The Development of the Economic Performance in Libya during Period (1970-2010)

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Abstract—This article aims to clarify and shown the development of Gross domestic product and its contents which will lead to achieve a high economic growth levels, therefore; increasing in growth rate with national income, which will contribute with raising the consumer and living level of citizens in all country, as this article aim to clarify the development of total and sector economy perform, also the foreign trade, as what is the economic policy which had approached during the economic procession of country, by that; this study try to answer on these question and more with six parts, where it focus on the main characteristics of economy, the general economic performance, the foreign trade and payment balance, the workforce and populations, the total economic policy, and finally future aspirations of Libyan economy.

Keywords: development of performance \ economic sector \ Libyan economy.

1 Introduction

Libya is noticing many rapid economic and social developments since the middle of seventies lead to achieve a high growth economic levels therefore an increase with the income rates to contributing with raise the consumer and living level of citizens and expatriates who living throughout the state, all economic sector, the product and service ones had achieved a high growth rates to directly contribute with raise the total economic growth rate, as the different duration had also noticed a high growth rate though of the varying to aspects of the development and growth from the city to another as a result of the different of its resources and its economic and social conditions. But in these developments and the noticed economic achievements on each level the totally and partly, there will be a lot of question as in front of it: Is there any specific positive or negative characteristics had contributed with that development? Which are the sources of it? How did the total and sector economic perform had developed? How the outside trade of country had developed under its economic characteristics? How did the work market in the country have affected as a result of different economic development, and the effect of that on population? What are the economic policies which been followed during the economic march? And finally, what are the expectations of the country in the future?

Based on that, this study try to answer on all these questions and other by six parts which focusing on the main characteristics of Libyan economy, the general economic performance, the foreign trade and payment balance, the workforce and populations, the total economic policy, and future aspirations of Libyan economy.

1.1 The General Characteristics of Libyan Economy

Libyan economy is features with many main characteristics make it different of most of the economies of the development countries, as in front of these characteristics are: following the free economic system, depending on oil, depending on foreign man power, the small size of local market, and the geographical location.

Differently of many development economies, Libya had adopted taken its free economic system which depended on market system where the forces of demand been identifies and offer economic fundamentals which presented with prices and investment in economic sectors, production and services, and outside and inside trade without any mentioned interference of government side. In other word, it has been adopted an opened economic policy depending on the freedom of investment and trade in any field, as the private sector has the larger part in national economy where the government part was limited on put the total economic policy which reflex the general strategy of free economy. At this field it must be mentioning the great success of the free economic system comparing with other economic systems which been follow at the socialism state. Though the comparing between economic systems doesn’t come in the field of the study but the prove of that success is shown by the fall of the socialist systems in Russia and Eastern Europe and its adoption of free economic system instead of its old economic systems.

Notably; Libyan economy features with the large depending on oil where the oil and its derivatives formed the main element of state revenues which necessary to cover the general current and investment spending. Which is increasing since seventies, there is no doubt that oil revenues enabled the state of direct
spending on implementation development projects, production and services, and infrastructure projects (roads, ports, airports, connection, hospitals, schools and other) adding to its current spending on payment, salaries, selling of local market, providing supports, and transformation with no return in different fields, therefore; activating the private sector activities in all economic sectors, the thing that lead to rise the total and sector growth rates.

1.2 The General Economic Perform

To recognize the range and source the economic development that the state had noticed in the general characterizes of economy which been mention above, it must analyzing the development of gross domestic product and its components or sources which reflex the total and sector perform in national economy.

Gross domestic product presents general local economic activity which forming that product. The development of adding total and sector value as a respond on foreign and local demand on goods and local product services, in other word the following of gross domestic product growth and the development of its economic sectors from time to time reflex the general economic perform, the sector of national economy, and the range of the contribution of each sector in this product.

