

CHAPTER FIVE

THE DEVELOPMENT OF LIBYAN ECONOMIC STRUCTURE

This chapter will discuss the contribution of oil industry towards the complete transformation of the Libyan economy. The chapter begins by examining the poor state of the pre 1969 Libyan economy and the timely measures undertaken by government after 1969 to prevent the economy from further decline. To this end, all the domestic investment programs made during 1970-1995 which resulted in the complete transformation of the domestic economy and a well diversified economy is also presented.

5.1 Urgent measures to stop the economic decline :

We have discussed the economic situation and the effect of the discovery of petroleum on the Libyan economy in chapter two. The economy was characterized by lack of the development strategy to achieve a balance between the production sector and the services sector which led to increase the consumption, imports and increasing dependence on foreign sources to satisfy local needs.

Moreover, we have also seen that regions were not equally developed throughout the country which resulted in the negligence of agriculture and the migration to cities. All this led to the deterioration of the economic and social situation in these regions. It was therefore, necessary for the Government to face this situation by undertaking actions to increase and diversify production base of the economy so that a better future can await the Libyan people.

The Libyan Government faced the problems of the past and worked to change the present condition to build a better future. It adopted economic and social plans

and aimed through its plans at putting an end to the market oriented development pattern and to support a balanced growth of the national economy and diversified production so that petroleum stops being the dominating activity. It also aimed at achieving equality in the distribution of income and in the development of regions.

To increase the average income, the Government planned investment by region in order to minimize the disparities between the regions and the population. For this the revolution did not direct its attention to the material income only, but also to the development of human resource. The Economic and social development plans include the development of human factor and give him utmost importance. The plan, did not just aimed at achieving a higher standard of living, but underlined the importance of a better life in the Libyan society. Thus its objectives were to carry out services as well as production plans capable of achieving a balanced economic growth.

The following are the objectives of the above mentioned plans according to various reports of Ministry of Planning :

- 1) To achieve self-sufficiency by increasing productivity in agriculture and industry.
- 2) To achieve equality in distribution and avoid the concentration of economic forces and eliminate disparities in the economy.
- 3) To achieve social equality and provide the same opportunities for all.
- 4) To achieve self-sufficiency in production.
- 5) To create a sense of responsibility of the general welfare and set the foundations for new social relations based on love for the country and social peace.

To achieve these objectives, the government put a very serious and ambitious development strategy aimed at limiting oil production to a reasonable level and at avoiding any waste at directing a large part of its revenues towards other production

sectors. Thus, the over dependence of the Libyan economy on petroleum can be prevented. It was therefore important to realize these ambitious goals through different stages. So the plans give attention not only to agriculture but also to the different fields of manufacturing industries such as textile, chemical and other industries. In addition, expanding the development in the agriculture and production of raw material were given priority. The sharp rise in development expenditures made it possible for the economic development to realize rapid growth. For example, the investments allocated for agriculture during the period (1970-1995) was 3719 million LD.

In the two Plans (1973-1975) and (1976-1980), attention was given to agricultural and industrial sectors based on the belief that their development constituted a practical solution to the problem of the high imports. This has created strong pressures on the trade balance and the balance of payments, due to increasing demand on consumption goods and on industrial equipment necessary for the establishment of manufacturing industries. In addition, the development of agriculture and industry would put an end to the dependency of the economy on one sector, and one product namely petroleum (Ministry of Planning, 1985).

Expenditure on development during the period (1970-1995) was 34 billion LD. Economic and social development made good progress towards abolishing the difficulties and problems left behind by the past system and re-establishing economic and social balance, and increasing the rate of growth in the major economic sectors especially in the agriculture industry. This is clear when we realize that oil revenues which represented 63.5% of the GDP in 1969 declined to 51% of GDP in 1975. The underlying factor which made this possible, was the expansion of the national economy by developing agriculture and manufacturing industries simultaneously, so

that the annual growth rate in real terms of economic activities other than petroleum, was estimated at compound annual growth rate of 15.5%.

A high growth was achieved in this relatively short period which will without any doubt affect growth in the future and will change the economic structure in Libya. It is expected that agriculture and manufacturing industries will play a more important role in the future as a result of the agricultural revolution which is taking place. This revolution includes the large scale agricultural projects being implemented in Jafara Plain, Jabal Al-Akldar, Fessan, Kufra and Sarir. In addition, as a result of the industrial renaissance which is laying down its foundations throughout the country, food industry, real estate and reconstruction and petrochemical industries are being established. This created a strong interrelation between the different economic activities, as it is shown by the achievements in such sectors as electricity which grows at an average rate of 23.5% and trade which grows at an average of 26%. As for transportation and communication, the average growth was 15%, 25.5% in education, 19.5% in health and 48% in construction (Mohamed Zayd, 1980).

