



## Doing Business In LIBYA: A Country Commercial Guide for U.S. Companies

March, 2006

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## Chapter 1: Doing Business In LIBYA

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### **Executive Summary:**

Libya is a challenging but potentially rewarding market. Opportunities exist in almost every sector, from oil & gas to agriculture to telecommunications and tourism. The most active U.S.-to-Libya import categories for 2006 are expected to be machinery, vehicles, pharmaceuticals, miscellaneous food, cereals and optical and surgical equipment.

The economy depends largely upon revenues from the oil sector, which contribute practically all export earnings. These oil revenues have allowed the government to accumulate foreign-exchange reserves worth \$45 billion on annual oil sales now running at \$20 billion. Oil production is now 1.7 million barrels a day, and the plan is to crank this up to 3 million within ten years. Since only a quarter of the country has been explored, this remains an achievable target as long as the government is willing to implement critical reforms hampering activity in this crucial sector. In spite of huge gas reserves, Libya's power plants mostly run on diesel fuel; thus offering opportunities in the energy production sector. The non-oil manufacturing and construction sectors include the production of petrochemicals, iron, steel, and aluminum. Libya imports approximately 75% of its food. In March 2006, President Bush has issued a waiver to the Export-Import Bank to provide export credits in Libya.

Libya's potential notwithstanding, U.S. companies face a variety of very real difficulties when attempting to enter the market. Libya's bureaucracy is among the most formidable in the Middle East. In a culture where deals are made on the strength of personal contacts, Western representatives find identifying appropriate interlocutors a significant challenge. Libya's legal structure is multi-layered, and its banking infrastructure primitive. Libya's physical infrastructure is in a state of disrepair, and telecommunication services are inadequate. Office space is limited, and the few Western-class hotels are often filled to capacity. U.S. companies wishing to send representatives to Libya are advised to expect considerable delays in obtaining Libyan visas.

Libya is a diverse and challenging market requiring adaptability and persistence. Careful planning and patience are the prerequisites for success in this emerging market. U.S. firms that are willing to invest time to develop market presence should expect to be rewarded in the long-term.

### **Historical Background:**

Located in North Africa to the East of Tunisia and the West of Egypt, The Great Socialist People's Libyan Arab Jamahiriya (Libya) encompasses 1,759,540 sq km. With an estimated population of 5.5 million, the socialist-oriented, command economy depends primarily upon oil sector revenues, which account for the vast majority of export earnings and government revenue. The combination of high oil revenues and low population affords Libya one of the highest per-capita incomes in Africa. U.S. (1986 – 2004) and U.N. (1991 – 2003) sanctions economically isolated the country for several decades.

Several years of anemic oil prices during the 1980's induced a discontinuous process of privatization and market liberalization. This process received a push in 1997 with the enactment of Law No. 5, which created a formal legal framework for foreign direct investment (FDI). In 1999, the U.N. suspended some sanctions on Libya, allowing for limited European entry into the market. Libya subsequently acknowledged responsibility for the 1988 downing of a Pan Am

airliner over Lockerbie, Scotland, and agreed to pay compensation to the victims' families. Following Libya's December 19, 2003 commitment to eliminate weapons of mass-destruction (WMD), the United States in concert with the U.K. and relevant international agencies began to work with Libya to eliminate the country's WMD in a transparent and verifiable manner. In recognition of Libya's progress in this regard, the United States and Libya began the formal process of reestablishing diplomatic relations, severed in 1980.

On February 24, 2004, the United States lifted its restriction on the use of U.S. passports for travel to Libya and eased economic sanctions. On April 23, 2004 the United States lifted more sanctions and revoked Iran-Libya Sanctions Act (ILSA) provisions pertaining to Libya. On June 28, 2004, the United States reestablished direct diplomatic relations with Libya, and upgraded its Interests Section to a U.S. Liaison Office (USLO). On September 20, 2004, President Bush terminated the 1986-declared state of emergency against Libya and revoked related Executive Orders. This action removed most economic sanctions against Libya, and released Libyan assets frozen in the U.S. On September 11, 2004, Europe lifted its arms embargo against Libya. At the time this report went to press, Libya remained on the U.S. State Sponsors of Terrorism ("6J") List and was therefore subject to associated sanctions, including goods and technology controlled for export to Libya under the terms of the U.S. Department of Commerce's (DOC) Export Administration Regulations (EAR). Export of products classified as "dual-use" (civilian/military) is subject to a general policy of denial (See *U.S. Export Regulations*).

