

# Libya: Trade Brief\*

## Trade Policy

As of the early 2000s, Libya's MFN applied simple (17 percent) and import-weighted (25.1 percent) tariff averages, albeit slightly lower than in the mid to late 1990s, were higher than the corresponding averages for the Middle East and North Africa (MNA) region (23.2 percent and 17.9 percent respectively). Similarly, its trade regime was more restrictive than the averages of upper-middle-income countries (11.4 percent and 10.6 percent, respectively), and of low-income countries (14.2 percent and 12.2 percent, respectively). Its maximum MFN tariff rate of 400 percent was also very high. In recent years, however, Libya has taken initial steps towards establishing a more open economy by abolishing licenses and import tariffs on most goods, reducing some subsidies, reducing the number of state import monopolies, limiting the number of import bans, pursuing membership to the World Trade Organization (WTO), and announcing plans for privatization. However, some trade restrictions remain on a few products for which imports are reserved to state enterprises. Also, consumption tax and service fees are imposed in a discriminatory manner on some imports.

## External Environment

While not a Generalized System of Preferences (GSP) beneficiary with either the European Union or the United States, Libya is member of the Global System of Trade Preferences (GSTP) among developing countries. Regionally, it is a member of the Arab Maghreb Union and the Arab Common Market. The Working Party on Libya's WTO accession was established in 2004, the same year that the United States lifted the majority of its longstanding sanctions against the country. It is in the process of finalizing its Memorandum of the Foreign Trade Regime and expected to hold its first WTO accession Working Party meeting before the end of 2008. As is typical for a commodity exporter, its MFN duty-free exports represent a very high share (79.5 percent) of all exports, considerably higher than in an average MNA (44.8 percent) country, or low-income (44.6 percent), lower-middle-income (35.3 percent), and upper-middle-income (35.9 percent) countries.

## Behind the Border Constraints

Libya lags noticeably behind its regional and upper-middle-income comparators as well as lower-middle-income country group averages on several governance indicators. Its performance is poorest on regulatory quality. Access to information and communications technology (ICT) portrays a mixed picture, with 73 percent having telephone and mobile connections in 2006, compared to only 56.8 percent for its regional comparators. In contrast, in 2006, only 4.3 percent have Internet usage, about half of the regional average and the lower-middle-income group average, but, much lower than the comparator upper-middle-income group average. However, Libya's secondary school enrollment rate (110.5 percent) is significantly higher than its comparators (76 percent for the MNA regional average, 88 percent for the upper-middle-income, and 75 percent for the lower-middle-income country group averages, respectively).

---

\*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

## Trade Outcomes

Libya is a hydrocarbon-rich country with one of the least-diversified economies in the Maghreb region and among the oil-producing countries. The export product concentration ratio has increased from 76.2 (on the scale of 0 to 100) in the late 1990s to 79.9 in 2006, substantially above the latest available regional (47.7) and upper-middle-income (35.4) country group means. Its primary commodity export is oil (94 percent of total exports in 2005), while its major imports are manufactured products. Its main destination markets in 2005–06 were the European Union (particularly Italy, Germany, Spain, and France), the United States, and Turkey, while imports were predominantly obtained from the European Union, China, and Tunisia.

## References

- International Monetary Fund (IMF). 2007. "The Socialist People's Libyan Arab Jamahiriya: 2006 Article IV Consultation—Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for The Socialist People's Libyan Arab Jamahiriya." Country Report 07/149, May. IMF, Washington, D.C.
- . 2006a. "Libya—IMF Survey." VOL. 35, NO. 13. July. IMF, Washington, D.C.
- . 2006b. "The Socialist People's Libyan Arab Jamahiriya: Selected Issue—Medium-Term Economic Reform Strategy, and Statistical Appendix." Country Report 06/137, April. IMF, Washington, D.C.
- World Bank. 2000. "Trade Policy Developments in the Middle East and North Africa." February. World Bank, Washington, D.C.
- . 2006. "Socialist People's Libyan Arab Jamahiriya—Country Economic Report." Report No. 30295-LY. July. World Bank, Washington, D.C.
- . 2007. World Trade Indicators 2007 Database, including the Trade At-A-Glance (TAAG) country table. World Bank, Washington, D.C. Available at: <http://www.worldbank.org/wti2007>.
- World Trade Organization (WTO). 2001. "Working Party on the Accession of the Libyan Arab Jamahiriya—Accession of Libya—Request for Accession Pursuant to Article XII." December. WTO, Geneva.