inflation on foreign trade where a country's currency seems to lose value against currencies from other countries. These studies have established that inflation tremendously reduces importation because of the high prices accrued [20, 24, 50, 79]. However, in the 1990s inflation rates were considerably high despite relatively constant exchange rates, a situation that was greatly attributed to high government subsidies for domestic foodstuffs, irrespective of their huge cost for the country's economy which heavily rely on food importation. Moreover, the scarcity of many consumer goods in the country provoked inflation rates because of the high demand for foreign currencies to import them. The measures taken in the second half of the 1990s and early 2000s towards liberalisation of the market led to improvement of the exchange rates thereby leading to a significant improvement in foreign trade.

5.1.5. Foreign Direct Investments (FDI)

Foreign Direct Investment (FDI) is considered to be the direct investment into business or production in a country by foreign companies, either by purchasing a company in the target country or expansion of operations in a business that is already existing in that particular country. Thus, FDI is the sum of net inflows in terms of direct investments by foreign companies or the sum of short-term capital, equity capital as well as other long-term capital which are reflected on the balance of payments [37, 58].

In the last two decades FDI was not allowed by the Libyan government except on limited forms such as strategic industries, oil, financing as well as banking investments. The reason for this economic policy was due to the Libya's vision towards private and socialist economy,

but the country's liberalisation of economy measures taken in mid 2000s and suspension of UN and US economic sanctions led to a renewed FDI mostly in the oil and gas sectors, as well as manufacturing and services sectors [37, 58]. Therefore, presently FDI constitutes a significant percentage of Libya's foreign trade after the country's economic policy was reviewed in the attempts of changing it to become a people's capitalism economy due to the changing world economy, the international bank requirements, the requirements of the WTO, the rising cost of managing society, and other social and economic factors. This implies that the liberalisation of the Libyan economy has led to increased FDI as a result of opening the country economy to foreigners without many restrictions as it was before [37, 58]. This is evident from the Libyan Net FDI statistics recorded during the case study period. For example, in the years 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 the Libyan Net FDI in million US dollars were: -354, 43, -308, 281, 80, 71, 910, 1590, 756, -1776 and 206 respectively [76].

5.1.6. Tariff Rates

Up to mid 2000s the Libyan government had maintained high tariff rates on imports in the attempts of protecting the domestic market, except for food imports for which the government had to incur high costs in terms of subsidies. Essentially, the tariff rates that had been imposed by the Libyan government were aimed at limiting the impact of foreign trade through the restrictions that ensue. Hence, for this case the prohibitive tariff rates that had been maintained the Libyan government were linked to the idea of protectionism. However, in the attempts of Libya towards liberalisation of the economy and joining of various free trade agreements led to either abolishment or tremendous reduction of the previous tariff rates. Therefore, Libya's tariff rates are readily adjusted for the prevention of the foreign markets to overexert their forces on the country's domestic market. However, Libya's tariff rates vary depending on the free trade zone imports are coming from as well as the type of imports. The research on the influence of tariff rates on foreign trade in Libya has been scarce. However, there are significant variations in tariff rates over the case study period. For example, in the years 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 the tariff rates were: 35, 30, 25, 17.04, 21.8, 17.8, 4, 4, 4, 4 and 4 respectively [76].

5.2. Libyan Foreign Trade Analysis

This sub-chapter presents results of the analysis of the indicators and value development of foreign trade in Libya. In particular, only the most important indicators of foreign trade have been presented. Moreover, the commodity composition and geographical distribution of Libyan exports and imports have been analysed and presented in this section. However, since this analysis aimed to show an extended pattern and trend of foreign trade indicators, exports and imports, the analysis covers the case study period in order to provide considerable results. Therefore, the data analysis in this section is considered between 1999 and 2099.

This data analysis concerning foreign trade in Libya aims at showing the particular trends and patterns observable as well as enabling testing of the hypotheses. For instance, the first section of foreign trade data analysis aims at analysing foreign trade data to determine whether there is continuous increase in general indicators and value development of Libyan exports, imports and total foreign trade. This was essential to facilitate testing of the first hypothesis.

H1: There is a continuous increase in general indicators and value development of Libyan exports, imports and total foreign trade.

Table 8: Averages of Libyan Foreign Trade Indicators (in US$ million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exports	7334	12210	10818	10252	13320	17862	29383	37962	47078	62157	37440
Imports	5290	5024	5859	8952	8797	10682	13523	15783	20366	26002	27065
Trade of Balance	2044	7186	4959	1300	4523	7180	15860	22179	26712	36155	10375
GDP	30484	33896	28420	19842	24062	33384	44000	56484	71803	93167	62360
Population (Total)	5134324	5231189	5331311	5434293	5541062	5652797	5769709	5893738	6023053	6149620	6262667
The ratio of exports to imports	1.3864	2.4303	1.8463	1.1452	1.5141	1.6721	2.1728	2.4052	2.3115	2.3904	1.3833
The ratio of exports to GDP	0.2405	0.3602	0.3806	0.5166	0.5535	0.535	0.6677	0.672	0.6556	0.6671	0.6003
The ratio of imports to GDP	0.1735	0.1482	0.2061	0.4511	0.3655	0.3199	0.3073	0.2794	0.2836	0.279	0.434
Total of foreign trade	12624	17234	16677	19204	22117	28544	42906	53745	67444	88159	64505
The ratio of total foreign trade to GDP	0.4141	0.5084	0.5868	0.9678	0.9191	0.855	0.9751	0.9515	0.9392	0.9462	1.0343

Source: World Bank

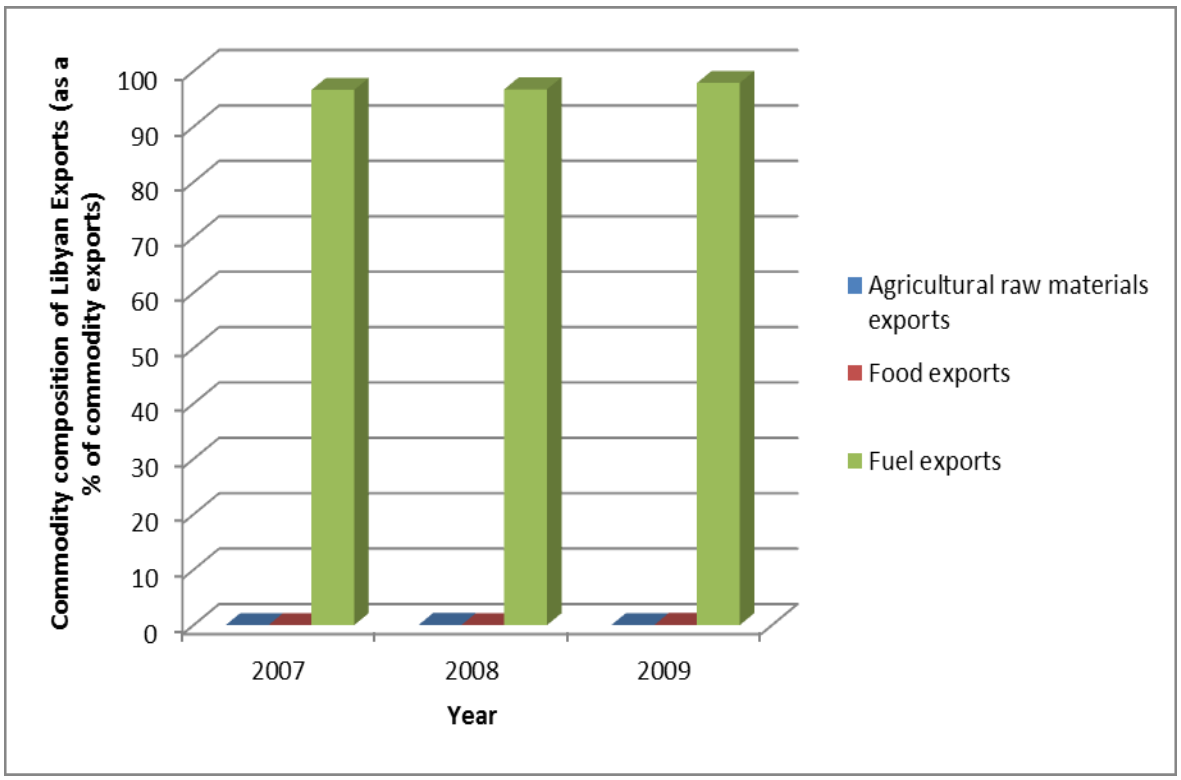
H2: The commodity structure and geographical distribution of Libyan exports are diverse.

Table 9: Commodity composition of Libyan exports (as % of total commodity exports)

	2007	**2008**	**2009**
Agricultural raw materials exports	0.0023687	0.0144306	0.0031954
Food exports	0.0018616	0.0025772	0.0058763
Fuel exports	96.624723	96.737704	97.893905

Source: World Bank

Figure 9: Commodity composition of Libyan exports (as % of total commodity exports)



Source: World Bank

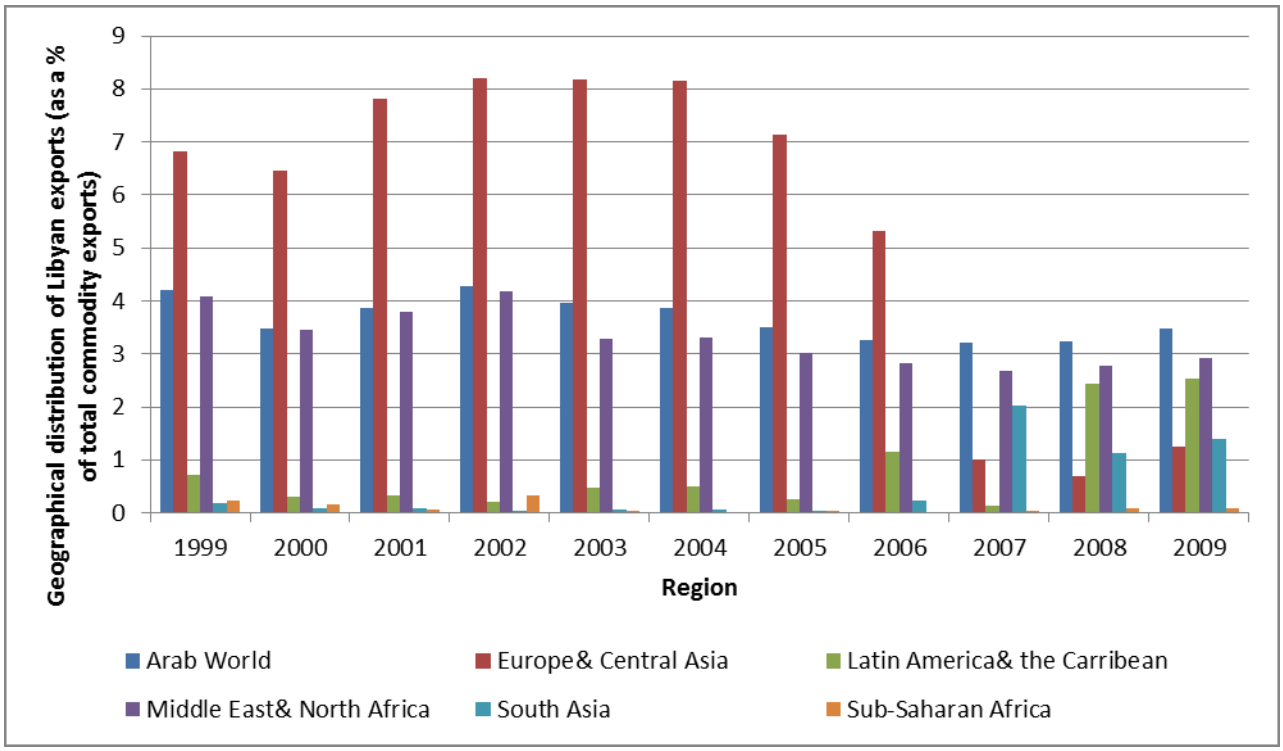
From the data analysis presented in Table 9 and Figure 9 above it can be clearly observed that Libyan exports have been dominated by fuels accounting for over 90% of the country's exports throughout the period considered for data analysis. However, the agricultural raw materials and food exports also constitute some extent of exports even though significantly small.

Table 10: Geographical distribution of Libyan exports (as % of total commodity exports)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Arab World	4.207355 7	3.485994 1	3.872604 6	4.27391 6	3.9572 1	3.86155 2	3.50308 1	3.26029 2	3.20382 6	3.24457 8	3.49034 5
Europe& Central Asia	6.830966 1	6.459221 2	7.826516 3	8.20394 1	8.1877 6	8.14333	7.14214 4	5.32748 7	0.99881	0.68661 7	1.24270 9
Latin America& the Caribbean	0.720188 6	0.296711 4	0.328736 5	0.21982 8	0.4836 6	0.50981 1	0.25515 4	1.16606	0.13468 8	2.44813 5	2.52803 9
Middle East& North Africa	4.092304 8	3.461435 7	3.788777 3	4.18633	3.2930 7	3.30146 2	3.02548 7	2.82302 6	2.68758 6	2.76876 1	2.92283 7
South Asia	0.180733 5	0.077931 4	0.078707 4	0.04324 4	0.0568 9	0.06226 8	0.04216 7	0.24450 4	2.02107 5	1.12908 5	1.38635 7
Sub-Saharan Africa	0.246173 8	0.169547 6	0.057591 4	0.32081 5	0.0507 6	0.00324 2	0.04783 7	0.02074	0.05276 5	0.08733 9	0.09309 7

Source: World Bank

Figure 10: Geographical distribution of Libyan exports (as % of total commodity exports)



Source: World Bank

From the data analysis above, it is clearly evident that the leading destinations for Libyan exports are Europe& Central Asia, Middle East& North Africa as well as Arab countries. However, there are other regions that also contribute to Libyan exports including: Latin America& the Caribbean, Sub-Saharan Africa and South Asia.

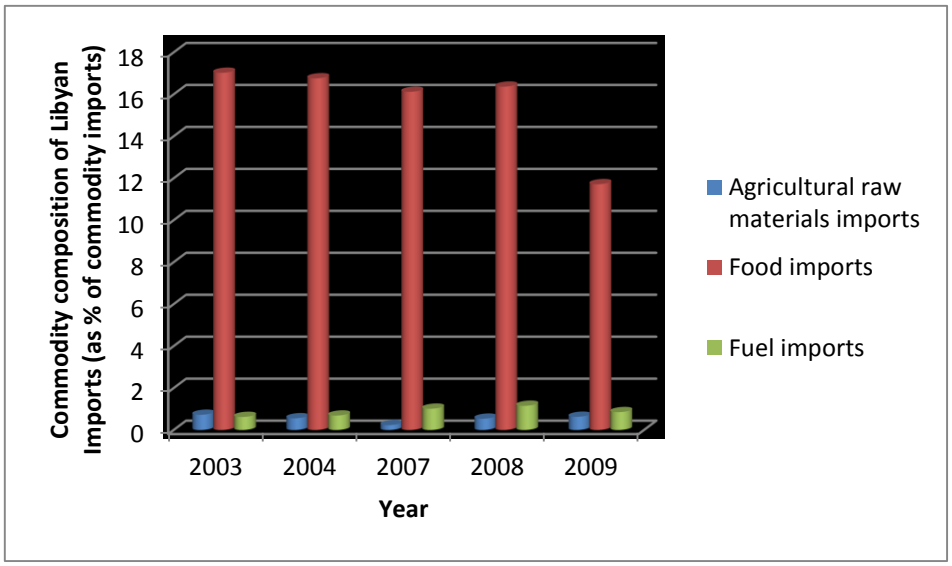
H3: The commodity structure and geographical distribution of Libyan imports is diverse.