Trade between the U.S. and Libya, including the import/export of goods or services, is now permitted, though some commercial transactions remain subject to DOC export controls. U.S. companies may enter into and implement most industrial, commercial or government contracts with Libyan partners, as well as invest in-country, subject to export controls linked to the above mentioned State-Sponsors of Terrorism list; U.S. banks and other financial service providers may participate in and support transactions with Libya. Libyan students may study in the U.S. if they are accepted by a U.S. university and qualify for a student visa. U.S. and Libyan air carriers, as well as code-shares are now permitted to fly between the United States and Libya (though at the time of printing no U.S. airlines served Libya, and no codeshares were in force).

### **The United States Liaison Office:**

At the time of this update, there is no U.S. Embassy in Libya. Official liaison activities are conducted through USLO, the United States Liaison Office. USLO does not currently host a dedicated Department of Commerce Foreign Commercial Officer; a small economic/political section handles all commercial inquiries, which are numerous. The Libyan Government maintains an analogous official presence in Washington, D.C.

**Requests for assistance may be directed to USLO through a dedicated email account, [American.Products@mail.doc.gov](mailto:American.Products@mail.doc.gov)**

USLO's website is: <http://www.libya.usoffice.gov>, and in Arabic: [www.arabic.libya.usoffice.gov](http://www.arabic.libya.usoffice.gov). The U.S. Department of Commerce's website for Libya is <http://www.buyusa.gov/egypt/en/businesslibya.html>

While USLO makes every effort to respond in a timely and thorough manner to all written inquiries, the Commercial Section of the U.S. Liaison Office (USLO-Tripoli) is able to provide only a very limited set of support services for U.S. citizens and businesses, this in comparison with one would expect from a fully-functioning Embassy. These services include information on local economic conditions, sector specific information and referrals to local professional service providers (lawyers, accountants, other).

USLO undertakes to publish periodic updates to this Country Commercial Guide, along with contact lists in specific service fields (see *Contact Lists*).

- Currently, U.S. Department of Commerce offices in Egypt provide following services through contractors in Libya: Gold Key Executive Appointment Service, and the International Company Profile. For more information, please contact [amer.kayani@mail.doc.gov](mailto:amer.kayani@mail.doc.gov)

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## Chapter 2: Political and Economic Environment

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### Introduction:

Col. Moammar Qadhafi has ruled The Great Socialist People's Libyan Arab Jamahiriya (Libya) since 1969, when he and a group of officers toppled King Idris I in a non-violent coup. Borrowing from Islamic, socialist and pan-Arab ideas, Qadhafi created a system of government that rejects political parties and purports to establish a "third way", superior to both capitalism and communism. The country's governing ethos derives predominantly from Qadhafi's "Green Book," which calls for an almost total dismantling of traditional state organs. The Libyan Jamahiriya, or 'State of the Masses', is a mix of socialist-leaning, egalitarian-tribal and authoritative currents, heavily grounded in a historical suspicion of formal state administration. In theory, the people govern through direct representation through a large number of People's Committees and Congresses. Since 2000, Libyan government agencies have expended some effort to re-cast the People's Congress System as a kind of unfinished and evolving experiment in 'Administrative Decentralization', language employed by international aid agencies (UNDP, World Bank) to denote a process of devolving administrative and budgetary responsibility to sub-state levels.

### Structure: Shaabiyat & Secretariats

In his governing manifesto, the Green Book, Qadhafi elaborated a framework for participatory Democracy devoid of political parties. The fundamental unit of Qadhafi's three-tiered ruling mechanism is the Basic People's Congress (BPC). BPCs, of which there are approximately 468 nationwide, are regionally-anchored consultative units that propose legislation and make budgetary requests, which are then passed to higher levels for review. The steering committees of the BPCs are called People's Committees, appointed from within BPC membership. The second 'tier' of the Libyan political system is made up of municipal councils, of which there are people's committees as well as specialist bodies that govern the operation of state-owned firms. The management of any public company is referred to as a People's Committee, and the head of the People's Committee is known as Secretary. Thus the head of Libyan Arab Airlines (analogous to CEO) is the Secretary of the People's Committee that runs the airline.