5.2 Oil revenue development :

Table (2-2) and Table (4-1) show that oil export earnings started increasing from 0.115 million LD in 1960 to 351.2 million LD in 1966, reaching 416.4 million LD in 1967. It continued to increase from 771.9 million LD in 1969 to 841.1 million LD in 1970. During the 1970-1995 period oil exports revenue increased to 7.533 billion LD in 1980, but declined to 3.8 billion LD and 2.4 billion LD in 1995 respectively. The reduction in both the production and prices, as well as other factors will be discussed in chapter seven.

During 1970-1995 period, oil exports increased from 2388.3 million barrels a day in 1974 to 1765.5 million barrels a day in 1980, an increase in the revenue of 6.85 billion LD. As for the period 1980-1995, the oil exports achieved a varying development rate from one year to another due to the circumstances the world oil market had to undergo.

Initially exports of gas and oil by products was limited to crude oil only. These exports increased from 49.016 million LD in 1962 to 2.48 billion LD in 1975 and to 7.53 billion LD in 1980, and finally to 2.4 billion LD in 1995.

In general we can say that the exports of oil by products have shown a continuous increase in the period under observation with an average rate of 90% during the period 1980-1995. While the share of oil in GDP in 1958 was 6.9%, it reached 53.7% in 1964. It took a further increasing trend to the detriment of other economic sectors until it reached 63.1% in 1970 and declined to 30.5% during 1988-1995 as shown in Table (5-2).

The same applies to the share of oil exports in total exports. Crude oil exports represented 63.5% of total exports in 1961 continued to increase to 95.8% in 1962 and to 98.7% in 1963. In 1971, that is less than ten years later it reached 99.7%. This means that oil production before 1970, was growing at a very high pace while production in other sectors remained insignificant (Ministry of Planning, 1972).

Table (2-1) and (4-1) also show the trend of crude oil revenues and its effect on the revenue. The continuous increase in oil revenues had a very important impact on the budget since 1960 to 1995. The contribution of oil in average constituting 63% in 1970, while it was 52.3% in 1981 and 30.5% in 1995 to the national income.

5.3 Domestic investment development during (1970-1995):

It has been pointed out that Libya has witnessed progressive increase since the seventies in a unique rarity among the developing countries (Farhat,1995). The economic transformation strategy in Libya throughout the various economic plans have used most of domestic savings that resulted from the increase in the prices and the quantities of oil exported during that period.

The investment policy in Libya was generally aimed at achieving the following objectives:

Firstly, achieving a development rate in the real national income that exceeds that of the population growth, which will lead to an increase in GDP private income. Secondly, divesting the national economy in Libya and decreasing the degree of dependability on petrol as a main source. Thirdly, providing extra labor force for the development of the economy. Fourthly, elevating the efficiency of the general services and the basic industries required for activating the process of economic and social development.

However, a general prospective on the development of the domestic investment during the period from 1970 until 1995 provides us a clear idea about the efforts exerted in this field and the contributions of these investments in elevating the national capital which is considered the main basic pillar for any future changes in the national outcome and generally the economic activity during 1970-1995 (Secretariat of Planning,1995). The period 1970-1995 was characterized by the implementation of a major investment project in comparison with the preceding years. The total domestic ,fixed capital formation size during this period has reached about 34 billion LD (Secretariat of Planning,1995). The outstanding characteristics of the investment programs carried out during this period were dependent on the contribution of oil and

gas revenues. For instance, most of national savings used in the investment programs in the period 1970-1995 were generated from oil sector.

Therefore, investment occupies an important position in the Libyan economy and it also represents an essential factor that not only encourages social and economic development, but it also helps to explain the growth in population income. Investment manifests itself in other ways such as the scope for increased capacity of the domestic economy to mobilize and to guide the domestic savings toward investment. Further it expresses the capability of the national economy to comprehend those investments and to translate them into effective increases in the national outcome.