Table 11: Commodity composition of Libyan imports (as % of total commodity imports)

	2003	2004	2007	2008	2009
Agricultural raw materials imports	0.7258694	0.5588798	0.2327034	0.539161	0.62928
Food imports	17.026634	16.764196	16.118696	16.36593	11.7172
Fuel imports	0.6227034	0.6885082	1.0152429	1.153414	0.85191

Source: World Bank

Figure 11: Commodity composition of Libyan imports (as % of total commodity imports)



Source: World Bank

From the data analysis presented in Table 11 and Figure 11 above it can be clearly observed that Libyan imports have been dominated by food while agricultural raw materials and fuel imports constitute some extent of the country's imports. For instance, in the five years

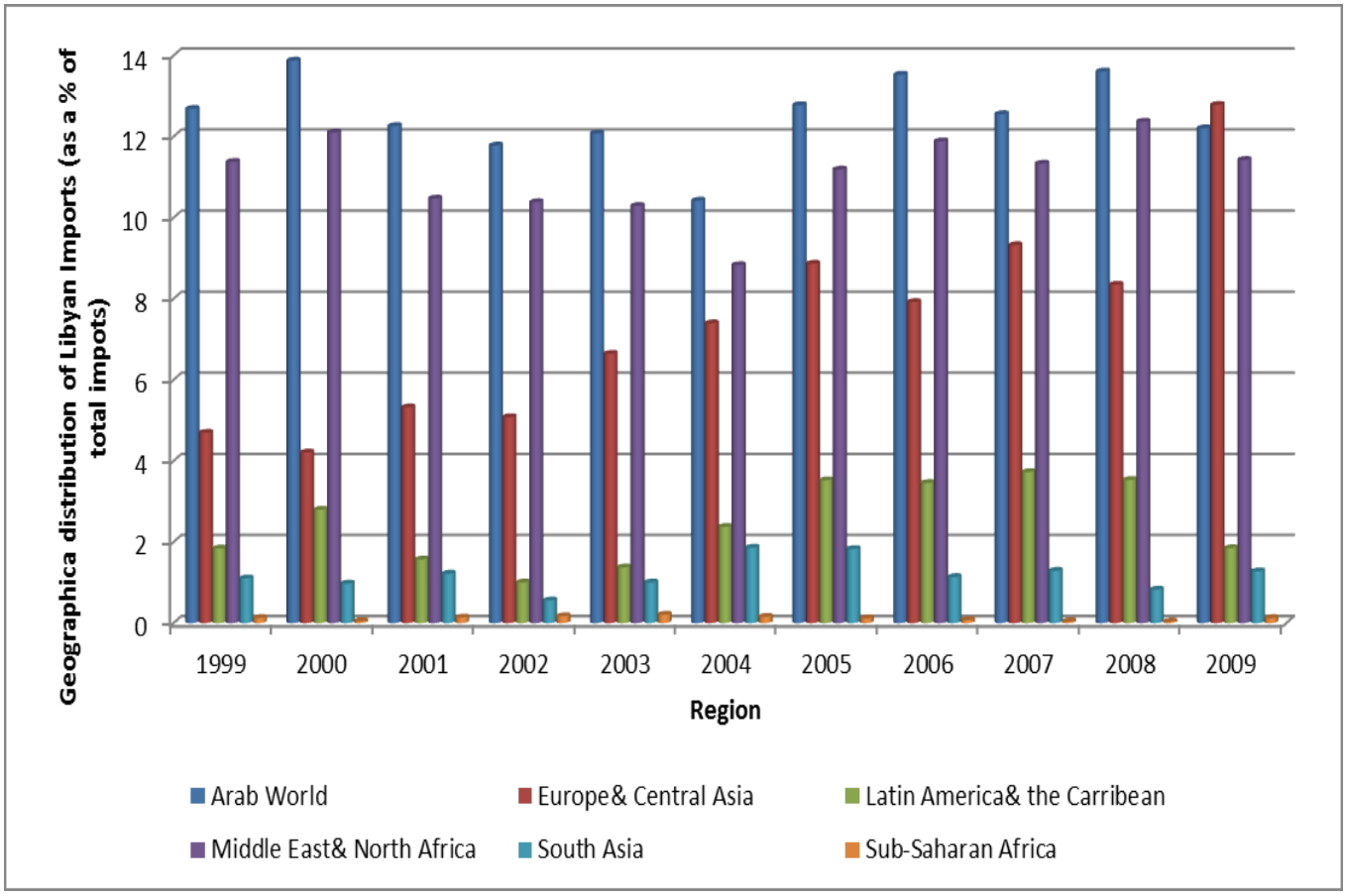
considered food imports constitute over 10% as compared to the fuel and agricultural raw materials imports that are about 1%.

Table 12: Geographical distribution of Libyan imports (as % of total commodity imports)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Arab World	12.6	13.8	12.2	11.7	12.	10.4	12.7	13.5	12.5	13.6	12.2
Europe& Central Asia	4.69	4.20	5.32	5.07	6.6	7.39	8.86	7.92	9.32	8.34	12.7
Latin America& the Caribbean	1.83	2.79	1.56	0.99	1.3	2.3	3.5	3.4	3.72	3.53	1.8
Middle East& North Africa	11.3	12.1	10.4	10.3	10.	8.83	11.1	11.8	11.3	12.3	11.4
South Asia	1.10	0.97	1.22	0.55	0.9	1.86	1.82	1.13	1.29	0.82	1.27
Sub-Saharan Africa	0.12	0.04	0.13	0.17	0.2	0.15	0.11	0.07	0.04	0.03	0.12

Source: World Bank

Figure 12: Geographical distribution of Libyan imports (as % of total commodity imports)



Source: World Bank

From the data analysis above, it is clearly evident that the sources of Libyan imports are relatively widespread, but the Arab World, Middle East& North Africa and Europe& Central Asia regions are the major sources of imports to Libya over the case study period. However, as it can be observed from Table 12 and Figure 12 sources for Libyan imports are widespread and diverse.

5.3. Theoretical Model

The theoretical model adopted in this study is simple linear regression model which aims to determine the relationship between the dependent variables (foreign trade, exports and imports) and the independent variables such as oil prices, FDI, GDP, exchange rates and tariff rates. In this model, the dependent variables are presumed to be in some way dependent or to be systematically predicted from the independent variables, but the independent variables are also thought to influence dependent variables independently. In particular, the above mentioned independent variables were chosen mainly because they were believed to have significant influence to country's foreign trade turnover, exports and imports.

For example, since Libyan economy greatly depend on exportation of oil, then it was inevitable to include oil price in global markets as one of the independent variables in this study. This is due to the fact that changes in oil prices were believed to be an important determinant of Libyan government revenues (as a result of changes in oil exports income) which then influences the level of importation. Exchange rates were chosen as an independent variable because it was believed that upward or downward changes in exchange rates would determine revenues obtained from oil exportation thereby influencing country's imports as well as foreign trade as a whole. Tariff rates were also thought to have significant influence on country's foreign trade in overall including both exports and imports. Thus, it was necessary to investigate how changes in tariff rates are related the dependent variables. However, gross domestic product (GDP) which is an indicator of the country's total production was the other independent variable chosen since increasing GDP was believed to have positive relationship with dependent variables because it would lead to surplus production.

The surplus production then increases exports which at the same time promoting importation of capital equipment and inputs both of which improves foreign trade in general, and the vice versa holds. This means decreasing GDP would lead to a decline in country's exports, imports and overall foreign trade. As a result these possible impacts, it was deemed important to investigate the relationship between GDP as an independent variable and exports, imports and foreign trade. Furthermore, foreign direct investment (FDI) was the last independent variable that was chosen because it constitutes direct investments made into the country by foreign investors (FDI inflows) or direct investments made by the country outside the country (FDI outflows). High FDI inflows translates to increased importation of capital equipment

and inputs as well as increased GDP while low FDI inflows decreases capital inflow and GDP meaning the former promotes foreign trade through increased exports and imports whereas the latter decreases foreign trade through a reduction in exports and imports. However, FDI outflows are also expected to influence foreign trade through increased government revenues from outside investments. These possible influences of FDI on the country's exports, imports and total foreign trade turnover necessitated the need to investigate the relationships that exist between FDI and each of the dependent variables.

Generally, the goal of adopting simple linear regression model was to determine relationships between dependent and independent variables on the basis of data collected about values of these variables. Simple linear regression model was mainly adopted because the study was primarily aimed at investigating the form of the relationship that exist among the dependent variables and the independent variables as well as the direction and strength of the relationships present between the dependent variable and the independent variables through correlation coefficients [17,28, 61]. However, quality of regression was tested through adoption of other analytical methods where correlation analysis was heavily relied on to provide correlation statistics and scatterplots both of which were essential for comparison to be made with the regression analysis.

The simple linear regression model adopted for this study compares only two variables at a time, and it is sometimes referred to as bivariate regression [28, 61]. In this model the dependent variable is usually labelled as Y and the independent variable is labelled X.

The proposed model to conduct the data analysis is represented by the equation shown below:

Simple Linear Regression: $Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i$

Where; Y_i - Dependent Variables (Foreign Trade, Exports and Imports)
X_i - Independent Variables (Oil Prices, FDI, GDP, Exchange Rates and Tariff Rates)
β_0 - *Y*-intercept
β_1 - Change in mean of *Y* when *X* increases by 1 (slope)
ε_i - Random error term

The Greek letter epsilon (ε_i) in the simple linear regression equation above represents the uncertainty in the prediction of the dependent variable with the independent variable. Hence it is also referred to as the error term, meaning that it is a representation of how far particular values of y deviates from the true mean value of Y for specific x values [17, 28, and 61].

However, in this case study the variables are:

Independent variables are:

1- T: Tariff (%)
2- EXR: Exchange Rate (USD against LDY)
3- OP: Oil Price (USD)
4- GDP : Gross Domestic Product (USD)
5- FDI: Foreign Direct Investment (USD)

However, a simple linear regression model is the model adopted in this study meaning the relationship between bivariate variables only can be investigated at a time. This is also the most effective way of testing the study hypotheses [61].

In order to test thesis hypotheses, the relationships between the dependent variables (foreign trade, exports and imports) with each of the five independent variables was individually investigated; hence the polynomial regression equation was broken down into simple linear regression equations for each pair between a single dependent variable and a single independent variable to give respective simple linear regression equations as shown below for total foreign trade turnover. However, each simple linear regression equation used to investigate the relationship between individual independent variables and foreign trade turnover was also used to investigate the relationships between the same independent variables and the country's exports and imports respectively.

1. Oil Price

$FT_i=\beta_0+\beta_1*OP_i+\varepsilon_i$

2. Tariff

$FT_i=\beta_0+\beta_2*T_i+\varepsilon_i$

3. GDP

$FT_i=\beta_0+\beta_3*GDP_i+\varepsilon_i$

4. Exchange Rate

$FT_i=\beta_0+\beta_4*EXR_i+\varepsilon_i$

5. Foreign Direct Investment (FDI)

$FT_i=\beta_0+ \beta_5*FDI_i +\varepsilon_i$

However, various assumptions are usually made when simple linear regression model is used for the analysis of study data. Unfortunately, the properties of the various assumptions of this model can only be roughly tested [17, 28 and 61]. The assumptions made when using this model include:

1. For any particular value of X, Y is in a normal distribution and its variance is similar for all values of X that are possible. (Note: The X and Y parameters are those of the population)
2. There is a linear relationship between Y and X, meaning that the mean of Y values when plotted against the mean of X values it forms a straight line function of X.
3. The error term is a random variable with a zero mean in constant variance and in the population
4. The values of Y are statistically independent of one another.

5.4. Hypotheses

This study will focus on investigating the relationship between the foreign trade dependent variables and independent variable of foreign trade (exports and imports) in Libya, and on basis of this, the study will comprise of the following hypotheses:

H1: There is a continuous increase in general indicators and value development of Libyan exports, imports and total foreign trade.

H2: The commodity structure and geographical distribution of Libyan exports is diverse.

H3: The commodity structure and geographical distribution of Libyan imports is diverse.

H4: There is a significant relationship between oil price and Libyan foreign trade.

H5: There is a significant relationship between Tariff and Libyan foreign trade.

H6: There is a significant relationship between Exchange rate and Libyan foreign trade.

H7: There is a significant relationship between Gross domestic product (GDP) and Libyan foreign trade.

H8: There is a significant relationship between foreign direct investment (FDI) and Libyan foreign trade.

H9: There is a significant relationship between oil price and Libyan exports.

H10: There is a significant relationship between Tariff and Libyan exports.

H11: There is a significant relationship between Exchange rate and Libyan exports.

H12: There is a significant relationship between Gross domestic product (GDP) and Libyan exports.

H13: There is a significant relationship between foreign direct investment (FDI) and Libyan exports.

H14: There is a significant relationship between oil price and Libyan imports.

H15: There is a significant relationship between Tariff and Libyan imports.

H16: There is a significant relationship between Exchange rate and Libyan imports.

H17: There is a significant relationship between Gross domestic product (GDP) and Libyan imports.

H18: There is a significant relationship between foreign direct investment (FDI) and Libyan imports.

CHAPTER 6: CASE STUDY DATA AND DATA ANALYSIS

6.1. INTRODUCTION

In this chapter the data retrieved in the data collection process is provided as well as the subsequent data analysis results conducted on the basis of correlation and regression analysis techniques discussed in the methodology through the assistance of SPSS software. The data provided in this chapter is the one that was used for analysis to enable testing of the hypotheses in an effective manner, and facilitated making of conclusions and recommendations.

6.2. CASE STUDY DATA

The data provided in this section is broadly categorized into three: foreign trade, exports and imports. However, in each of these three categories data about five independent variables is also retrieved and presented in a tabular form. Thus, the overall data collected is presented in table 13.

Table 13: The study data

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Oil price (in $/bbl.)	16.56	27.39	23	22.81	27.69	37.66	50.04	58.3	64.2	91.48	53.49
FT in $ million)	12624	17234	16677	19204	22117	28544	42906	53745	67444	88159	64505
Tariff	35	30	25	17.04	21.8	17.8	4	4	4	4	4
GDP (in $ million)	30484	33896	28420	19842	24062	33384	44000	56484	71803	93167	62360
EXR ($ -LDY)	0.508	0.527	0.595	1.14	1.250	1.301	1.31	1.31	1.26	1.22	1.25
FDI (in $ million)	-354	43	-308	281	80	71	910	1590	756	-1776	206
Exports (in $ million)	7334	12210	10818	10252	13320	17862	29383	37962	47078	62157	37440
Imports (in $ million)	5290	5024	5859	8952	8797	10682	13523	15783	20366	26002	27065

Source: World Bank

6.3. ANALYSIS OF RESULTS

6.3.1. Introduction

This section presents the results of data analysis each of the dependent variables (foreign trade, exports and imports) is analysed against each of the independent variables (oil price, tariff rates, exchange rates, GDP and FDI) in order to determine the relationships that exist between pair of these variables. Correlation and regression analysis have been used to conduct the data analysis with the assistance of SPSS software. However, analysis of data about each dependent variable and the five independent variables is presented in separate sub-sections where the first sub-section presents data analysis to determine the relationships between foreign trade and each of the independent variables; the second sub-section presents data analysis about the relationships between exports and each of the independent variables;

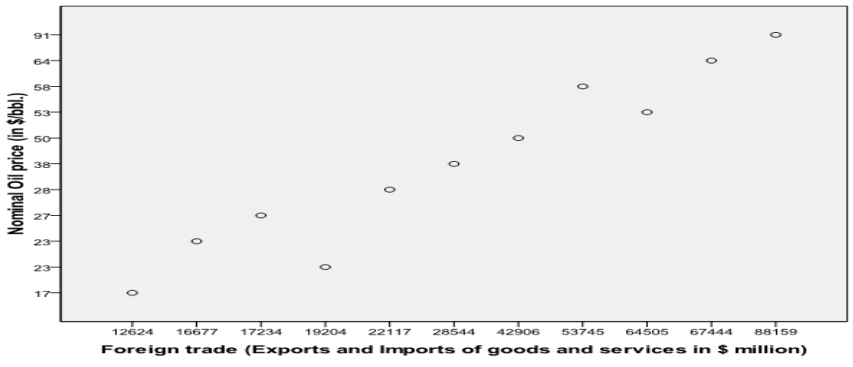
6.3.2. Analysis of the Relationships between Foreign Trade and Independent variables

This sub-section presents specific data analysis conducted using correlation and regression analysis to determine the relationships that exist between foreign trade and each of the independent variables such as oil price, tariff rates, exchange rates, GDP and FDI. Data analysis conducted in this sub-section is of great importance since it provides an appropriate way of testing the five hypotheses stated in this sub-section thereby enabling acceptance or rejection of the hypotheses.

H4: There is a significant relationship between oil price and Libyan foreign trade value.

<u>Correlation Analysis</u>

Figure 13: Scatterplot between FT and OP



The relationship between Oil Prices and Foreign Direct Investment (FDI) in Libya is positive and significant at 5% level of significance. It implies that if oil prices go up the foreign direct investment also shoots up and the opposite is equally true. The same can be seen from scatter plot as well.