People's Committees appoint members of the General People's Committees (GPCs), through their chairmen. There are General Peoples' Committees for each major social and economic domain, i.e., economy, planning, etc. The culmination of the consultative BPC-based process is the annual General People's Congress (GPC), bearing superficial resemblance to a Western-style Congress or Parliament. The GPC is made up representatives and officials of Basic People's Congresses, secretaries of unions, associations and professional guilds, the secretariat of the General People's Committee, Governor of the Central Bank of Libya (and others). During the Congress session, typically held in March, General People's Committees select their secretariats,

which in turn appoint committee “secretaries” (analogous to Ministers, in the Western Parliamentary system). The head of the General People’s Committee is roughly equivalent in his responsibilities to Prime Minister. Only GPC delegates are authorized to deliberate on matters related to national security, foreign policy, national budget and oil policy.<sup>1</sup> The People’s Congress/Committee system dates effectively to the 1977 Sebha Proclamation, in which Qadhafi proclaimed Libya a “Jamahiriya”, an Arabic neologism meaning “State of the Masses.”

### **Revolutionary Committees:**

Revolutionary Committees, an institution apart from the Basic and General People’s Committees, assume special intelligence and policy enforcement functions. During a January People’s Congress session, General Secretary (Prime Minister) Shukri Ghanem proposed an essential overhaul of the authority structure within the People’s Congresses and Revolutionary Committees, one that would vest considerably more authority in the Secretary, including the right to appoint his own cabinet. A recent directive called for the dismantling of “Security Companies”, commercial organizations under the control of Revolutionary Committee members, the Jamahiriya Security Organization and the Armed forces.

### **Legal System:**

Libya is a secular Islamic state; the legal system in force since 1969 was derived from Egyptian models, in turn based on a mixture of Turkish, French and Italian sources (primarily Napoleonic law). Libyan personal/family law is adjudicated under a 1982 code, informed by Islamic law, or Shari’a. Criminal law is based on the Italian criminal law, dating back to the 1930s. Much of Libya’s commercial law falls under the purview of Libya’s 1953 Commercial Code. The Basic People’s Congresses are the fundamental legislative unit, introducing laws and amendments for review by the GPC system at its various levels (See: People’s Congresses). Laws and amendments are published (in Arabic only) in the monthly Legal Register. Arabic-language compendia of legal decisions related to the Economy are widely available in bookstores. A brief survey of Libyan law may be found in an article by Mustafa El-Alem in *Yearbook of Islamic and Middle Eastern Law* 225 (1994).

### **Foreign Policy:**

During the 1970’s and 80’s, Col. Moammar Qadhafi actively promoted Pan-Arab political philosophy, which prompted Libya’s joining a variety of abortive unions with, alternately, Syria, Tunisia, Egypt and Sudan. Faced with lackluster support within the Arab world for his regional vision, Qadhafi focused his attention on the African continent. Col. Qadhafi was a key force behind transforming the Organization of African States (OAS) into what is now the African Union (AU). Libya has actively supported various continental causes, including a number of “movements of national liberation.” In the wake of the lifting of U.S. sanctions and the E.U. arms embargo, Libya has played host to the leaders of several Western countries, including Britain, France, Germany, Italy, Poland, Spain and Canada.

### **Macroeconomic Profile:**

At the time of independence in 1951, Libya was one of the poorest countries in the world. Per-capita annual income of about 30 USD; peanuts and scrap metal topped the list of exports. In 1960, the country’s paltry 10 million USD in agricultural exports were vastly outstripped by its imports. In 1961, Libya exported its first shipment of oil, and its trade balance tilted towards the positive. Oil export revenues currently account for over 95% of Libya’s hard currency earnings and 75% of government receipts.

