

THE LIBYAN EXPERIENCE OF FOREIGN DIRECT INVESTMENT

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ABSTRACT

In spite of many reforms have been taken to attract more FDI in the Arab countries, This countries still compare poorly with other developing countries, like Mexico, Brazil, Hong Kong and Singapore. This countries attracted US \$ 10.78, 10.1, 13.56 and 11.41 billion respectively in year 2003. Meanwhile the Arab countries as a whole attracted US \$ 8.6 billion or 5.01% of the total FDI in the developing countries and 1.54% of the total world FDI in 2003. Furthermore the total FDI flows in the Arab countries during 1992-2003 were smaller than the FDI flows in China (US \$ 53.5 billion) in year 2003 only. On the other hand the investments between the Arab countries in the same period were very small since it reached US \$ 20.7 billion or 44% of the total FDI flows in the Arab countries during (1995-2003). So the purpose of this paper is to review and analysis the Mechanisms for FDI Flows Motivation in The Arab Countries, Libya is not an exception, although it enjoys an excellent location on the Mediterranean Sea of 1200 KM shore and moderate climate. Many foreign companies also were attracted to invest in Libya for other vital reasons , such as low cost of energy mainly electricity and fuels , low cost of labor and security , but all of these elements could not make Libya as a good example neither to promote it's private sector nor to benefit from high tech in a successful way. The bulk of FDI projects centered in limited areas and has a limited effect on unemployment. On another aspect Libya issued a package of lows literally encourages FDI , but those lows needed better application and understanding from various institutions of the financial sector , nor the less is the need to modernize banking and financial sector in spite of frequent collaboration visits from World Bank and IMF to The Central Bank of Libya and other institutions such as ministries of finance and economics since 2005 , those visits were useful but in limited scale. The state owned economics usually has it's shortcomings in a country that private sector represents only %6 of GDP. This paper will focus on the aim of both parties the Libyan state interests and foreign companies that interested to invest in Libya , Libya always has tremendous capacity of funds but the need is always to verifying the economic activities and enlarging private sector through importing industrial and Hi tech experience. Prior to the popular upheaval in 2011 the Libyan state has been very cautious to open the door to many Western companies to invest in Libya as well as many Western countries rejected the idea to invest and strengthening Libya under the rule of Gaddafi neither was many of Libyan capitals saw any safety to move their capital to Libya. In coming chapters we will have an idea how Libyan state under Gaddafi rule tried to attract some foreign companies including from United States and how these projects affected the economy of Libya. We will also see some future aspects of FDI under the Libyan upheaval. I quoted an official economic report from the Ministry of Economics And Investment in Libya in 2010 where we will make some remarks in coming chapters. Libya witnessed developments particularly in recent years compared to the previous periods where the State has paid attention to this aspect of its considerable impact in raising growth rates and supporting the national economy and exploit available resources to provide job opportunities for Libyans and especially to attract the largest companies and institutions interested in this aspect, for its part, the State has worked in recent years to develop all the principles and measures that increase the growth of this activity within the laws , decrees and encouraging FDI.

How Libyan Government Describes It's Economy

Here is an official report published in 2010 describing the welfare of the state; (Libya is now one of the most important States to increase the level of qualification and the development of national elements and raise its efficiency, knowledge transfer and resettlement in the national economy as well as on the application of development in various regions of Libya the state tries to diversify sources of income. The current situation of investment:-as a result of some developments in the laws and regulations governing investment in Libya to serve the public interest and all areas which aims primarily at promoting capital investment and foreign investment projects within the framework of specific and conditions of investment in Libya through the growing economic indicators compared to the previous periods, especially with a mechanism to apply the necessary investment and give priority to investors and visas for investors by establishing a specialized Center for receiving applications open and establish investment projects in all areas single window).