Table 28: Correlations

Correlations

		Nominal Oil price (in $/bbl.)	Foreign trade (Exports and Imports of goods and services in $ million)
Pearson Correlation	Nominal Oil price (in $/bbl.)	1.000	.976
	Foreign trade (Exports and Imports of goods and services in $ million)	.976	1.000
Sig. (1-tailed)	Nominal Oil price (in $/bbl.)	.	.000
	Foreign trade (Exports and Imports of goods and services in $ million)	.000	.
N	Nominal Oil price (in $/bbl.)	11	11
	Foreign trade (Exports and Imports of goods and services in $ million)	11	11

Regression Analysis

Table 29: Variables Entered/Removed[b]

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Foreign trade (Imports of goods and services in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 30: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.976[a]	.953	.947	5.238

a. Predictors: (Constant), Foreign trade (Imports of goods and services in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 31: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4959.825	1	4959.825	180.798	.000[a]
	Residual	246.897	9	27.433		
	Total	5206.722	10			

a. Predictors: (Constant), Foreign trade (Imports of goods and services in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 32: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.729	2.996		2.913	.017		
	Foreign trade (Exports and Imports of goods and services in $ million)	.001	.000	.976	13.446	.000	1.000	1.000

a. Dependent Variable: Nominal Oil price (in $/bbl.)

From the above analysis, it can be observed that the relation between oil price and Libyan foreign trade is significant at 5% level because the P-value is less than 0.05. The relationship between these two variables, that is, oil price and Libyan foreign trade is positive. It means if one variable is increasing, other variable is also increasing and vice-versa. From an economic point of view, this implies that an increase in oil prices has always been accompanied by an increase in foreign trade meaning oil prices and foreign trade are positively related. This is attributable to the fact that increased oil prices leads to increased government revenues that promotes more oil production and exportation as well as increased importation of capital and consumable goods.

The regression model is significant at 5% level and the regression equation is:

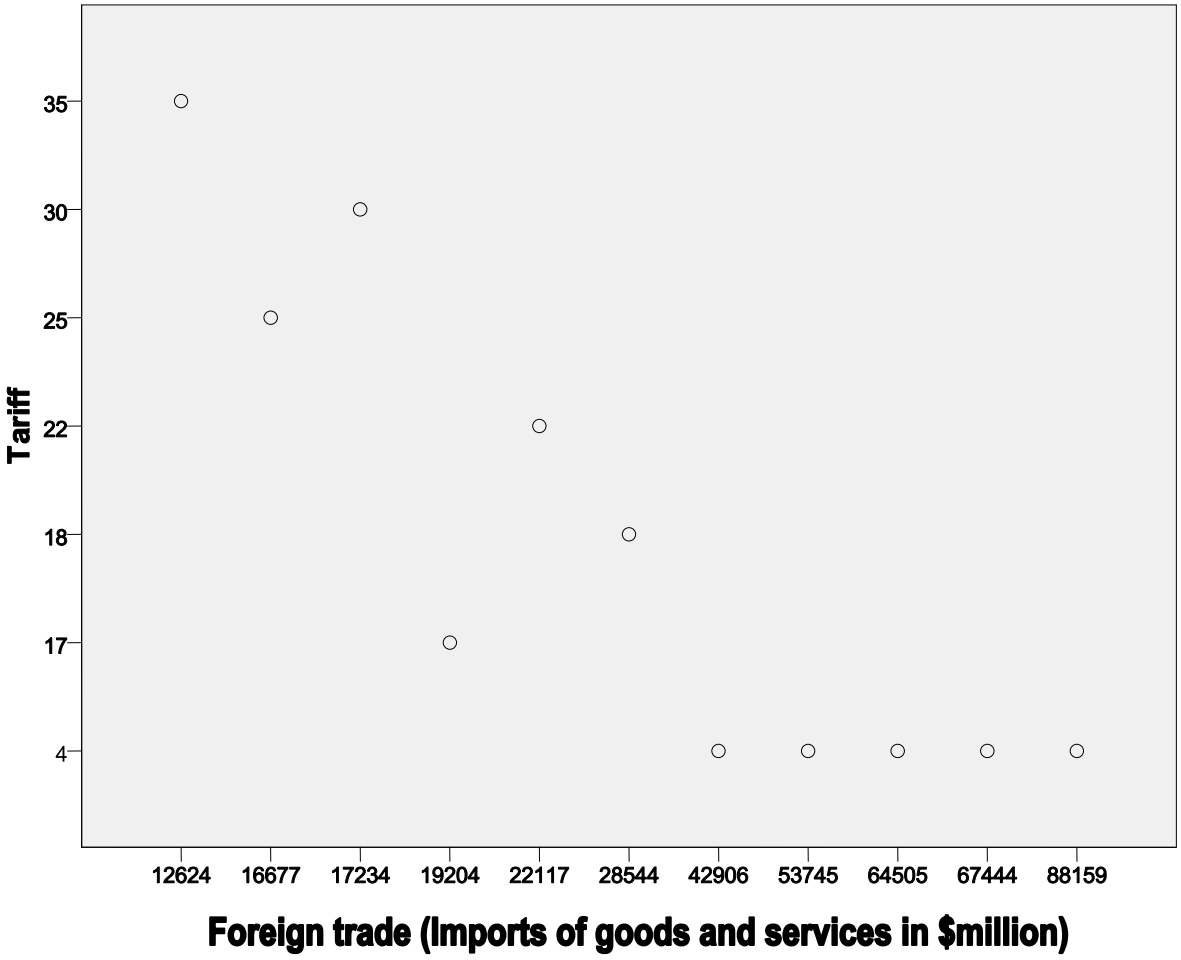
FT = 8.729 + 0.001*OP

This model explains the 95.3% of the variation in Oil Prices. If the foreign trade is zero at some point then Oil prices will be 8.729 and if there is an increase in one unit or OP, then Foreign Trade in terms of exports and imports will increase by 0.001 times. From an economic point of view, this is attributed to the fact that higher oil prices leads to higher oil exports earnings which can then be used to imports other goods and services as well as fostering further oil exploration and production leading to more oil exports. Eventually, this leads to an overall increase in foreign trade.

H5: There is a significant relationship between Tariff Rates and Libyan foreign trade value.

Correlation Analysis

Figure 14: Scatterplot between FT and T



The relationship between Tariff and Foreign Direct Investment (FDI) in Libya is positive and significant at 5% level of significance. Implicitly, when tariff goes up the foreign direct investment also rises and the opposite is equally true. The same can be seen from scatter plot as well.

Regression Analysis

Table 33: Correlations

Correlations

		Foreign trade (Imports of goods and services in $ million)	Tariff
Pearson Correlation	Foreign trade (Imports of goods and services in $ million)	1.000	-.862
	Tariff	-.862	1.000
Sig. (1-tailed)	Foreign trade (Imports of goods and services in $ million)	.	.000
	Tariff	.000	.
N	Foreign trade (Imports of goods and services in $ million)	11	11
	Tariff	11	11

Table 34: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Tariff[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign trade (Exports and Imports of goods and services in $ million)

Table 35: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862[a]	.743	.715	13681.640

a. Predictors: (Constant), Tariff

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862[a]	.743	.715	13681.640

a. Predictors: (Constant), Tariff

b. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

Table 36: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.877E9	1	4.877E9	26.052	.001[a]
	Residual	1.685E9	9	1.872E8		
	Total	6.561E9	10			

a. Predictors: (Constant), Tariff

b. Dependent Variable: Foreign trade (Exports and Imports of goods and services in $ million)

Table 37: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	67773.682	6925.824		9.786	.000		
	Tariff	-1874.409	367.235	-.862	-5.104	.001	1.000	1.000

a. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

From the data analysis, it can be seen that the relation between tariff rates and Libyan foreign trade is significant at 5% level because the P-value is less than 0.05. However, the relationship between these two variables, that is, tariff and Libyan foreign trade is negative. This means that when tariff rates are increasing, foreign trade decreases and vice-versa. From an economic perspective, this implies that high tariff rates influence foreign trade negatively by discouraging both exportation and importation of goods and services. Moreover, since decreasing tariff rates leads to an increase in foreign rate, it is therefore necessary for Libya

to consider formulation of appropriate tariff rate regulations to ensure foreign trade is promoted.

The regression model is significant at 5% level because the P-value of ANOVA table is less than 0.05. Both the interceptor as well as the scale variable is significant at 5% level. This model explains the74.3% of the variation in Foreign Trade. The regression equation is:

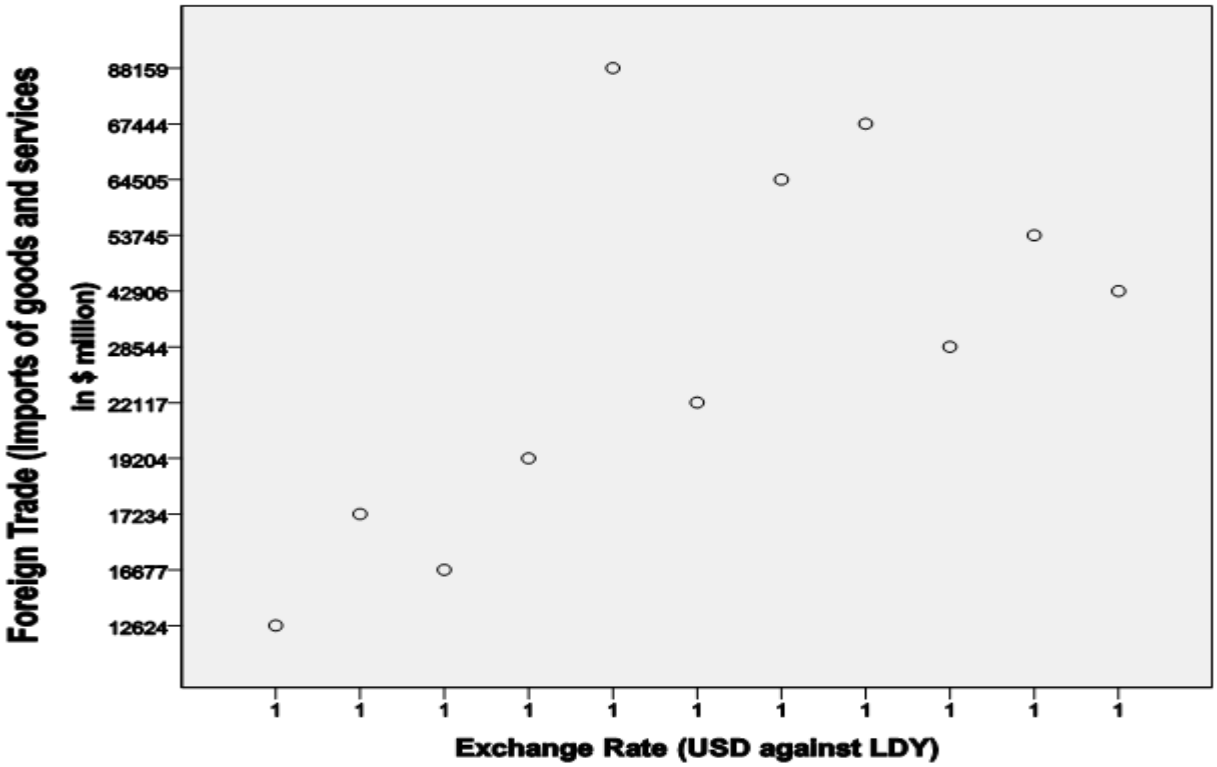
FT = 67773.682 - 1874.409 *T

It means that if the Tariff is zero at some point then FDI will be 67773.682 and if there is an increase in one unit or Tariff, then FDI will increase by -1874.409 times. Economically, this implies that increasing tariff rates has significant influence on foreign trade in overall whereby high tariff rates discourage both exportation and importation of goods and services.

H6: There is a significant relationship between Exchange rate and Libyan foreign Trade value.

Correlation Analysis

Figure 15: Scatterplot between FT and EXR



The relationship between Exchange Rate and Foreign trade in Libya does not exhibit any significance at all because the Pearson correlation is higher than 5%. It means that any slight change in either of the variables does not interfere with the other. The same can be seen from scatter plot as well which shows a poor relationship between these two variables.

Table 38: Correlations

Correlations

		Foreign trade (Imports of goods and services in $ million)	Exchange Rate (USD against LDY)
Pearson Correlation	Foreign trade (Imports of goods and services in $ million)	1.000	.606
	Exchange Rate (USD against LDY)	.606	1.000
Sig. (1-tailed)	Foreign trade (Imports of goods and services in $ million)	.	.024
	Exchange Rate (USD against LDY)	.024	.
N	Foreign trade (Imports of goods and services in $ million)	11	11
	Exchange Rate (USD against LDY)	11	11

Table 39: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exchange Rate (USD against LDY)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

Table 40: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606[a]	.368	.297	21472.153

a. Predictors: (Constant), Exchange Rate (USD against LDY)

b. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

Table 41: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.412E9	1	2.412E9	5.231	.048[a]
	Residual	4.149E9	9	4.611E8		
	Total	6.561E9	10			

a. Predictors: (Constant), Exchange Rate (USD against LDY)

b. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

Table 42: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-9578.375	22362.610		-.428	.678		
	Exchange Rate (USD against LDY)	46090.330	20151.817	.606	2.287	.048	1.000	1.000

a. Dependent Variable: Foreign trade (Imports of goods and services in $ million)

Considering the above data analysis, it can be observed that there is a significant relationship between exchange rate and Libyan foreign trade at 5% level because the P-value is less than 0.05. The relationship between these two variables, that is, exchange rate and Libyan foreign trade is positive. This means if exchange rate is increasing, foreign trade is also increasing

and vice-versa. From an economic perspective, high exchange rate will lead to an increase in foreign trade. This is attributable to the fact that Libya is an oil exporting country meaning increasing exchange rates leads to increased government revenues as a result of increased oil exports income. Moreover, the increased government revenues due to increased exchange rate results to increased government expenses including importation of consumable and capital goods and services thereby leading to an overall increase in foreign trade.

The regression model is not significant at 5% level because the P-value of ANOVA table is bigger than 0.05. The scale variable and the interceptor are also not significant at 5% level. The regression equation is:

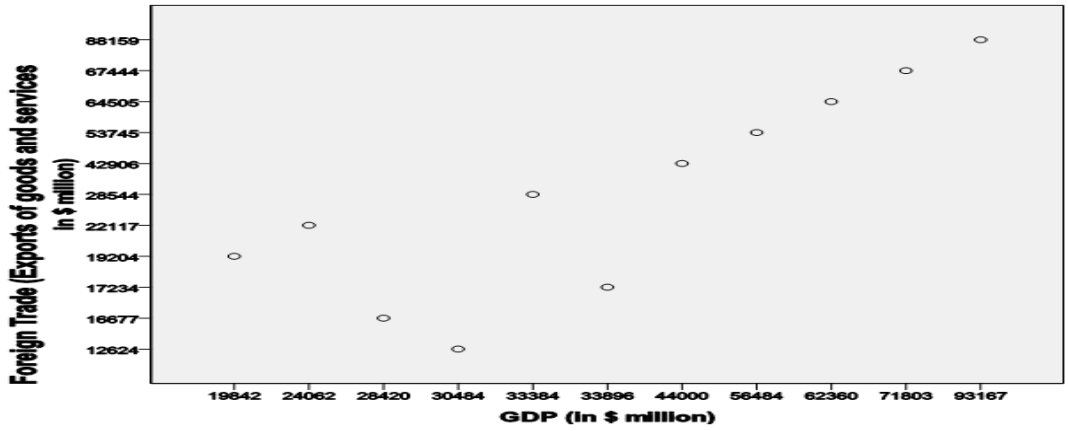
FT = -9578.375+ 46090.330*ER

It means that if the Exchange Rate is zero at some point then Foreign Trade will be -9578.375 and if there is an increase in one unit, then foreign trade will increase by 46090.330 times. This implies that exchange rate is an important determinant of foreign trade in Libya meaning that an appreciation or depreciation of home currency influences foreign trade either positively or negatively. This relationship between Libyan foreign trade and tariff rate is observed because the country exports more than it imports, however if the country imports were more than exports, the contrary would be true.

H7: There is a significant relationship between Gross domestic product (GDP) and Libyan foreign Trade value.

Correlation Analysis

Figure 16: Scatterplot between FT and GDP



The relationship between the GDP and Foreign Direct Investment (FDI) in Libya is perfectly significant and at 5% level of significance. In reality, when the GDP rises this leads to a rise in the foreign trade. The opposite is equally true. The same can be seen from scatter plot as well.