From the investment programs carried out during 1970-1995, we can observe:

Firstly, the oil gas production sector was allocated a meager percentage of the total investments. Secondly, the transportation, storage, communications, gas, electricity and water sectors have the highest investment rate of 35 percent as compared to other economic sectors. That would lead to elevate the productivity efficiency of the productive sectors such as agriculture and industry. Thirdly, the industrial sector has gained the second position contributing 18% of total national investment. This was an attempt to create an industrial base that aims at providing the basic consumption commodities and production equipment for the other economic sectors and to reduce the degree of dependence on imports and to create new job opportunities for the domestic labor force. Fourthly, the investment program had given the health, education services and general services performed by the state's various department, a particular attention. These sectors contributed to more than 18% of the total investment during that period. This was to assist the main production sectors to carry out their function and to create a well-trained and knowledgeable labor force in order to remedy the damage done to those services in previous years. Fifthly, the housing

and construction sectors had been given importance in this investment program. The housing and construction sector was allocated about 17% of the total investment during the period 1970-1995 which was meant to provide the suitable housing for people. Sixthly, more than 14% of the total investment were spent on the agriculture, forestry and fishing sectors in an attempt to increase food domestically, create domestic job opportunities for the people and to encourage the activities in the agriculture sector.

5.4 The development of the domestic production (1970-1995):

As a natural result to the domestic investment rate during the years 1970-1995, the domestic production had witnessed outstanding developments through the same period. Those developments could be summed up from table (5-1) as follows:

- 1) Despite sharp fluctuations of the oil prices, and consequently the fluctuation of the amounts exported, the gross domestic production managed to achieve an average exceeding 8.56% during the period 1970-1995.
- 2) In comparison with the base year 1970 the domestic production increased by the end of the year 1988 by five folds. Moreover, it increased eight folds in some years as what happened in the year 1980 due to the increase of the international oil prices.
- 3) Despite the severe reduction of the international oil prices which at times declined by more than 60%, it however had not influenced the domestic production greatly. The domestic production recorded its lowest reduction in the year 1968 with 18%.
- 4) It is indicated by the figures in Table (5-1) that the GDP has stabilized in the region of 7 billion LD which is lower than the 1980-1995 period of about 8 billion LD. This is because of fluctuation in price of oil. During the 1980-1985, price of oil was in the region of \$20 per barrel.

5) One of the main objectives of the economic development plan in Libya during 1970-1995 period was restructuring the national economy in the interest of the non-oil economic activity in order to achieve new income resources away from the control of the crude oil sector which is an exhaustive resource.

Table (5-2) indicates the scope of success of the economic investment plan between various economic sectors to GDP.

Despite the severe reduction in production ,export and prices of the crude oil during the 1980s, the economy had achieved a remarkable improvement in favor of the non-oil activities. Total added value of non-oil activities had increased from 475.7 million LD to approximately 4845 million LD in 1995, growing by an average compound annual growth of about 13.8%. This is a high rate which equals about two and a half times the expected growth rate for the activity of oil and natural gas production, estimated at 5.5%. On the other hand ,in order to correct the structure of the national economy, the contribution of the non-oil economic activities to GDP increased from 36.95% in the year 1970 to approximately 69.5% in the year 1995. The oil and natural gas production activity declined from 63.1% to 30.5% during the same period.

During the same period the contribution of agricultural activity increased from 2.6% to 5.3% and the transformational industry activity increased from 1.7% to 7.0%. The achievement of the transformation plans from (1970-1995) has achieved significant results. For example the electricity demand has significantly increased from 0.5% to 2.0% due to the effect of oil revenue on other economic sectors, which has been expanding rapidly.

Table (5 -1)

The development of total Libyan GDP during (1970-1995)

Year	Total domestic production (Million LD)	Change rate %	growth rate
1970	1.288	-	
1971	1.587	123	+23 %
1972	1.753	136	+11 %
1973	2.183	169	+24 %
1974	3.796	295	+75 %
1975	3.674	285	- 3 %
1976	4.768	370	+30 %
1977	5.613	436	+18 %
1978	5.496	427	- 2 %
1979	7.603	590	+38 %
1980	10.277	789	+35 %
1981	8.869	689	-14 %
1982	8.781	682	- 1 %
1983	8.481	658	- 4 %
1984	7.681	596	- 9 %
1985	8.050	625	+ 5 %
1986	6.577	511	- 18 %
1987	6.594	512	0
1988	6.547	508	- 1 %
1989	7.224	561	+10 %
1990	6.540	508	- 9 %
1991	7.120	553	+ 9 %
1992	7.730	600	+ 8 %
1993	7.430	572	- 4 %
1994	7.540	585	+1 %
1995	6.968	541	-8 %

The average Annual growth rate is: 8.56%

Source: OPEC, Annual Statistical Report (various issues). Secretariat of planning, Directorate General of Economic & Social Planning (National accounts office).