The Current Situation Of Investment In Numbers:

Number of requests for the establishment of investment projects during the period from the year 2009 to the end of 2010 (154) in various fields. The number of applications approved (136) in various areas of investment. The total number of investment projects (under implementation and operation – under construction) during the period from the year 2009 to the end of 2010 (154) in various fields.

Total number of investment projects between 2003 -2010 -

Total number of workforce		Total costs	projects	Project status
Aliens	Libyans			
15926	52810	25,038,356,386	352	In operation
10811	29437	34,479,808,828	148	Under construction
26737	82247	59,518,165,214	500	total

Source: Ministry of Economics and Investment
Libya 2010

Aspects Of Investment In Libya

Foreign investment in Libya significantly during 2007 after inter laws adopted to encourage foreign investors to implement dozens of investment projects, either by foreigners or in partnership with the private sector. Over the year 2007 form of foreign investment in Libya about 95% of investment costs.

According to the experience of economic and investment houses, in their reports, that Libya has the specs of what makes it one of the best climates and promising areas in the Middle East in terms of investment climate, adding that the overall political, economic and social conditions and in Libya generates confidence and stimulate the flow of investment, and said that that country has huge economic potential, and not only the endowments of riches but work on its development and exploitation. It also recruited a lot of effort over the years to provide various investment attractions of the sophisticated infrastructure and economic plans and budgets measured contributed to sustained growth and balanced, as well as the fundamental quality developments involving the legal system towards serving the investment attractions.

Thanks to all that have become an attraction pole Libya began its features are evident through the rapid escalation in investment figures and indicators. Libya has embarked on several measures and new economic legislation to open the door to foreign investment, and by promoting active participation with the public and private sectors, so as the size of these investments over the past year approximately five billion and 600 million Libyan dinars, equivalent to 56. 4 billion dollars since the country opened to foreign investment in 1997.

The number of foreign investment projects under implementation 169 projects total costs are estimated at 14. 17 billion Libyan dinars (14 billion dollars) and foreign contribution 13. 83% and the rest for local contribution. Investment projects became operational, amounted to 55 projects, including 32 projects in industrial and 12 classroom projects and 8 health projects and agricultural projects and tourism projects. The number of projects under construction 59 projects, including 39 projects in industrial and oil refinery project and five service projects and four healthy and 10 in the area of real investment

Sources say the Libya investment authority that these projects will provide jobs for 196. 24 thousand people including 135. 19 Alpha to the Libyans by 77% of employment, and that Libya encourages investors to develop tourism projects, particularly on the Libyan coast, and have been more than 180 locations and offer to foreign companies as investment opportunities in the country.

Source confirms high contractual volume in the number of tourism projects funded by local and foreign capital in Libya, according to the statistics, presented by the tourism development department, those projects amounted to 20 local and foreign investment projects and jointly valued at more than \$ 4 million, showed that more than 50 foreign and local companies to tour Development Department for investment sites to implement different projects concerning tourism.

About the advantages of investing in Libya sources say that laws designed to encourage investment in Libya, through regulations the rights of foreign and local investors engaged in the investment partnership, across many advantages including:

Exemption from all customs duties and taxes resulting from the supply of machinery and equipment and movable assets required by the project, as well as other taxes with similar effect **Investment projects over the years** (million Libyan Dinars) 1 lyd= 1.32 \$

Year	Number of projects	Total costs	Total costs MN lyd	National employment	Foreign labor
2003	1	256000000	256	360	100
2004	11	139453008	139	1459	177
2005	25	449888928	449	1719	277
2006	33	427248876	427	1492	173
2007	36	6734330501	6734	7361	2801
2008	59	1801748663	1801	4627	640
2009	106	11648333472	11626	20076	4126

2010	85	3913546843	3,913	16778	7455
Total	352	25038356386	25038	52810	15861

Source Ministry of Economics , Trade & Investment Libya , annual report 2010 *The*

Total Number Of Investment Projects Under Implementation, Which Entered From 2003 To 2010

Areas of investment	Projects under implementation	Projects entered the running	Altogether the
Industry	69	79	148
Tourism	36	63	99
Services	21	37	58
Health	7	11	18
Agricultural and livestock production	9	6	15
Real estate investment	13	1	14
Total			352

Source Investment Board, Libya 2010 .

