

## Ten key points about Libya

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### 1 *Considerable natural potential*

A member of the **Organisation of the Petroleum Exporting Countries (OPEC)**, Libya is the second largest exporter of crude oil on the continent after Nigeria and before Algeria, with 41.5% of the continent's proven reserves. Tripoli, which produces 1.7 million barrels per day, aims to increase its production to 3 million barrels per day between now and 2012. For some years, Libya has also wanted to double its efforts on the extraction of gas, which has lain unexploited for decades. The country has the second largest reserves in North Africa, with nearly 1 400 billion cubic metres of gas. The **National Oil Company (NOC)** has launched four invitations to tender between 2005 and 2007, the last of which dealt exclusively with gas, putting 41 plots on the market with a surface area of 72 500 square kilometres.

## 2 *Promising human potential*

The population of Libya was estimated at 6.17 million in 2008. Between 2007 and 2015, the population should increase by more than 1 million. The ports of **Tripoli**, the capital (2 million inhabitants in 2003), and **Benghazi** (650 600 inhabitants) are the two main urban areas. More than half the population is concentrated in these two cities. GDP per capita was €6 210 in 2007, which makes it one of the richest countries in Africa.

The statistics indicate that Libya has reached an important milestone with a total rate of school attendance of % in 2006. Despite this, education and training have yet to reach international standards.

## 3 *A country returning to the world stage*

The UN Security Council and the EU finally lifted sanctions on Libya in September 2003 after having suspended them in April 1999. All the embargos have now been lifted. The removal of Libya from the American blacklist of terrorist states on 15th May 2006, the settlement of the Bulgarian nurses fiasco in July 2007 and the reparations for the victims of air bombings awarded at the end of 2008 have marked the reintegration of Libya into the international community. It has normalised relations with the EU and has also triggered negotiations with the EU and the USA towards a Fast Track free exchange agreement, **Trade and Investment Framework Agreements (TIFA)**.

## 4 *Economic indicators on the rise*

The return of Libya to the world stage since 2003 brought about an acceleration in economic growth: 5.6% for 2003, 3.9% for 2004, 4.3% for 2005 and 7.3% for 2008 after virtual stagnation of GDP in 2001 (€38.3 billion). Libya runs a trade surplus, with oil prices at historic highs in the last few years. Thanks to exports, the balance of trade has reached €2.3 billion, or 23.9% of GDP.

In its 2007 report on Libya, the IMF highlighted the solid base of the Libyan economy, which contributes to its economic and financial stability.

## 5 *Oil: engine of the Libyan economy*

Oil production of 1.7M barrels per day in 2007 and 2008 in Libya has made the country one of the richest in Africa (GDP per capita reaching 10 200 USD in 2007).

The IMF has highlighted the exponential growth of Libyan GDP (56.1 billion USD in 2007), which ran at 5.8% in 2007 and 7.3% in 2008. Even if this growth is primarily fed by oil, in 2007, for the first time, other sectors outstripped overall economic growth with a figure of 9.6% in 2007 against 5.6% for the oil sector.

## 6 *Increased foreign presence on the energy market*

With the oil rigs back in action, after having been more or less maintained during the era of international embargos, the foreign oil companies are returning in force. Libya is a very competitive market now, with more than 45 foreign companies compared to only 10 some years earlier. In the gas sector, the major countries are placing their markers: **Libya is within touching distance of Europe, which consumes a lot of gas.** In 1999, when the UN and European sanctions were lifted, the Libyan state oil company, the **National Oil Company (NOC)**, and the Italian oil and gas group ENI, which has operated in the country for 50 years, began the construction of the **Greenstream submarine gas pipeline**, which has been operational since 2004. In May 2005, Shell obtained gas exploration rights in the gulf of Syrte of an area of 20 000 square kilometres. Two years later, BP obtained identical rights of an area of 54 000 square kilometres.

## 7 *First fruits of economic modernisation*

The encouragement of the private sector and the market economy, the privatisation of public enterprises, the establishment of a stock exchange as well as the decision to become a member of the World Trade Organisation (WTO) and cooperation with the IMF, constitute the main points of reform enacted as part of this economic policy. Libya also wants to increase the movement of trade in the country and the appeal to foreign investment.

Imports are no longer confined to the State. The representation bureau, subject to decree 8 of 9th January 2005, plans the delivery of an order with the name, profession and postal address of the courier. The company must pay a registration tax of 25.00 EUR. This accords the investment project a 5 year licence, with the possibility of a 3 year extension. This law also enables partnerships between Libyans and foreigners (with no limitation on foreign participation, except those concluded with State-owned companies and the banking sector). Ultimately, foreign investment projects are free from the main legal obligations that govern the activities of Libyan companies. Efforts have also been made to improve the performance of public administration by instilling a culture of respect for deadlines.

A one stop shop has been created by the **Libyan Foreign Investment Board**. It provides numerous services to facilitate the establishment of foreign companies.

## 8 *Support for a vast investment programme*

The investment budget, which came into effect on 1st January 2008 (€18.8 billion), targets urban infrastructure, transport, housing and social spending (health, education and training). An investment project traditionally takes the form of a joint venture with the obligatory participation of a Libyan partner. The native partner can be an investment fund, a businessman or the government. In the hydrocarbon sector, four rounds of public bids for exploration fields have introduced forty foreign operators from around the world to the market and enabled the revival of investments in 2007 and 2008. This will maintain the production of hydrocarbons and increase it from 1.7 to 3 M barrels per day by 2013, which will require investments totalling 30 billion USD.

## 9 WTO Candidacy

Since 2003, numerous legislative measures have been taken in order to align the economic environment with the requirements of the WTO, whose General Council accepted Libya's application on 27th July 2004. Negotiations are ongoing. The new measures facilitate the implementation of economic liberalisation and partial privatisation of the Libyan public sector.

## 10 Aim to bring infrastructure up to standard

The 2008-2012 Plan accords large infrastructure projects a provisional budget of 100 billion Libyan Dinars (€51.3 billion) over five years, or more than 60% of the State budget. Added to this is the investment budget of €15.2 billion in 2008 (€12 billion in 2007). The country wants to improve infrastructure, transport (air and land), telecommunications (extension of landline and GSM networks) and electricity supply (increase of generating capacity from 4 500 MW to 10 000 MW by 2020).

## Code of Conduct

### *How to act during your first meeting.*

**Do not ignore the following advice. A first business meeting always starts with a handshake. To start the discussion and establish a relation of mutual trust, it is useful to talk about the news or even the weather. Libyans are naturally hospitable and have a habit of mixing trust and friendship in their business relations. Even if a negotiation is not concluded, mutual trust that was established will most probably last and may even serve for other negotiations. Be careful nonetheless to find the right intermediary and to have evidence of his credibility. It is thus important to do some research and take the time to find the right person.**