

Libya Economic Profile

Libya is renowned for its investment in ambitious major projects, most notably the multibillion dollar Great Man-made River (GMR) ongoing for some two decades. This project, designed to draw water from desert aquifers for use by the major urban population centres, faced obstacles in the past year when its South Korean contractor pulled out, but is now back on course with the appointment of new partners. The UK's Halcrow Group and Nippon Koei UK are currently working on phase 3 of the project for new pipelines with tenders not due to be issued until 2004. Possibly joining the GMR is a proposal to build a North Africa railway network link, which Libyan officials were reportedly expressing interests in December. The plan seems to be to construct two tracks, one running east to west linking Libya with Tunisia and Egypt, and another north to south passing through the Sahara to link up with Chad and Niger. As yet the scheme's status is unclear with no costing or time scale available.

Overcoming Past Obstacles

Disputes at root political level have obstructed Libya's international economic and trade relations over recent decades, manifested most clearly in the imposition of economic sanctions which have had a wide and adverse impact. Today a process of reconciliation is well established with international sanctions progressively removed. This gradual removal of impediments has started to free up the Libyan scene for potential investors and offered the country new opportunities to integrate into the global market. The change is already apparent in the increased activities with European interests exploiting their current advantages over American counterparts whose government currently still imposes sanctions. On the diplomatic level, Libya is strengthening co-operation with the EU and aiming to participate in the Euro-Mediterranean system.

Re-integrating Into the World Economy

The impact of Libya's relative isolation from the international market has been profound and is seen most obviously in such key areas of the modern economy such as information technology and telecommunications (most evident in the underdevelopment of mobile phones, internet and satellite television). The extensive upgrading requirements of the country appear especially far-reaching considering dramatic advances in technological innovations across all aspects of economic and social life in recent years. Libyan industry has been cut off from these developments and many industrial sectors have become decayed and outmoded. Thus they are in dire need of upgrading and reconstruction. With Tripoli planning to invest \$35bn on infrastructure upgrading and development over the next five years, there is a huge programme of work opening up.

Changes to Investment Regulations

The country's opening up is evident in the formal adoption of new regulations designed to facilitate easier access for foreign investors in the Libyan market and the offering of a series of financial incentives, including exemptions from tax and custom duty in certain circumstances. The investor friendly intentions are reflected in the law passed in 1997 known as the "Encouragement of Foreign Capital Investment Law" or Law 5, which covers the non-oil sectors such as agriculture, tourism and services. The law has led to the establishment of a new authority designed to offer advice and assistance to foreign investors. One concession is the granting of the right to employ foreign nationals when a new enterprise is set up in the country. Of great significance to establishing a climate of business confidence, is the provision in the law stating that

enterprises cannot be taken over by the authorities or confiscated without due process of law. Libya has identified a set of key priority areas, including machinery, tools and spare parts, for attracting foreign investment and are covered by the new regulations.