Other similar exemptions for a period of 5 years granted to the supply of raw materials and spare parts and the additional equipment needed to run the project. Exemption from income tax on his activity for a period of five years from the date of commencement of production or work depending on the nature of the project. This period may be extended for another three years, and enjoy the profits from the project activity in the same previous exemptions if invested. A project in parts or spatial development which contributes to food security or used equipment will achieve abundance in energy or water or contributes to environmental protection with the additional exemption from customs duties and income tax according to the decision of investment promotion. Exempt from stamp tax assessed on invoices and other business documents. Export-oriented goods exempt from excise tax and duties and export taxes when exported. The law provides sufficient protection for all investment projects against extraordinary measures like nationalization or seizure or confiscation or forcible imposition of custodianship, reservation or freeze or subjected to any other measures having the same effect only by law or by a court judgment and in return for fair compensation according to the market price in foreign currency convertible within a period not exceeding one year. Includes foreign investment in Libya several sectors including industry, agriculture and tourism and transit trade «transit» and the service sector. Rights and advantages to the foreign investor in Libya: Investor has the right to convert free profits from the operation of the project. Operation of foreign labor in the absence of national alternative.

Long lease of land required for the construction of buildings and production facilities for the project. Opening and operating bank accounts in convertible currencies in domestic and foreign banks. Delivery of all supplies and project needs from abroad. Export of parts of, or all of the goods produced by the project in accordance with the contract terms. Conversion of capital invested in cases when the life of the project or filter. Or sell part or all of the project.

End of the period necessary to begin implementation of the project «6 months ago». The factors that encourage investment in Libya's political and economic climate, an important strategic site, having trained and qualified employment and competition, availability of cheap energy, abundant raw materials, and provide a distinct service industries, investment support institutions such as research centers and consultancy offices, chambers of Commerce and specialized commercial banks».

Allowed Investment Activities

Transportation investment as the creation and management of airports, handling service, catering and ground services at airports. Create highways and include the establishment of subway and railroad tracks, build, develop and port operation in partnership with Socialist Ports Corporation. Investment in health, such as the establishment of hospitals, laboratories and diagnostic analysis centers, pharmaceutical industry, medical industry, manufacturing and maintenance of medical equipment.

Investment in education, such as universities, colleges, training centres, schools and institutes. Provided they approaches, testing «» examinations of competence education in Libya. Investment in the industry as cement, sanitary, electrical, household items, plastics industry, leather industry, feed industry, grinding and packing flour in partnership with the private sector, the food industry, in partnership with the private sector, mechanical industries, chemical industries, manufacturing and maintenance of fishing equipment, manufacture of school supplies, machinery and equipment, spare parts, iron and steel manufacturing, waste transfer.

In agriculture, such as growing crops for food, feed, poultry mothers stations. And other investments in multiple areas. Investment in the field of fisheries, such as aquaculture, conservation and fish canning. In the area of tourism, such as hotels and resorts, resorts, tourist facilities management, establishment of pleasure craft, create recreational facilities, establishment of tourist apartments and houses.

In the area of public utilities, such as the establishment of residential houses and apartments, and the development of domestic gas networks, desalination plants, treatment plants and sewerage, waste recycling plants and garbage.

In the last two years, increased private sector investment in various areas of trade and economic development in Libya significantly, the increase in private sector investment 30% in 2007, and of the private sector investment; health, education, tourism and food ration and commodity import, cars, construction, information technology, banking, and the proportion is expected to double private-sector companies to 60% in 2010.