Table (5 -2)
The Total GDP in Accordance to the Economic activity
during (1970-1995)

(by the cost of current income factors and million LD)

Economic activities	1970	1995	Compound annual growth rate	The structure %	
				1970	1995
Agricultural forestry & fishing	33.1	366.5	14.3	2.6	5.3
Oil and natural gas production	812.6	2122.5	5.5	63.1	30.5
Mining and other mines	1.7	44.4	19.9	0.1	0.6
Transformational industries	22.5	487.5	18.6	1.7	7.0
Electricity, gas & water	6.5	138.5	18.5	0.5	2.0
Construction	87.8	800.0	13.0	6.8	11.5
Trade, restaurant and hotels	47.0	440.0	13.2	3.7	6.3
Transport, storage & communication	42.9	390.5	13.0	3.4	5.6
Finance, insurance, real estate	13.0	304.0	19.1	1.0	4.4
Houses property	59.6	286.5	9.1	4.6	4.1
General services:					
(other than Education & health)	98.1	880.5	12.9	7.6	12.6
Education services	39.7	420.5	14.0	3.1	6.0
Health services	15.8	210.5	15.5	1.2	3.0
Other services	8.0	75.5	13.3	0.6	1.1
Total domestic production distributed among:	1288.3	6967.5	199.9	100.0	100.0
Oil & natural gas production	812.6	2122.5	5.5	63.1	30.5
Non-petroleum economic activities	475.7	4845.0	13.8	36.9	69.5

Source: Secretariat of planning, Directorate General of Economic & Social Planning (National Accounts Office).

5.5 Development and structure changes :

This section analyses the impact of the oil industry on sectors such as agriculture, electricity, housing, utilities, transportation and communication, health, media and culture, sports, labor force, the financial services sector, trade, ...etc.

5.5.1 Agriculture.

After 1969, the state exerted a great effort in agricultural development to achieve land reclamation and agrarian reforms in a large scale throughout Libya. This agricultural development program was a part of an ambitious plan to diversify the economy and national income and to lessen the dependence on oil by creating a strong economic base which will depend on different productive sectors.

The aim of agricultural policies was to ensure self sufficiency of agricultural products and to provide a decent living standard to the Libyan citizens. Therefore, the agricultural sector has received a considerable degree of attention in the socio-economic development plans which have been drawn since 1968. The development strategy programs based on projected growth of the agricultural sector was designed in order to increase the rate of contribution of this sector in total national accounts.

5.5.2 Investment in Agricultural development programs:

The state has increased its investment in different aspects of agriculture and animal development. It allocated a huge investment of LD 4747.3 millions for the planning of integrated rural development from the total sum of LD 29653.1 millions for the development planning from 1970-1995. During this period the actual investment in agricultural sector amounted up to LD 4245.5 millions. Most of the expansions in the agricultural sector was achieved during a period of two development plans of 1976-1980 and 1981-1985 period.

Amounts spent on agriculture totalled LD 231 millions for the period 1976-1980 and 1985-1987 (Ministry of Planning, 1994). The increasing investment in agricultural sector helped in augmenting agricultural production which contributed immensely to the national economy, resulting the increase of agricultural sector contribution in national accounts. The investment in the agricultural sector shot up

from LD 33.1 millions in 1970 to LD 367.5 millions in 1995, growing at a rate of 14.7% yearly. Based on this, one could argue that the government has achieved its goal of socio-economic objectives during this period.

5.5.3 Industry:

In accordance with the long term strategy to limit the national economy's over dependence on oil as a source of financing the development of the economy, the government has taken action to simultaneously other sectors. As a result, industrial production increased from 17.6 million LD in 1970 to 87.7 million LD in 1995.

Libya boosted the industrial production value reaching the total of 855.4 million LD by 1995. The monthly average production value of industrial production has increased from 44.4 million LD in 1982 to 57.6 million LD in 1995. At the same time, the number of workers has also increased from 2939 in 1973 to the total of 49931 workers in 1995 (Ministry of Planning, 1996).