To account the real growth in gross domestic product and its sectors, as to remove the impact of pieces rises on economic growth, usually it been use reducers which vary from one to another sector with the different of prices and weights between them. But where there these reducers are not available in country in this time, it will be depending in this study on the nominal growth of gross domestic product and its components which depending on absolute numbers in ongoing prices.

The follower to the line of economic growth in Libya since twenty five years is noticing that it was able to achieving a huge economic achievements, that’s reflex the strong economic structure which presented with the rising of living stander and citizens and residents income in general, the development structure of advanced services in land, air, and maritime transport, communications, water systems, electricity and sewage, also industrial sector that quickly developing, and adding to that a commercial vital sector that supported by advanced banking sector.

Though the development march didn’t occur at the same pace since the middle of seventies but in some times there was a back down in general economic perform and economic sectors as a results of the changing and impact of outside and inside economic situation, the changes in world oil price had a direct and activity impact in local economic perform because of the large depending on oil revenues, as a result of that, national economy had noticed two special stages.

Which are: the rebound of oil price stage (1975-1984) and recession of oil prices stage (1985- until now).

In the rebound of oil price stage (1975-1984), total revenues of state had significantly increased, the thing that make it able to increase development and ongoing spending on different product and services projects which lead to achieve a very high growth rate in different economic activity.

Therefore; that reflex on general economic perform where gross domestic product had increased from (3,674,300) Billion Dinar in 1975 to (7,521,700) Billion Dinar in 1985 which mean a yearly rate of (10.5%) during that period, it’s the stage that including the period of the founding of the state and its development, economic, and social requirements. The truth that the oil had the big impact in this perform as a results of its large contribute in gross domestic product which was (22.6%) in 1975 to almost (80%) in 1985.

But we can’t ignore the development of other economic sectors except oil which also was in continuous boom where the gross domestic product except oil from (3674.3) million in 1975 to (8050.2) million in 1985, which mean a yearly rate of (10.8%), the development was obvious in building and structure, transformation industry, transportation and trade and government services sectors.

As a result of the noticed growth rates that been achieved, the general and private total consume had raised, from (25.909) million dollar yearly in 1998 to (26.415) million dollar in 1999, with rate (1.95%) yearly, where private spending formed rate (80%) of total consume, by that the rate of individual consume had developed from 4318 dollar in 1998 to 4402 dollar in 1999, with yearly rate (1.9%), as well as the gross of constant capital (general and private) had developed from (23,309) million dollar to (24,887) million dollar at the same time, where private investment had formed a rate (58%) of total investment.

As in recession of oil prices stage (1985- until now), the available data signing to economic growth rates that been achieved was much less of these which achieved in past stage, that was a result of the oil revenues decrease because of the vicissitudes of prices in world markets, and the world crisis and its impacts, adding to that finishing the main structure projects which had a huge investment at the first stage comparing with the development projects with a less investment at the second stage.

These developments show the rise of gross domestic product from (8050.2) million in 1985 to get to (54537) million dinar in 2005, with yearly growth rate (27.5%), at the same time gross domestic
product except for oil had developed from (80.5) billion dinar in 1985 to (177.75) billion dinar in 2005, with yearly growth rate (11.9%), adding to that this period had noticed a structure development in national economy, the most important ones are:

1- The contribution of oil sector in gross domestic product had retrograde to decrease from (46.7%) in 1969 to (17.8%) in 2000 the thing that reflex the growing of non-oil sector contribution, a result of adopting income diversification strategy with try to reduce the large depending on oil as one of the source of income.

2- All economic sector except oil had noticed a great development with relativity and absolute numbers the thing that lead to rise its contribution with gross domestic product from (53.2%) in 1969 to get to (82.2) in 2000.

3- The contribution of electric, gas, and water sector in gross domestic product remind stable comparing with the contribution of increasing of transformation industries, building and contracture, trade, and other services sector during period (1969-2000), but the contribution of transformation industry, electric, and water sector was necessary with larger way to come with the policy of diversification of income sources, so industry sector will be the popular in national economy the thing that signs to the inability of industry policy with achieving its aims as it suppose to.