Investment Obstacles

Despite the announcement by the Libyan authorities on several occasions for progress in the field of foreign investment experts in the field felt that there are major obstacles stand in the flow of investments into the country, most notably the ambiguity of the political situation, low banking, increased administrative and financial corruption. Libya under jamahiry state produced some ambiguity that many states and major corps specially in the West felt that there interests were at risk.

The political map of Libya produced two faces in Libya, one as the official part of it which is the government called The General Peoples Committee and the parliament called The General People's Congress the other strong face of Libya is The Leader Gaddafi, his sons and the circles surrounding those actors, conflict of interests and disputes among the two faces of Libya is always the case. Some foreign powers specially Italy, Turkey South Korea France China, Russia and to some extent UK,

USA and Canada tried to play some role in this environment, helped by Saif alislam Gaddafi and his modern view to embrace foreign cooperation and encouraging Western nations to invest in Libya. These combination also faced by the following

1-Combating administrative corruption in all its forms and by various methods and deterrent penalties for offenders because the costs are very high on the national economy as a whole, even regardless of the foreign investors, which will have a total investment cost and would be the leading causes of the sizes of other potential investors.

2-Advertising and promotional efforts for investment at home and abroad and media competence of responsible investment, providing viable investment maps update periodically and creating databases to provide investment information, and multimedia, especially with regard to websites must provide complete information and modern all investment opportunities and resources that may interest the investor, and be concentrated and supports these efforts in investment promotion agency.

3-The Department needs to stop serious reform and development of human resources, methods, and tools, especially those that deal with third parties that are first dealt with by the foreign investor, to get rid of poor management as the complexity and length of proceedings and the multiplicity of ratified.

4-Public authorities should guide and support banks and financial institutions that offer their services at a level comparable to the universally agreed in such institutions, in terms of funding methods and the clouds and the conversion and filing and the lifting of restrictions on the freedom of movement of funds to and from the Libyan financial institutions.

5-The competent authorities in respect of investment when foreign investors are bound to need a local partner, they should be appropriate partner selection criteria and conditions that must meet to be appropriate for the foreign partner and not be disabled for the success of the investment project.

6-It is important to facilitate visa procedures for individuals working in investment projects and labor necessary for the conduct of work.

CONCLUSION

On the bright side Libya has made significant progress in a bid to attract foreign investment the development of Banking act of 2005, which allowed the entry of foreign banks for the first time in the country, and put plans for the introduction of Islamic banking. Enhancing the Libyan stock exchange since reopening in March 2012 to attract more foreign investors to trade stocks after that close during the war, they see the need to ease the rules for bringing money into the country. This is a real and important issues, and there is real confidence to investors, there must be a long period of stability and lasting evidence that these problems have been addressed and will remain part of the past.

The focus should be on education and vocational training and attractive areas for professional employment of foreign investment projects, particularly in the medium levels of education or training courses and intensive employment in the areas of work of certain required in investment projects in order to achieve one of the main objectives of FDI and the alleviation of the unemployment problem.

International oil companies were the first to have returned to the country after the revolution, which helped to restore oil production to levels that existed before the war, amounting to 1.6 million barrels a day. However, this recovery remained vulnerable to setbacks, in the month of July, about half of the Libyan oil exports power to pause after protests by groups demanding more autonomy in eastern Libya. Libya aims to raise that rate to 1.8 million barrels a day next year, and to reach 2 million barrels a day by 2015. And is projected to increase export capacity when completed by 100,000 barrels per day. In the month of July last, the International Monetary Fund predicted that the Libyan double gross domestic product this year, after shrinking by 60 per cent last year, supported by reconstruction efforts and edit next demand by the private sector, which has been subjected to repression, the country's educated population and a huge industry in the oil and petrochemical sectors.

The General conclusion drawn from this is that Libya despite having clear potential to promote and be a member of peaceful, democratic and prosperous country in the international community, much remained to be done to restore stability to the current security situation, the most pressing priority for the new Government to stabilize the security situation, by disarming the militias and allow them either to join the fledgling Libyan armed forces or help them find productive work.

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