Table 43: Correlations

Correlations

		Foreign trade (Exports of goods and services in $ million)	GDP (in $ million)
Pearson Correlation	Foreign trade (Exports of goods and services in $ million)	1.000	.969
	GDP (in $ million)	.969	1.000
Sig. (1-tailed)	Foreign trade (Exports of goods and services in $ million)	.	.000
	GDP (in $ million)	.000	.
N	Foreign trade (Exports of goods and services in $ million)	11	11
	GDP (in $ million)	11	11

Regression Analysis

Table 44: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	GDP (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 45: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969[a]	.938	.931	6711.603

a. Predictors: (Constant), GDP (in $ million)

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 46: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.156E9	1	6.156E9	136.659	.000[a]
	Residual	4.054E8	9	4.505E7		
	Total	6.561E9	10			

a. Predictors: (Constant), GDP (in $ million)

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 47: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-9463.166	4642.275		-2.038	.072		
	GDP (in $ million)	1.079	.092	.969	11.690	.000	1.000	1.000

a. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

From the above analysis, we can see that the relation between GDP and Libyan foreign trade is not significant at 5% level because the P-value is bigger than 0.05. The relationship between these two variables, that is, GDP and Libyan foreign trade is positive. This means that if GDP is increasing, foreign trade is also increasing and vice-versa. The regression model is significant at 5% level because the P-value of ANOVA table is less than 0.05. The

scale variable is significant at 5% level but interceptor is not significant for this model. The model explains the 93.8% of the variation in Foreign Trade.

The regression equation is:

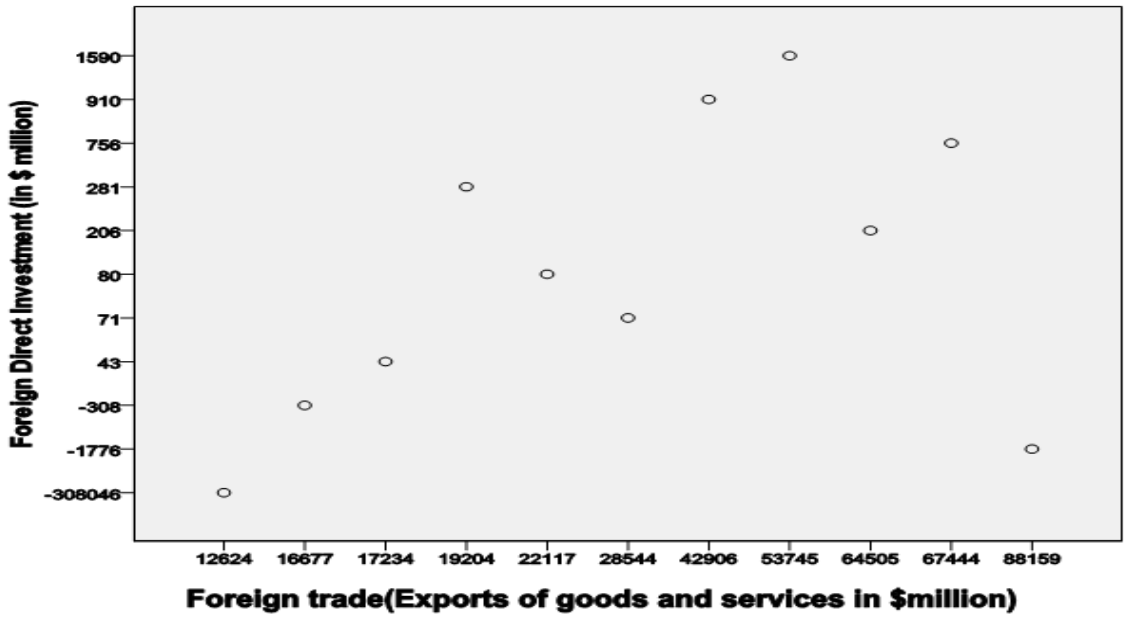
FT = -9463.166 + 1.079*GDP

If the GDP is zero at some point then foreign trade will be -9463.166 and if there is an increase in one unit or GDP, then foreign trade will increase by 1.079 times. This implies that when total domestic production in Libya is increasing, there will be subsequent increase in foreign trade and vice versa even though the increase in foreign trade would not be significant. Form an economic perspective, the relationship between these two variables, that is, GDP and foreign trade is attributed to the fact that increasing GDP leads to surplus production of goods and/or products that should be exported while at the increasing importation of capital goods and services to facilitate increased production. Both of these factors lead to an increase in foreign trade.

H8: There is a significant relationship between foreign direct investment (FDI) and Libyan foreign Trade value.

Correlation Analysis

Figure 17: Scatterplot between FT and FDI



The relationship between foreign trade and Foreign Direct Investment (FDI) does not meet a significant threshold because of a P-value that is greater than 5. The same can be seen from scatter plot as well which shows a poor relationship between these two variables.

Table 48: Correlations

Correlations

		Foreign trade (Exports of goods and services in $ million)	Foreign Direct Investment (in $ million)
Pearson Correlation	Foreign trade (Exports of goods and services in $ million)	1.000	.345
	Foreign Direct Investment (in $ million)	.345	1.000
Sig. (1-tailed)	Foreign trade (Exports of goods and services in $ million)	.	.150
	Foreign Direct Investment (in $ million)	.150	.
N	Foreign trade (Exports of goods and services in $ million)	11	11
	Foreign Direct Investment (in $ million)	11	11

Regression Analysis

Table 49: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Foreign Direct Investment (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 50: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.345[a]	.119	.021	25346.017

a. Predictors: (Constant), Foreign Direct Investment (in $ million)

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 51: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.795E8	1	7.795E8	1.213	.299[a]
	Residual	5.782E9	9	6.424E8		
	Total	6.561E9	10			

a. Predictors: (Constant), Foreign Direct Investment (in $ million)

b. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

Table 52: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	42022.405	8010.281		5.246	.001		
	Foreign Direct Investment (in $ million)	.095	.086	.345	1.102	.299	1.000	1.000

a. Dependent Variable: Foreign trade (Exports of goods and services in $ million)

From the above data analysis to determine the relationship between FDI and foreign trade, it can be observed that the relationship between FDI and Libyan foreign trade is not significant at 5% level because the P-value is bigger than 0.05. This relationship is also observed in the regression analysis where the regression model is not significant at 5% level because the P-value of ANOVA table is bigger than 0.05. The scale variable and the interceptor are also not significant at 5% level.

The regression equation is:

FT = 42022.405 + 0.095*FDI

However, the relationship between these two variables, that is, FDI and Libyan foreign trade is positive. This means if FDI is increasing, foreign trade is also increasing and vice-versa. This means that if the Foreign Direct Investment is zero at some point then Foreign Trade will be 42022.405 and if there is an increase in one unit or FDI, then foreign trade will increase by 0.095 times. From an economic perspective, this relationship is attributed to the fact that increasing FDI leads to increased importation of capital equipment and inputs as well as increased GDP due to high number of foreign investments in all sectors of the economy resulting to surplus production which means it promotes foreign trade through increased exports and imports.

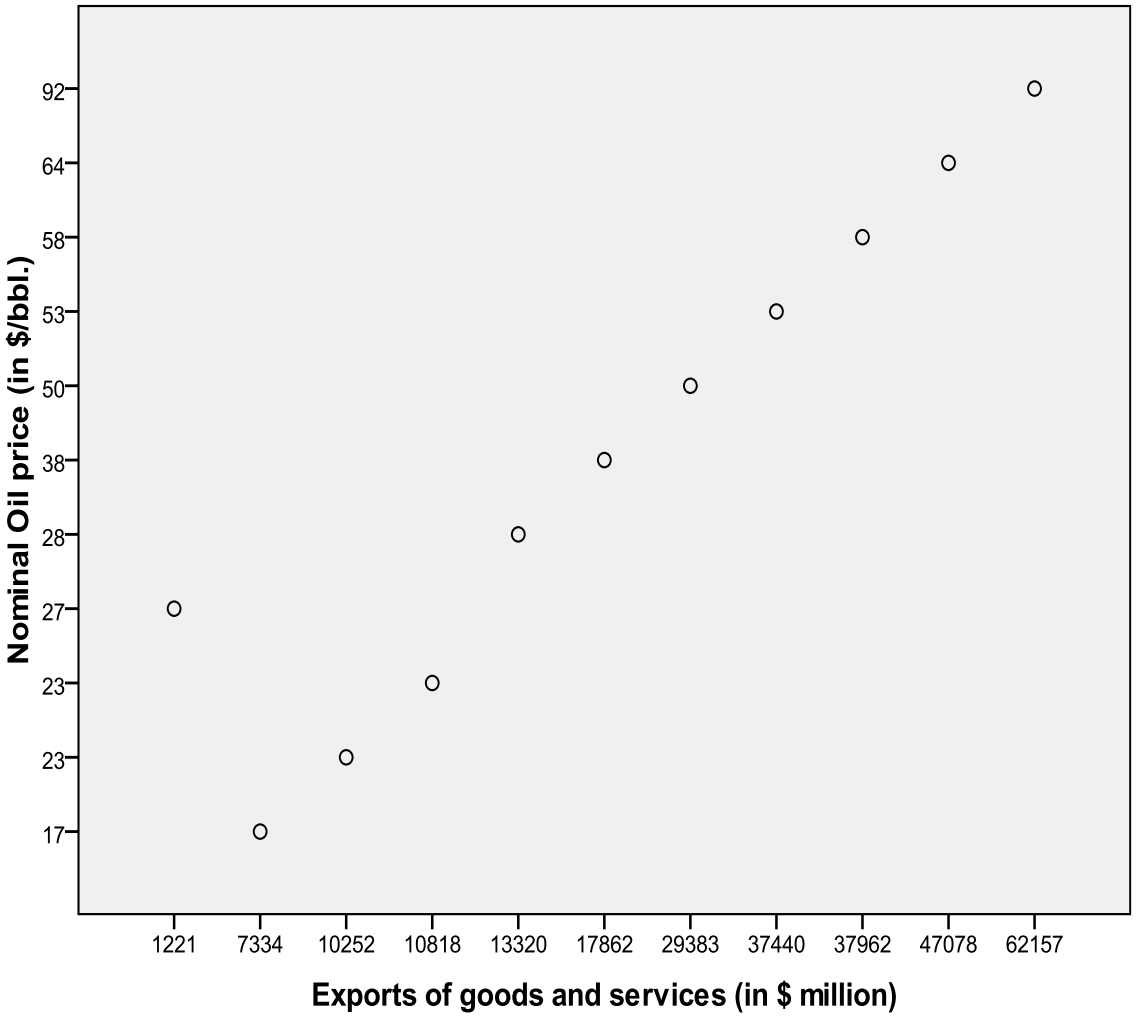
6.3.3. Analysis of the Relationships between Exports in Libya and Independent Variables

Data analysis results presented in this sub-section were conducted on specific pairs of variables using correlation and regression analysis with the assistance of SPSS software in order to determine the relationships that exist between exports in Libya and each of the five independent variables including oil prices, tariff rates, exchange rates, GDP and FDI. These data analysis results were very crucial in facilitating the process of hypothesis testing thereby enabling acceptance or rejections of the stated hypotheses where in this sub-section are five.

H9: There is a significant relationship between oil price and exports in Libya.

Correlation Analysis

Figure 18: Scatterplot between Exports and OP



The relationship between Oil Prices and Exports of goods and services in Libya is positive but and significant. The same can be seen from scatter plot as well which shows the relationship between these two variables.

Table 53: Correlations

Correlations

		Nominal Oil price (in $/bbl.)	Exports of goods and services (in $ million)
Pearson Correlation	Nominal Oil price (in $/bbl.)	1.000	.972
	Exports of goods and services (in $ million)	.972	1.000
Sig. (1-tailed)	Nominal Oil price (in $/bbl.)	.	.000
	Exports of goods and services (in $ million)	.000	.
N	Nominal Oil price (in $/bbl.)	11	11
	Exports of goods and services (in $ million)	11	11

Table 54: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 55: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972[a]	.944	.938	5.697

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 56: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4946.810	1	4946.810	152.414	.000[a]
	Residual	292.107	9	32.456		
	Total	5238.918	10			

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 57: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	14.036	2.904		4.833	.001		
	Exports of goods and services (in $ million)	.001	.000	.972	12.346	.000	1.000	1.000

a. Dependent Variable: Nominal Oil price (in $/bbl.)

From the above analysis, we can see that the relation between oil price and exports in Libya is significant at 5% level because the P-value is less than 0.05. The relationship between these two variables that is oil price and exports in Libya is positive. This means that if oil price is increasing, exports are also increasing and vice-versa. The regression model is significant at 5% level because the P-value of ANOVA table is less than 0.05. The scale variable is significant at 5% level but interceptor is not significant for this model. The model explains the 94.4% of the Oil Prices.

This is also observable from the regression equation below:

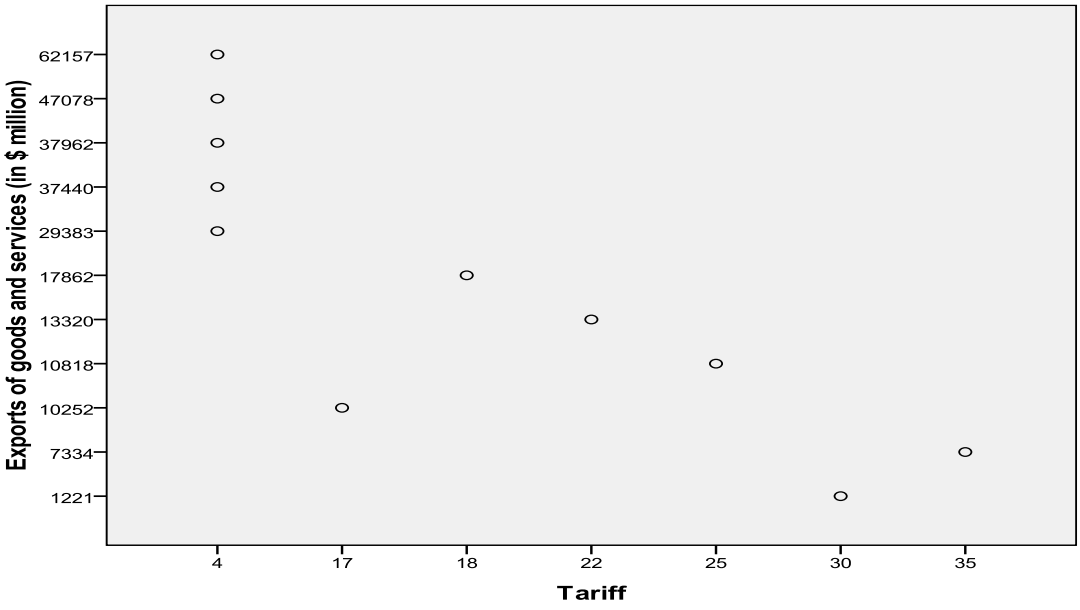
FT = 14.036 +0.001*OP

If the Oil Price is zero at some point then exports of goods and services will be 14.036 and if there is an increase in one unit or OP, then export of goods and services will increase by 0.01 times. From an economic perspective, the observed relationship is attributable to the fact that increasing oil prices leads to increased government revenues that would promote government's investments in the oil sector thereby improving oil production resulting to increased oil exports.

H10: There is a significant relationship between Tariff Rates and exports in Libya.

Correlation Analysis

Figure 19: Scatterplot between Exports and T



The relationship between Tariff and Exports of goods in Libya is positive and significant. The same can be seen from scatter plot as well which shows the association between these two variables.