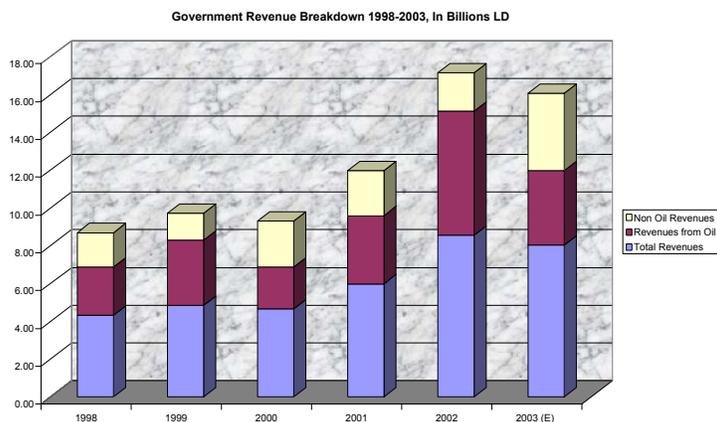
While its trade balance remained solidly positive through the 1970's, Libya spent an ever-increasing amount on services provided by foreign consultants, contractors and manual laborers. As oil prices declined in the early 1980's, Libya forced foreign companies to accept barter arrangements (or simply delayed payment) to stem foreign exchange outflow. Strict exchange controls remained in place from 1969 to 2002, when the government unified its dual exchange rate system and ended currency rationing and import license requirements. While productive investments over the past couple of decades have been few and far between, Libya's indebtedness ratios have been extremely low.

Libya partially offset a January 2002 currency devaluation of 51% by halving customs duties on a number of imports. In the same year, some effort was made to centralize the budget and to create a national development plan.<sup>2</sup> According to summaries of Libya's 2003 IMF Article IV consultations, the 2002 actions had immediate and positive impact, augmented by the effect of rising oil prices: Real, non-oil GDP grew roughly 3% over 2002, accompanied by a 9.8% reduction in the consumer price index (CPI). Libyan GDP grew 5.6 % in 2003 and 3.9 % in 2004 with consumer price inflation of approximately 2-3.5%. GDP growth is expected to rise to over 6% in 2005, with consumer price inflation under 4%.<sup>3</sup>

Oil Revenues in 2000 were approximately 12 Billion USD, compared with 7 billion in 1999. During 2003, estimated Libyan oil production was nearly 1.5 million barrels per day (bbl/d), with consumption of 227,000 bbl/d and net exports of about 1.25 million bbl/d. 90% of Libya's exports are sold to a handful of European countries, including Italy (485,000 bbl/d in 2002), Germany (188,000 bbl/d in 2002), France (47,000 bbl/d in 2002), Spain and Greece.

### Government Budget:

The expected 2006 budget is 10 billion LDs (LD).<sup>4</sup> In 2005, 1 billion LD was allocated specifically to alleviating Libya's acute housing shortage, through state-run building projects and housing loans. The Libyan government in recent years has increased 'development' allotments, and raised the proportion of funds dedicated to telecommunications, construction, health, housing and education.<sup>5</sup> Total government expenditure is difficult to ascertain, given a large amount of off budget expenditures. Recent GPC sessions have addressed the need to limit off balance expenditures. The following charts illustrate the composition and source of recent years' national budgets:



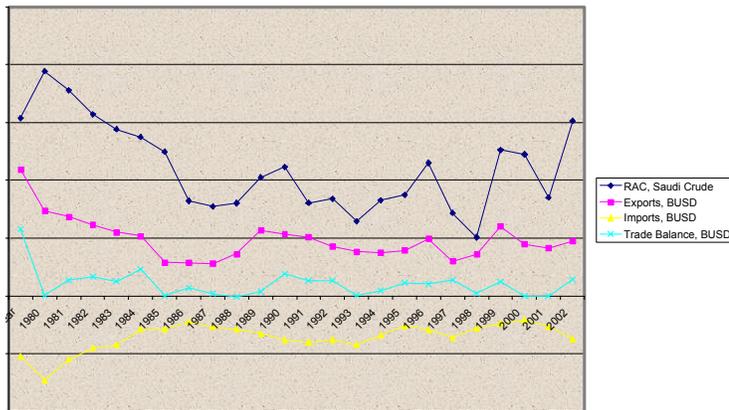
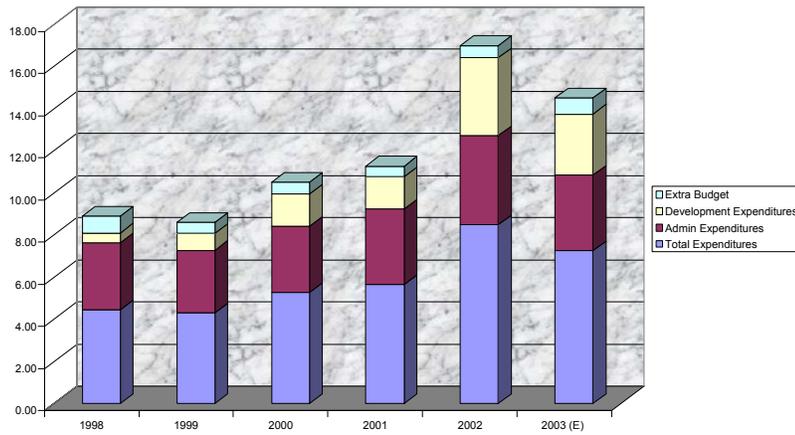
<sup>2</sup> Libya Human Development Report, 2002

<sup>3</sup> Source: *Fiche de Synthèse, Missions Economiques, 2004*, The Embassy of the Republic of France, Libya.

<sup>4</sup> Official Gazette, Issue 1, 2005

<sup>5</sup> Butera and Andrews, GOL sources

Government Expenditures Breakdown 1998-2003, Billions LD



### Economic Liberalization:

The changes in Libya in the last five years are all the more startling if one recalls that until recently the country had no private sector; foreign entities could not own or rent property from private individuals, and state monopolies controlled the purchase and distribution of consumer goods. First signs of economic liberalization date to 1987, when the Libyan government quietly allowed for the creation of *tasharukiyyat sina'iyya* (industrial partnerships). After an initial burst of *tasharukiyya* activity, interest waned with a rapid fall in returns. Subsequent laws allowed for the “practice of economic activity” and the creation of private banks. In 1992 the GPC passed a Privatization Law, permitting the sale of state property to non-governmental Libyan interests. Many sources point to the enactment of Law No. 5 of 1997, the Encouragement of Foreign Investment law, as a watershed event, setting out the terms under which foreigners could invest in Libya. In 2003, Moammar Qadhafi described the Libyan socialist experiment as a failure, and appointed a noted reform advocate, Shukri Ghanem, Prime Minister. Apart from Ghanem, Saif Al-Islam Al-Qadhafi, son of Col. Moammar Qadhafi and Chairman of the Gadaffi Foundation for Development, has been the most visible proponent of Libyan economic reform. While his policy announcements are progressive, Mr. Qadhafi holds no formal government position.

In 2004, PM Ghanem announced his intention to eliminate or reduce subsidies on basic foodstuffs and fuel, increase government salaries and launch a massive privatization effort, encompassing over 380 firms. As of mid-2005, duties have been eliminated on more than 3500 products.

Customs clearance procedures have been rationalized to some degree. Ghanem has proposed additionally to address the weakness of private investment by offering 7 billion USD in loanable funds to the banking sector. Individuals wishing to start or expand small businesses may apply for a modest 30,000 LD loan under the terms of this program, through participating State-owned and private banks such as the Bank for Commerce and Development (BCD).<sup>6</sup>

Since 2003, the Privatization Board has overseen the transfer of 40 State-owned companies, most of relatively modest capitalization. In 2005, the GPC announced the government's intention to privatize major enterprises as TALEF (National Food and Fodder Company), The National Ports Company and Libyan Arab Airlines. There has been talk of disbanding NASCO, the body responsible for purchasing and distributing annually from 800 million to 1.2 billion USD worth of foreign consumer goods, and even breaking the National Oil Company (NOC) into a series of quasi-independent, private holding companies; no concrete movement has been noted in this direction.

