

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Diploma Thesis

The Analysis of Libya's Oil Trade

ANAS ELKSSIK

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Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Anas Elkssik, BSc

Economics and Management

Thesis title

Analysis of Libya's Oil Trade

Objectives of thesis

The aims of the thesis are:

- 1-To examine the role of foreign trade in the economic growth of Libya.
- 2-To analyze the trend of Oil and its derivatives in the international trade between 2010 to 2016.
- 3-To compare Libya's international trade performance before and after the revolution in 2011.
- 4-To analyze Libya's foreign trade performance with regards to its largest trade partners over the period.

Methodology

Different sources are used in the accomplishment of this work; such as internet sources, articles, documentaries, and own contribution. This is a secondary data collection for the purpose of analyzing factors which affect Libya's international trade in two different periods (2010 to 2013 and 2014 to 2016). Comparative and descriptive methods will be used in this thesis. Trade analysis will be used to show how GDP changes when balance of payment changes. MS Excel software will be used to analyze and compare trade performance, charts also for the purpose of showing trends over the periods under consideration.

The proposed extent of the thesis

60 – 80 pages

Keywords

Balance of Payment, Import and Export, Exchange Rate, Economic Growth, GDP, Exchange rate, Trade policy.

Recommended information sources

Korotkova T. L. International Economics. – Finances and Statistics, 2011. – 192 p. – ISBN: 978-5-279-03501-4

Madiyarova D.M. International trade of the Republic of Kazakhstan in the world economy. – Almaty: Economics, 2003. – 85 p. – (International business activity of RK). – ISBN 9965-00-876-0

Mill, John Stuart. The fundamentals of political economy. In 2 t. T. 2. – Eksmo, 2007. – p. 156 – ISBN: 978-5-699-19313-4

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The Diploma Thesis Supervisor

doc. Ing. Mansoor Maitah, Ph.D. et Ph.D.

Supervising department

Department of Economics

Electronic approval: 24. 3. 2017

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 24. 3. 2017

Ing. Martin Pelikán, Ph.D.

Dean

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Declaration

I declare that I have worked on my diploma thesis titled " Analysis of Libya's Oil Trade " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 31.03.2017

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Analýza Libye Oil Trade

Souhrn:

Lybijský zahraniční obchod s ropou v letech 2009 až 2016 neprokázal žádný vývoj. Surová ropa je přitom hlavním vývozním artiklem, který se nejvíce podílí na HDP. K problémům pak přispělo více faktorů, například sankce na import a export Lybijské ropy, korupce a také pašování. Před revolucí přitom národ ekonomicky sílil. Po revoluci se stav nelepšil, dokonce se ani nenavrátil do původního stavu. Největší Lybijští obchodní partneři v trhu s ropou pak vykazovali v letech 2013 až 2016 menší a menší obrat. Pro růst ekonomiky musí Libye implementovat obchodní politiku, aby podpořila a posílila přímé zahraniční investice.

Klíčová slova: zahraniční obchod, export, import, bilance obchodu, rozvoj mezinárodního hospodářství, směnný kurz, ropa, absolutní výhoda, komparativní výhoda.

The Analysis of Libya's Oil Trade

Summary:

The foreign trade in the crude oil of Libya over the period from 2009 to 2016 has not shown any progress. Crude oil is the main export commodity that contribute the highest to the GDP. There were many activities which contributed to the problems, such as sanction of Libya's crude, both import and export, corruption and smuggling. The period before the revolution appears to be favorable contribution to the economic growth of the nation. The period after the revolution has not shown an indication that it will improve to get to the previous state or even better. Libya's largest trading partners in crude oil export showed less and less values from 2013 to 2016. Libya must implement trade policy to strengthen and encourage FDI for the growth of the economy

Keywords:

Foreign trade, Export, Import, Balance of trade, Development of International Economy, Exchange rate, Crude oil, Absolute Advantage, Comparative Advantage.

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1 Introduction:

1.1.1 Reasons for choosing topic:

The study of foreign trade is one of the most important studies that researchers must consider it, as a standard of the extent of the economy's growth of any state, where the direction of the current globalization and WTO agreements may open widely the world's economy, cultural and political trends, the foreign trade becomes a true measures of the rule of production, the economic level of the countries, and where it positions in the world economically, politically and socially, due to the effect of the any country's economy on its position, strength and stability in the world.

And through the study of foreign trade of the country, it is unclear how independence or economic dependence on other countries, as evidenced by the diversity or specialization of the production. the more the state is independent economically by production's diversity the more it will be independent politically, the foreign trade motivates the real economic development where imports provide development in all exported production requirements as machinery, equipment, services, provisions and other exported items for the need of increasing production's ability and variety of produced goods, services and others. The source of whatever the sources of national income is also a source of access to foreign currencies, which by country's reserves of the foreign currencies allows the central bank of such countries to buy and stabilize the rate of the local currency, also contributes in the increase of per capita income, and increasing purchasing power, and thus increasing the ability of importation.

Libya depending - almost entirely - on foreign trade to finance various development plans of various sides, to provide a decent livelihood for the Libyan citizens. through oil revenues, where oil revenues represent the backbone of development in Libya, and relies on imports for production inputs, as Libya lacks capital goods needed for development of agricultural, industrial, livestock or infrastructures projects, and also Libya have shortage in many necessary raw materials used in industry, which resulted openness of the Libyan economy on the world, by importing those different materials from outside. Foreign trade is the base of the

Libyan economy's development, it is also a window for overlooks to the world economy. Without foreign trade Libya does not have any economic role that can be mentioned. Libya is one of the countries that rely on export of a non-renewable commodity which is oil. The black gold as named by many businessmen, a source of non-renewable energy needed by the entire world to operate various machines used in many fields. This Libyan limitation on exportation of a depletable goods may raise many economic risks, without mention of the political and social risks, that it can be exposed on the state as a result of reliance on a single commodity the most important of these dangers is the fluctuations that can occur in the prices of this goods as a result of lower demand or to be replaced by another source market shift to another source or another alternative to discover all that could expose the state of economic crisis at any time, necessitating the study of constraints and possibilities of diversifying the productive structure, and thus diversify the commodity structure of exports, and get out of the cycle of dependence on a single commodity for export, and this can be achieved through the two sectors are important can development as in Libya, namely industry, especially chemical and petrochemical industries, the agricultural sector and wealth.

1.1.2 Reasons for choosing the period:

The study focused on the period of 2009-2016, and this period has been chosen for many reasons as follows: In the beginning of this period, many development programs and plans in Libya take place.

As follows:

-2009 Three-years plan for economic and social development

2010 a plan to raise production of oil export in purpose to exalted levels and the beginning of the first phase of implementation of the new infrastructure.

The attention of the government characterizes this period to develop the infrastructure and services of transport, as the railways, buying civil transport and cargo aircrafts. This was the period of the projects of paved roads with international highest specifications, whereas Italy offers to execute a project of the express way from RAS EJDER the latest region in western

Libya (a border town) near to Tunisia to EMSAED the last town in the east near to Egypt (border town), also there was the project of development of Tripoli International airport whereas a French company wins the tender of the project, and many other plans to construct airports in different regions as BANI WALID. And the most important projects of all was the roads planning in Tripoli, a net of roads that will connect all the areas in Tripoli together, which will allow to develop the infrastructure in Tripoli and facilitate traffic for the drivers in the capital. In addition, it was also the commercial and housing projects, many malls and residential buildings in various cities and villages (east, west, north and south).

Plans of development of health sector by constructing hospitals, health regional centers with different specialties. Education development plans, by construction institutes, secondary and primary schools, universities and encouraging private education institutes.

Banking development, through development of banking services, granting loans for citizens to obtain cars, houses and furniture, as well as supporting Libyan businessmen in their micro and medium projects.

The Libyan revolution in February 2011 whereas, some sanctions and economic embargo affected by the United Nations on the economy, foreign trade and air and marine transport.

2014 witnessed a civil war resulted in the closure of oil.

2016 reopening of Libyan oil All those economic and political changes at home and abroad led to a fertile field to connect, reasoning and comparison of the changing times.

2 Objectives and Methodology :

2.1 Objectives:

The study aims to address the problems relating to foreign trade Libya`s, through study

Libyan production structure, standing on the main imbalances in the production structure and that the most important Specialization .In the production of primary non-renewable commodity, namely crude oil. The study also aimed at studying the evolution of foreign trade, and the factors influencing them during the study period. And the study of the commodity structure of exports and imports, and stand on the structural imbalances in exports. The high proportion of the Libyan economy's openness to the outside world. As taught Find Obviously, the trade deficit in oil revenues, which indicates a lack of the importance of other economic sectors in Libya's foreign trade, and hence the most important problems faced by including Libyan Foreign Trade after the revolution.

As taught find exports and imports, relying on the market European industrial countries, and the weakness of trade with the Arab and African countries.

This study also aims to identify the most important of these problems and the imposition of the perceptions and solutions through extrapolate the future of foreign trade.

- To examine the role of foreign trade in the economic growth of Libya.
- To analyze the effect of the volume of oil exported and imported between 2010 to 2016.
- To compare Libya`s international trade performance before and after the revolution in 2011.
- To analysis Libya`s foreign trade performance and balance of trade with regards to its largest trade partners over the period.

2.2 Methodology:

Different sources are used in the accomplishment of this work; such as internet sources, articles from some medias, documentaries from government of Libya and big institutions that have great influence in international trade operations, and own contribution. This work is a secondary data collection for analyzing factors which affected Libya`s international trade in in crude oil for two different period from (2010 to 2013 and 2014 to 2016). Comparative and descriptive methods will be used in this thesis, trade analysis will be used to show how GDP changes, and when the balance of payment changes throughout this analyzed period. MS Excel software will be used for the purpose of presenting data on graphs to help reveal the trends of how the foreign trade in the crude oil of Libya has contributed in the economic growth of the nation. For the purpose of comparison, three most important foreign trade partners are chosen, Italy, Germany and China, because the majority of the crude oil export from Libya is going to these three countries.

3 THEORETICAL PART

3.1 Economic Development:

“Economic development the process in which an economy grows or changes and becomes more advanced, especially when both economic and social conditions are improved” (Cambridge Dictionary, 2017).

This term has been commonly used after World War 2, maybe because of the awareness of every state to repair its economy and involve economic growth. Every nation has the responsibility to improve its economy both economically and politically for the good of the people. The use of this term has been in the western world from the 21st century, especially when there are the issues of westernization and industrialization involve in any part of the society. Economic development comes with the policy to intervene in the economic activities of a country in order to encourage growth. Economic development is a phenomenon which shows how the productivity of an economy improves the gross domestic product, when this growth takes place through the rise in GDP as a result of development in the productivity it can be considered as economic development. Example can be clearly seen especially in those developing nations such as Brazil, China and India, they are making all effort to improve their economic activities with modernization, innovation to boost the productivity in the nation, as a result of participation in improved economic activity their gross domestic product rise from year to year. A nation which is failing to regulate the economic activity for the purpose of improving the productivity will find it almost impossible for its market to expand beyond its boundaries.

3.2 Theory of Absolute Advantage:

This theory is attributed to ADAM SMITH the famous British economic, he confirmed the advantages of the specialization between individuals and manufactures, he also confirmed the advantage of the free competition inside the state. Smith carried this logic and he applied it in the level of states, saying that some countries produce various goods more efficiently than other countries. Each country will have a full advantage in a specified good, and if any country specializes in producing the good that it has a full advantage, and if the trade is free between countries, then that country can obtain goods that it do not have any advantage over another country, through replacing it with the goods that it has full advantage. *“This means that a country produces and exports those commodities which it can produce cheaper than other countries”* (Reinhard Schumacher, 2012).

Both countries can produce both goods but with efficiency, as example, United States of America is more efficient than the United Kingdom in producing wheat, thus it have the absolute advantage in the production of wheat, otherwise. The United Kingdom is more efficient in producing textiles than the United States of America, we assume that the productivity is measured according to the time spent in production process and the production numbers in both countries are as follows:

Example of Absolute Advantage:

10 days of work	Wheat / Tons	Textiles / energy
United states of America	90	20
United Kingdom	30	60

Source: (own assumption)

The above example shows that the United States of America has the absolute advantage in producing wheat, whereas ten days of the time of the American farmer produces wheat triple the capacity of the British farmer production during the same period, otherwise, the British worker surpasses the American worker in producing textile with a similar percentage, hence the United Kingdom has the absolute advantage in textiles production.

It is not necessary that the specialty is full as this case; production numbers may be different, as it is better to the United States of America that produces both goods by concentrating on wheat and using the surplus of its need to import more textile, while United Kingdom specializes totally in producing textile, hence, the international production of both goods will increase even in the case of partial specialty as this case. Thus, the trade of the available quantities of both goods in each country will increase, and the prices will decrease comparing with may be without trade between countries and without specialty.

With foreign trade, each country will be specialized in the production of the good that it have the absolute advantage in, and obtains its need of the goods that it does not have an absolute advantage in, through trade with other countries that have an absolute advantage in such good. As for the source of this absolute advantage, it may be the climate, the location or the natural resources on the ground or under it as a gift from god the generous.

This theory then do not interpret the situations whereas the country has an absolute advantage in producing more than one good, and the other country do not have any absolute advantage in each of the above-mentioned, however, the trade between both countries is standing, and each country specializes in a good that it produces, and obtains its needs of other goods by exchange its production surplus with other goods.

3.3 Theory of Comparative Advantage:

According to the principle of opportunity cost of, where one must give up one good for another, a theory has come to represent it in international trade, known as comparative advantage. *“A country has a comparative advantage in producing a good if the opportunity cost of producing that good in terms of other goods is lower in that country than it is in other countries”* (Reinhard Schumacher, 2012). The competition becomes the language of the era, and the attention of all individual’s establishments and states, it is the motive and the engine that sets the steps of everybody, and motivates them for more creation and creativity, and achieving a part of the competitive advantage or superiority to their competitors, and reaching higher levels of incomes and benefits.

also in the meaning of the competitive advantage is going out to the methodology that the organization can distinguish itself from it is going out to the methodology that the organization can distinguish itself from its competitors through it, and achieve for itself the superiority and distinction, the competitive advantage achievement is the result of the interaction of many various elements in its pattern and the degree of its impact, some of those elements present and reflect actually physical and true competitive advantages , which can be realized and determined actually as the decrease of the cost, improving the quality of the products and the length of the experience.