Table 58: Correlations

Correlations

		Tariff	Exports of goods and services (in $ million)
Pearson Correlation	Tariff	1.000	-.866
	Exports of goods and services (in $ million)	-.866	1.000
Sig. (1-tailed)	Tariff	.	.000
	Exports of goods and services (in $ million)	.000	.
N	Tariff	11	11
	Exports of goods and services (in $ million)	11	11

Table 59: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Tariff

Table 60: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866[a]	.750	.722	6.213

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Tariff

Table 61: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1040.619	1	1040.619	26.961	.001[a]
	Residual	347.378	9	38.598		
	Total	1387.997	10			

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Tariff

Table 62: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	28.410	3.167		8.970	.000		
	Exports of goods and services (in $ million)	.000	.000	-.866	-5.192	.001	1.000	1.000

a. Dependent Variable: Tariff

From the above analysis, we can see that the relation between tariff and exports in Libya is significant at 5% level because the P-value is less than 0.05. The model is significant at 5% level because the P-value of ANOVA table is less than 0.05. Both the interceptor as well as the scale variable is significant at 5% level. This model explains the 75% of the variation in Tariff. This is also observed from the regression equation shown below:

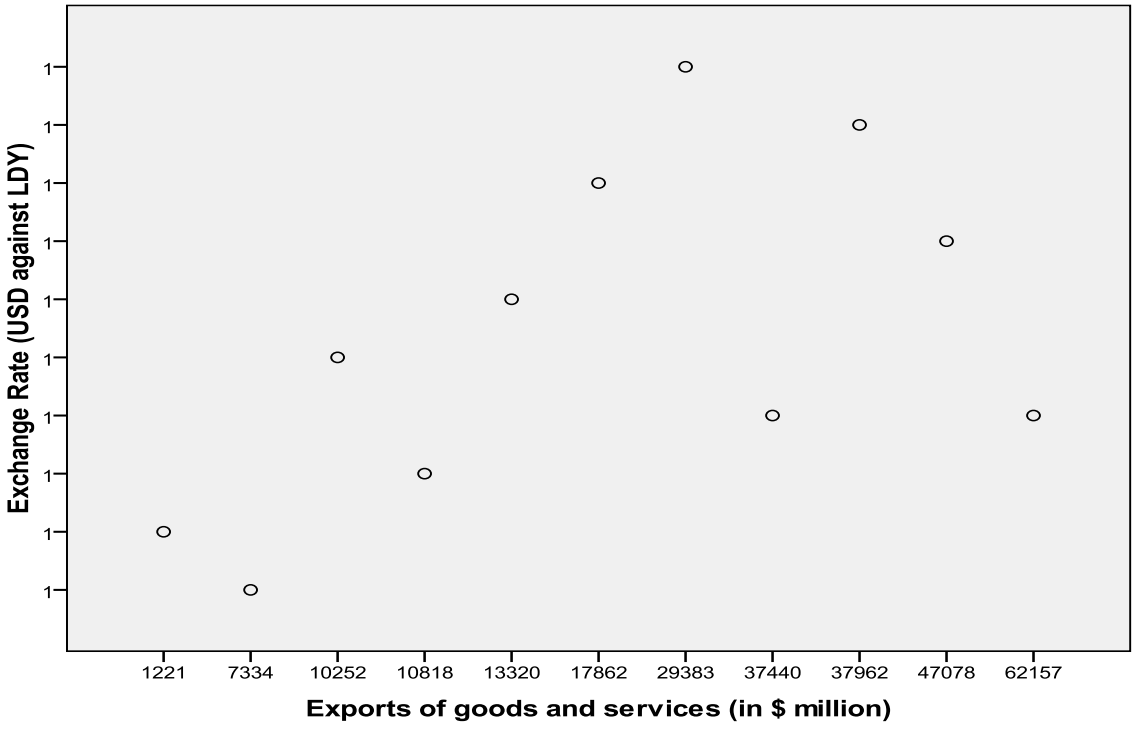
FT= 28.410 + 0.000*T

If the Tariff rate is zero at some point then exports of goods and services will be 28.410 and if there is an increase in one unit or Tariff, then export of goods and services will increase by 0.000 times, that is, remain constant. From an economic perspective, an increase in tariff rates leads to a decline in local production thereby resulting to an overall reduction in exports.

H11: There is a significant relationship between Exchange rate and exports in Libya.

Correlation Analysis

Figure 20: Scatterplot between Exports and EXR



The relationship between Exchange rate and export of goods and services in Libya is positive but not significant at 5% level of significance as the P-value is bigger than 0.05. The same can be seen from scatter plot as well which shows a poor relationship between these two variables.

Table 63: Correlations

Correlations

		Exchange Rate (USD against LDY)	Exports of goods and services (in $ million)
Pearson Correlation	Exchange Rate (USD against LDY)	1.000	.473
	Exports of goods and services (in $ million)	.473	1.000
Sig. (1-tailed)	Exchange Rate (USD against LDY)	.	.071
	Exports of goods and services (in $ million)	.071	.
N	Exchange Rate (USD against LDY)	11	11
	Exports of goods and services (in $ million)	11	11

Table 64: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 65: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.473[a]	.224	.137	.303

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 66: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.237	1	.237	2.593	.142[a]
	Residual	.824	9	.092		
	Total	1.061	10			

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 67: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.819	.154		5.309	.000		
	Exports of goods and services (in $ million)	8.016	.000	.473	1.610	.142	1.000	1.000

a. Dependent Variable: Exchange Rate (USD against LDY)

As observed from the above data analysis between exchange rate and exports, it can be seen that there is significant relationship between exchange rate and exports in Libya at 5% level because the P-value is less than 0.05. The relationship between these two variables, that is, exchange rate and exports in Libya is positive. The regression model is not significant at 5% level because the P-value of ANOVA table is bigger than 0.05. The scale variable and the interceptor are also not significant at 5% level. Regression equation developed from this analysis also confirms this relationship as shown below:

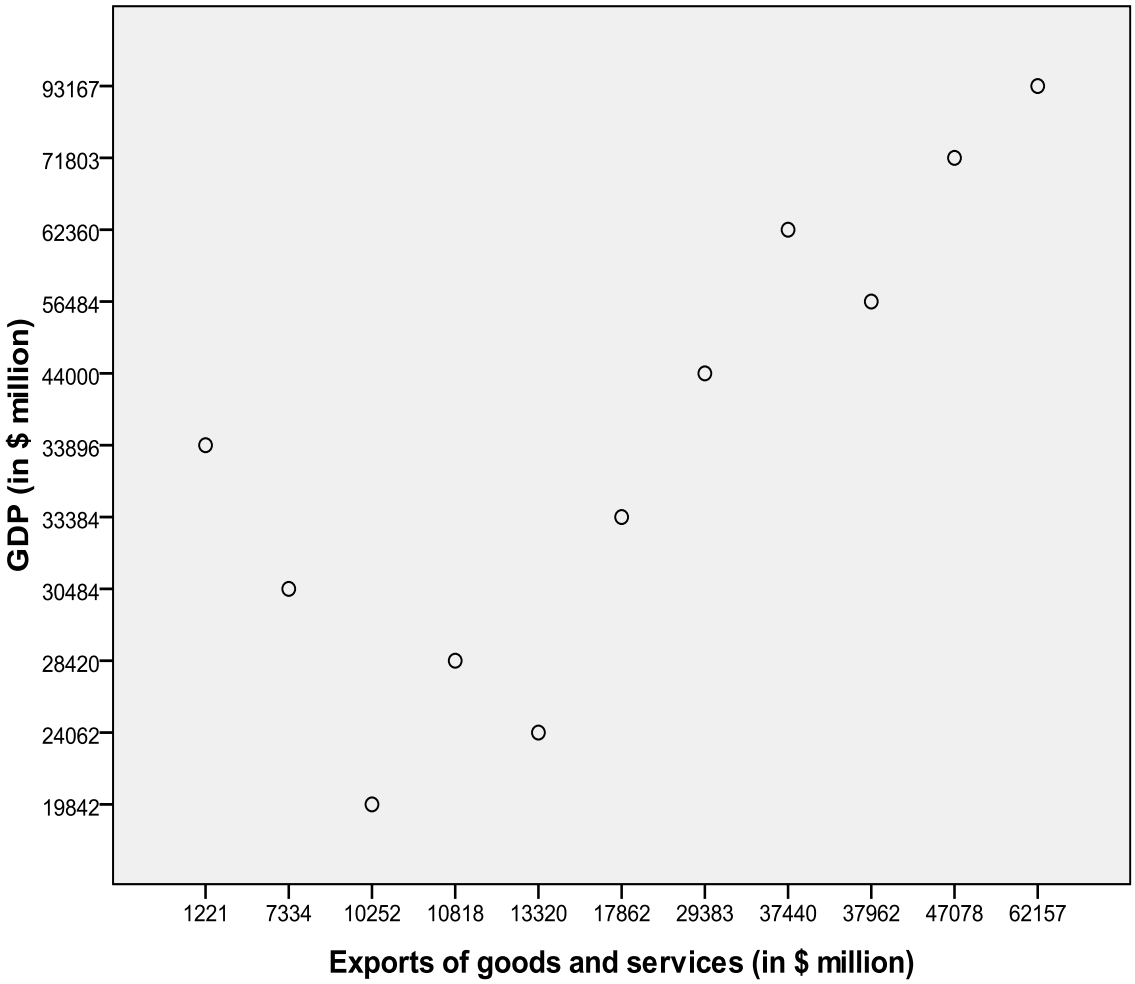
FT= 0.819+8.016*EX

If the Exchange rate is zero at some point then exports of goods and services will be 0.819 and if there is an increase in one unit or EX, then exports will increase by 8.016 times. This means that if exchange rate is increasing, the exports are increasing and vice versa. From an economic point of view, an increase in exchange rate leads to increased revenues from country exports due to appreciation of the local currency. Thus, as exchange rate increases exportation is favoured because more income is generated.

H12: There is a significant relationship between Gross domestic product (GDP) and exports in Libya.

Correlation Analysis

Figure 21: Scatterplot between Exports and GDP



The relationship between GDP and Export of goods and services in Libya is positive yet significant. It implies that when the GDP shoots up, the exports of goods and services

increases and the opposite is true. The same can be seen from scatter plot as well which shows that relationship between these two variables.

Table 68: Correlations

Correlations

		GDP (in $ million)	Exports of goods and services (in $ million)
Pearson Correlation	GDP (in $ million)	1.000	.950
	Exports of goods and services (in $ million)	.950	1.000
Sig. (1-tailed)	GDP (in $ million)	.	.000
	Exports of goods and services (in $ million)	.000	.
N	GDP (in $ million)	11	11
	Exports of goods and services (in $ million)	11	11

Regression Analysis

Table 69: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: GDP (in $ million)

Table 70: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.902	.891	7602.257

a. Predictors: (Constant), Exports of goods and services (in $ million)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.902	.891	7602.257

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: GDP (in $ million)

Table 71: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.767E9	1	4.767E9	82.482	.000[a]
	Residual	5.201E8	9	5.779E7		
	Total	5.287E9	10			

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: GDP (in $ million)

Table 72: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	16880.492	3875.722		4.355	.002		
	Exports of goods and services (in $ million)	1.136	.125	.950	9.082	.000	1.000	1.000

a. Dependent Variable: GDP (in $ million)

From the above analysis, both correlation and regression analysis it can be observed that the relation between GDP and exports in Libya is not significant at 5% level because the P-value is bigger than 0.05.

The regression model equation is as shown below:

FT= 16880.492+1.136*GDP

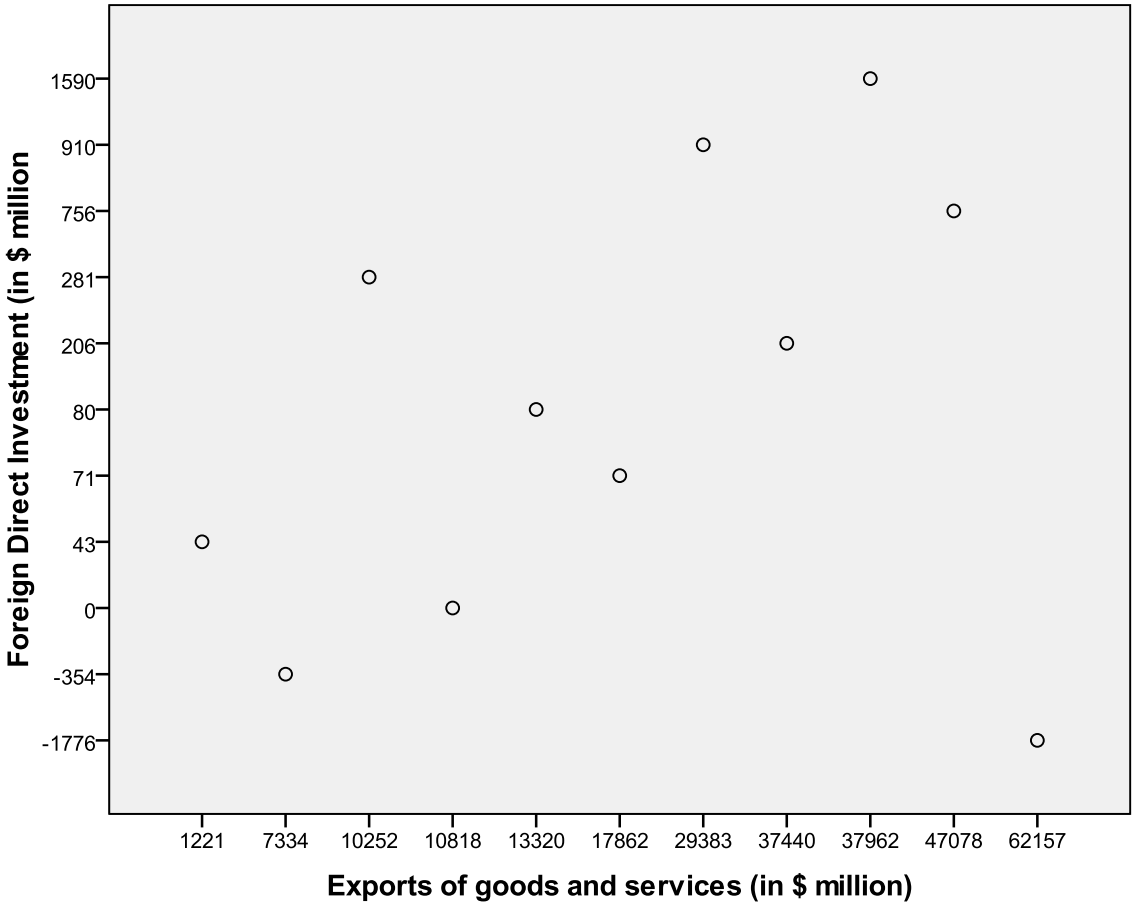
If the GDP is zero at some point then exports of goods and services will be 16880.492 and if there is an increase in one unit or GDP, then exports will increase by 1.136 times. This shows

that the relationship is positive which means, an increase in GDP leads to an increase in exports. From an economic perspective, this is attributed to the increased local production resulting to surplus. Therefore, the surplus products need to be disposed off through exportation leading to increase exports.

H13: There is a significant relationship between foreign direct investment (FDI) and exports in Libya.

Correlation Analysis

Figure 22: Scatterplot between Exports and FDI



The relationship between Foreign Direct Investment (FDI) and Exports of goods and services in Libya is positive but not significant at 5% level of significance as the P-value is bigger than 0.05. The same can be seen from scatter plot as well which shows a poor relationship between these two variables.

Table 73: Correlations

Correlations

		Foreign Direct Investment (in $ million	Exports of goods and services (in $ million)
Pearson Correlation	Foreign Direct Investment (in $ million	1.000	-.139
	Exports of goods and services (in $ million)	-.139	1.000
Sig. (1-tailed)	Foreign Direct Investment (in $ million	.	.341
	Exports of goods and services (in $ million)	.341	.
N	Foreign Direct Investment (in $ million	11	11
	Exports of goods and services (in $ million)	11	11

Regression Analysis

Table 74: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Exports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign Direct Investment (in $ million

Table 75: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.139[a]	.019	-.090	876.130

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Foreign Direct Investment (in $ million

Table 76: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	136633.419	1	136633.419	.178	.683[a]
	Residual	6908440.763	9	767604.529		
	Total	7045074.182	10			

a. Predictors: (Constant), Exports of goods and services (in $ million)

b. Dependent Variable: Foreign Direct Investment (in $ million

Table 77: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	316.230	446.662		.708	.497		
	Exports of goods and services (in $ million)	.006	.014	-.139	-.422	.683	1.000	1.000

a. Dependent Variable: Foreign Direct Investment (in $ million

When the data analysis between FDI and exports is considered, it can be observed that the relation between FDI and exports in Libya is not significant at 5% level because the P-value is bigger than 0.05.

The regression model equation is as shown below:

FT= 316.23 + 0.006*FDI

If the Exchange rate is zero at some point then exports of goods and services will be 316.23 and if there is an increase in one unit or FDI, then foreign trade will increase by 0.006 times. This shows that the relationship between these two variables is positive which means, an increase in FDI leads to an increase in exports. From an economic perspective, this is attributed to the fact that increased FDI results to increased domestic investments by foreign investors, where the surplus production leads to increased exports. However, despite this positive relationship between these two variables, it is also not significant meaning the extent of influence is not very strong.