5.5.4 Electricity :

The development of the electricity sector was given a great importance in the transformation plan in Libya since 1970. This is to provide the necessary electricity power for the needs of all different fields which constitutes the national economy. Investment in the electricity sector increased from 77 million LD in 1970 to 255 million LD in 1995, with annual average expenditure of 129 million LD during 1970-1995. If we compare the actual amount spent on the electricity between the period (1963-1969) and (1970-1988) we find that the actual spending on this sector increased 45 times as compared to the amount spent in 1969 (Ministry of Planning, 1996). Therefore, this rapid growth and development in the electric industry has played an important role in the basic development necessary for the social and economic sectors. The production at all levels of industry, agricultural, domestic

depends largely on electric power. Thus, the development of electric industry has played a significant role in sustaining the national income. This is expected to continue in future development of the country.

5.5.5 Housing and utilities :

During 1970-1995, the allocated amount for housing reached 4125 million LD of the economic and social transformation budget. During this period, the average annual allocation for the development of the housing sector was 165 million LD (Ministry of Planning, 1995). The percentage of the financial allocation to housing and utilities in relation to the total expenditure to other sectors during the period 1970-1995 was 10.8%. The accumulation in actual spending rose from 37.5 million LD in 1970 to 3773.6 million in 1995, with an annual compound growth rate of 24% (Ministry of Planning, 1996). These figures indicate the huge amount of work and effort accomplished in this sector.

5.5.6 Transport and communication :

The actual government spending on the transport and communication sector in 1970 amounted to 77.8 million LD. This spending increased to an average of 197.5 million LD per year during the period 1970-1995 which reflects the great importance given to this sector despite of the vast geographical area and few scattered population. Moreover, the previous condition of the transport sector was backward and very limited.

5.5.7 Education :

The financial allocation for the education sector was 84.6 million LD in 1970 whereas in 1970-1995 it was 2736,500 billion LD, with an average annual spending of 109,460 million LD (Ministry of Planning, 1996).

These huge expenditures were evidence of government determination to provide universal education to all Libyans. For example, the number of students in all stages of education has increased enormously and such an increase required establishing numerous primary, preparatory and secondary school, technical and industrial schools, teacher training institutes and universities, which in turn demand the huge increase in the number of teachers. All these are met by a huge increase in the education budget.

5.5.8 Health :

To raise the level of the standard of health services, 989.8 million LD were allocated during the period 1969-1995. With an average spending of 38 million LD per year, it exceeds the average expenditure of other countries relative to the population size. Table (5-2) illustrates the growing proportion of the GNP, which was spent on the health sector, for the 25 year period from 1969-1995. By examining these statistical indicators in Table (5-1), we notice that the proportion of the GNP allocated to the health sector has increased by about 11 fold from 13.9 million LD in 1969 to 208.5 million LD in 1988. This increased further to 215 million LD in 1995. The statistics also indicate a rapid increase in the basic foundations of the sector in terms of the number of technical staff, facilities and equipment are to the success of this sector. For example, the number of hospital beds reached to about 6241 in 1995 from the 2400 beds in 1969. The number of central hospitals has reached 108, equipped with the most advanced technology, from just 5 hospitals in 1969. The number of basic health centers has also grown from 3 in 1969 to 263 in 1995 while the number of specialized health care units increased from 414 in 1969 to 1083 units in 1995. Likewise the number of tuberculosis (TB) centers has also increased from 5 in 1969 to 32 centers in 1995. The number of Polyclinic has also increased from one to 45 Polyclinics in 1995 (Ministry of Health, 1996)

Table (5 - 3)
The Growth of GNP in the Health sector during (1969-1995)

YEAR	GNP (in million LD)
1969	13.9
1970	15.8
1971	22.0
1972	26.9
1973	31.7
1974	38.5
1975	51.6
1976	65.1
1977	79.6
1978	94.8
1979	104.2
1980	126.0
1981	138.6
1982	140.2
1983	178.0
1984	190.0
1985	194.1
1986	165.0
1987	208.5
1988	208.5
1989	210.0
1990	210.5
1991	212.3
1992	212.3
1993	215.0
1994	215.0
1995	215.0

source : Ministry of Planning, 1996.

There was also a rapid growth in the patient-doctor ratio as shown by the large pool of doctors, medical staff, technicians and assistant technicians. The number of doctors has reached 5980 doctor; 60% of which are Libyans. These by far exceeded the 795 doctors that existed in 1969, of whom, 10% were Libyan.