Some others depend on the perception, expectations of the customers and what they have in their minds for those products, and the result of those elements together forms what we call the competitive advantage for the products and for the corporations, determines its levels, and gain for its owner the superiority, reputation and attraction, otherwise, the competitive advantage of the products and corporations rises essentially from the value or the satisfaction that the corporation or the product can offer to its customers with a less price than the prices of its competitors, or offering distinguished or unique benefits, whereas the satisfaction exceed the prices spent paid for it. To have a competitive advantage in the production of a good, a in business should implementation strategies which allows for it to be granted the permanent superiority and the uniqueness above its peers. Also, to obtaining a continuous partial advantage in improving the level of the quality of the products and distinctiveness.

It is clear that those strategies depend essentially on the structure of industry, and its capability to adaptation with competitive powers, but each of has a different style and method. The strategy of reducing and controlling costs remains the clearest strategy and aims to make the corporation the less production costs, and it may use to achieve that many methods according to the structure of the industry as achieving the abundance of the big sizes, owning the advanced technologies, reaching the best raw materials, having the most professional staff of production, modern machineries.

The organization that is a leader of the costs can also lead prices unless it specifies the prices at or near to the prices average of the goods, without neglecting the superiority element in the production of such goods.

As for the superiority strategy, the corporation may perform it through choosing a specification or a particular or more, that customer or the consumer is interested in, and working on provide it and make it useful for him, but attractive and distinguished and the superiority of the product may be achieved through the superiority of the quality, type and price of such product by the system of delivery, marketing and distribution, also providing aftersales services and guaranties , good treatment of the customer and respect of the due dates of the delivery.

Thus, the subject of the partial advantage and the competitive capability has a connection with various systems, and it is difficult to achieve the competitive advantage without explaining those systems together in the cadre of one umbrella for the organization generally or an overall look to such organization.

3.4 International Trade policy:

“International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Political change in Asia, for example, could result in an increase in the cost of labor” (Investopedia, 2017).

The international trade is a subject of regulations that organize the transfer and exchange of goods and services between states in the range of customs regions and regional trade areas, and there is an international effort to organize the international trade since 1940, it was clear through the implementation of the general agreement of trade and taxes (GATT), which aimed in that period to be a tool to establish an international trade organization, where the triangle of financial organization, international commercial organization , the international financial fund and the international bank.

Legally, the international trade is not just a subject of international trade organization agreements, but of a large package of agreements, protocols and international legislations, most notably the documents issued by the committee of commercial law in the united nations (UNCITRAL), and the agreements of the customs regions and common markets, rules and customs of the various international trade authorities, especially the international trade chamber, as well as the bilateral commercial agreements.

At the national level, the legislations of export, import, customs, free zones, commerce and industry chambers, also the legislations of technology transfer, financial and consultancies services, air and marine transport, transshipment, all are connected to the international trade, including its rules in the commercial law and the special regulations named the foreign trade legislations.

Generally, the trade relations are classified in two main sections:

- 1) National trade relations, this type of legal relation on the trade transactions that are performed in one country, between national physical persons or moral persons described as national persons. The national commercial law is applied herein in this pattern of commercial relations.

- 2) International commercial relations, is a second pattern of the commercial relations, which is more sophisticated and complexity than the national commercial relations, because that it is carrying the concept of the international openness on the international trade, thus it calls to the search of the commercial markets in other countries as the country of origin of such project.

And if the national commercial relations are governed without exception by the rules of the commercial law, it is not so on the level of the international commercial relations, which are more liberated and satisfied.

3.5 Foreign Trade Policy:

“Trade policy refers to the regulations and agreements that control imports and exports to foreign countries” (The Blanca.com, 2017) .

The concept of foreign trade policies:

The foreign trade activity is a subject in the different countries around the world to a group of laws and regulations issued by the competitive governmental authorities which liberate or district the commercial activity from the obstacles that may faces in the regional and international level, achieving some goals that may be called the “trade policy”. Hence, the procedures of monitoring exports and imports, as shares, taxes and aids are parts of the foreign policy, and include the foreign currency exchange which included in the tools of the foreign policy.

Thus, we can define the foreign trade policy as follows:

A governmental program whereas a group of tools and methods that may impact on the foreign trade during a specific period which insures the difficulty to reach economic, social, and political goals, in the cadre of free market mechanism. It is clear through the definition that the foreign trade policy is a part of all economic policies, and it is generally connected to

the economic doctrines and systems, additionally, the foreign trade policy is the connection between the doctrines of the foreign trade and the applicable systems in the international economic relations. In purpose to organize its foreign trade, the state uses a group of tools and methods which consider it appropriate to achieve its goals, (these instruments are not with one character, and it may be in cash, as the exchange rates, interest rate, or obligatory as aids, customs fees, governmental trade, shares as health and technical requirements.

The tracker of the foreign trade policies in any country find that are divided in three main types by the application`s scope.

First: national foreign trade policies; the unilateral policy of the state is the impact on its foreign trade.

Second: regional foreign trade policies: it is the policy adopted by a group of states to achieve mutual economic and trade favors as the policies applied in the cadre of bilateral agreements, and regional economic blocks as free trade zones, customs and economic unions and others.

Third: international foreign trade policies: matters that cannot be applied in a local or regional cadre, but in an international system to organize the trade of the international community generally, and the most important are the agreements of the foreign trade organization which aim to liberate the international trade from various restrictions.

3.6 Open market of the economic:

“An open market is an economic system with no barriers to free market activity. An open market is characterized by the absence of tariffs, taxes, licensing requirements, subsidies, unionization and any other regulations or practices that interfere with the natural functioning of the free market” (Investopedia, 2017).

As it is said open market which means that it is free for any business activities in and out of the country. A country which does not open it market to the international world or even to it direct neighboring countries, could find it very difficult to improve it productivity. Economic growth comes with a country first opening it borders to allow the free movement of goods and

services, and implementing both economic and political policies which will encourage the outside world to be interested in the production of its goods and services.

For example, if a country has a restricted policy on how the economy is regulated in terms of goods and services are sold and bought, if it allows only selected individuals or group to trade under define condition that country is not operation under an open market operation. The disadvantages will be too great for that country to provide the necessary goods and services required to meet the growing demand in a growing population. In the light of an economy being an open market, this will allow for that country to be able to participate in the international market where by its production activities could be marketed from a larger demand. This will give the ability for a country to be in the position where it could provide the necessary goods and services required by its people. The productivity of an economy close to the rest of the world or immediate neighbors will result to anarchy and confusion, and this could lead to severe condition to even arise rebellion. The economy that is open to the market has the greater advantages of improving in its productivity and relationship with partners and the rest of the world. The advantages of an open economy are far greater than an economy which is close.

3.7 System of exchange Rate:

“The price of a nation’s currency in terms of another currency” (Investopedia 2017).

It requires at two system for an exchange rate to be determined, which means a country has to be strong economically for it currency to be higher in comparison with another country. For a country to maintain a favorable exchange rate to another country. In the case of Libya for example is not a favorable one in comparison with the dollar. But this is highly influence by the international market. The central government determines the rate of the local currency, and can easily influence this process by reducing or increasing the amount of money in circulation. This is more effectively done in well advanced countries of the world. If a country is in possession of good amount of strong currencies of the world that country will make use if those currency in its possession to swap for its local currency. This will increase the value of

its local currency; such country will be in a better position in the international exchange market to influence the value of its currency.

3.8 International Trade Organization :

“The World Trade Organization (WTO) is the only international organization that deals with the global rules of trade between nations. The WTO is built on WTO agreements signed by the majority of the world's trading nations” (Investopedia, 2017)

Is the only international organization specialized in the international laws related to the trade between nations; it includes 152 members from around the world, established in 1995.

The establishment of the international trade organization came after the exceptional development of the international trade in the world, the exportation of goods increased with an annual average of 6% demanded the establishment of a commercial strong and prosperous system, which contributed in the unprecedented growth of WTO and the international trade organization. The system has been developed through a chain of commercial negotiations convened under the flag of the GATT, the first rounds of the negotiations addressed essentially the reduction of taxes, the second rounds included other topics as the anti-market-dumping and the procedures concerning taxes, therefore, the last round convened in Uruguay from 1986 to 1994 led to the establishment of the international trade organization.

The negotiations does not ended at this limit, it continued after the last round in Uruguay, and in February 1997, it has been an agreement concerning the telecommunications services with the approval of 69 government on the wide-range procedures, which exceeded the procedures agreed in Uruguay, and in the same year forty governments concluded successfully negotiations concerning the trade without taxes, especially in the information technology products, also seventy members countries concluded an agreement concerning the financial services that covers more than 95% of the banking, insurance, financial information and instruments. The members of the international trade organization agreed also in the ministerial meeting on May 1998 to study the locations of the trade emerged from the international

electronic trade. The organization seeks to continue the commercial negotiations related to the round of Doha started in the year of 2001 to promote fair participation of the poorest countries which represent the majority of the world population.

3.9 Types of trade barriers

“These are government policies which place restrictions on international trade”

(Economicshelp.org, 2017)

It is the regulations and rules forced by the government, that restrict the foreign trade in many countries that practice the import and export, to protect the local products from the strong competition with foreign products, and stimulating the local products exports, by determining an artificial stimulation.

Examples of the restrictions forced by the government:

- Exportation taxes.
- Importation licenses.
- Shares of the imports and exports.
- Exportation licenses.
- Prohibition.
- Customs taxes.
- Non-customs barriers on trade.
- Voluntary restrictions on exports.

Often, the trade barriers force a sort of cost on trade, which lead to the increase of the prices of the market`s products. Also produce a trade war when two countries force on each other some customs barriers, which cause big damages for both countries, and decrease the economic

efficiency, and that explains the theory of the comparative advantage, the free trade also includes the cancelation of all trade barriers except the barriers needed for the health and national security, noting that the countries that contribute in the promotion of the free trade are granted a large support in specific industrial fields as agricultural and solid industries.

3.10 Mercantilism:

In its mature phase, mercantilism produced a set of notions which *“by bringing together theoretical and practical aspects, gave an answer to the problem of increasing national wealth”* (Gianni Vaggi and Peter Groenewegen, 2003).

If the old civilizations and the middle ages does not addressed the economic thought deeply among the religious, moral and legal thoughts, the attention of the economic policies started with the modern state rising, especially in the sixteenth century, and as a result, various intellectual trends appeared, which addressed many economic thoughts, and facilitate the rise of the modern economic science, and the most important thoughts that prevailed this period, are the thoughts and the visualizations of the school and the economic trade trend, and the appropriate methods to manage the economics of the state in its way to face the economic problems and in its stability and existence.

The European world knew in the beginning of the sixteenth century many big changes, as a result of the geographic discoveries, and the movement of the religious reform, the born of the national state and what was associated with it as the appearance of the Bourgeois class in the European community, also the Marxist trend. The European world expressed it with a practical way because it was calling for more openness on the trade trends; the supporters of this trend offered a group of economic policies that they thought it will be enough to achieve the stability and the prosperity of the modern state, thus it forms the born of the new stage in organization and economic though known as the commercial capitalism.

The appearance of the national state as a new political union in Europe has an important role in the crystallization the ideological economic trends for traders,

And lead the objective of the research to a political trend that addressed the power of the new state. This period is characterized as the trade came in the first place in the economic thought, but that cannot hide the truth of these economics, it was agricultural economics in the first place, and the attention on the trade appeared as a newborn economic activity, which starts to dominate the thoughts of the thinkers. The trade for them was a new activity to reach the fortune of the state, and the growth of the trade demanded the attention on industry as an elements among the elements of the commercial promotion (ships manufacturing, railways to transport goods and products), the industry was affiliated to the trade, and the promotion of the trade in this period of the European history led to the appearance of new methods of trade, the use of trade documents increased, and some new forms of commercial companies appeared, and generally the Bourgeois era started.

“The goal was to increase a nation's wealth by imposing government regulation that oversaw all of the nation's commercial interests” (Investopedia, 2017).

4 PRACTICAL PART

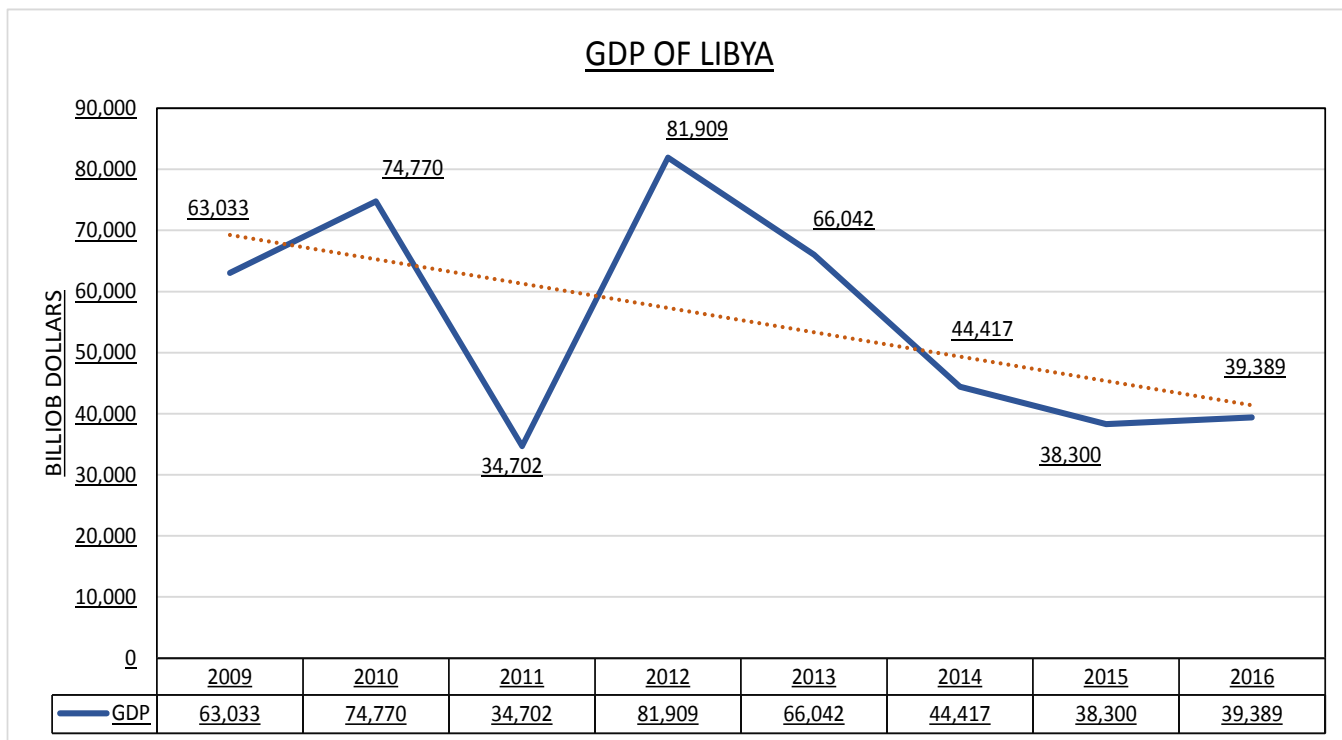
4.1 The Economic State of Libya:

The graph will show how Libya has been growing or declining in the areas of its economic activities.