In spite of these changes, oil sector still the biggest contribute in gross domestic product comparing with other economic sectors, which signs that the strategy of diversification of income sources was not able till now to change that fact, the thing that require a continue and hard work in that direction.

Also in spite of the slowdown of growth rates in (1985-2000) comparing with the period (1975-1985) but the total consumption (general and private) had raised from (25,909) million dinar in 2000 with growth rate (1.95%) yearly, and the private consumption had formed (80%) of total consumption, by that the rate of individual consumer had developing from (4318) dollar in 1998 to get (4402) dollar in 2000, with yearly growth rate (1.9%), as the gross stand capital (general and private) had raised from (32) billion dollar in 1985 to (24.9) billion dollar in 2000 where private investment formed almost (58%) of total investment.

1.3 Foreign trade and payment balance

The sector of foreign trade consider as the most important sectors in country, where national economy depend on him to in the national transformation with the residual world country in export and import.

The revenues of export is the mean source of hard coins which support the buying ability to export the demand of services and the necessary development and consumer goods of the total economic and social development process.

Under the large depending on oil in the national economy, oil exports formed most of the commodity exports in country, though the increasing of oil export revenues from (28.278) million dollar in 2009 to (44.217) million dollar in 2010, the rate of total revenues contribution was in continue decrease since the middle of seventies where it decrease from (88.6%) in 2008 to (84.6) in 2009, that’s back to the structure changes that national economy noticing at the first place, as the local economic development which came of diversification policy in income sources make economic sectors except for oil to be able to continue develops its exports where its rate in the total exports was from (14.3%) in 2009 to get (69.9%) in 2010. Also lead to increase the activity of re-exports therefore developing its contribution in goods exports from (14%) in 2006 to (69.9%) in 2010.

In spite of these developments, the revenues of oil sources remind the main contribution with covering the imports bill which continues increasing according to the economic and social increase that country noticing. Oil exports with the non oil exports and the re-export to achieving a continue surplus in trade balance of country reached highest level of it in 2007 where it get to (19,827) million dollar even if that surplus disparity from year to year because of the vicissitudes of oil price therefore instability of the proceeds of oil revenue.

There is no doubt that the rest stay of payment balance items which shows the country transactions with the outside world of export and import of goods and services, and transformations without return of capital movement, directly effecting with export revenues, as the oil come in the first place where the deficit in the balance of services and transfers been cover with no return from the surplus in the trade balance.

The general situation of payments balance in any year the net change in balance of cash sector, reserves, and the related items in that year, by shown payment balance data during period 1970 to 1986 it showing that Libya had achieve a pure increase in reserves of gold and foreign coin almost 1321 million dinar during that period, as the gross surplus amount which achieved in payment balance
in different years during study period almost 5031 million dinar while the gross deficit amount which achieved in some years of the same period almost 3710 million dinar, that’s according to what available data shows about Libyan payment data [table (1-1)].


The surplus which achieved from payment balance of different years back to the surplus that achieved in continue balance during that years, by its role it did positively reflex on the situation of current account process in payment balance. In 1970 the surplus of current account process reached 229.7 million dinar and surplus of capital account reached almost 70 million dinar which reflex on the general situation of payment balance in 1970, as it record surplus reached almost 240 million dinar.

As in 1975 and as a result of oil exports decreasing during that year and the low surplus of trade balance comparing with 1974, the payment balance shows estimated deficit of almost 479.8 million dinar.

By looking at the data of 1980 we noticing the obvious improvement that came to the general situation of payment balance in Libya, as the current account processes a surplus as much as 2473 million dinar, as a result of the surplus that been achieved by trade balance in that year which almost 3419 million dinar. That surplus was 550.8 million dinar in 1975, that’s means the surplus of current account processes in 1980 made an increase with rate 520% as for 1975.

This improvement in current account processes came with achieving a surplus in payment balance about 1903.2 million dinar in 1980, that value formed rate increase in surplus value about 692% in 1970, and rate increase 496% in 1975.