The medical staff has also grown to 18588 persons in 1995 compared with 2612 in 1969. The number of technicians and assistant technicians has reached about 5377

persons; in 1995, 89% of which are Libyans while this number in 1969 was barely 418 persons 14% of which were Libyans.

In the field of health education and training, the number of graduates in medicine, dentistry and pharmacy have reached 2120 graduates by 1995. The number of graduates from health institutes and nursing schools has exceeded 10246 graduates; 60% of which are Libyans (Ministry of health, 1996). All the statistical indicators in this sector demonstrate the rapid and significant developments in the preventive measure of illness during the past twenty five years.

5.5.9 Media and culture :

In comparing the total expenditures on media and culture both before and after 1969, we notice that the allocated development expenditure for this sector in 1969 was below 1.5 million LD. However, it reached to more than 10.8 million LD in the year 1987. We also see that expenditure in this sector reached 4.1% during the years 1963-1969 whereas this figure rose to 6.6% during the development plan 1970-1972. In the second development plan the increase was more than 23 million LD, an overall percentage increase of 300% and to 2000% in 1981-1985 plan (Ministry of Planning, 1995).

These facts emphasize the great care given to this sector and that the government realizes its objectives and endeavors to provide all material and moral needs for this sector.

5.5.10 Sports :

Sports activities before 1969 was limited to certain geographical areas. But looking into the basic indicators in development plans we realize the vast changes occurred during the period 1969-1995. The expenditure of the sports sector had risen from 1.6 million LD in 1976 to 2.5 million LD in 1986. It however declined to 2

million LD in 1995 (Ministry of Planning, 1996). Looking at the development of the size of appropriations and expenditures during this period, we see a clear rise in the amounts spent. Sports plans were concentrated in the following three areas; sport programs, youth programs and developing the Scout movement. These plans have fulfilled a great many of its goals such as executing many projects in the form of sports stadiums, complete centers, pitches, public playgrounds, youth hostels, summer resorts, sports associations as well as establishing youth camps and various sports courses.

5.5.11 Labor force :

The details in Table (5-4) show that the number of native workers has increased in all economic activities. The Table shows the annual growth rates of the number of native workers in the period 1970-1995.

Table (5-5) shows that the structure of the employment of native labor has increased in all of the economic activities, like mining, quarrying, transformational industries, electricity and gas, water, construction and building, financial insurance, business services, health and educational services.

According to the expected relative figures for 1995 the native employment is concentrated in industries such as agriculture forestry and fishing, educational services, general administration, transformational industries, transportation, warehousing, communication, building and construction. Despite the fact that oil sector contributes the largest share in the total national output the number of employees does not exceed 1.8% due to the fact that the oil sector depends on advanced technology product.

Table (5 - 4)

**The number of Libyan workers classified According to Economic Activities
during 1970-1995 (In Thousand)**

Economic Activities	1970	1975	1980	1985	1990	1995
Agricultural, forestry and fishing	118.0	115.5	123.8	131.0	174.4	183.7
Oil drilling & natural gas	6.8	8.0	8.7	11.0	13.2	13.8
Mining and other quarrying	2.2	4.1	5.0	5.9	7.2	7.8
Transformation industry	15.0	19.1	35.3	46.0	74.6	84.9
Electricity, gas and water	7.8	9.6	15.2	18.5	25.3	26.7
Building and construction	29.8	32.8	47.4	54.0	53.6	72.9
Trading, restaurants & hotels	28.8	40.8	31.9	45.0	51.9	52.6
Transport, storage & communication	34.5	47.2	60.3	71.0	75.3	76.8
Finance, insurance & business	4.7	6.1	8.1	10.4	14.7	15.8
General administration services	45.4	65.9	60.0	58.0	99.7	100.9
Educational services	32.1	43.9	68.5	84.0	136.1	139.0
Health services	16.4	20.7	30.8	37.5	47.2	97.8
Other services	33.0	40.4	37.8	45.1	47.6	98.6
Total	383.5	454.1	532.8	617.4	820.8	871.3

Source: - Office of labor force (various years).

On the other hand, the increase in employment of non-Libyan was a result of the continuous need for labor, keeping in mind, the preference for the native workers. Because of the shortage of work force for carrying out the various development plans, it became necessary for Libya to utilize foreign labor.