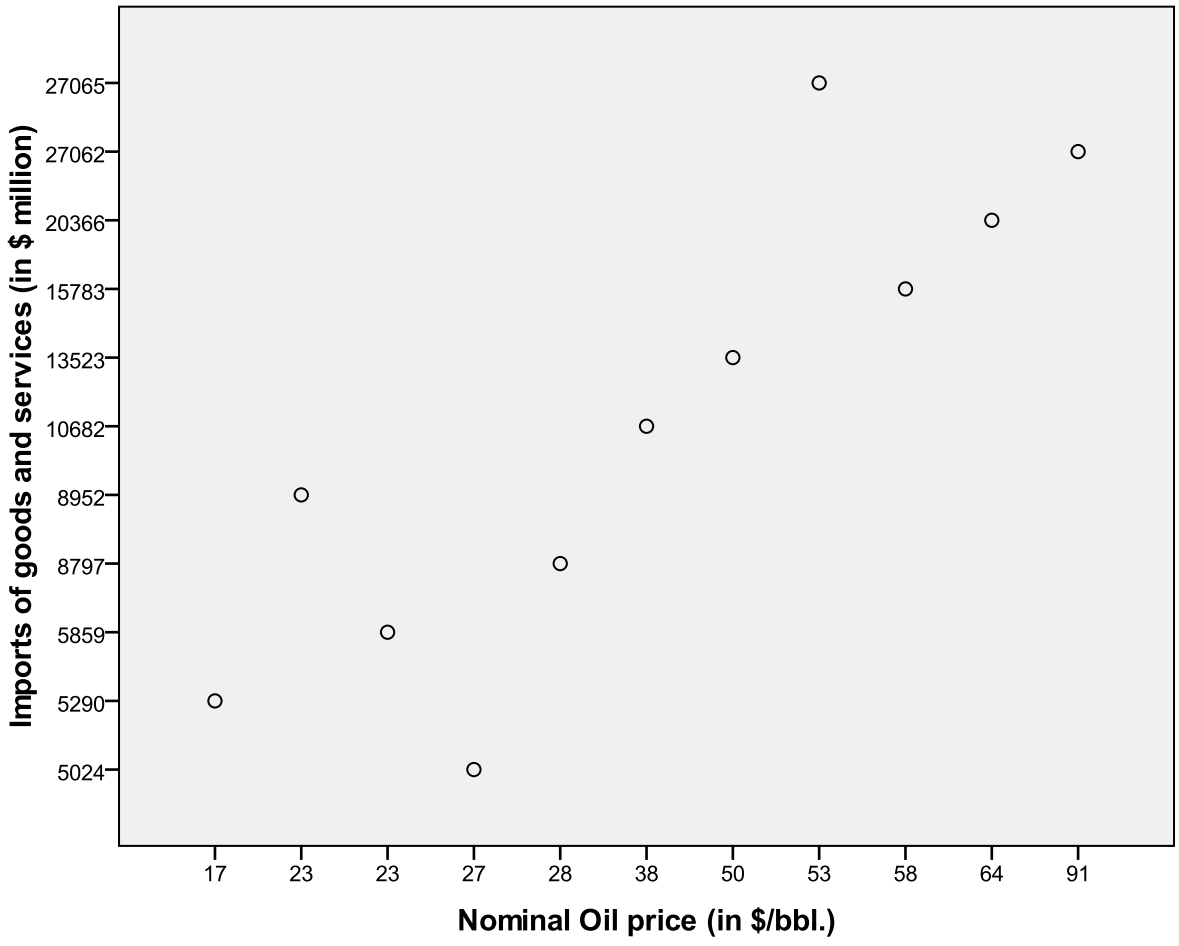
6.3.4. Analysis of the Relationships between Imports and Independent Variables

This sub-section presents data analysis conducted on specific pair of variables using correlation and regression analysis for the determination of relationships between Libyan imports and each of the independent variables including oil prices, tariff rates, exchange rates, GDP and FDI. The results of this data analysis are of great significance because it provides a way of testing the stated hypotheses to enable their acceptance or rejection.

H14: There is a significant relationship between oil price and imports in Libya.

Correlation Analysis

Figure 23: Scatterplot between Imports and OP



The relationship between Nominal oil prices and Imports of goods and services in Libya is positive and significant. Implicitly, when oil prices go up the imports and goods and services go up. The same can be seen from scatter plot as well which shows the relationship between these two variables.

Table 78: Correlations

Correlations

		Nominal Oil price (in $/bbl.)	Imports of goods and services (in $ million)
Pearson Correlation	Nominal Oil price (in $/bbl.)	1.000	.890
	Imports of goods and services (in $ million)	.890	1.000
Sig. (1-tailed)	Nominal Oil price (in $/bbl.)	.	.000
	Imports of goods and services (in $ million)	.000	.
N	Nominal Oil price (in $/bbl.)	11	11
	Imports of goods and services (in $ million)	11	11

Regression Analysis

Table 79: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Imports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 80: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890[a]	.793	.770	10.945

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 81: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4128.533	1	4128.533	34.462	.000[a]
	Residual	1078.190	9	119.799		
	Total	5206.722	10			

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Nominal Oil price (in $/bbl.)

Table 82: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	9.442	6.595		1.432	.186		
	Imports of goods and services (in $ million)	.002	.000	.890	5.870	.000	1.000	1.000

a. Dependent Variable: Nominal Oil price (in $/bbl.)

From the above analysis, it can be observed that the relation between oil price and imports in Libya is not significant at 5% level because the P-value is bigger than 0.05. However, the relationship between oil price and imports is positive. The model is significant at 5% level because the P-value of ANOVA table is less than 0.05. Both the interceptor as well as the scale variable is significant at 5% level. This model explains the 79.3% of the variation in Oil Prices. This is also observable from the regression equation of the relationship between the two variables as shown below:

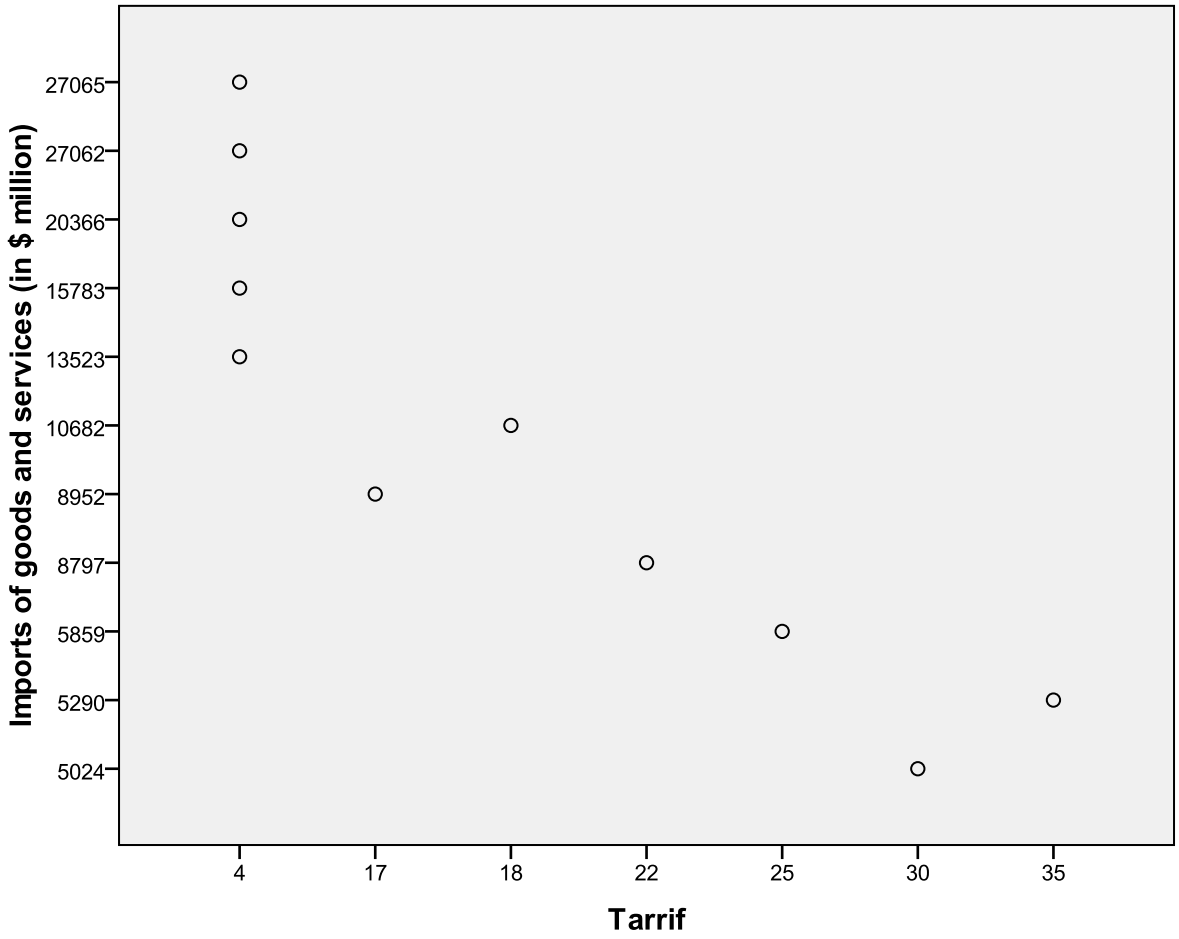
FT= 9.442+0.002*OP

If the import of goods and services is zero at some point then Oil Prices will be 9.422 and if there is an increase in one unit or OP, then imports of goods and services will increase by 0.002 times. This implies that if oil prices are increasing, imports will also be increasing and vice versa. For an economic perspective, this can be explained from the fact that increased oil prices leads to increasing government revenues resulting to increased government expenses including importation of goods and services.

H15: There is a significant relationship between Tariffs and imports in Libya.

Correlation Analysis

Figure 24: Scatterplot between Imports and T



The relationship between imports of goods and services and Tariff in Libya is positive and significant. The same can be seen from scatter plot as well which shows that perfect relationship between these two variables.

Table 83: Correlations

Correlations

		Tariff	Imports of goods and services (in $ million)
Pearson Correlation	Tariff	1.000	-.847
	Imports of goods and services (in $ million)	-.847	1.000
Sig. (1-tailed)	Tariff	.	.000
	Imports of goods and services (in $ million)	.000	.
N	Tariff	11	11
	Imports of goods and services (in $ million)	11	11

Regression Analysis

Table 84: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Imports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Tariff

Table 85: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.718	.687	6.601

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Tariff

Table 86: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	999.443	1	999.443	22.935	.001[a]
	Residual	392.193	9	43.577		
	Total	1391.636	10			

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Tariff

Table 87: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	31.676	3.978		7.963	.000		
	Imports of goods and services (in $ million)	-.001	.000	-.847	-4.789	.001	1.000	1.000

a. Dependent Variable: Tariff

From the above analysis, we can see that the relation between tariff and imports in Libya is not significant at 5% level because the P-value is bigger than 0.05. The model is significant at 5% level because the P-value of ANOVA table is less than 0.05. Both the interceptor as well as the scale variable is significant at 5% level. This model explains the 71.8% of the variation in Tariff. It can also be observed that the relationship between tariff rates and imports is negative. This is also confirmed by the regression equation of this relationship shown below:

FT= 31.676 - 0.001*T

Therefore, if the Imports of goods and services are zero at some point then tariff will be 31.676 and if there is an increase in one unit or Tariff, then Import of goods and services will decrease by -0.001 times. This means that if tariff rates are increasing, imports are decreasing and vice versa. From an economic point of view, this can be explained on the basis that increasing tariff rates making imports more expensive thereby discouraging importation of capital and consumable goods and/or products.

H16: There is a significant relationship between Exchange rate and imports in Libya.

Correlation Analysis

Figure 25: Scatterplot between Imports and EXR

The relationship between exchange rate and import of goods and services in Libya is positive yet not significant. The same can be seen from scatter plot as well which shows the relationship between these two variables.

Table 88: Correlations

Correlations

		Exchange Rate (USD against LDY)	Imports of goods and services (in $ million)
Pearson Correlation	Exchange Rate (USD against LDY)	1.000	.633
	Imports of goods and services (in $ million)	.633	1.000
Sig. (1-tailed)	Exchange Rate (USD against LDY)	.	.018
	Imports of goods and services (in $ million)	.018	.
N	Exchange Rate (USD against LDY)	11	11
	Imports of goods and services (in $ million)	11	11

Regression Analysis

Table 89: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Imports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 90: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633[a]	.401	.334	.273

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 91: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.448	1	.448	6.015	.037[a]
	Residual	.671	9	.075		
	Total	1.119	10			

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Exchange Rate (USD against LDY)

Table 92: Coefficients[a]

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.709	.164		4.311	.002	.337	1.081		
	Imports of goods and services (in $ million)	2.589E-5	.000	.633	2.453	.037	.000	.000	1.000	1.000

a. Dependent Variable: Exchange Rate (USD against LDY)

According to the above data analysis between exchange rate and imports, it can be clearly observed that the relation between exchange rate and imports in Libya is significant at 5% level because the P-value is less than 0.05. The model is not significant at 5% level because the P-value of ANOVA table is greater than 0.05. Both the interceptor as well as the scale variable is insignificant at 5% level. This model explains the 40.1% of the variation in exchange rate. The relationship between these two variables, that is, exchange rate and imports in Libya is positive. This is also shown in the regression equation below:

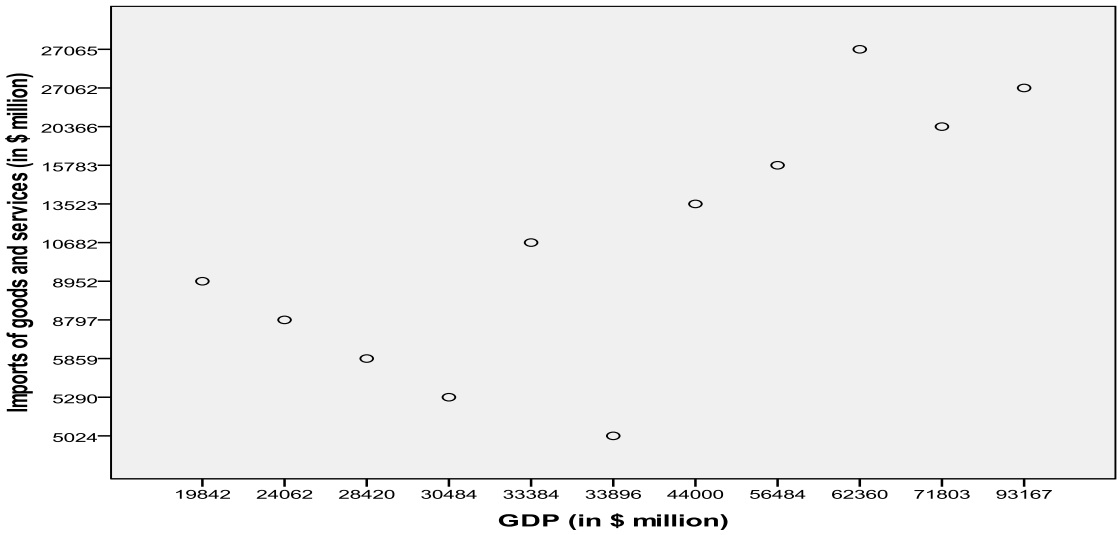
FT= 0.709 + 2.589*EX

This implies that if the import of goods and services is zero at some point then exchange rate will be 0.709 and if there is an increase in one unit or ER, then imports of goods and services will increase by 2.589 times. This means that if exchange rate is increasing, imports are also increasing and vice versa. From an economic perspective, this relationship is attributable to the unique nature of Libyan economy where it greatly depends on oil exportation and importation of foods, capital and consumable goods and/or products. Thus, increasing exchange rate increases government revenues through oil exportation thereby increasing importation.

H17: There is a significant relationship between Gross domestic product (GDP) and imports in Libya.

Correlation Analysis

Figure 26: Scatterplot between Imports and GDP



The relationship between GDP and imports of goods and services in Libya is positive yet significant at 5% level. This means that an increase in GDP impacts of the imports of goods and services and vice-versa. The same can be seen from scatter plot as well which shows the relationship between these two variables.

Table 93: Correlations

Correlations

		GDP (in $ million)	Imports of goods and services (in $ million)
Pearson Correlation	GDP (in $ million)	1.000	.896
	Imports of goods and services (in $ million)	.896	1.000
Sig. (1-tailed)	GDP (in $ million)	.	.000
	Imports of goods and services (in $ million)	.000	.
N	GDP (in $ million)	11	11
	Imports of goods and services (in $ million)	11	11

Regression Analysis

Table 94: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Imports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: GDP (in $ million)

Table 95: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.896[a]	.803	.781	10765.695

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: GDP (in $ million)

Table 96: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.244E9	1	4.244E9	36.618	.000[a]
	Residual	1.043E9	9	1.159E8		
	Total	5.287E9	10			

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: GDP (in $ million)

Table 97: Coefficients[a]

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	11275.191	6487.265		1.738	.116	-3400.022	25950.403		
Imports of goods and services (in $ million)	2.519	.416	.896	6.051	.000	1.578	3.461	1.000	1.000

a. Dependent Variable: GDP (in $ million)

From the above analysis, it can be seen that the relation between GDP and imports in Libya is not significant at 5% level because the P-value is bigger than 0.05. The model is significant at 5% level because the P-value of ANOVA table is less than 0.05. Both the interceptor as well as the scale variable is significant at 5% level. This model explains the 80.3% of the variation in GDP.