The austerity policy that Libya had taken and rationalizes of spending had an obvious positive impact on payment balance during eighties, in general, in 1985 payment balance had achieved a surplus almost more than 690 million dinar, that surplus been achieved in spite of the sharp low down with oil prices and determination of crude oil production, by Domain organization as a result of the crisis that experienced by the world oil market. It must be mentioned at the same context that the continue of surplus in current account therefore in gross balance of payment balance allows the continue with securing a reasonable reserve of hard currency the thing that can safe on value and power of dinar in front of foreign currency subsequently achieving the aim of cash policy in this field.

1.4 Workforce and population

After the study of public economy perform and foreign trade sector, there is an important question which is, what are the sources of economic development which achieved in country till now? It’s known that main produce elements are earth, capital, workforce, and technology management. As it’s known that earth with its natural resources and capital came of oil revenues are available elements in Libya, but there is an obvious missing in workforce, skilled and unskilled, also the technology.

The cause of that back to the less of citizen population subsequently less of national workforce, the thing that calls to bring the required labor from abroad to facilitate the economic development, to work on different development, product, and service projects, and to imports the necessary technology to finishing all product elements.

Therefore, with the beginning of the development march in the beginning of seventies, the imports of foreign worker started in various terms of reference and skills that needing to work in development projects, offices, and general and private institution, so the workforce number had developed in state from 434 thousand in 1970 to 780223 thousand in 1980 to get to 1780710 million in 2007. As available studies and estimates show that national workforce present only (90.6%) of total workforce in country, in front of (9.4%) of foreign workers.

Based on the most important element of work in the product process subsequently in national economy, the state had focused on investing in learning, training, and qualifying programs, to increase the number of qualified citizens to entering work market with different needing term of reference to replacing it with foreign workers and encouraging woman work. So the contribution of woman in workforce in Libya had developed from (18.6%) in 1980 to (22.1%) in 1999.

In spite of that hard work and the program that came with the development plans since seventies, it didn’t achieved all its aims until now which calling to intensified it and expansion it to that direction.

As for the sector distribution of workforce in 1990, the transformative industries sector had taken the largest number of workforce comparing with other sectors where worker rate in that sector had get (4.6%) of total set, came next to it from the important rate the extractive industries sector with rate (19.8%) then agricultural sector (6.7%), and that distribution reflex the development in national economy according to the data demand and show in work market the thing that in line with the growth of local demand on product of trade, building, general services, and transformative industries sectors.

As an absolute result of the increasing of foreign workforce numbers, the total population number in
The country had grown from (2 249 237) million in 1973 to (3 642 576) million in 1985 to get (5 657 692) million in 2006.

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place because of brought foreign workers and their family adding to the natural increasing in population citizens. It’s obvious that there is a great disparity between population citizens number and foreign in country the thing that called to correction according to requirements of economic and social situations. The truth that in spite of the hard work that’s been spend on different levels in that direction, there still a need to more work and effort to achieving the needed aims.

It should be noted in this context, the increasing of workforce subsequently growth in population had a direct effect on the general spending development with its two part, the current and development, as gross general spending had rising from 8015 million in 20000 to 16848 million in 2007 to get 23295 million in 2009, that’s back to the positive relation between population and general spending. The increasing in population lead to growth local demand on different services of transfer, connection, health, and education …etc, which need to expansion it and increasing the investment in it by rising workers, and increasing purchases of goods and services, therefore that will lead to developing gross general spending. There is no doubt that will add another factor that support to correcting the mistake in population form.

### 1.5. Total Economic Policy

According to what been mentioned before, it came to mind a question: what is the economic policy that been followed to achieving those achievements?

General economic policy of country goes from the principal of achieving well-being of living of the citizen by using best economic and financial available sources, that’s why the development, total economic and social strategy been applied. It is reviewed and updated in line with the developments local and international regional economy and according to the public economic benefit of country.