Its GDP has not shown a pattern of ups and downs of an unstable economy. This reveals a character of an economy which has encountered huge problems in the national productivity.

With regards to the trend during towards the end of the analyzed period, it has not been encouraging to talk about its economic growth.

Figure 1 GDP of Libya from 2009-2016:



Source: (<http://www.opec.org>, own calculations) The OPEC Annual Report 2016.

From the year 2009 to 2010 the GDP increased by \$11,737 Bill, but the following year it decreased by \$40,068 Bill, which is far above the increments from 2009 to 2010. From 2011 to 2012 again was an increase of \$47,207 Bill, which was the highest amount of GDP growth in this period of analysis. The period between 2012 and 2015 the GDP decreased continuously to the lowest amount within this period, with the amount of \$38,300 Bill in 2015. The final period, which is between 2015 to 2016 it started increasing by a very small amount \$1,089 Bill, which is the smallest change that the country ever has during this analyzed period. The above graph also showed a period earlier which might indicate that the economy in the period 2009 to 2011 was a growth period. The amount at the start of the period \$63,033 BILL which increased to \$74,770 BILL an amount which was the second increased in this period of analysis. (The OPEC Annual Report 2016).

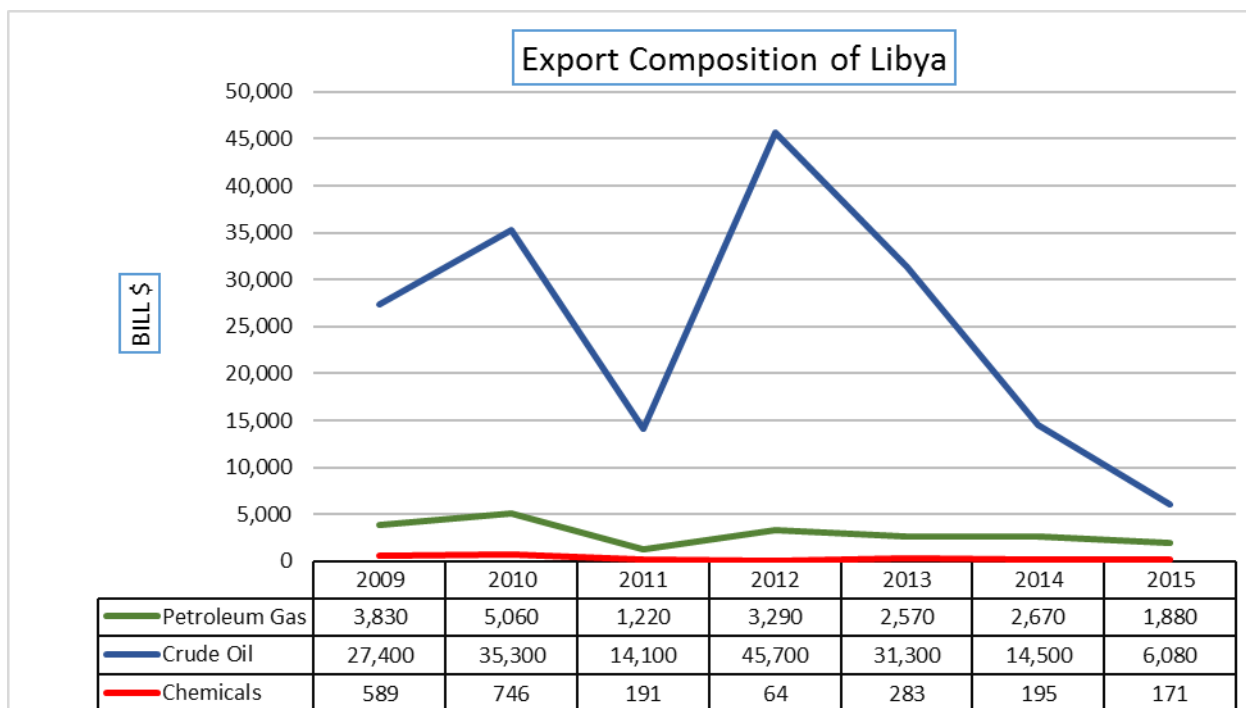
An UPDATE 3-Major traders win 9 pct of Libyan oil exports on Wed Dec 21, 2011 by the Reuters states that *“Libya has agreed to supply oil to four major European trading houses in 2012, a senior National Oil Corporation (NOC) source said, amounting to at least 9 percent of its crude exports, in a break from a policy of restricting sales to refiners.”* As stated by this article the Country decided to export most of its oil to Europe for refining, this might have caused the high increased in the amount of oil export from 2011 to 2012. The Reuters further highlighted about the benefit of Libya`s oil export to the National Oil Corporation of Europe, the increased export caused the highest GDP Libya ever had in this period of analysis. This is always the case when a government changes, the new one will make different agreements that can change the relationship with other partners. This was what happened exactly in the case of Libya`s increased oil export to \$81,908 Bill from 2011 to 2012. According to world bank publication on Libya`s Economics Outlook – Spring 2016, the article stated that *“The political conflict has taken a severe toll on the economy, which has remained in recession for the third consecutive year in 2015.”* This article mentioned the main issues which were responsible for the decreased GDP in the period between 2012 and 2015. This political conflict caused a lot of strife, where in the old parliament could not easily allowed new parliament to take over from them. This strife between them split and the old remained in the main seat of parliament while the new moved to the east, this was the main cause the country`s low performance in GDP for

the period 2012 to 2015. This was also followed by other issues like security in the economy, which has a great impact on the financial aspect of other economic activities. It also showed a negative impact on the foreign reserve of the country, which was difficult but has to be financed by the local government. *“The Libya’s House of Representatives will endorse a new government of national accord by the end of 2016, which will be able to start restoring security and launching programs to rebuild the economic and social infrastructures, especially oil facilities and terminals”* (World Bank, 2016).

4.2 Export Composition of Libya:

Among the numerous commodities exported by the Libyan government, the three most important are petroleum gas, crude oil and chemicals. It trends almost followed the pattern of its GDP, because this is where it derived the greatest of the economic wealth of the nation. The commodity exported below represent the broader picture of how the economy has improved or deteriorated during the period of analysis.

Figure 2: Export Composition of Libya:



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES) OES, Visualizations

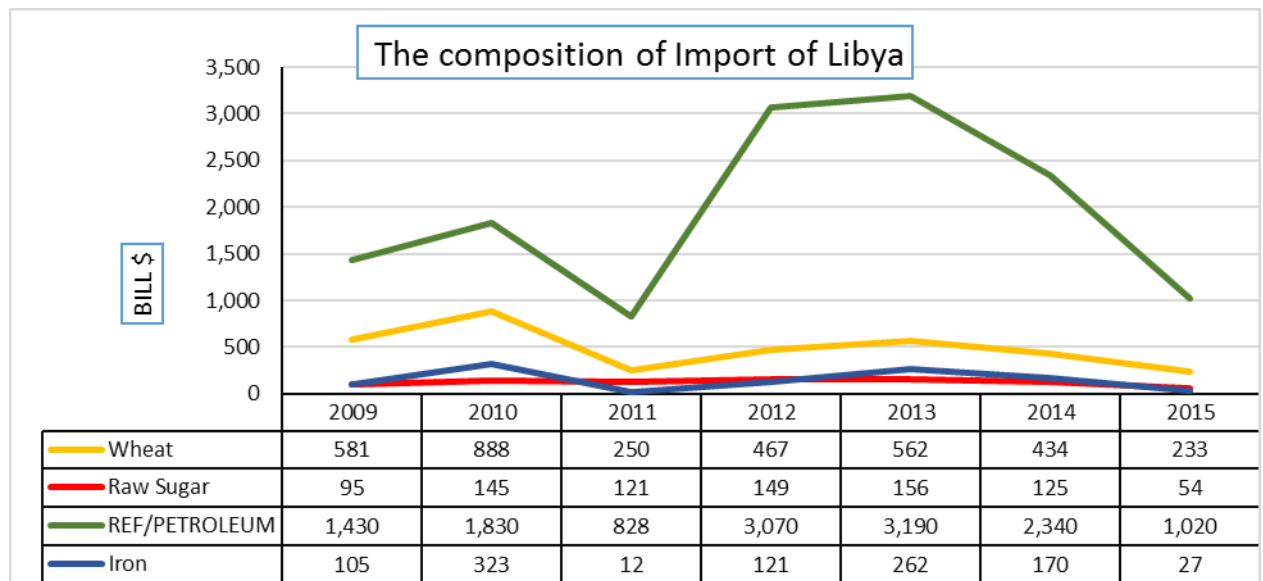
Libyan economy, it is the shape we find that the export value of crude oil rose from \$27,400 Bill in 2009 to reach \$35,300 Bill in 2010, high increase, this increase is due to the value of exports of crude oil and the high prices during that period on a global level. A year after crude oil exports moved downward, it fell in 2011 to reach \$14,400 Bill the lowest for this period, reason for the conditions experienced by the country in that period. It then rowed again to \$45,700 Bill in 2012 reaching the highest level. The export of petroleum reached its highest in 2010 value \$5,060 Bill, this was the period before the revolution. It fell again in 2011, and then increased again in 2012, this amount did not get better unto the end of the period. The export of chemical from Libya showed a horizontal line, with little changes as the economic activities changes. At the beginning of the year it was \$589 M. It decreased to the least amount in 2012 to the value of \$64 M. The following year it increases to \$283 M and never recover to reach the amount in 2010. (Central Bank of Libya, OES, Visualizations).

Record from the World Bank Overview reveal a statement on Libya`s production of crude oil *“Production of crude oil fell to around 0.4 million barrels per day (bpd) or the fourth of potential”*. Commenting on the political status of the country, it refers to the political conflict as causing a downturn on the economy from 2013 to 2015. The prevailing political strife, weak security conditions all contributed towards the decrease in crude oil export by the country. It is also stated in the World Bank’s strategy plan for Libya to support the private sector in Libya through its investment and advisory services. The period from 2013 to 2015 has received more financial support from the international community as compared to the period before the revolution. (World Bank, 2017).

4.3 Import Composition of Libya:

In the import composition of Libya, item such as wheat, raw sugar, refine petroleum and iron are among the most imported or observed as high level of commodity in the period of analysis.

Figure 3: Import Composition of Libya:



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES) (OES, Visualizations)

The limited amount of Libyan commodity imports is due to the lack of local alternatives to this kind of imports. Economic growth in all economic sectors, including the oil sector is associated with the importation of this type of commodity, and this indicates that there is no progress in the development of local alternatives It can reduce dependence on the outside in the provision of good Capitalism. The value of imports of wheat and wheat flour is of great importance after refined. The value of imports of this commodity in 2009 was \$581 m, in the following year it increased to \$888 m due to the lack of rain. In 2011 import drastically reduced to \$250m, which was caused by the sanctions and revolution in Libya, which led to a direct impact on the movement of the economy in Libya. And increased again after the temporary stability in 2012-2014. By the end of the year began the civil war and re-affected the economic movement so far. (Central Bank of Libya, OES, Visualizations).

We find that the value of imports of refined oil increased from \$1,430 Bill in 2009 to \$1,830 Bill in 2010 and the relative improvement in oil revenues in that period. And decreases in 2011 to the lowest level of \$828 m, because of sanctions too. And then increased again reaching the highest value in 2013, reaching \$3,190 Bill and going back to decline due to government instability. At this moment, Sugar is considered one of the most common daily consumer goods. These commodities occupied the last position on the level of imported goods in Libya in 2009 \$95 m and continued to fluctuate due to the situation in Libya. (Central Bank of Libya, OES, Visualizations).

Libya's imports of steel were \$105m in 2009 and also fluctuated in the years due to sanctions, which formed the lowest value of imports \$12M in 2011. There are steel factories in Libya where they depend on domestic consumption and export, Libyan economy.

In the report of the World Bank on countries overview, under the context it was stated that “Being highly dependent on hydrocarbon exports and food imports,”. The report mention some of the reasons for the increased volume in the commodity import of Libya, when because of the subsidized products and the low import prices during the period from 2012 to 2015. It agrees with arch shaped in the graph above, the hydrocarbon remain the highest in the chain of imported commodity. The price of crude oil was very high in the international market during the period between 2009 and 2010. After that it was the revolution which brought about the ban and sanction, so these highly imported commodities where very low during this period. Then the revolution ended and the new administration started increasing again the export of the highly-imported hydrocarbon product, it increased to a very high amount, which was the second highest amount during this analyzed period. It went up again a bit and started reducing till 2015. According to this paper the country has remained in recession for the third consecutive year in 2015, which brought about strife and weak security condition during this period. (Central Bank of Libya, OES, Visualizations).