The regression equation is shown below:

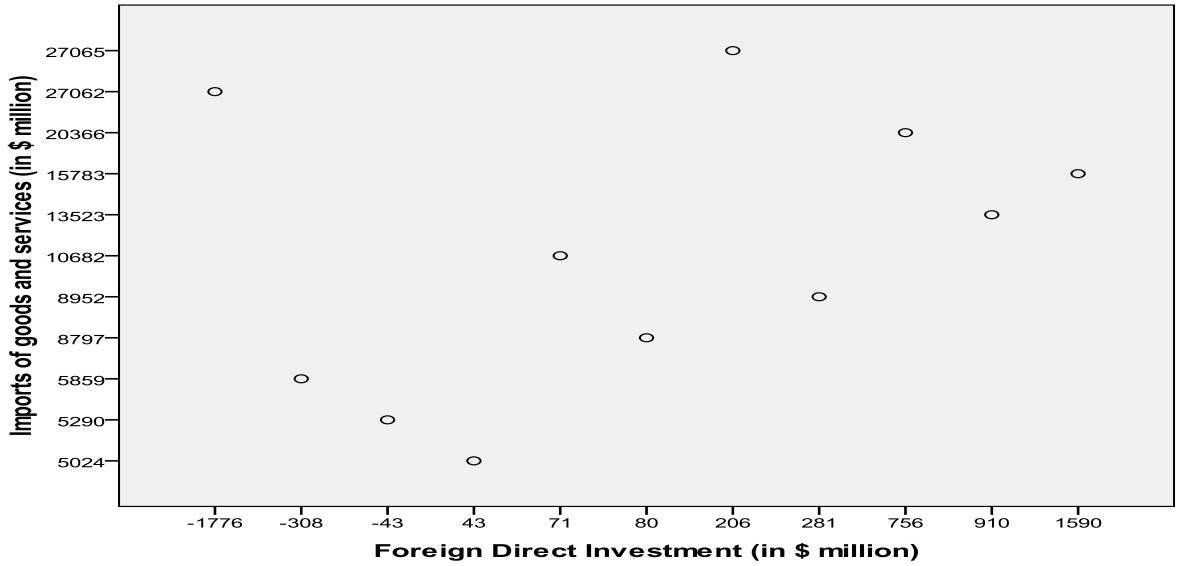
FT= 11275.191+ 2.519*GDP

This implies that if the import of goods and services is zero at some point then exchange rate will be 11275.191 and if there is an increase in one unit or GDP, then imports of goods and services will increase by 2.519 times. This means that if GDP is increasing, imports are also increasing and vice versa. From an economic point of view, the above relationship shows that GDP has considerable influence on the level of importation in Libya. This may be explained on the basis that, other than GDP there are other factors that significantly influence imports making GDP not that significant.

H18: There is a significant relationship between foreign direct investment (FDI) and imports in Libya.

Correlation Analysis

Figure 28: Scatterplot between Imports and FDI



The relationship between FDI and Exports of goods and services in Libya is positive but not significant at 5% level. The same can be seen from scatter plot as well which shows the relationship between these two variables.

Table 98: Correlations

Correlations

		Foreign Direct Investment (in $ million)	Imports of goods and services (in $ million)
Pearson Correlation	Foreign Direct Investment (in $ million)	1.000	-.174
	Imports of goods and services (in $ million)	-.174	1.000
Sig. (1-tailed)	Foreign Direct Investment (in $ million)	.	.304
	Imports of goods and services (in $ million)	.304	.
N	Foreign Direct Investment (in $ million)	11	11
	Imports of goods and services (in $ million)	11	11

Regression Analysis

Table 99: Variables Entered/Removed[b]

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Imports of goods and services (in $ million)[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Foreign Direct Investment (in $ million)

Table 100: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174[a]	.030	-.077	869.358

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Foreign Direct Investment (in $ million)

Table 101: ANOVA[b]

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	213437.522	1	213437.522	.282	.608[a]
	Residual	6802047.205	9	755783.023		
	Total	7015484.727	10			

a. Predictors: (Constant), Imports of goods and services (in $ million)

b. Dependent Variable: Foreign Direct Investment (in $ million)

Table 102: Coefficients[a]

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	405.581	523.863		.774	.459	-779.481	1590.642		
Imports of goods and services (in $ million)	-.018	.034	-.174	-.531	.608	-.094	.058	1.000	1.000

a. Dependent Variable: Foreign Direct Investment (in $ million)

When we consider the relationship between FDI and imports in the above data analysis, it can be observed that the relation between FDI and imports in Libya is not significant at 5% level because the P-value is bigger than 0.05. The model is insignificant at 5% level because the P-value of ANOVA table is greater than 0.05. Both the interceptor as well as the scale variable is insignificant at 5% level. This model explains the 30.0% of the variation in FDI.
The regression equation is shown below:

FT= 405.581 - 0.018*FDI

This implies that if the import of goods and services is zero at some point then FDI will be 11275.191 and if there is a decrease in one unit or FDI, then imports of goods and services will decrease by -0.018 times. This means that if FDI is decreasing, imports are also decreasing and vice versa. From an economic perspective, this means that changes in FDI influence levels of imports and this is attributable to the fact that changes in FDI are essential determinants of number of foreign investors in a country. For instance, a high FDI is indicative of high number of foreign investors and imports.

CHAPTER 7: DISCUSSION OF RESULTS

On the basis of the analysis of the study results, it is evident that there are relationships between the dependent variables (foreign trade, exports and imports) and all the independent variables considered such as oil prices, FDI, GDP, exchange rates and tariff rates. The results of data analysis presented and discussed in the previous chapter provide a way through which hypotheses could be tested in an efficient manner. In addition, each of the proposed hypotheses is linked to a respective objective meaning that out of the 18 hypotheses proposed in this study there are also 18 objectives. Hence, acceptance or rejection of a proposed hypothesis as shown the subsequent paragraphs of this chapter indicates that the associated objective has been achieved. For instance, in the first section of data analysis which has analysed foreign trade data in Libya has enabled the three hypotheses stated in this section to be tested.

For example, the first hypothesis which states that there is a continuous increase in general indicators and value development of Libyan exports, imports and total foreign trade has been confirmed as a result of this data analysis where the most important indicators of foreign trade in Libya show a continuous increase both in value and composition. Still in the first section of data analysis, the second and third hypotheses have also been confirmed which state that the commodity structure and geographical distribution of Libyan exports is diverse and the commodity structure and geographical distribution of Libyan imports are diverse respectively.

Moreover, the second part of the data analysis which was supposed to establish the relationships between dependent variables (foreign trade, exports and imports) and independent variables (oil price, tariff, exchange rate, GDP and FDI). However, as seen in the data analysis chapter each dependent variable was individually analysed against each of the independent variables. Thus, the relationships between foreign trade turnover and each of the independent variables were determined in order to facilitate acceptance or rejection of stated hypotheses. For example, in the analysis of the relationships between foreign trade and independent variables it was observed that three hypotheses (H4, H5, and H6) out of the five stated in this section were confirmed while two hypotheses (H7 and H8) were rejected. This is due to the fact that data analysis confirmed that the relationships between foreign trade and oil price, tariff rates, and exchange rates were significant at 5% level. However, data analysis

led to rejection of two hypotheses in this section where it was found that the relationships between foreign trade and GDP and FDI were not significant at 5% level. Moreover, all these relationships were positive except for exchange rate meaning when the values of these independent variables were increasing the value of foreign trade was also increasing, but when the value of exchange rate was increasing the value of foreign trade was decreasing since the relationship was negative.

In addition, the other section in the data analysis sought to establish the relationships between the Libyan exports and each of the independent variables (oil price, tariff, exchange rate, GDP and FDI). This led to the determination of the relationships between Libyan exports and each of the independent variables to facilitate testing of the stated hypothesis for enabling their acceptance or rejection. The analysis for the relationships between exports and independent variables led to confirmation of three hypotheses (H9, H10, and H11) out of the five hypotheses that had been stated initially while two hypotheses (H12 and H13) were rejected. This is attributable to the fact that data analysis confirmed that the relationships between Libyan exports and oil price, tariff rates, and exchange rates were significant at 5% level. On the other hand, two hypotheses stating the relationship between exports and GDP and FDI were significant were rejected because it was found that these relationships were not significant at 5% level. Moreover, all the relationships between Libyan exports and independent variables were positive except for tariff rates meaning when the values of these independent variables were increasing the value of exports was also increasing, but when the value of tariff rates was increasing the value of exports was decreasing since the relationship was negative.

Furthermore, in the data analysis aimed to determine the relationships between the Libyan imports and each of the independent variables (oil price, tariff, exchange rate, GDP and FDI) facilitated testing of the stated hypotheses to enable their acceptance or rejection. The analysis for the relationships between imports and independent variables confirmed only one hypothesis (H16) out of the five hypotheses that had been initially stated in this section whereas four hypotheses (H14, H15, H17 and H18) were rejected. Thus, the hypothesis stating that the relationship between Libyan imports and exchange rate was significant at 5% level was confirmed while the hypotheses stating the relationships between Libyan imports and oil price, tariff, GDP and FDI were significant ant 5% level were rejected. Additionally, it was also observed that the relationships between Libyan imports and independent variables (oil price, exchange rate, GDP and FDI) were positive except for tariff rates meaning when

the values of these independent variables increases the value of imports is also increasing, but when the value of tariff rates is increasing the value of imports is decreasing since the relationship is negative.

CHAPTER 8: CONCLUSION AND RECOMMENDATIONS

This case study was essential in analysing merchandise trade territorial and commodity structure development in Libya by considering a few selected factors influencing Libyan merchandise trade performance. In particular, the factors that were considered for analysis include Oil Prices, FDI, GDP, Exchange Rates and Tariff Rates. The influence of these factors on foreign trade, exports and imports was analysed to determine the existing relationships as well as the strengths and directions of such relationships. Thus, this study was motivated by the need for an in depth empirical analysis in order to determine the impact of independent variables such as Oil Prices, FDI, GDP, Exchange Rates and Tariff Rates on the Libyan foreign trade, exports and imports. In addition, other indicators of foreign trade in Libya such as exports, imports, GDP, merchandise structure as well as geographical distribution of the merchandise were analysed. The findings indicated a continuous development of foreign trade in Libya. Also the merchandise structure and geographical distribution was found to be widespread an indication of foreign trade diversification in Libya.

Thus, using annual data on Libya's foreign trade (exports and imports) as well as annual data on study independent variables such as oil prices, FDI, GDP, exchange rates and tariff rates over the time period 1999-2009, we have analysed the relationships between these variables with the aim of determining the appropriate functional form to test the set of proposed hypotheses. The study findings indicate that oil prices, GDP, FDI, tariff rates, and exchange rate are cointegrated and all have varied extents of relationships with foreign trade, exports or imports in Libya. Based on the simple linear regression analysis results, the findings show a mixture of both positive and negative relationships between each of the specified independent variables with the dependent variables (i.e. foreign trade, exports and imports). That is, the oil prices, FDI, GDP, exchange rates and tariff rates all have significant relationship with foreign trade. However, when the data analysis results to determine the relationships between independent variables and exports or imports are considered, it can be observed that these relationships are significant or non-significant as well as positive or negative.

Therefore, in the attempts of this research to achieve the set objectives it was found that not all relationships between independent variables and foreign trade, exports or imports were significant. However, the direction of the existing relationships whether positive or negative did not dependent on whether it was significant or not. Moreover, it can also be concluded

that there is a strong relationship between both export and economic growth from the empirical long-run relationship. It implies that all independent variables in the system have the tendency to influence foreign trade in Libya either positively or negatively, thus as these variables increase there is a subsequent increase in foreign trade. This fact means that any rise independent variables such as oil prices, FDI, GDP, exchange rates, and tariff rates would have significant relationship with the country's foreign trade (both exports and imports) which in turn would have either positive or negative influence on economic development in Libya in both the short- and long-runs.

A specified simple linear regression model was used to examine the relationship between these variables and to identify whether relationships existed. Our results from the regression model suggest that these independent variables exert a significant impact on the foreign trade, exports and imports in Libya. Oil prices positively affected Libyan foreign trade during the period 1999-2007. Moreover, it has also been observed that there has been a significant positive relationship between the FDI, GDP, exchange rates. However, a negative relationship was observed between tariffs rates and foreign trade, exports and imports in Libya.

Some key policy implications regarding the impact of the independent variables in this study on foreign trade in Libya can be summarised as follows:

1. Libyan policy makers should be aware that fluctuations in oil prices could have a severe impact on the country's foreign trade either positively or negatively. Therefore, Libyan authorities should implement measures that can effectively address these changes. For example, the country's economy ought to be fully liberalised as well as diversified in order to encourage participation of investment partners from foreign countries. It is also necessary to establish a special fund to cover oil price fluctuations.

2. From the study findings, there is a strong need for the Libyan economy to be diversified from its dependence on one source of income (oil revenue) to various sources of income foreign investment, production services, and international trade. This purpose is not achievable unless direct foreign investment is allowed in the country which is mostly likely to be attained in the attempts of the country to find alternative sources of income other than the oil sector.

3. Moreover, there has been a policy in Libya reiterating that revenues obtained from oil income should not be used in the consumption sector of the country's economy and instead should be used in the building up of the production sector, as well as bringing more capital and money to the country. This previously supported economic policy used in Libya was attributed to the fact that in almost all countries whose economies are oil-based do not have a wide labour market, and the available human capital is predominantly within the oil sector, hence this strongly necessitate the country to build and diversify its economy outside the oil sector, as well as outside public bureaucracy. This would be very essential in encouraging people towards taking an active role in the building of an active private economy. Libya seems to be on the right track towards achieving this, and the government should continue promoting liberalisation and diversification of the country's economy.

4. According to the study analysis, the hypotheses that the study's independent variables during the period from 1999 to 2009 have had a significant impact on the foreign trade in Libyan cannot be rejected. Therefore, the findings of this study could provide an advice or act as a guideline to the International Community in general and to the Libyan government in particular that keen priority should be given to the independent variables under study if they intend to improve their foreign trade.

5. The study could also help countries avert the economic mistakes done by the Libyan government such as the attempts to maintain a socialist economy that is not liberalised as well as engaging in activities that led to isolation by the international community through UN and US led economic sanctions. These two factors had negatively affected the independent variables in this study thereby leading to direct influence on foreign trade in Libya.