The statistics in Table (5-6) indicate that during 1970-1995 the number of non-Libyan workers has increased in all type of economic activities. However, the number of the non-Libyan workers has decreased since 1983 from the peak level of 47.7% in 1985 to 14.8% and 14% in 1990 and 1995 respectively. This is due to the following factors:

1) The decrease in oil revenue due to the decrease in oil prices has impeded development of the Libyan economy.

2) The measure taken by Libya to face the world economic crisis such as the limits on hard currency exchange resulting in the limitation of economical and social development plans and therefor decreased in non-Libyan employment.

Table (5 - 5)

**The Framework of Employment of Libyans According to
Economic Activities during 1970-995**

('000)

Economic activities	1970	1975	1980	1985	1990	1995
Agriculture, forestry & fishing	30.8	25.4	23.2	21.2	21.3	20.7
Oil drilling & natural gas	1.8	1.8	1.6	1.8	1.6	1.6
Mining and other quarrying	.0.2	0.9	.09	0.9	0.9	0.9
Transformation industry	3.9	4.2	6.6	7.5	9.1	9.8
Electricity, gas and water	2.0	2.1	2.9	3.0	3.1	3.0
Building and construction	7.8	7.2	8.9	8.7	6.5	8.3
Trading, restaurants & hotels	7.5	9.0	6.0	7.3	6.3	6.1
Transport,storage&ommunication	9.0	10.4	11.3	11.5	9.1	8.9
Finance, insurance &business	1.2	1.3	1.5	1.7	1.8	1.7
General administration services	14.2	14.5	11.3	9.4	12.1	11.7
Educational services	8.4	9.7	12.9	13.6	16.6	16.0
Health services	4.3	4.6	5.8	6.1	5.8	5.6
Other services	8.6	8.9	7.1	7.3	5.8	5.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source : - Office of Labor force (various years).

Hence, during the period 1990-1995 there was a noticeable improvement in the participation rate for native workers. This fact is due to the increase in the number of university graduates and graduates from various institutes and training centers.

Such an improvement in type of employees will no doubt increase the production capacity of the Libyan economy as well as increasing the replacement of foreign workers by native in many professions and lines of specialization.

Table (5 - 6)

**The number of non-Libyan workers According to the Type of
Economic Activities during 1970-1995**

('000)

Economic Activities	1970	1975	1980	1985	1990	1995
Agricultural, forestry& fishing	8.0	17.9	29.6	42.0	12.5	12.3
Oil drilling & natural gas	3.2	2.7	5.0	2.0	2.2	2.2
Mining and other quarrying	1.8	2.8	4.5	5.0	0.6	0.6
Transformation industry	5.4	13.8	22.7	34.5	11.2	11.0
Electricity, gas and water	0.6	3.4	4.5	7.0	1.7	1.7
Building and construction	19.2	119.8	125.6	317.3	94.5	93.2
Trading, restaurants & hotels	1.5	7.7	11.0	10.5	0.6	0.6
Transport,storage&communication	0.4	6.2	11.4	21.0	1.8	1.8
Finance, insurance &business	1.3	1.6	1.5	1.5	0.2	0.2
General administration services	1.0	5.2	5.0	3.0	0.3	0.3
Educational services	3.3	14.1	22.5	25.0	3.1	3.1
Health services	2.9	9.8	15.0	22.5	9.6	9.6
Other services	1.5	18.3	21.7	70.0	4.0	3.9
Total	50.0	223.0	280.0	562.1	142.3	140.5
Percentage of non - Libyan work force to the total work force %	11.5	32.9	34.5	47.7	14.8	14.0

Source : Office of labor force (various years).

5.5.12 Development of money and banking :

Money supply in Libya during the period 1970-1995 witnessed a remarkable development which was necessary to meet the domestic requirements for commerce and banking which has resulted in a steady growth in Libya. It went up from 241 million LD in 1970 to 4338 million LD in 1995. This means a growth rate more than 15 times. According to the Central Bank annual reports during the period 1970-1995, the following monetary development took place;

1) Most of the increase in money supply during the period 1970-1995 was in demand deposits which increased more than 19 times during the same period, circulating currency did not increase more than 13 times. This fact in practice is considered as a

rise in the level of banking awareness with the citizens, as well as a significant success attributable to the banking system for being able to attract that ratio of deposits.

2) The steady increase in money supply was motivated mainly by the rise in foreign assets with the central bank and the commercial banks. In this respect, the role of these assets did not show any sign of decrease until the early eighties when the domestic assets mainly credit facilities granted by commercial banks, began playing that role, replacing the foreign assets.