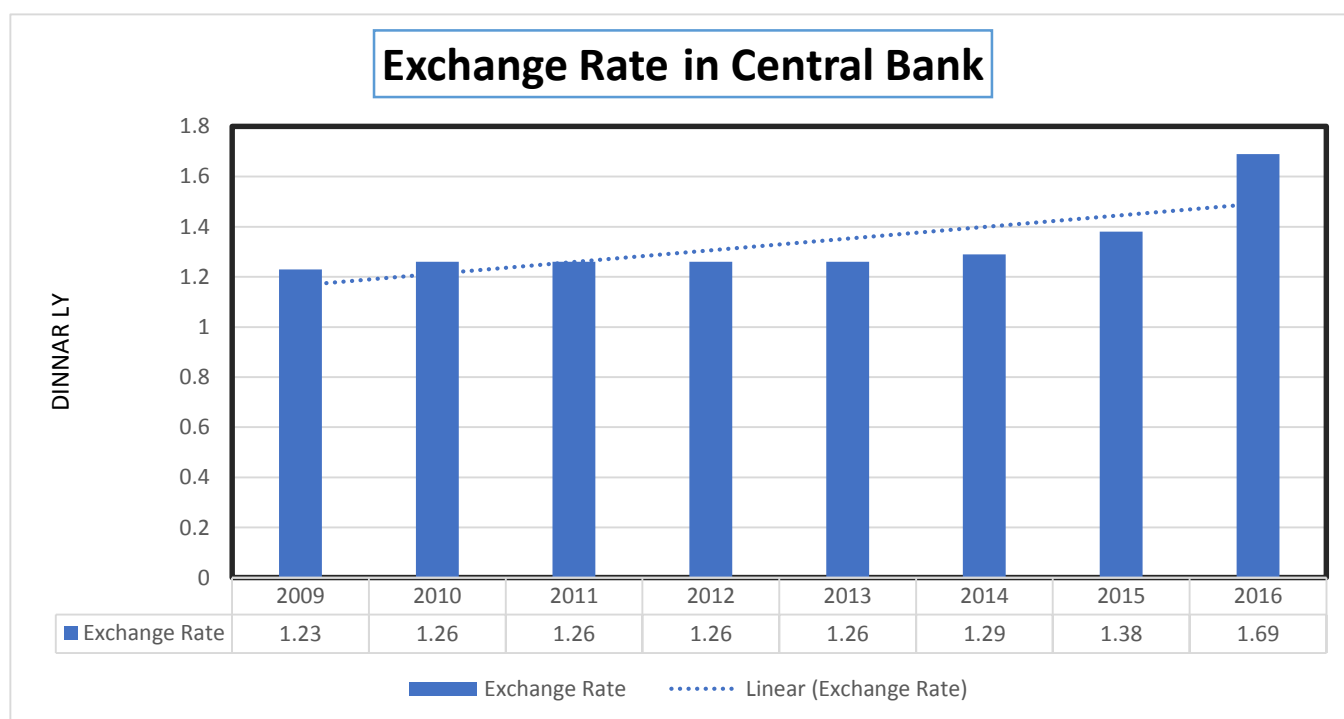
According to The Libya Observer, on the Prices Balancing Fund obtains CBL’s get-go to import foods, during a press interview in January 2017 “Al-Shibani said the fund will start importing the foods and nourishment goods in part according to the availability of the financial assistance given by the CBL” (The Libya Observer, 2017). Among food items, wheat

is the most used food, which is why it is the next commodity to refine petroleum. Since it falls in 2011 it did not recover properly and still showing a downward trend in the last year in this analysis. Wheat import is not able to get back to the period before the revolution.

4.4 Exchange Rate :

The figure below represents the exchange rate as given by the central bank of Libya. It shows the variations in the currency within the period from 2009 to 2016.

Figure 4: Exchange Rate in Central Bank



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2016).

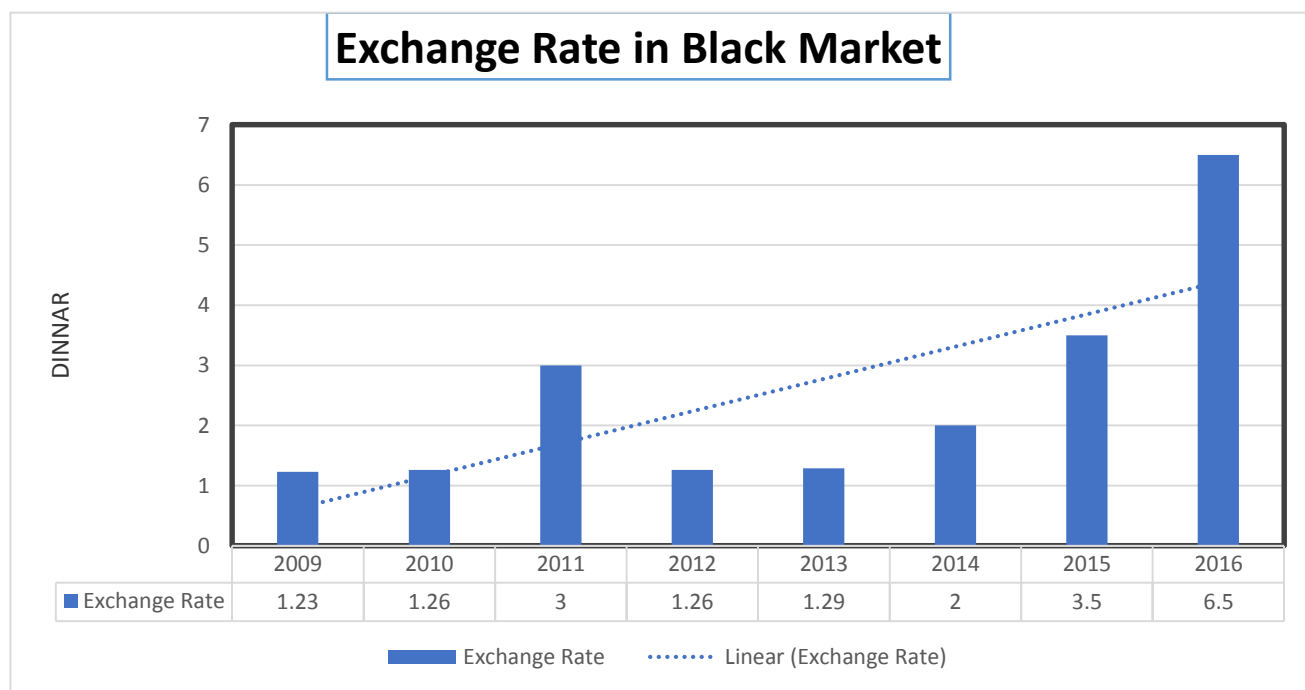
(<http://www.dw.com/en/world-bank-warns-libya-faces-economic-collapse/a-36089864>)

From the figure above it can be seen that the overall performance of the central bank in controlling the direction of the currency was not successful, because the figure shows an increasing linear graph, which is an indication that the local currency's value is low in comparison with the dollar. As shown in the graph the period between 2009 to 2013 the central bank managed to keep the exchange rate at 1.26 LY to \$1. After this period, the dinar started decreasing in value, its exchange rate did not get again to 1.6 LY till the end of the period. In the year 2016 was 1.69 LY, which was the highest exchange rate in the period of analysis. (The OPEC Annual Report 2016).

According to a report by DW.com a Libyan finance student at Near East University in Cyprus was asked about his opinion on the rapid loss of value in the dinar currency *"he said. Libyans have to pay exorbitant exchange rates on the black market to transfer currencies, creating financial problems for citizens abroad studying, working, or receiving medical treatment."* According to this student this has caused the use of the black market to be the most preferred method of transacting business in the country. All this and many more problem are facing the country, which need to be solved. This high exchange rate has resulted to high unemployment and also slowing down the economy. The black market has always been in the country, but because of the prevailing satiation of the high exchange rate of the dinar, this economic activity has become the principal means by which the local citizens have resorted to in their everyday transactions. It might be a good reason for one to see that the period of Gadhafi's rule was better in comparison of the local currency with the dollar.

The figure below shows the pattern of the currency behavior in the black market during this analyzed period, it shows a pattern of increasing and decreasing from 2009 to 2016, but towards the end of the period, 2016 it increased at a very high rate, which means the value of this currency becomes very low in comparison with the dollar.

Figure 5: Exchange Rate in Black Market



Source: (Own Computation).

The above figure of the black-market exchange rate shows quite a different pattern, especially in the period 2011 when the exchange rate shoot up to 3 LY, which was because of the revolution.

The revolution marked a very negative influence on the dinar to compete with the dollar in the international money market.

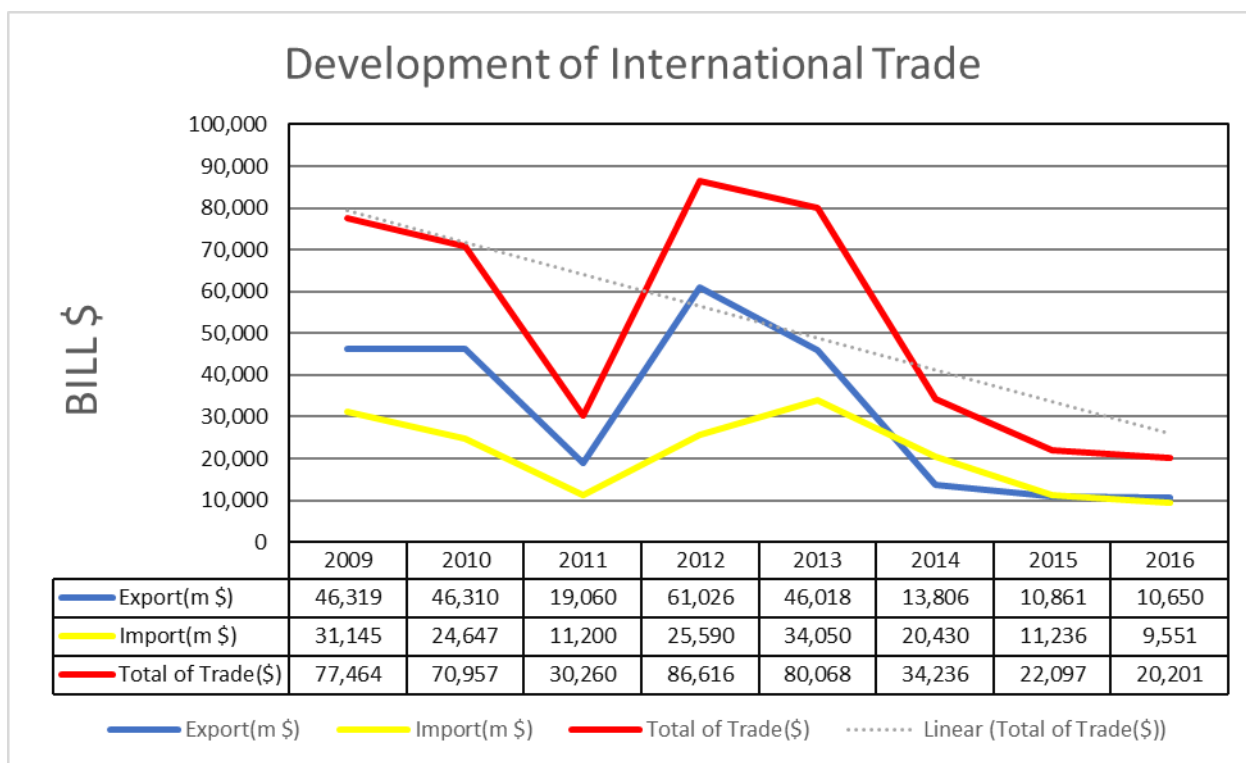
Immediately after the revolution the country tried quickly to get on to its feet again, it exchanges rate fell back to 1.26 LY to a dollar, which means the dinar became a bit valuable again after shock in the currency value during the period of revolution. After that, the period that followed showed a continuous increase in the exchange rate till it reached its highest rate in 2016 at 6.5 LY to a dollar.

According to the LibyaBusiness.tv a News release on Business News, commenting of Tripoli currency traders arrested as black market closes states “*The Tripoli currency black market, the main source of foreign currency for Libyans wanting dollars and euros, has closed with Rada (deterrence) forces arresting dealers*”. In this situation business owners find it difficult to transact their business activities in the local currency, this possible is the reason for the smuggling currencies. This media went on to talk about the inconveniences traders are facing because of the huge fluctuation the dinar.

4.5 Development of International Trade:

Libya’s development of international trade has not shown a satisfactory result or indication of an economy that will soon rise to develop all its areas of international trade. The graph below shows the economic performance of the country in relation to the international market.

Figure 6: Development of International Trade:



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2016)

The value of exports more affects foreign trade than by the value of imports. We can divide the development of the value of trade according to the development of the value of exports, we find that it started to rise and then to fall in 2016 the last period.

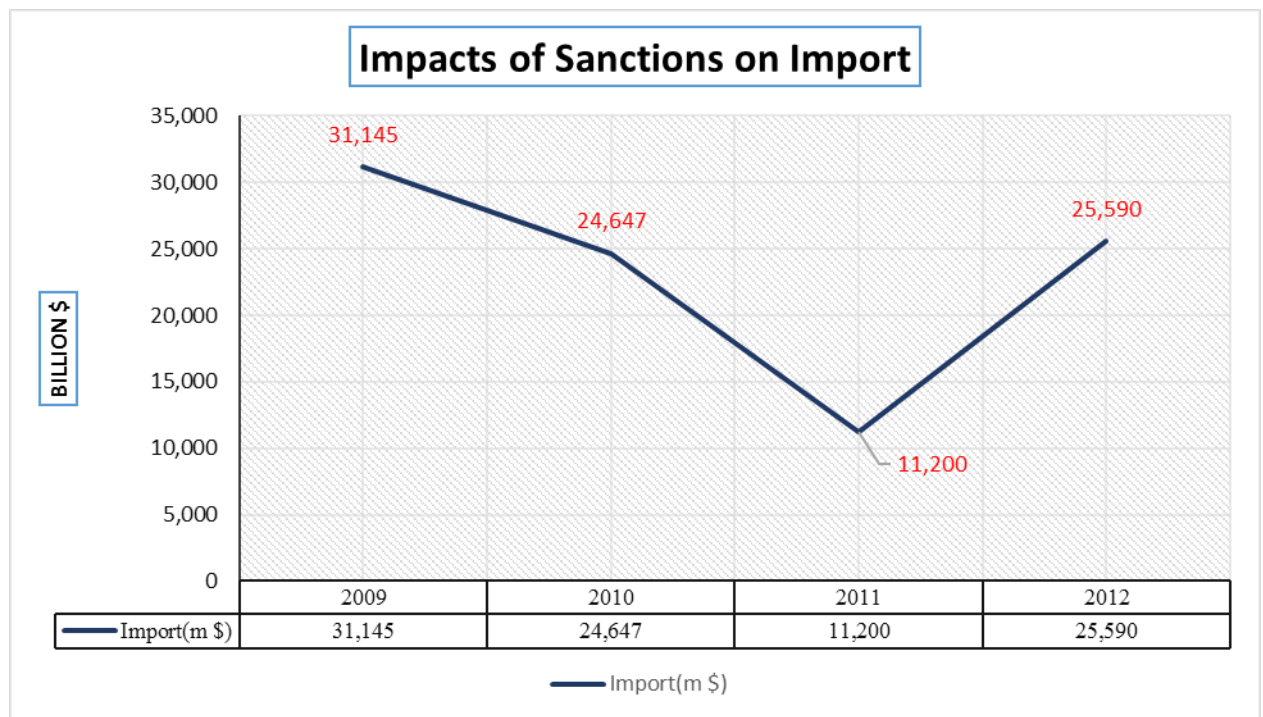
In 2011, the value of both exports and imports of foreign trade was affected by sanctions and embargoes. Foreign trade fell to \$30,260 BILL and in 2012 rose to \$86,616 BILL to settle temporarily because the new government took power. Libyan oil exports resumed and stability continued. In 2013, the value of foreign trade decreased due to the decline of oil prices worldwide to reach \$80,068 BILL. Then in 2014 civil war started and the security situation was destabilized and the government vacuum began and the power split between east and west, \$ 34,236 BILL and this unstable situation continued to this \$ 20,201 Bill. This means that the development of world trade in pre-revolution Libya in 2011 was excellent because of the economic recovery experienced by the country during this period, resulting from higher revenues Oil exports, which led to an increase in the value of exports, and the impact on the increase in the value of imports of consumer goods and capital needed for development programs in that period and currently unstable and unstable due to security conditions. (The OPEC Annual Report 2016).