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APPENDICES

Table 1: Indicators of Libyan foreign trade

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trade in services (% of GDP)	3.437303	3.147808	4.285666	9.802183	8.473766	7.042166	6.552273	5.405035	3.862776	4.885706	8.736307
Communications, computer, etc. (% of service imports, BoP)	18.40384	15.97765	12.66925	26.68394	19.4114	22.36155					
Income payments (BoP, current US$)	2.35E+08	1.15E+09	1.58E+09	1.51E+09	1.15E+09	1.39E+09	2.12E+09	2.78E+09	2.50E+09	3.88E+09	1.88E+09
Imports of goods and services (BoP, current US$)	5.29E+09	5.02E+09	5.86E+09	8.95E+09	8.80E+09	1.07E+10	1.35E+10	1.58E+10	2.04E+10	2.60E+10	2.71E+10
Insurance and financial services (% of service imports, BoP)		0.558659	0.483559	1.554404	4.320601	6.112853	7.662835	7.722309	7.129188	5.572948	11.7223
Goods imports (BoP, current US$)	4.30E+09	4.13E+09	4.83E+09	7.41E+09	7.20E+09	8.77E+09	1.12E+10	1.32E+10	1.77E+10	2.17E+10	2.20E+10
Service imports (BoP, current US$)	9.89E+08	8.95E+08	1.03E+09	1.54E+09	1.60E+09	1.91E+09	2.35E+09	2.56E+09	2.67E+09	4.34E+09	5.06E+09
Imports of goods, services and income (BoP, current US$)	5.53E+09	6.18E+09	7.44E+09	1.05E+10	9.95E+09	1.21E+10	1.56E+10	1.86E+10	2.29E+10	2.99E+10	2.89E+10
Transport services (% of service imports, BoP)	40.95072	39.10615	43.81044	33.80829	41.39011	40.0209	43.25245	46.09984	47.39034	34.18351	40.8888
Travel services (% of service imports, BoP)	40.64544	44.35754	43.03675	37.95337	34.8779	31.5047	28.94849	26.05304	33.37211	29.40242	31.33913
Foreign direct investment, net outflows (% of GDP)	0.741213	0.289115	0.615757	-0.6854	0.261818	0.856682	0.290909	0.83917	5.477187	6.320001	1.868171
Private current transfers, payments (BoP, current US$)	2.13E+08	4.54E+08	6.75E+08	7.76E+08	7.30E+08	1.01E+09	9.22E+08	9.50E+08	7.62E+08	9.64E+08	1.36E+09
Current account balance (BoP, current US$)	2.14E+09	6.27E+09	3.33E+09	6.94E+08	3.40E+09	4.62E+09	1.49E+10	2.22E+10	2.85E+10	3.57E+10	9.38E+09
Current account balance (% of GDP)	7.006864	18.49743	11.72401	3.49754	14.13818	13.82673	33.96591	39.24979	39.70613	38.31982	15.04255
Net income (BoP, current US$)	3.11E+08	-4.30E+08	-9.00E+08	2.65E+08	5.40E+08	-5.50E+07	-2.80E+08	-6.00E+08	2.02E+09	5.86E+08	5.78E+08
Net trade in goods and services (BoP, current US$)	2.04E+09	7.19E+09	4.96E+09	1.30E+09	4.52E+09	7.18E+09	1.59E+10	2.22E+10	2.67E+10	3.62E+10	1.04E+10
Net trade in goods (BoP, current US$)	2.97E+09	7.91E+09	5.81E+09	2.44E+09	5.68E+09	8.66E+09	1.77E+10	2.43E+10	2.93E+10	4.03E+10	1.51E+10
Net errors and omissions, adjusted (BoP, current US$)	-4.00E+08	-7.60E+08	-1.20E+09	3.62E+08	1.89E+09	1.73E+09	-1.50E+09	2.01E+09	1.08E+09	-1.70E+09	1.33E+09
Foreign direct investment, net (BoP, current US$)	-3.50E+08	43000000	-3.10E+08	2.81E+08	80000000	71000000	9.10E+08	1.59E+09	7.56E+08	-1.80E+09	2.06E+08
Private capital flows, total (BoP, current US$)	-3.60E+08	-6.60E+08	-1.70E+09	3.53E+08	-5.30E+08	-1.20E+08	5.17E+08	-3.60E+09	-6.80E+08	-1.30E+10	-3.10E+09
Private capital flows, total (% of GDP)	-1.17123	-1.95595	-5.86552	1.779008	-2.19013	-0.34747	1.175	-6.38761	-0.95246	-13.6748	-5.04486
Portfolio investment, excluding LCFAR (BoP, current US$)	-3018472	-7.10E+08	-1.40E+09	72000000	-6.10E+08	-1.90E+08	-3.90E+08	-5.20E+09	-1.40E+09	-1.10E+10	-3.40E+09
Changes in net reserves (BoP, current US$)	-6.90E+08	-5.40E+09	-1.10E+09	-1.10E+09	-5.10E+09	-6.00E+09	-1.40E+10	-1.90E+10	-2.00E+10	-1.30E+10	-5.20E+09
Net current transfers (BoP, current US$)	-2.20E+08	-4.90E+08	-7.30E+08	-8.70E+08	-1.70E+09	-2.50E+09	-6.30E+08	5.86E+08	-2.20E+08	-1.00E+09	-1.60E+09

Table 2: Export and Import of goods and services

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports of goods and services (current US$)	7.27E+09	1.21E+10	9.05E+09	9.17E+09	1.50E+10	2.11E+10	2.92E+10	4.03E+10	4.85E+10	6.28E+10
Exports of goods and services (current LCU)	3.37E+09	6.19E+09	5.48E+09	1.16E+10	1.92E+10	2.75E+10	3.95E+10	5.16E+10	5.92E+10	7.68E+10
Exports of goods and services (% of GDP)	23.86307	35.63056	31.85625	46.21032	62.38501	63.25502	66.43285	71.30306	67.55949	67.38431
Imports of goods and services (current US$)	5.25E+09	5.25E+09	5.67E+09	6.98E+09	8.82E+09	1.07E+10	1.25E+10	1.44E+10	2.11E+10	2.56E+10
Imports of goods and services (current LCU)	2.43E+09	2.69E+09	3.43E+09	8.87E+09	1.13E+10	1.39E+10	1.68E+10	1.84E+10	2.57E+10	3.13E+10
Imports of goods and services (% of GDP)	17.20772	15.49405	19.96395	35.19048	36.66818	32.11901	28.3011	25.46452	29.35029	27.46566
External balance on goods and services (current US$)	2.03E+09	6.83E+09	3.38E+09	2.19E+09	6.19E+09	1.04E+10	1.68E+10	2.59E+10	2.74E+10	3.72E+10
External balance on goods and services (current LCU)	9.41E+08	3.50E+09	2.05E+09	2.78E+09	7.92E+09	1.35E+10	2.27E+10	3.31E+10	3.35E+10	4.55E+10
External balance on goods and services (% of GDP)	6.65535	20.13651	11.8923	11.01984	25.71683	31.13601	38.13176	45.83854	38.20921	39.91865
Trade (% of GDP)	41.0708	51.12461	51.82019	81.40079	99.05319	95.37403	94.73395	96.76759	96.90978	94.84997

Table 3: Indicators of goods and services export and import

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Computer, communications and other services (% of commercial service exports)	8.189655	6.722689	3.731343	5.818182	3.343465	2.849003	2.386635	3.116883	8.387097	5.344247	2.597403
Commercial service exports (current US$)	50020400	1.19E+08	1.34E+08	2.75E+08	3.29E+08	3.51E+08	4.19E+08	3.85E+08	1.09E+08	2.08E+08	3.85E+08
Transport services (% of commercial service exports)	37.93103	13.44538	13.43284	14.90909	17.62918	17.94872	27.68496	33.24675	23.22581	56.71642	68.05195
Travel services (% of commercial service exports)	53.87931	63.02521	58.20896	65.81818	62.31003	62.10826	59.66587	49.35065	68.3871	35.7246	12.98701
Insurance and financial services (% of commercial service imports)		0.613497	0.518672	1.787044	4.515707	6.674273	8.458647	8.519793	7.610655	6.778285	13.72889
Computer, communications and other services (% of commercial service imports)	9.02018	7.730061	6.327801	15.71109	15.77225	15.23103	11.84211	11.87608	6.172642	15.88319	1.679389
Communications, computer, etc. (% of service exports, BoP)	22.26277	35.46512	29.8913	35.41147	28.0543	21.96796	23.40824	23.72188	8.387097	5.344247	2.597403
Income receipts (BoP, current US$)	5.46E+08	7.23E+08	6.84E+08	1.77E+09	1.69E+09	1.34E+09	1.84E+09	2.18E+09	4.52E+09	4.47E+09	2.46E+09
Exports of goods and services (BoP, current US$)	7.33E+09	1.22E+10	1.08E+10	1.03E+10	1.33E+10	1.79E+10	2.94E+10	3.80E+10	4.71E+10	6.22E+10	3.74E+10
Insurance and financial services (% of service exports, BoP)		11.62791	17.93478	9.226933	12.44344	13.72998	8.052434	11.24744		2.214733	16.36364
Goods exports (BoP, current US$)	7.28E+09	1.20E+10	1.06E+10	9.85E+09	1.29E+10	1.74E+10	2.88E+10	3.75E+10	4.70E+10	6.20E+10	3.71E+10
Service exports (BoP, current US$)	59075817	1.72E+08	1.84E+08	4.01E+08	4.42E+08	4.37E+08	5.34E+08	4.89E+08	1.09E+08	2.08E+08	3.85E+08
Royalty and license fees, receipts (BoP, current US$)		4000000	2000000	10000000							
Exports of goods, services and income (BoP, current US$)	7.88E+09	1.29E+10	1.15E+10	1.20E+10	1.50E+10	1.92E+10	3.12E+10	4.01E+10	5.16E+10	6.66E+10	3.99E+10
Transport services (% of service exports, BoP)	32.11679	9.302326	9.782609	10.22444	13.12217	14.41648	21.72285	26.17587	23.22581	56.71642	68.05195
Travel services (% of service exports, BoP)	45.62044	43.60465	42.3913	45.13716	46.38009	49.88558	46.81648	38.85481	68.3871	35.7246	12.98701
Foreign direct investment, net inflows (BoP, current US$)	-1.30E+08	1.41E+08	-1.30E+08	1.45E+08	1.43E+08	3.57E+08	1.04E+09	2.06E+09	4.69E+09	4.11E+09	1.37E+09
Foreign direct investment, net inflows (% of GDP)	-0.42011	0.415971	-0.46797	0.730754	0.594286	1.069355	2.359091	3.654108	6.530342	4.412795	2.198509

Table 4: Geographical distribution of merchandise exports

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Merchandise exports to economies in the Arab World (% of total merchandise exports)	4.207356	3.485994	3.872605	4.273916	3.957211	3.861552	3.503081	3.260292	3.203826	3.244578	3.490345
Merchandise exports (current US$)	7.95E+09	1.34E+10	1.10E+10	9.80E+09	1.46E+10	2.04E+10	3.14E+10	4.03E+10	4.70E+10	6.30E+10	3.70E+10
Merchandise exports to high-income economies (% of total merchandise exports)	87.37126	89.08808	87.39998	86.99749	87.18041	85.9289	86.26908	85.52882	89.45852	88.53583	83.28403
Merchandise exports to developing economies outside region (% of total merchandise exports)	8.536434	7.450485	8.811242	8.816177	9.526527	10.76964	10.70543	11.64816	7.85389	8.695413	13.79314
Merchandise exports to developing economies in East Asia & Pacific (% of total merchandise exports)											
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	6.830966	6.459221	7.826516	8.203941	8.187763	8.14333	7.142144	5.327487	0.99881	0.686617	1.242709
Merchandise exports to developing economies in Latin America & the Caribbean (% of total merchandise exports)	0.720189	0.296711	0.328736	0.219828	0.483662	0.509811	0.255154	1.16606	0.134688	2.448135	2.528039
Merchandise exports to developing economies in Middle East & North Africa (% of total merchandise exports)	4.092305	3.461436	3.788777	4.18633	3.293068	3.301462	3.025487	2.823026	2.687586	2.768761	2.922837
Merchandise exports to developing economies in South Asia (% of total merchandise exports)	0.180734	0.077931	0.078707	0.043244	0.05689	0.062268	0.042167	0.244504	2.021075	1.129085	1.386357
Merchandise exports to developing economies in Sub-Saharan Africa (% of total merchandise exports)	0.246174	0.169548	0.057591	0.320815	0.050759	0.003242	0.047837	0.02074	0.052765	0.087339	0.093097
Merchandise exports by the reporting economy, residual (% of total merchandise exports)	7.49E-16	-5.30E-08	2.38E-08	3.04E-09	-3.10E-08	-2.50E-08	-3.10E-09	0	-4.60E-09	-8.10E-09	-3.40E-16
Merchandise exports by the reporting economy (current US$)	7.96E+09	1.27E+10	1.13E+10	9.86E+09	1.37E+10	1.93E+10	2.90E+10	3.94E+10	4.36E+10	6.15E+10	3.51E+10
Merchandise exports to developing economies within region (% of total merchandise exports)	4.092305	3.461436	3.788777	4.18633	3.293068	3.301462	3.025487	2.823026	2.687586	2.768761	2.922837
Export volume index (2000 = 100)		100	101.5188	88.3071	112.1559	120.4895	129.9306	138.0308	138.436	143.6898	132.8259
Export value index (2000 = 100)	62.60617	100	89.15539	77.71312	115.1856	160.5064	243.3784	309.6493	342.6471	485.7345	291.4045

Table 5: Geographical distribution of merchandise imports

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Manufactures imports (% of merchandise imports)					80.66281	81.05871					
Ores and metals imports (% of merchandise imports)					0.951669	0.919538					
Arms imports (constant 1990 US$)	11000000		1.45E+08		1.45E+08			2000000	2000000		7000000
Merchandise imports from economies in the Arab World (% of total merchandise imports)	12.68519	13.87649	12.26277	11.78194	12.07714	10.42113	12.77671	13.52794	12.55691	13.60738	12.20764
Merchandise imports (current US$)	4.16E+09	3.73E+09	4.40E+09	4.40E+09	4.33E+09	6.33E+09	6.08E+09	6.04E+09	6.73E+09	9.15E+09	1.00E+10
Merchandise imports from high-income economies (% of total merchandise imports)	78.63796	77.7439	79.45971	79.49727	75.43134	73.74067	67.93748	65.6195	63.59503	63.13073	60.11512
Merchandise imports from developing economies outside region (% of total merchandise imports)	9.886855	10.00029	9.881055	9.933954	14.0772	17.25121	20.68596	22.31599	24.91238	24.38405	28.34146
Merchandise imports from developing economies in Europe & Central Asia (% of total merchandise imports)	4.695013	4.209117	5.322102	5.078701	6.642648	7.395634	8.8646	7.920844	9.322374	8.349465	12.78441
Merchandise imports from developing economies in Latin America & the Caribbean (% of total merchandise imports)	1.839468	2.798107	1.568633	0.999831	1.375214	2.3732	3.52309	3.455297	3.72696	3.532386	1.848916
Merchandise imports from developing economies in Middle East & North Africa (% of total merchandise imports)	11.37815	12.10173	10.47253	10.38244	10.29054	8.831559	11.18886	11.88414	11.33348	12.36976	11.42649
Merchandise imports from developing economies in South Asia (% of total merchandise imports)	1.101356	0.975348	1.220367	0.558427	0.999891	1.860003	1.826127	1.137458	1.290319	0.82693	1.276223
Merchandise imports from developing economies in Sub-Saharan Africa (% of total merchandise imports)	0.126014	0.048627	0.138169	0.170581	0.206704	0.15498	0.11658	0.076387	0.043366	0.03601	0.122176
Merchandise imports by the reporting economy, residual (% of total merchandise imports)	0.097032	0.154084	0.18671	0.186335	0.200924	0.17657	0.18769	0.18037	0.159106	0.115454	0.116931
Merchandise imports by the reporting economy (current US$)	4.25E+09	4.02E+09	4.42E+09	5.54E+09	6.16E+09	8.18E+09	8.80E+09	1.03E+10	1.30E+10	1.97E+10	2.12E+10
Merchandise imports from developing economies within region (% of total merchandise imports)	11.37815	12.10173	10.47253	10.38244	10.29054	8.831559	11.18886	11.88414	11.33348	12.36976	11.42649
Import value index (2000 = 100)	105.8487	100	110.1294	137.1578	152.8372	217.3967	278.447	256.2718	323.0214	490.443	526.8293

Table 6: General government final consumption expenditure

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government final consumption expenditure (current US$)	6.69E+09	7.06E+09	6.49E+09	3.21E+09	3.28E+09	4.36E+09	5.19E+09	6.04E+09	8.33E+09	8.66E+09
General government final consumption expenditure (current LCU)	3.10E+09	3.62E+09	3.93E+09	4.08E+09	4.20E+09	5.67E+09	7.00E+09	7.74E+09	1.02E+10	1.06E+10
General government final consumption expenditure (constant 2000 US$)		7.06E+09								
General government final consumption expenditure (annual % growth)										
General government final consumption expenditure (constant LCU)										
General government final consumption expenditure (% of GDP)	21.93932	20.82769	22.82508	16.17857	13.63412	13.07258	11.78838	10.7	11.6	9.3

Table 7: Tariff rates

Indicator Name	1999	2000	2001	2002	2003	2004	2005	2006
Share of tariff lines with international peaks, all products (%)				46.89644				0
Tariff rate, applied, simple mean, all products (%)				20.32				0
Tariff rate, most favored nation, simple mean, all products (%)				17.04				0
Share of tariff lines with specific rates, all products (%)				2.058319				0
Tariff rate, applied, weighted mean, all products (%)				25.14				0
Tariff rate, most favored nation, weighted mean, all products (%)				25.14				0
Share of tariff lines with international peaks, primary products (%)				39.51444				0
Tariff rate, applied, simple mean, primary products (%)				19.35				0
Tariff rate, most favored nation, simple mean, primary products (%)				15.74				0
Share of tariff lines with specific rates, primary products (%)				11.42738				0
Tariff rate, applied, weighted mean, primary products (%)				14.96				0
Tariff rate, most favored nation, weighted mean, primary products (%)				14.96				0