The total economic policy which aimed at the first place to achieve a high growth rates on two levels, the totally and partly, includes a set of sector general policies,
in front of it, as it been mentioned, adopt a policy of free economy and diversify sources of income policy. Adding to that it’s been applies a number of general policies as the most important are: financial, monetary, trade, investment, and privatization policies.

1.5.1 Financial Policy

The important of financial policy come from its direct effect on economic activity and total economic and social development process with what serve the general strategy aims of economic policy by public spending, the current and development, and general revenues of country. Financial policy usually tries to balance between revenues and public spending so general arbitrage did not suffering of financial inability that decrease with other economic policy. As for one hand it try to increase the general revenues of country to be able of covering the increasing financial demands, from other hand it direct to minimize public spending where that doesn’t impedes the development march generally.

By showing the data of general strategy of state, it shows that the recovery period of oil prices (1975-1984) was noticed a yearly financial surplus where the revenues had increase on public spending of state, while the recession of oil prices (1985-till now), it suffered from a yearly growing fiscal deficit as a result of expenses increase and fluctuation of general revenues. As it known, oil revenues still form most of country revenues though of the efforts that aims to increase non-oil revenues which proceeds from duties, customs, and some other taxes. Also in spite of the strenuous efforts to rationalize public spending, the current and development, expanses still in continue growth as a result of the increasing of financial burdens of state which presented with spending develop on different projects, salaries, payments, purchases of goods, services, helps, supports to different sectors, and economic activity. It worth to mention that in 2000, it been adopt a new financial system to manage public expenses which depending on efficiency style with using resources instead of whole development style that in aim to rationalization expenses and increasing its activity. Available data pointing that financial inability had back down from 2718 million in 2006 to 661 million in 2009 though of the growing the public expenses, as mentioned. That was to increase the general revenues from 35863 million dollar to 34412 million dollar because of the oil and gas revenues accelerated markedly from 44217 million dollar to 51949 million dollar at the same years, as a result of oil prices and demand rising in world markets in 2000, as mentioned.

From that it shows that the main reason of that inability is public expenses increasing adding to depending on oil revenues which effecting with oil prices reversal in world market. So that the call here to continues with public spending rationalization and at the same time diversiform income sources with diversiform product based which allows general revenues non-oil increase.

1.5.2. Monetary and Credit Policy

The country has adopting free monetary and credit policy goes fit with following free economic system and with the aims of general economic policy. Monetary policy aims to preserving on the power and rate of Dinar spending in front of foreign currency, that’s by following credit policy seeking to meet domestic demand on credit and foreign currency by stimulate economic activity and encourage private investment in various sectors. As monetary policy aims organize banking sector to raise the efficiency of its performance by specific rules and regulations of reserve ratio, benefit prices, and credit ratio. So it been able to find development and very efficiently banking sector, keep on economic balancing in national markets by regulations local liquidity, and line with progress world banking system.

1.5.3 Trade Sector

Libya adopting the free trade sector which is the most important pillars of following free economic system since the establishment of state. That policy aims to freedom foreign trade of state without forcing any impose any quantitative restrictions or technical on imports, while it levied on it a very low customs duty doesn’t exceeding with its gross 4% at present. Also doesn’t levied any technical, restrictions, or customs constraint on non-oil national exports but try to develop it by diversification of sources of income policy and minimize depending on oil resources. Under the world direction to open international markets and canceling technical, restrictions, or customs constraint on trade transformation between countries in aim to freedom world trade, the country had joined to the world trade organization (GATT Previously) in March 1996 to be an active country in new world system. And according to the membership in the organization requirements, the state had presented tables including obligations and customs privileges which will be awarded in various economic commodity and service sectors. It should be noted in this context that the studies and reports prepared for the economic impact of the state's accession to the organization pointing to the superiority of positive impacts on negative impacts.
in various economic sectors result to that.