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<sup>6</sup> Sometimes more, depending on the size and number of partners

## Employment:

While officially unemployment is at 13%, unofficial estimates place the real rate between 35 and 40%. Libya's labor force numbers roughly 1.3 million persons, 31% of which work in industry, 27% in services, 24% in government and 18% in agriculture. Despite laws prohibiting moonlighting by civil service employees, many government functionaries hold multiple jobs. The majority of Libyan women hold some form of employment outside the home. Libyan labor law stipulates minimum wage, working hours, night shift regulations, dismissal and training. Law No. 15, passed in 1981, caps government salaries at between 150 and 500 LD per month, depending on grade. There has been no cost of living adjustment since that date.

Laws governing dismissal are reasonably strict, and favor the employee. Foreign workers make up a significant percentage of the Libyan labor pool. During the 1980's, the Libyan government increased pressure on foreign workers and contractors, which it saw as consuming valuable foreign exchange and contributing to a growing unemployment problem. These pressures took the form of increased restrictions on funds repatriation and delayed or cancelled compensation. In 1983, 560,000 foreigners worked in Libya; by 1986, the number dropped to less than 200,000. In 1986, Libya owed over 2 billion USD to U.S. contractors; many are now attempting to recover these payments. As oil revenues rebounded in the early 1990's and Libya increased its profile on the African continent, Col. Qadhafi announced an "open borders" policy, which produced a massive influx of work-seekers from Chad, Ghana, Niger, and other Sub-Saharan African states. Unable to find work in Libya, many of these immigrants have continued northward and have contributed to an already severe refugee problem in Southern Europe. With mounting pressure from the EU, and rising unemployment at home, Libya has taken to a quasi-active policy of deportation.

Independent trade unions and professional associations are illegal in Libya. While workers do not have the right to form unions, they are allowed to participate in an organization called the National Trade Unions' Federation, created in 1972. Collective bargaining does not exist in any meaningful sense, as labor law requires government approval for all related actions.

Unemployment is a major policy concern for the Libyan government, particularly in light of any increase in the pace of privatization, which would inevitably release large numbers of state-salaried employees onto the market. Proposals have been floated in the local business press, calling for the creation of mechanisms such as an early retirement fund, vast re-tooling/re-training programs, and the creation of some form of social safety net.<sup>7</sup> Some hope that a growing tourism infrastructure and construction projects will provide the most ready outlet for Libya's unemployed.

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<sup>7</sup> *Al-Tijara*, October, 2004

## Human Development:

It is often said that Libya's two greatest assets are its oil and its small population. With wise management, Libya's oil wealth may provide the foundation for future, non-oil dependent wealth. The following chart shows primary human development indicators, over time.

Development Indicators	Libya 2000	Libya 2003	MENA 2000
Average Family Size		6.6	
Average Annual Family Income (LD)		8725	
Average Individual Income (LD)		1320	
Illiteracy (percent over age 15)		15%	
Access to Improved Water Source		72%	
Population (million)		5.6	295.2
Urban Population	87.6%		58.2%
Labor Force (million)	1.5		99
Immunization Rate, percent under 12 months	93.0 (Est.)		91.2
Human Development Index	.772		.682

Source: National Documentation and Information Authority, World Bank, IMF

percent of Population with Low-ratings in Housing and Sanitation, in Four Municipalities			Total Population	
Shaabiya		Very Low	Low	
Tripoli	Housing	20.35	24.48	883,000
	Sanitation and Drainage	2.5 (percentage of share of Shaabiat in total population in lowest case)		
Benghazi	Housing	17.55	33.17	637,000
	Sanitation & Drainage	0.32		
Ghat	Housing	29.95	23.95	22,770
	Sanitation & Drainage			
Sebha	Housing	22.04	34.53	127,000
	Sanitation & Drainage	4		

Source: Libya Human Development Report 2002

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## Chapter 3: Selling U.S. Products and Services

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- Procedures for Libyan Visa Applicants

### Establishing A Commercial Presence:

#### Types of Legal Entities Governing Economic (Commercial) Activity:

There is considerable confusion regarding the requirements for establishing a legal commercial presence in Libya. Companies have four main options:

- 1.) Set up a Branch Office
- 2.) Establish a Joint Venture/Joint Stock Company with a local firm,
- 3.) Establish a Representative Office, and
- 4.) Enter Libya under the provisions of Investment Law No. 5 (See *Libyan Foreign Investment Board*). Procedures for establishing an agency are discussed at the end of the section.