According to the media nordeatrade.com, the government of Libya took measures in 2016 to motivate or restrict the flow of FDI *“the Libyan government has taken measures regarding the training of local technicians, transfers of technology, participation to the development of local production, creation of regional development and diversification of sources of income.”* A publication of the analysis of *“The UNCTAD Inward FDI Performance Index 2016”* has shown that inflow of FDI to Libya has been increasing from the year 2013, this however did not coincide with the trend of Libya`s development of international trade. The pattern or the direction at which Libya`s trend is leading is not in line with a nation that supposed to have attracted increase of FDI. It was further stated that the country has not been able to provide reliable statistics for marketing studies. The areas where activity authorized for foreign subsidiaries were specified in decrees and more room was left to allow bribery and corruption leading smuggling. These among the many reason which did not allow investment for the development of international trade in Libya.

4.6 Impacts of Sanctions (2010-2012):

The impact of sanctions on Libya`s import has been mostly described as reaching its highest effect in the period from 2011 to 2012. This effect is shown in the graph below.

Figure 7:Impacts of sanctions on Import:



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2012).

The sanction of Libya by the United Nations resulted to the loss of oil revenues, this gave Libya considerable pressure in both political and economic slowdown. In the early stages of the revolution. The Security Council imposed sanctions on Libya, making the Central Bank of Libya unable to provide enough foreign exchange for the home market. In response to the foreign exchange shortage, demand for cash, government spending, and the Libyan central bank to impose legal restrictions on Cash withdrawals from commercial banks.

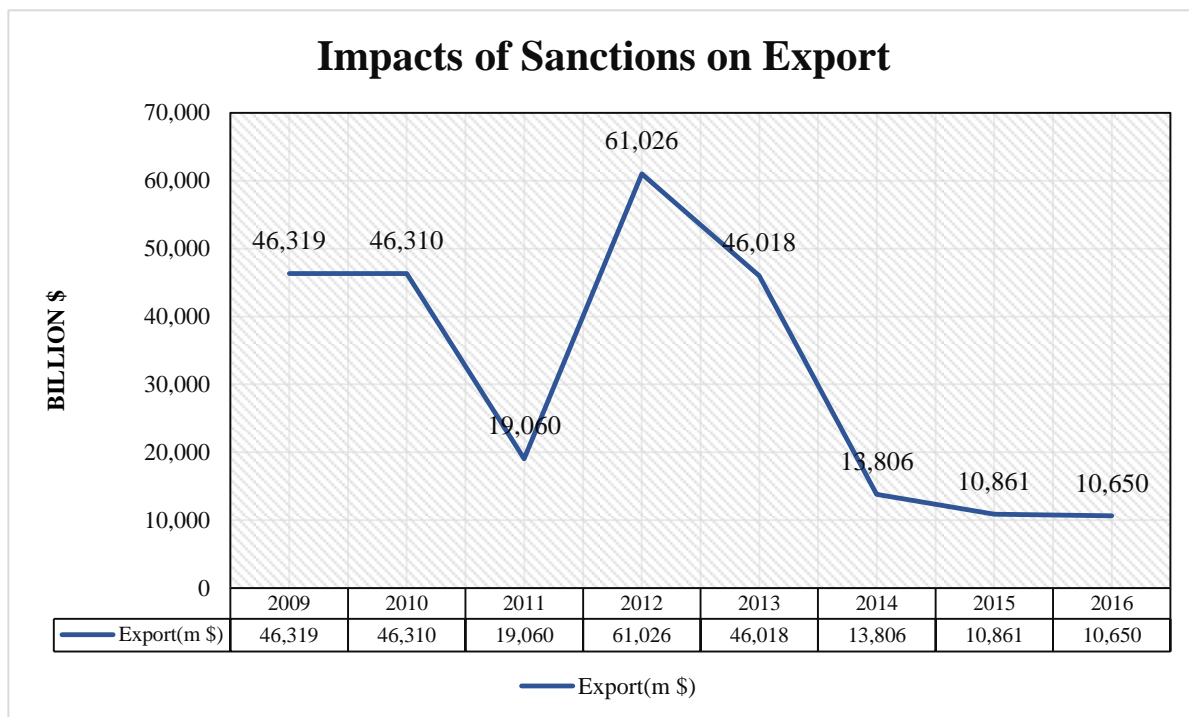
According to the above graph from 2009 to 2011 you can observe a linearly decreasing pattern of Libya`s import, it decreased to the lowest value of the country`s import. After the revolution, the country started picking up again and increased in 2012. This upward trend continued for a time. In year 2011, the rate of imports fell to \$11,200 BILL as a result of

Sanctions imposed by the Security Council due to a revolution at the time, which affected the decline in the Libyan economy and the availability of goods and services in the market.

After the end of that stage specifically in September of that year 2011 and after the establishment of a new government in Libya was agreed with the suspension of economic sanctions imposed on Libya, which we can note the rise in 2012 \$25,590 Bill and it achieved a recovery in the Libyan economy. (The OPEC Annual Report 2012).

The United Nations Meetings Coverage and Press Releases agreed at the Security Council on September 2011 that “*By unanimously adopting resolution 2009 (2011)*” (UN Meeting Coverage and Press releases, 2017). In the same article the Council also decided that the mandate of the United Nations Support Mission in Libya (UNSMIL) would be authorized for an initial period of three months. At a later date during the effort to restore and to rebuild the economy of Libya, the council partly agreed to lift the arm embargo imposed on Libya, and also those assets that were frozen which belong to direct supporters of the previous regime.

Figure 8: Impact of sanction on Export:



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2012).

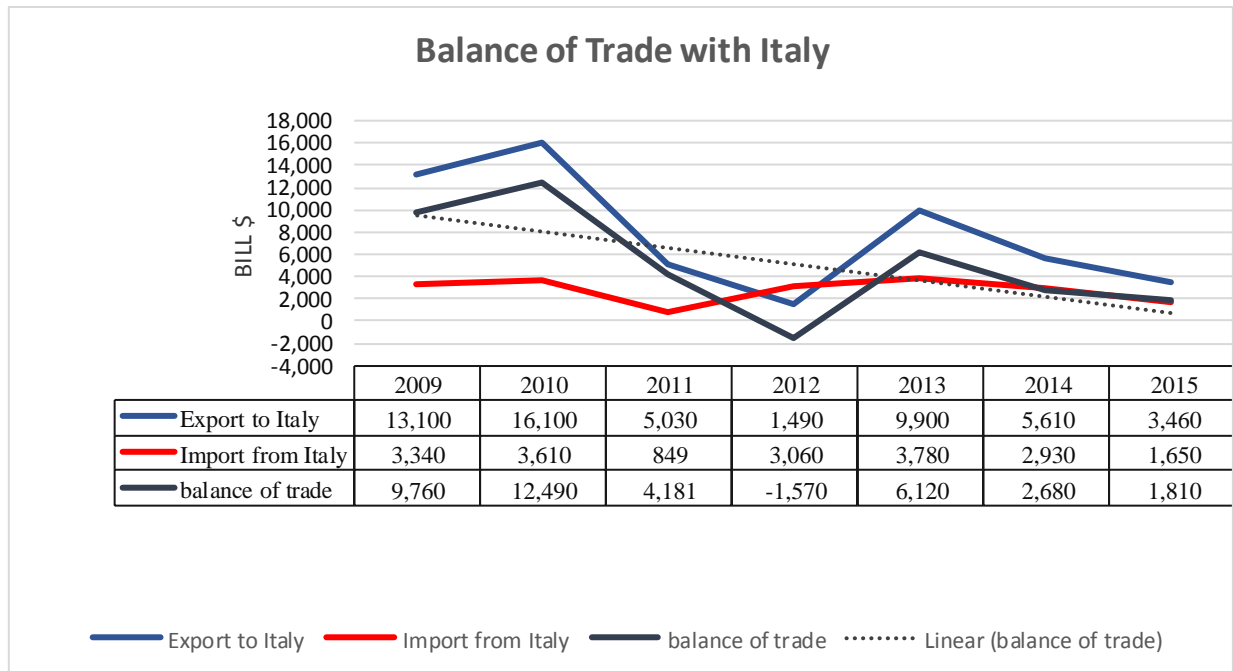
The above graph shows that from 2010 to 2012 when the sanction on Libya was at its highest effect on the nation's economic activities. The export amount at the beginning was \$46,310 Bill, and immediately started decreasing in 2011 to an amount of \$19,060 Bill. The following year again it took an upward direction, and increased to \$61,026 Bill, which \$14,716 Bill more as compared to the other higher amount in 2010. (The OPEC Annual Report 2012).

In the United Nations Meetings Coverage and Press Releases, a resolution was reached in 16 September 2011 stated in the meeting *“the Council also partly lifted, through the resolution, the arms embargo imposed on Libya and the asset freeze targeting entities connected to the previous regime”* (UN Meeting Coverage and Press releases, 2017). The period from 2010 to 2012 was marked with difficulties. The economic activities during these years was very irregular, in that export was decreasing and increasing, it was the valley of two raised period in the history of export of Libya. The impact was felt from one resolution to another. Ban were on arms and certain essential products, which are very important in the nation's economic activities. Thou the effect of the sanction contributed to the poor economic performance of the nation, within this period in 2012 it effect must have lessen or other activities could have taken place to allow export to again rise. As it is seen in 2012 the suspension of economic sanctions imposed on Libya leading to a rebound where Exports during the period achieved high growth rates of \$61,026 Bill and had a positive effect on the Libyan economy.

4.7 Balance of trade Between Libya and Partners (2009 _2015) :

The balance of trade between Libya and Italy shown in the graph below has a decreasing pattern, with greater decrease and smaller increasing throughout from one year to the other.

Figure 9: Balance of Trade with Italy:



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

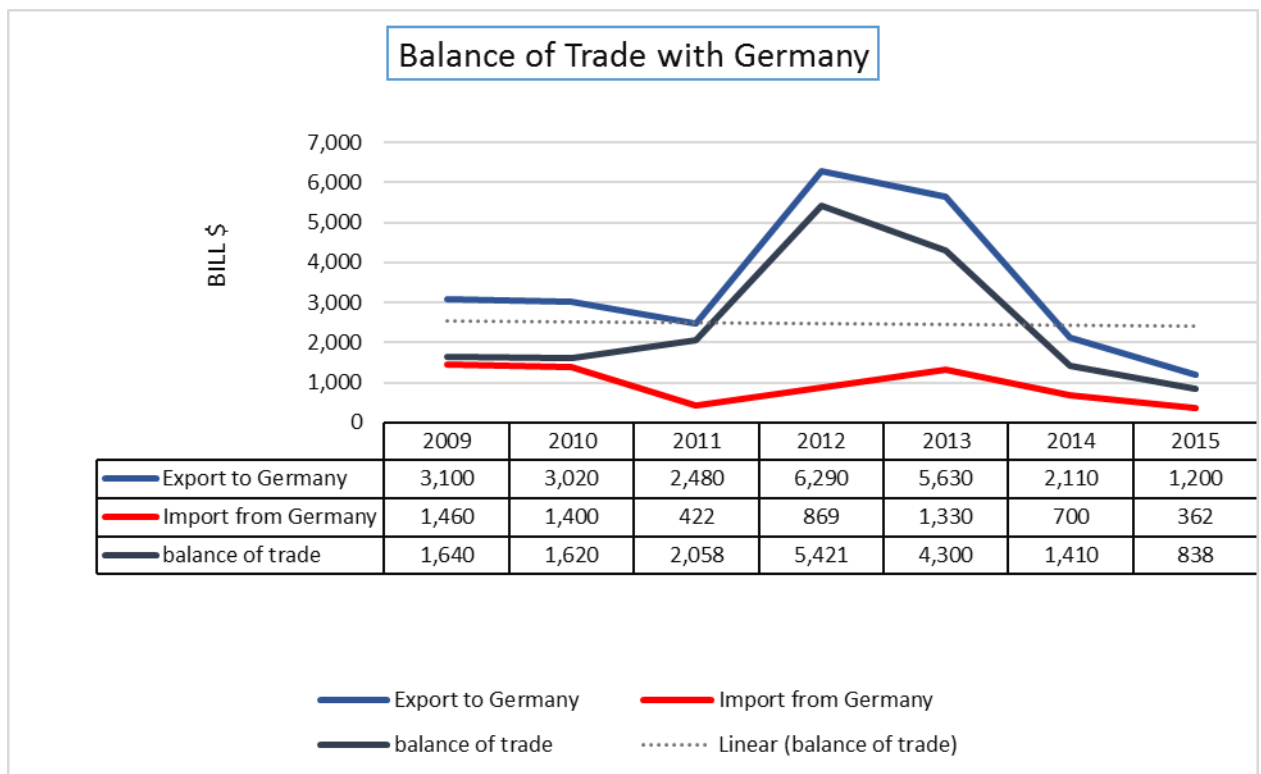
Source: (<http://atlas.media.mit.edu>, own calculations OES)

Import and export between Libya and Italy showed a very irregular pattern. Even though the amount of export kept on decreasing from 2010 unto the end of 2011, the balance of trade remained positive all the way toward the end of 2011. The highest balance of payment for this analyzed period in 2010 by \$12,490 Bill, which was \$6,200 Bill over the next high balance of trade in 2013, this amount was over the entire amount of the balance of trade in 2013. In the year 2012, it decreased and went to a negative balance of payment. It later recovered in 2013 when the export was again increased to \$9,900 Bill. In 2014, the balance of payment remains soaring unto the year 2015, but the figure remains positive. Though this pattern is an indication decreasing trade relationship Libya managed to keep its balance of trade with Italy at a positive. (Central Bank of Libya).

In the Foreignpolicy.com reports on Italy’s Last-Ditch Effort to Stabilize Libya, written by Kavitha Surana on January 13, 2017 states that “*Italy reopen its embassy in Libya since*

foreign diplomats evacuated in 2015, a move meant to bolster the faltering unity government and reclaim Italy's position as a power broker in its former colony" (<http://foreignpolicy.com>, 2017). According to this media Italy was the first European country to resume its operation in Libya, Italy tried in some way in solving the problem of Libya, which place in a difficult position in the EU as regarding to the emigration issue in Libya. This is clearly seen from the graph above that from 2013 to 2015 the export amount showed a decreasing pattern. Also in the above analysis, it was clear to see that before the revolution 2011 Libya's export to Italy very high in comparison to its import, while the latter part of this analysis reveals the amount of export was continually reducing, which was a small amount in comparison to the beginning of this analyzed period. (Central Bank of Libya).