3) Most of the increase in money supply took place during the first ten years of the period 1970-1995. After that, the annual increase was far less than the records of the earlier years. This was due to the fall of oil prices in world markets which led to a sharp decline of foreign assets with the central bank and the commercial banks. Their foreign assets were used to finance an over increasing demand for imports from abroad.

4) Average increase of money supply in Libya during the period 1970-1995 was much faster than the average increase of GDP while the later rose by less than 5 times, money supply rose by more than 15 times due to the great structural change in the economy.

5.5.13 Trade :

The economic policies and the foreign trade moved parallel lines to bring about the same objective; both accompanied the development witnessed by the Libyan economy since 1969.

These development have been reflected in the social and economic transition plans.

From the various development plans during 1970-1995, the following is a presentation of the reflections of the strategies and the policies set to carry them out on the exports and imports of Libya during 1970-1995 :

1) The value of exports of commodities and services during the study period developed at rates suitable to the needs of financing the economic transition plans carried out during the same period. Exports value increased from 772.8 million LD in 1969 to 2445.2 million LD in 1974 that is at the rate of 216%. This huge increase in the exports value was the result of the increase in exports rates of oil and the increase in the price of oil.

However, at the time of carrying out of the first social and economic development plan in the period of 1974-1980, the export value increased at the rate of 115%. On the other hand, the export value of crude oil fell sharply to 72% during the second five-year plan of 1980-1986. This decrease of the oil exports total value was due to the circumstance the world oil market went through. The domain organization set the policy and laid down the decision setting the maximum production of crude oil allowable for member countries of the organization.

2) The value of Libyan imports commodities and services increased by 239% during the period 1969-1974 to reach an annual increase rate of about 31% during the same period. This considerable increase of the import value was due to the huge investment program enveloped by three-year economic development plan of 1973-1975.

During the period of 1974-1980, the rate of the total import value increased at the rate of 145% covering imports mainly of equipment and machinery. However, during the period of 1980-1986, the rate of imports total value decreased to 25%. This sharp decrease reflects the policy of the consumption guidance and the realization of the self reliance policy.

3) During the period of 1969-1974, the trade balance surplus increased from 531.3 million LD to 1627.4 million LD; i.e. at a percentage rate of 206%. In the year 1980, the surplus figure exceeded the trade balance at the rate of 175%, reaching of 4480.2

million LD compared to what the surplus value was in 1974. However, during the period of 1981-1986 and as a result of the crude oil's diminishing prices and the crisis the oil market had to undergo, the trade balance surplus value fell sharply. Whereas the balance continued to be positive and in the interest of the country throughout the period under discussion.

From the above evidence, we can conclude this brief presentation for the development of the size and distribution of the domestic national investment as follows:

- 1) The investment program in Libya authorized a balanced program of expenditure on the various aspects of the economic activity, starting with basic structure and general services projects in order to provide the suitable conditions for the productive sectors and ending with the direct investment in the basic productive sector such as agriculture and industry.
- 2) The economic development plans in Libya depended on the domestic investments as a clear strategy to increase the productivity of the national economy and to create a strong capitalistic base for the economic activity in later years. The plans did not draw any main importance to foreign investments contrary to many developing oil-producing countries.
- 3) It is shown from the investment strategy of the economic development plan in Libya, that the constant concentration on creating a firm basic structure has been created that could be depended on in the future to establish and manage many of the production projects in an economically easy method. In other word, it does not aim at achieving high productivity rate in the short run, rather it aims at achieving a reasonable productivity rate for long period.
- 4) It is also shown from the investment strategy in Libya that the attempt to diversify income resources, labor force and to reduce the dependency on oil as a main resource

and was directed by allocating high percentages of the investment spending on the agriculture and industry sector in addition to the assisting services.

5) Most of the investments in the various economic sectors were carried out through the public sector. The investment in this sector reached the percentage of 88% of the total investment, while the private sector's participation did not exceed 12% from the total investment during the period 1970-1995.

5.6 Conclusion:

The significant role played by the Libyan oil industry in transforming the other sectors of the economy formed the central piece of this chapter. The increased domestic investment carried out by the government, and the effect of such investments on other aspects of the whole economy was analyzed and the conclusion drawn thus far in this chapter was that the oil industry was indeed instrumental in transforming the pre-1969 under developed economy to a resilient industrial one in which revenue from oil sales was used to simultaneously develop other sectors of the economy.