#### Entering Libya Under Terms of Libyan Commercial Law:

It is important to understand that, contrary to the practice in the United States, foreign companies seeking to register a commercial entity need *permission* from the relevant authorities to do so. There are areas of activity for which the Ministry of Economy and Trade will not grant permission, for example, “general trade” or “fish processing” (though the latter might well be accepted under proposals submitted under Investment Law No. 5, see below). Joint Ventures must be at least 51 % Libyan-owned. Joint Venture holding companies are permitted under Libyan law. The establishment of Joint Ventures (Joint Stock Companies) is governed by Law No. 65 of 1970, as amended by Law No. 21 of 2000. The establishment of Branch Offices also covered by Law No. 65, as well as the original commercial code of 1953. In the construction/contracting field, as well as other longer-term activities, formation of a Joint Venture or Branch Office is virtually a requirement for operating in Libya. Furthermore, Libyan agencies almost universally give preference to the qualified local bidder for such contracts.

**NOTE:** Required documents must be submitted in the original (i.e., no photocopies or faxes) and endorsed by commercial authorities in the country issuing the documents (a chamber of commerce or State Secretary, for example). All documents must be provided in Arabic translation. Translations originating outside Libya must be notarized and stamped by the respective Libyan Embassy or Liaison Office.

Comment: Several U.S. firms have reported encountering problems providing “acceptable certification/authentication” of corporate documents. At the time of writing, the Libyan Liaison Office in Washington was providing some authentication services. **USLO regrets that it does not at present have sufficient resources to authenticate documents on behalf of U.S. companies.**

#### 1. Opening A Branch Office/Local Subsidiary of a Foreign Firm

At the time of writing, a number of U.S. firms' applications remain in-queue, awaiting final approval by the registration secretariat of the Ministry of Economy and Trade. The signing of contracts awarded under the terms of the recent oil concession bid round, and resulting corporate registrations, are expected to force some efficiencies in the registration process. Nevertheless, U.S. companies are advised that the process may be lengthy. In recent months U.S. companies seeking to register branch offices have been dogged by a maze of bureaucratic procedures, some of which relate to the Libyan administration of Boycott Law No. 62 of 1957 (as amended by Law No. 7 of 1962), which directly contradicts U.S. national legislation. USLO has been able to identify no case where an American company has denied registration specifically on these grounds. Recent copies of requirements for registration do not include mention of the Israel Boycott Questionnaire. If presented with this document, U.S. firms are required by law to report the action to the U.S. Department of Commerce Bureau of Industry and Security. For all of the above reasons, it is a virtual necessity for U.S. companies to engage a local attorney and/or accounting firm to help with the registration process (and all other matters related to setting up a Libyan branch or partnership).

As of January 2005, foreign companies are technically eligible to open a representative office. Opening a Representative Office does not grant a foreign company rights to sell or market goods in-country. In a minority of cases, a representative office may satisfy 'local presence' rules for bidding on government contracts (Consult USLO for updates). The request must be addressed to the Department of Company Registration within the Ministry of Economy and Trade, and include the name of the designated agent, his/her profession and mailing address. The Secretariat will perform its own due diligence on the request. Further information, including fees, will be published by the Secretariat.

*With regard to Fees and Transfer of Minimum Required Capital:*

Companies seeking to register a Branch Office are advised that the sum of associated legal fees should typically not exceed 20,000 LD. Registration will generally not be granted without proof of transfer of required capital (150,000 Euros in the case of a Branch Office, and 3/10 subscribed capital in the case of a Joint Venture). In light of the complexity of procedure for repatriating transferred capital in the event the request is denied, the Secretariat will accept payment after an oral confirmation of its permission to establish a Branch or Joint Venture (i.e., one may effectively wait until an 'informal'/oral decision has been made before transferring funds).