Figure 10: Balance of Trade with Germany



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

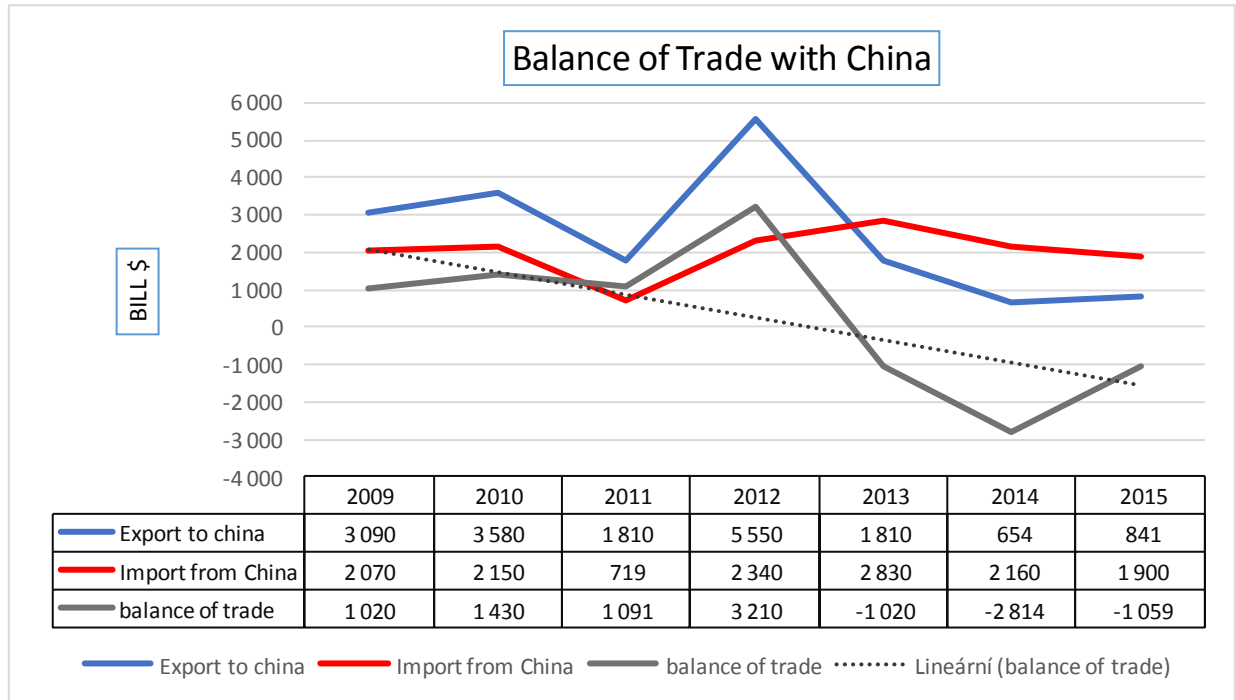
Source: (<http://atlas.media.mit.edu>, own calculations OES)

Germany comes in the second place after Italy among the countries of the European Union in exports to Libya.

Libyan imports of the German products and services was among the highest levels \$1,406 Bill in 2009, and the lowest level was \$362M, the contribution average of Germany in the Libyan imports was about 14% during the period from 2009 to 2016, and the period from 2009 to 2010 experienced a stability in the Libyan imports from Germany with a rate of \$1,460 Bill in 2009, to \$1.400 Bill in 2010, then in 2011 the volume of imports decreased where the trade balance reached \$2,058 Bill in 2011, but it was increased in the period from 2012 to 2013, when the trade balance rose to \$5,421 Bill, and since the security imbalance and the troubled situation in the country effected this increase where it began to decline. (Central Bank of Libya).

According to wsws.org commenting on Germany`s interest on Libya, the publication states about “*The political relationship between Libya and Germany has been cemented in 2011*”. Germany is the third largest imported from Libya, which means it relationship with Libya in import and export has significant effect on the growth of Libya`s economy. Also in this publication Germany is putting on a brave face and hoping that its close relationship it had with the Gadhafi would be forgotten, as a new period of the country`s history will bring democracy and improve it relationship with international market. In seen in the above graph Germany is one of the three partners that Libya maintain a positive balance of trade from the beginning of the period unto its end.

Figure 11: balance of Trade with China



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES)

China comes in the third place among the exporter countries to Libya, the value of trade balance in 2012 was the highest value of the Libyan imports and exports to and from china where it reached \$3,210 Bill, and the lowest level was in 2014 where it was a deficit of \$-2,814 Bill. The value of the Libyan imports from China was fluctuated from year to another, its values has risen in 2012 to reach \$5,550 Bill, and then depreciate to \$3,740 Bill due to the financial difficult situation and the imposed sanctions in 2011, also the beginning of the political conflict in 2014. (Central Bank of Libya).

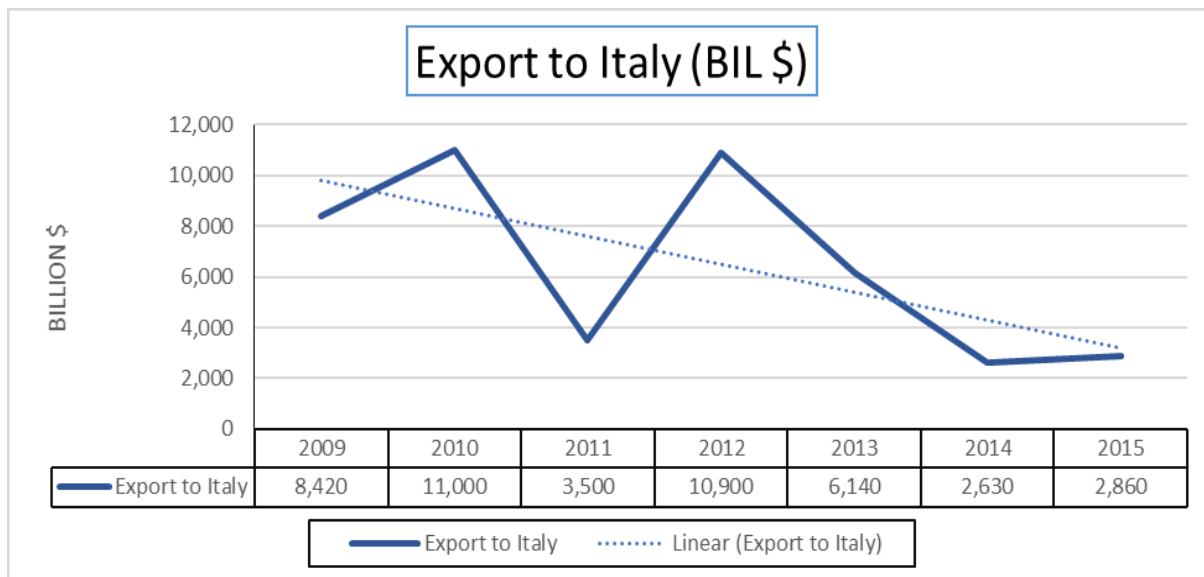
As it was recorded in the Africa`s Leading Online Business Magazine on March 30, 2017, while commenting on China`s Investment in Libya, it stated *that* “*when political unrest and eventually civil war broke out in Libya in 2011, Chinese investors stood to suffer massive economic loss*” China has always been a strong support in Libya`s infrastructure projects, technical and other economic resource. The paper continued by stating the aggregate value of those investment as an amount over US\$20 billion, this might just be the reason for the

positive balance of trade for Libya between 2011 to 2012. Though Libya`s balance of trade in the first part of this analysis, that is from 2009 to 2011 was negative it started making changes by increasing it balance of trade to its highest in 2012. This period correspond to the time the sanction on Libya by USA and the International committee, this period was when Libya extent its export limit to China, and china was able to import the highest from Libya between 2011 to 2012 reach the highest level of export amount \$5,550 Bill. Because of other practices in Libya`s economic and political activities the export to China started decreasing and the import from China kept increasing after the year 2012.. Libya was not able to keep it balance of trade with China positive, it continued to deteriorate unto the last year in 2015. The period from 2013 to 2015 was marked with negative balance of payment.

4.8 Libya`s Benefit of Oil trade with partners:

The Structural trade partners of Libya have changed over the past six decades, especially regarding the import of oil. After when was, USA main among importers during the 60's and 70's, its share fell to less than 5%, where it formed Europe beneficiary largest of Libyan oil by about 80% of the Libyan oil.

Figure 12:Libya`s Export Oil to Italy



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES) OES, Visualizations

Italy ranks first among the EU countries importing Libyan goods, not only at the level of the European Union, but also at the level of all major Libyan oil importing countries. Italy also relies on the import of gas from Libya completely. It reached the highest level in 2011 an amount of \$11,000 Bill. The next high level was after the revolution exporting level reached the amount of \$10,900 Bill in 2012. And the lowest level was in 2014 amounting to \$2,860 Bill. The trend from 2014 to 2015 is quite different from all the others, the amounts were so close in comparison with the rest of the previous years. The overall trend of Libya`s export to Italy has been in a declining direction before and after 2011, thou it was more severe in decline after the revolution. Nevertheless, because of some relationship associated with Libya`s relationship with Italy such as geographical area, the proximity of Italy to Libya, historical factor, political and also economical factor. (Central Bank of Libya, OES, Visualizations).

A report by Ali Shuaib and Marie-Louise Gumuchian in the Reuters on World News stated about the decision of Libya to stop export in March 2013 *“Libya has stopped gas exports to Italy from its Mellitah complex after fighting on Saturday between militias”*. The period before this situation has already been marked as a period of political unrest, but according to this paper even after the then dictatorship regime has past, its aftermath is still seen in the export of crude oil to Italy. From the analysis, the year starting from 2013 to 2015 have been continuously affected as shown in decreased trend. Thou there is a little change from 2014 to 2015, this change is so mall when compared with period of both economic and political unrest at the highest level in this country.

Figure 13: Libya`s Export Oil to Germany



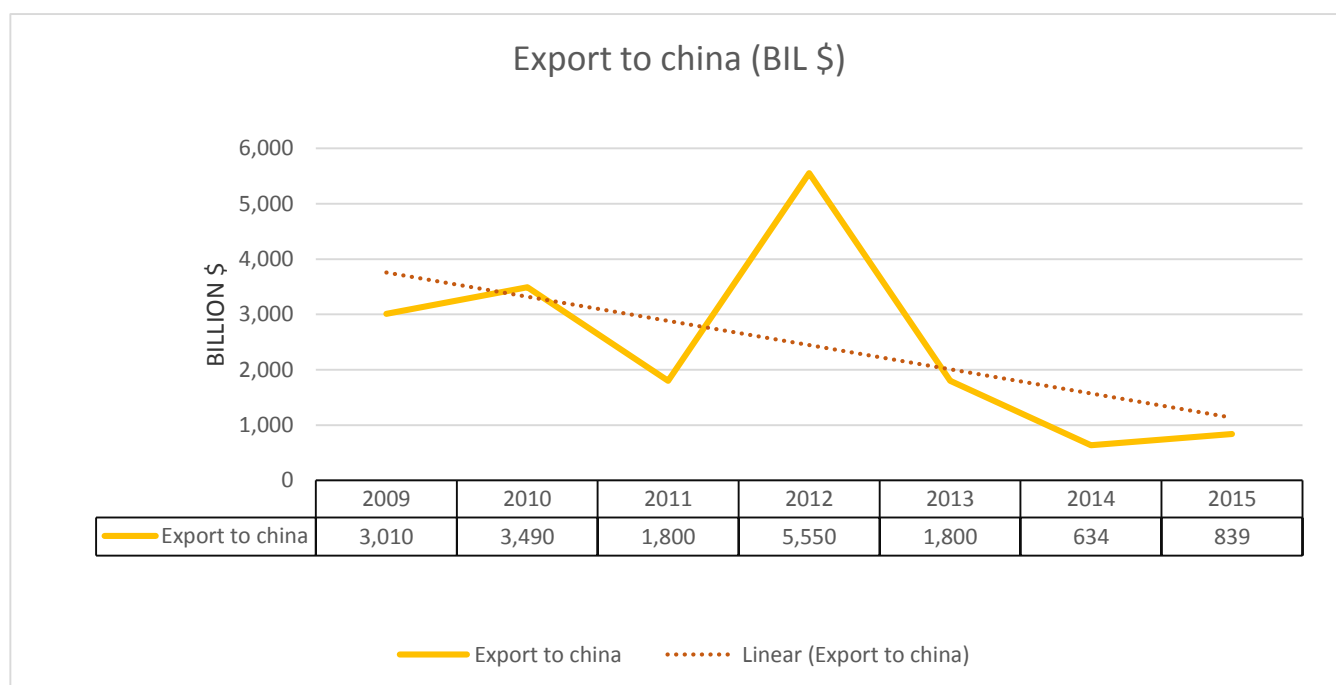
Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES)

Germany comes second after Italy among the countries of the EU, for the import of the Libyan goods, after it was the first importer of the Libyan oil in the sixties, followed by Italy and then the UK, the figure shows the value of purchases from Libya. Among the highest level recorded of import from Libya was in 2012 where it reached 6.250 billion USD, and the lowest level was in 2015 with a value of \$1,200 Bill. In the previous years, Germany recorded a 19.1% average of acquisition of Libyan exports in 1999, Libyan exports to Germany grew steadily generally except of some years, it decreased by \$160M, in 2010 and continued to decline in 2011 to reach \$2,390 Bill, but it rose in 2012 to reach \$5,520 Bill, and return to decline due to the civil war in Libya until it reached the lowest level in 2015. The Libyan crude oil exported to Germany was with an average of 99% of the total exports to Germany, which indicates the concentration of Libyan exports on crude oil. (Central Bank of Libya, OES, Visualizations).

According to wsws.org published a comment issued By Ulrich Ripper on 4 March 2011, stated that “The German government is putting on a brave face and hoping that its close relationship with the dictatorial regime will be forgotten”. The government of Germany seems to believe that the country will move to democratic regime and that now will foster the possibility of democratic reformation. The reported of this paper tend to show the involvement of the German government with Libya during this period. Germany is the second largest imported of crude oil from Libya. Its contribution and involvement in the trade affairs of Libya is very important. Further in the report it was stated that Germany has a long relationship with Gadhafi, and the effect of this relationship was seen as it reflects in the years after Gadhafi was taken out.