1.5.4 Investment Policy

In line with the general economic policy which aims to diversification of income sources and product based, country adopting investment policy encourage investment of private sector, strengthen its development responsible, and encourage foreign investment by presenting facility investment, incentives, and various exemptions for investors.

As for example, building industrial areas and free areas in Libya and what presented of advantages for investors. But it should mention at the same field that there is no investment strategy that clear-cut as for what related with attract foreign investment.

Adding to that, the investment policy applies economic principles program (office) in country which accounting as program aims to help transformation advancing technology and specialized expertise to take advantage of it with developing service and industrial product base and training and qualifying for investors.

Also it been established Libyan Arab Foreign Bank according the law number (18) in 1972, to do all banking business and financial process of development projects, including business complementary or associated required by banking activity, development, or financial.

In line with electronic and technology development in world, investment policy in Libya focusing on development information technology in various economic activity.

1.5.5 Privatization Policy

From the principle of the importance participation of private sector in the total economic and social development process and strengthen its economic role generally, the state started to customizing some development projects which owned by selling it to citizens in private sector.

There is no doubt that privatization policy is facilitating the employment of the savings of the private sector in the national economy, rather than direct them to the outside by providing the opportunity for young citizens of investors to invest in industrial projects and services in the state, which increases their participation in the development process.

Projects been customize on stages that its period are different from project to another according to its economic features, where until now it’s been customized many successful industry projects which following to public institution of industry, as it’s been customize electric and water sector, and there is plans to customize that sector in son future, to achieving the general aims of customizing policy, the state try to minimize its contribute in large development projects to encourage the private sector to investment on it.

1.6. Future Economic Aspirations

According to above there is a question which is: what are the future economic aims of country, and what are the requirements of economic policy which must be provided to achieving these aims?

1.6.1. Future Economic Aims of State

1- Achieving standing growth rates and higher the before in all product and service sectors.
2- Strengthen and deepen the process of diversification national product base in economy by focusing on develop promises industries that depending on capital intensity and development technology.
3- Directing to new economy standing on knowing modern technology by focusing on develop information technology, connection, electronic trade, and modern technical education.
4- Giving private sector a large economic role.
5- Developing the development skills of Libyan workforce by education, training, and qualifying to rising its production and use it with perfect way.
6- The establishment of an environment rich in information and scientific research to promote scientific knowledge and technical skills.
7- Encourage excellence in the tender administrative, industrial and initiative in making investment decisions and reducing rentier mind which standing on rapid profit and individual narrow view.
8- Encourage economic partnership between general sector and business men.

1.6.2. Economic Policies Requirements

1- Putting long term economic strategy building on future economic vision of state where it detriment total and sector aims of state clearly, grounded on development scientific and technical capacities of citizens by increasing investment on education, training, and qualifying.
2- Developing information technology and using it in all economic sectors especially in education, connection, trade, and government sector generally.
3- Developing national economic management to canceling duality in institutions tasks, rising production level, and adopting modern, flexible management systems adapts with the international and regional changes.

4- Developing the industrial awareness to increase private sector investment in productive and services industries, reduce production costs, and enhance competitiveness in the domestic and external markets.

5- Adopting new policy of immigration depending on “Pick expats” principle where it give priority to expats with progress technical skills to help rising technical level of national employment and facilitate the replacement of expatriate employment of qualified citizens on long term subsequently that will contributing with trying to defined on the problem of the imbalance in the population structure.

6- Adopting programs to developing the spirit of organization and Initiative in free business by focusing on making joint investment companies and creating incentives to support activity in creative field in private businesses.

7- Putting new strategy, clear-cut, to track foreign investment focusing on bring progress technology and create jobs to employ and train citizens on world technical skills in product technical, management technical, and making choice.

8- Support and encourage scientific research activities on level of all service and product sectors to developing product ways, staffing the imports technology, and adapted to the prevailing economic conditions of the state.

9- Unlock the potential of the private sector through its support and enhance the development role with better way.

10- Encouraging making join projects between general sector and business men by putting policy handling with that as a part of future economic vision of state.

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