Figure 14: Libya`s Export Oil to China



Source: (<https://cbl.gov.ly>, own calculations) Central Bank of Libya, Annual Reports

Source: (<http://atlas.media.mit.edu>, own calculations OES)

China is in the third place after the European countries in terms of the percentage of acquisition of Libyan exports. The value of Libya's exports to China in 2009 was \$ 3,010 Bill. Exports from 2009 to 2010 increased by \$3,490 Bill and then decreased in 2011 to the value of

\$1,800 Bill. Then rose after that to reach the highest value recorded in that period in 2012 an amount of \$5,550 Bill.

The economic activity of export to China started to decline again in 2013 to \$1,800 Bill due to the deterioration of the security situation in the country. Libya export to china continued to fall to record lows in 2014, where it reached the amount \$634M and then rose up slightly in 2015 to \$839M. (Central Bank of Libya, OES, Visualizations).

The African Business Journal reported on China's investment in Libya on MARCH 28, 2017 states "*Libya's civil war affected China's considerable investment in that country*". The paper continues to reveal that China has contributed greatly in the past to develop Libya's infrastructure, and additional effort by immense economic resources invested in Libya. The last period which showed decreasing export of Libya's crude oil to China from 2013 to 2015 has a significant effect in the economic growth of Libya.

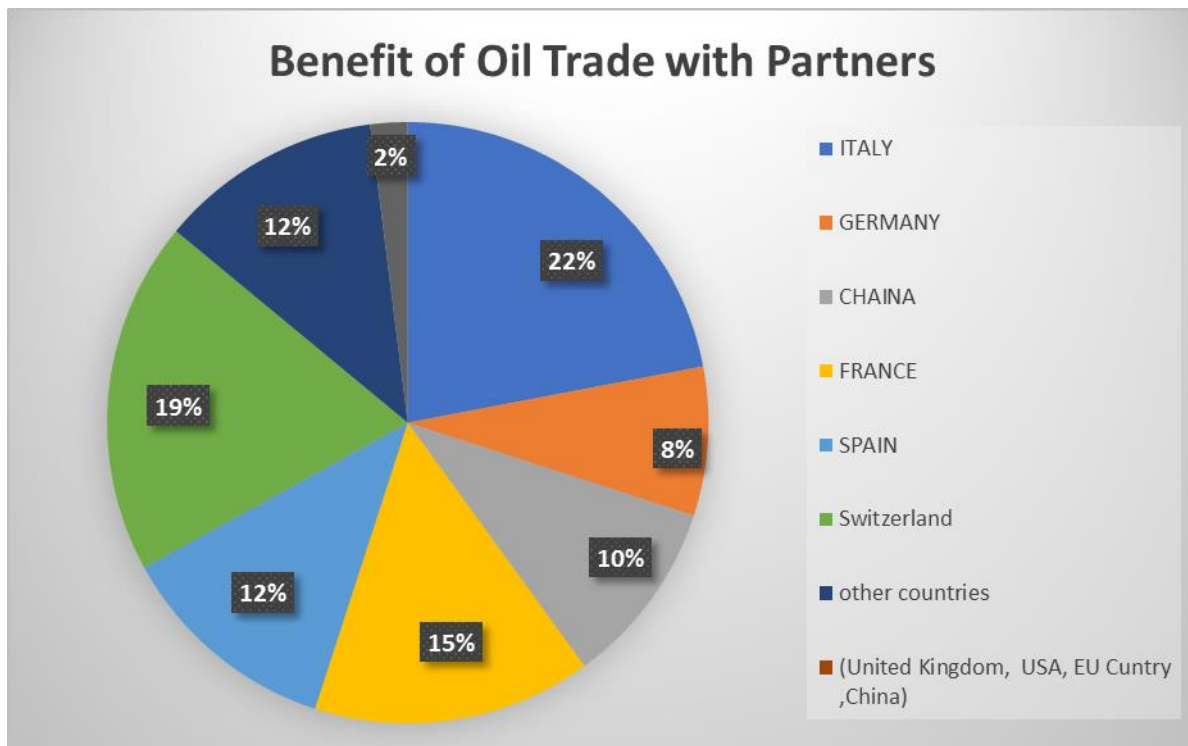
After the temporary stability of the new government, the economic activities were focused on the main partners of Libya, China was one of those countries.

During the revolution in Libya, China supports the Gadhafi regime, and because of that Gadhafi made a favorable agreement to increase the amount exported to China, which is considered an appropriate decline compared to commercial transactions with other countries.

Where Libya decided to concentrate its oil export to China after it lost the largest Libyan oil market, then the economic embargo by the United States and the Security Council on the import of oil started immediately, causing the complete stop of its export to the international market.

The pie chart below shows the benefit of oil trade between Libya and its partners from the year 2009 to 2010. A period which is included in the first part of this analysis, during the Gadhafi`s regime.

Figure 15: Libya`s Benefit of Oil Trade with Partners



Source: www.iea.org, own calculations International Energy Agency

In the above figure, it can be seen that the highest importer of oil from Libya in this period was Italy, with amount valued as 22%. Second is Germany, importing oil from Libya less than half of the percentage exported by Italy during these years of analysis? Third is China, which imported from Libya 10% of oil, this is a third of what is imported by Italy. All these three countries have long relationship with Libya in the trade of oil.

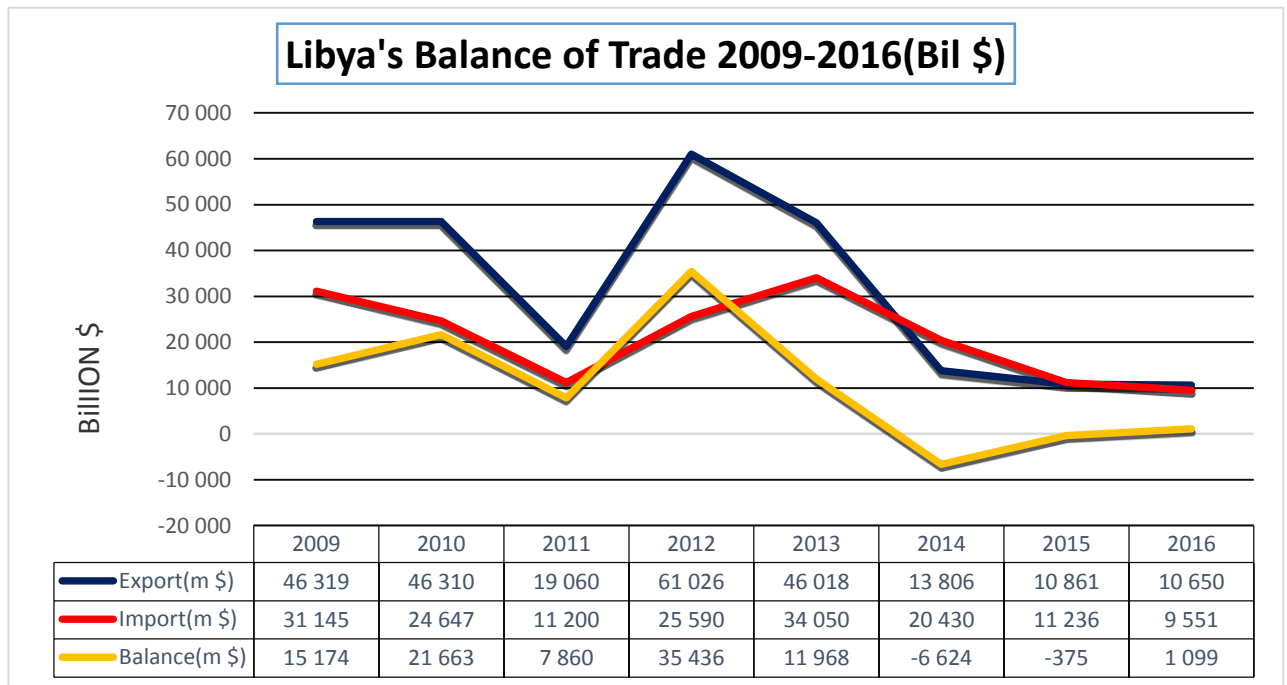
A report in Bloomberg written by Saleh Sarrar and Salma ElWardany on January 4, 2017 states that *“The country is revving up its oil industry just as most of its OPEC peers are cutting production to counter a glut”* As compared to the period before the revolution in

Libya, the country`s economic activities after the revolution has constantly deteriorated to a very low value of export, especially in its main export commodity. As mentioned in this article, the writers assumed that the country is taking this drastic step, to increase its export of oil in order to make for the decline during the period after the revolution from 2012 to 2015. As it was stated, the other oil exporters have decided to reduce their supply to the market and at the same time Libya has decided to increase its export of oil at the same rate. This probably will pay off for the decline in Libya`s export during the difficult times in the country`s economic activities. Italy remain the largest imported of oil from Libya, and Germany has always maintain its trade relationship with Libya both before revolution and after. It was further stated the “Libya plans to almost double output in 2017” Mostly this plan could only be a success if Libya has placed favorable policies that will help the economic activities and foster the trading relationship with the international market.

4.9 Blanca of Trade:

The balance of trade between Libya shown in the graph below has a decreasing pattern, with greater decrease and smaller increasing throughout from one year to the other.

Figure 16:Libya`s Balance of Trade 2009-2016



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2016)

According to the DW Made for Minds, writing about the Middle East in October 2016, the World Bank warned Libya about facing collapse. It states that “*suggested that Libya's lack of exploitation of its main resource, oil, is partially to blame for the country's economic problems*”. This article further emphasized the problems which Libya is currently facing due to lack of exploitation, inflation as well as political unrest. It seems the oil problem is just a small bit of the entire problem. It was also reported the dinner is decreasing in value, which is also difficult for the central bank to control the value of its currency in the international market.

From the figure above you can see that from 2009 to 2010 there was an increased by \$ 15,174 Bill. This was so because the economy during this period was stable. Also in 2012, it made the

largest increase in balance of trade by \$34,436 Bill, this was a period when the new government came to position after the revolution. (The OPEC Annual Report 2016).

In 2011, the case due to the revolution and sanction, which pose a lot of economic difficulties on the country`s economic activities, and also from 2013 till now it`s remained below the 2011 amount. (The OPEC Annual Report 2016).

4.10 Major oil fields in Libya

The AMAL field:

Amal field is an oil field located in the oases of Libya.

HOROJ Company is the largest oil fields operations company and the largest and most important of all fields - (in Sirte geological Basin) and includes a large area of about 35 × 120 kilometers.

Production field:

The transfer of crude oil from the MESLLA field of the Gulf Arab oil through the pipelines with a diameter of 30 inches to the top of the compound noses oil refinery.

The hopes of the field responsible directly and indirectly for about 400,000 barrels of oil per day which is equivalent to almost one-third of the national production of oil.

The president hopes the field is the field in the region, which includes (8) different reserves and oil had been delivered from it for the first time in "November" 1959, and these reserves ranging from a minimum depth of 2300 feet To more than 12,000 feet from the difference in the depth and characteristics of oil, which represents a great challenge in all respects in oil operations. (<https://www.wahaoil.net>)

The DAHRA field:

Located in southwest and northeast of SIRT ZALA and to the west MRADAH and it doesn't have of a good way, but its airport services theatre - sports stadiums - a mosque. And it is one of the oldest oil fields discovered by WAHA Oil Company in the late fifties and its first

producing oil well in commercial quantities, where production began in mid-1962. (<https://www.wahaoil.net>)

The ALFAREG field:

It is an oil field Libby, the ALFAREG field, 60 km to the south-west of the Gallo field is located. Economic and technical studies confirmed to confirm the existence of reserves 12.2 million barrels of oil and 538 million barrels of condensate and 2.6 trillion cubic feet of gas.

The history of its discovery in 1962 back and because of the complex nature of the geological and economic reasons abandoned by the foreign company. But in recent years, WAHA Oil Company has developed in two phases, celebrated in September 2003, the end of the first phase and work is underway to develop the second phase. It features several facilities, including the collection and separation of sub-heating oil and natural gas processing plant and terminal. (<https://www.wahaoil.net>)

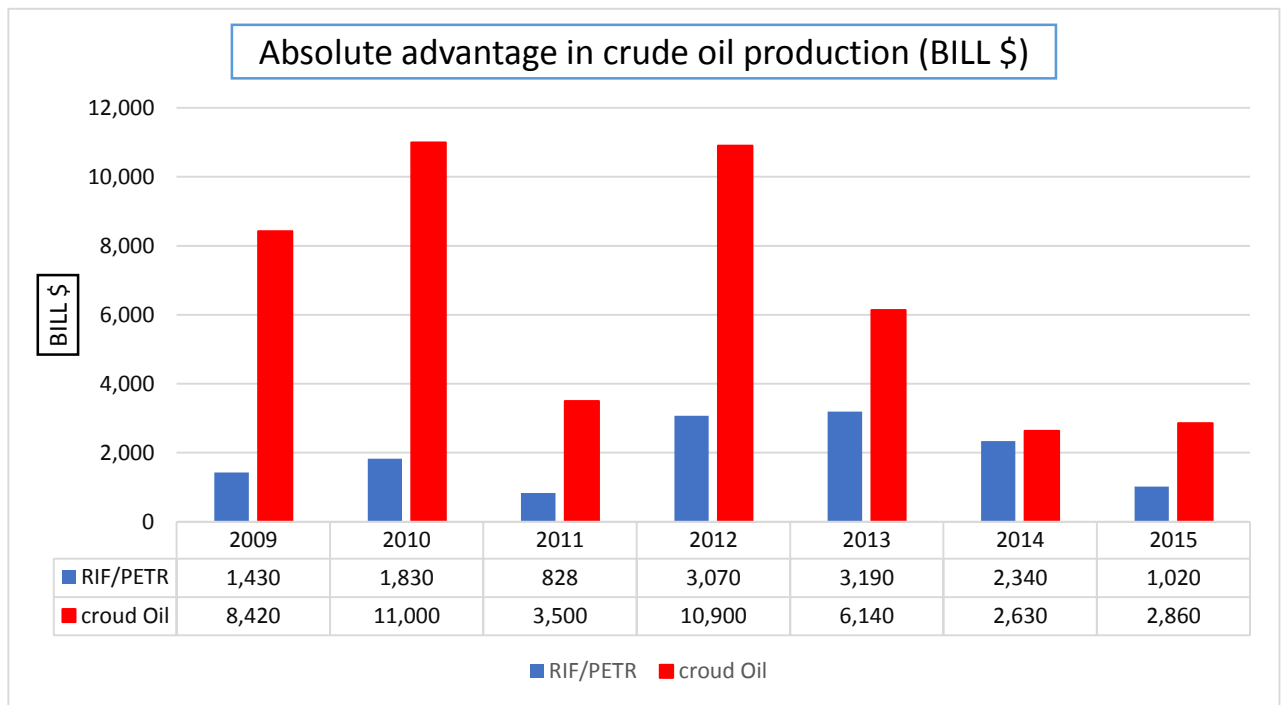
The ZELETN field:

One of the largest oil fields in Libya is the most important and is about 170 kilometers south of the port of BREQA. It also has been the first oil well economically feasible in Libya was discovered in 1959 and produces a field of nearly 30,000 barrels per day of the total 120 wells producing. And management of Sirte Oil Company of the field. (<https://www.wahaoil.net>).

4.11 Theory of Absolute Advantage:

Libya is a big producer of crude oil. In the graph below an analysis is shown to describe the relationship between Libya and Italy on the basis of absolute advantage. The absolute advantage that Libya has got over the production of crude oil has allowed for the huge export to Italy year by year, which is represented as crude oil product exported to Italy.

Figure 17: Absolute Advantage in Oil production:



Source: <http://www.opec.org> own calculation (The OPEC Annual Report 2015)

From the above graph, it is shown that Libya with absolute advantage in the production of crude oil as compared to Italy was increasing from 2009 to 2010 by \$2,580 Bill which was the highest amount of crude oil export to Italy, 32% of Libya`s total production of crude oil. It started declining after 2010 and in 2011 it fell to \$3,500 Bill. Again in 2012 it increased to the second highest level to an amount of \$10,900 Bill. It then fell again to \$6,140 Bill in 2013 and never recovered to this level unto the end of this analyzed of 2015. (The OPEC Annual Report 2015)

In an online daily mail called Libya Herald by Tunis, 27 January 2017 stated about an investigation on the smuggling of Libya`s crude oil *“Investigations focus on the smuggling of petrol and other refined oil products from Libya to Italy, Malta, Cyprus and Greece.”* (libyaherald.com, 2017). Because of the previous experience the sector of crude oil production has been facing, the authority set up an investigation to be able to identify the mismanagement. Thou Libya has a comparative advantage of the production of crude oil over Italy, it could be seen that there are other efforts made by other parties with wrong intentions, even parties belong the country of Italy. From the above analysis, it could be seen that the pattern does not show any regular patter both in the period of Gadhafi and after. This practice and the cause will give rise to some problem that have to do with the economic activities, such as travelling between border, which involves movement of goods and services. This will in return affect the country`s ability of absolute advantage of the production of crude oil over its trading partners.

5 Discussion:

Libya has experience mostly difficult times during this period of analysis. Most of the issues which were analyzed shows that at the time of the regime of Gadhafi and after reveal almost the same pattern.

The economic state of Libya did not get better unto the end of this period. The period at the time of Gadhafi shows at least increased amount, thou the period analyzed includes only a year to and a month before he was overthrown, and all other indicators of economic development was seen rising between the period 2009 to the beginning of 2011. The economic state was full of anarchy just after the then regime of Gadhafi. Thou at the start of the new era of Libya`s new revolution between 2011 to 2012 it started increasing in the economic activities, which led to the increased value in 2012 the highest GDP in this analysis. Many effort were made during this period to help the economic state of Libya. It former relationship with its most important partner, Italy started increasing again. But just after 2012 it GDP started decreasing at a regular rate unto the year 2015 when the rate of decrease stopped, and the following year in 2016 Libya increased it GDP by \$1,089 Bill. The overall state of Libya showed that the period of Gadhafi`s regime, thou a dictator but the economic state could be described as one that was leading to the growth of the economy. The export composition of Libya again was another that showed almost the same pattern as the trend of its GDP. This is a strong indication of how the country depends greatly on foreign trade. Here the most important items of trade where analyzed, which are appropriate description of its trade in the international market. Here also the period of Gadhafi`s rule showed a pattern as reflected in the pattern of its GDP. The highest of these products is crude oil export, it is the main item of Libya`s export activities to all its partners, Italy being the highest imported of crude oil from Libya. After the revolution, the exporting of crude oil increased only once to an amount of \$45,700 Bill which was \$10,400 Bill more as compared to the next highest period during the Gadhafi`s regime. From then on it started decreasing at a steep level on to the end of this period in 2016. Other products, such as the petroleum and chemicals were just soaring around the same level throughout the period of this analysis, but the chemical looks a bit strange, in that it appears horizontal in its trend from the time of Gadhafi unto the last year of this

analysis. The import composition showed three different character. One was between iron and wheat, they reveal the same pattern of Libya`s import need. They had the same changes during the period of Gadhafi`s regime, with just a little change where iron increased to \$323 Bill and wheat \$888 Bill in 2010, the rest of the period show trend from where they fell in 2011. Wheat appears to be the next on the list from top import products of Libya. This is a true representation of food in the country, Libyan are mostly using wheat in their meals. Secondly, the raw sugar import has its own pattern, it stayed at a flat level from the year 2009 to 2016. This regular of straight line could show how less the country tries to reduce the use of sugar in their homes, many families take their coffees without sugar or less. Lastly, the refine petroleum has a different trend as compared to the rest of the others. It only followed the pattern of the first example during the period of Gadhafi`s regime and showed up and down pattern between 2010 to 2012 where it a very high level of \$3,070 Bill, it further made an increment in the following year of \$3,190 Bill, which was the highest and fell steeply and never changed it downward trend.

The exchange rate in Libya has a pattern which is increasing, both at a low and high economic activity the exchange rate shows to be increasing, this is the trend of the central bank. Thou it is in the increase unto the end of this analyzed period, it still has a definite pattern, which could serve the purpose analysis. The exchange rate trend and the pattern of GDP from 2012 to the end does not show a good result of an economy that is developing. It is quite a deteriorating state. The black market on the other side has its own trend, it`s regular, but from the year 2013 it seizes its up and down pattern and increased every year unto the very end of the period.

Libya`s trend of development in the international trade showed a pattern, but a declining one. Its activities of export and import tried to keep with each other even at difficult economic times. It showed some difference between the period before and after revolution. The last two years of this analysis did not follow with the rest of the years, it trade did not develop international according to the trend from 2015 to 2016. This might well account for the period of damage during the revolution, combine with the external factors on its trade. The imposed sanctions as a result of the past regime has greatly influenced the way Libya participate in the

international trade. The trend does not show that Libya's participation in the international trade after the revolution is leading to the economic growth of the society.

The impact of sanction on both import and export on Libya has a greater effect on how it participates in the international market. The impact of the importing sanction was decreasing from 2010 to 2011. Within this period, the country still had a high GDP, even the second highest GDP in 2010 for the entire period analyzed. The sanction again started to show less effect as the import start rising from 2011 to 2012, this period accounted for the largest increase in the nation's import. The impact of the exporting sanction from 2009 to 2011 is reflected in the amount of export as it decreased and increased with responding the amount that can be traded in the international market.

Libya's balance of trade in crude oil with partners did not improve with a positive trend throughout the analyzed period. The largest trading partners were analyzed in this work. Italy being the largest of them all, generally shown a decreasing trend, though it was the first country in the European Union to start its diplomatic relationship with Libya after the revolution in 2011. The balance of trade between Libya and Italy was positive during the period before the revolution and became only negative in 2012, which was the period when Libya shows to make its highest export. This is a clear indication that the trade relationship between these countries did not get better after the revolution. It became positive again in 2013 by a slight amount, but only to decrease again and never recovered. Germany as the second trading partner in crude oil trade. The trend in balance of trade here remains positive throughout the period, even when at a time when political unrest was very high in the economy. China as the third largest partner in crude oil trade has a very unusual pattern. It started negative in both 2009 to 2010, this was the period before the revolution, and then started to increase from 2011 to 2012, and this positive figure is reflected in the increase in crude oil exported out of Libya in this period. After 2012, it decreased and never recovered throughout this period of analysis.

Libya's balance of trade with the world has not improved. It started with the first three years as a negative balance of trade, again this period was during Gadhafi's regime. After 2011 it started to rise, but just for a while and fell again before the end of 2012, the period of its highest balance of trade. It stayed negative steeply towards the end of 2016. In general, from

the graph it could be deduce that Libya`s balance of trade with the world has not got better even towards the end of the analyzed period.

The overall benefit of oil trade with partners shows the percentage of export of Libya`s total oil export to its major partners. Italy being the largest by 32%, this number remain constant for the period considered in the analysis. Italy`s geographical location might have contributed greatly to the trade relationship with Libya. Germany carry`s the second largest percentage of Libya`s total oil export. Germany appears to show steady relationship according to the statistics, it has kept the oil trade relationship to improve both countries trade in oil.

6 Conclusion

In conclusion the following were observed, and the common pattern of the economic activities have shown which period Libya`s growth can be seen and how it was affected.

Libya has not shown the ability to improve on its crude oil trading to affect an increment in its GDP level. It was far better in the beginning of the period than in the latter part of this analysis. The latter part is marked with declining trend.

The impact of sanctions on both import and export of Libya`s product in the international market can be seen around the period between 2010 to 2012, both import and export are greatly affected in 2011 because of the sanction coupled with the political unrest in Libya during this period. These gave rise to crime such as smuggling, and also caused a situation which limited the movement of goods and services in and out of the country, as the government intervene to correct the smuggling problem.

It`s export composition showed a regular pattern for product such as petroleum and chemicals, but the product with the highest amount of export, which is crude oil has not shown a regular pattern according to which period the economy is facing. The same partners are involving in the trade during the entire period of analysis. The effect of the sanctions and revolution might have caused the irregularity in the export composition of Libya.

Libya`s import shows the highest need of the economy in terms of consumption, which was the wheat product. It controlled its consumption of the other product to the level it was able to maintain with just a little change that happened during the period immediately before and after the revolution.

The balance of trade between Libya and Italy, its largest crude oil trading partner has shown an increasing and decreasing pattern, and also with decreased balance with the last two (2014 – 2015) years of analysis, but it remains positive. Germany as it` second largest trading partner stayed positive, even at the period between 2011 to 2013 when there were very large differences in their balance of trade. The last two years again here showed the lowest amount but never got to a negative amount. Last among the partners chosen for this purpose was

China at the third place, the analysis shows that the balance of trade between Libya and China became more negative in the end of this period.

Libya's benefit of crude oil trade can only be represented by the percentage it can continue to export to its larger partners. This economic activity has been effected as seen in the export to Libya's trading partners. There is very large difference in the export of crude oil between 2010 and 2015, from \$11,000 Bill in 2009 to \$2,860 Bill in 2015. The decrease is very significant, because this country is its biggest trade in crude oil. The trading relationship between Libya and Germany has a better pattern, indication a favorable balance of trade, but also showed a decreasing trend from 2013 to 2016. The benefit Libya got from trading with China fell also from 2012 to 2015 lower than the other two countries mentioned in this analysis. These period from 2012 to 2015 significantly affected the general pattern of Libya's economic activity. It did not show any growth during this period, the period during the Gadhafi regime could be said to be a growth as compared with the period from 2012 to 2015.

7 Recommendation

The following areas of Libya`s economic and political affairs should be corrected to enhance the productive activities of the economy.

Libya should create policies that will help to introduce and maintain the economic activities at a level where it can be able to provide the need of the economy to continue productive activities with little or no difference, so it can gain a stand in the crude oil market, which in return will allow for the growth of the economy.

The exchange rate in Libya should be controlled by the central bank, so that the black market will not have an easy access to the main business activities in the country. As exchange rate has a great impact on what the country will receive, because will affect the local currency and the economic activities.

Libya has to improve its figures in crude oil export, all its partners have showed a decrease in the last period, with the exception of Italy which made a very slight increase at the end of the period. Increase in export will significantly change the economy of Libya, and the relationship with the international market will improve, thereby enhancing the growth of the economy.

Libya should consider all trading rule set by the international trading partners to avoid and future sanction, if it should change and improve its foreign trade, especially in crude oil export. This is true as show from the analysis that Libya depend greatly on the export of crude oil. Any economic boycott will not allow the economic activities lead to the growth of the economy.

If Libya should benefit in the trade of crude oil in the foreign market, it should try to maintain a constant or improved on the export activities in order to benefit from it value of export to its partners. It could also think about some alternatives, technology to add value to raw product if that will cost the less when compared with cost of importing back the refined product. Libya must change it economic position in order for the economy to grow.

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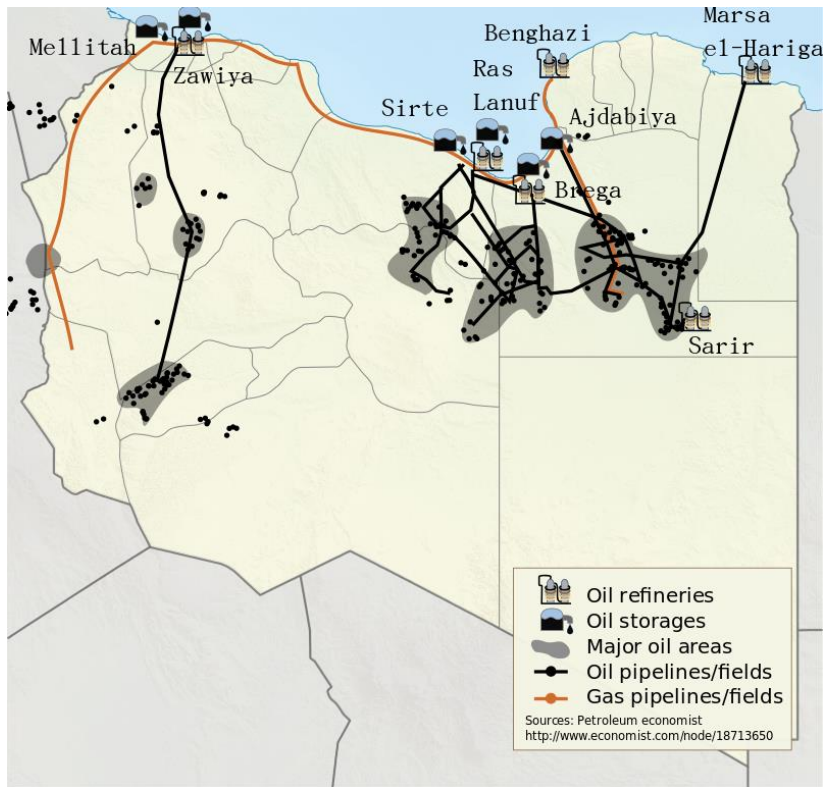
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9 Appendixes

Picture1: Map of LIBYA



Picture 2: Oil fields on the map



Picture 3: AMAL Field



Picture 4: ALFAREG field



Picture 5: Currency of Libya