### **3. Entering As a Joint Venture/Joint Stock Company:**

Foreign participation in a *sharika musahama* (Joint Stock Company) is now permitted only in specific areas: agriculture, general contracting and industry. Libyan ownership in Joint Stock Companies must be at minimum 51%; the majority of the company's board of directors, as well as its director, must be Libyan nationals.

#### **Requirements for Registration (of a Branch Office/Joint Venture)**

According to Law No. 151 of 2003, and subsequent Ministry updates, the following entity-specific documents are required by the Secretariat of Economy and Trade for Foreign Company Registration:

*For Branch Offices:*

As of **February 2005**, applicant companies must submit the following:

- **25,000 Euro** registration fee.

- A completed application Form No. 7, including name and address of the branch in Libya, activities, and branch capital.
- An original, an authenticated copy of the Company's Articles of Association.
- A statement detailing **past experience** in the field of activity proposed to be undertaken in Libya, including details of contract value, place and time, and attestations from the applicable Chamber of Commerce and clients that work was performed in accordance with terms of contract.
- A receipt indicating transfer of **150,000 LD** into the company's local bank account (Note: this amount constitutes an increase of 80,000 Euros over the previously required sum. There is apparently no requirement of subsequent minimum balance, i.e., one may draw down the initial deposit to support operating expenses).
- A certificate issued by the Chamber of Commerce/Secretary of State in the country of origin confirming the company's registration number and date of registration.
- A **board resolution** containing:
  - The decision to establish a branch in Libya
  - A statement of the objects of the branch in Libya
  - Name, surname and nationality of the designated Branch Manager.
  - Commitment to prepare an annual balance sheet and profit and loss account.
  - A statement of "non interference" in the political affairs of the host country.

NOTE: The previous requirement of "evidence of 7 years' operation/experience" is no longer required. The resolution of the Ministry of Economy and Trade from which this updated information is taken (No. 13 of 2005) does not include mention of the Libyan Israel Boycott Office.

**For Joint-Ventures with Libyan Firms**, the required documentation is somewhat less involved:

- Memorandum of Incorporation
- Board Resolutions
- Articles of Incorporation
- Certificate of Deposit from Libyan Bank confirming the receipt in transferable currency of not less than 3/10 of subscribed capital of the company, including share of foreign partner

#### **4. Entering Libya Under the Terms of Law No. 5 (Encouragement of Foreign Investment):**

Investment decisions are taken by the Libyan Foreign Investment Board (See, *Investment Climate*). LFIB states it approves proposals based first and foremost on the merits of the project and the qualifications of the its advocate. Many of the restrictions placed upon foreign companies in the above categories do not apply to foreign investments (and the companies formed to administer them). For example, a company formed under Law No. 5 need not have majority Libyan ownership.

NOTE: The Ministry of Economy and Trade recently raised the capital investment floor for qualification for entry under Law No. 5 from 1 million USD to 50 million USD. Reasons cited in the press for this change include that most investment proposals received to date have been in areas where there is deemed 'credible Libyan competition.' Private consultants speculate that the floor is 'flexible', i.e., efforts will be made to accommodate substantial, productive investment under this amount.

#### **5. Other Options: Entering Through Local Agency**

The above information concerns the creation of a new Libyan entity. There are other, less involved means of operating in-country that do not involve local incorporation. These include

“agencies” and “umbrella activity.” Agencies are simply distributorship agreements, signed with a local firm or registered agent. A second option is to enter the market under the umbrella of a foreign firm (in this case, the foreign firm effectively performs an agency function). Many U.S. businessmen find the “agency” route somewhat discomfiting, for the fact that the individuals serving as agents often have little relevant technical or legal experience, or even deep knowledge of the local market. Operating under the umbrella of another foreign firm makes establishing an independent name in the market difficult. Certainly, the quickest way to enter the market is to do so under the auspices of an established foreign partner.

**Law No. 6 of 2004** mandated that foreigners wishing to sell direct to the Libyan market employ the services of a local agent. This law has since been (temporarily) softened; an annex to GPC for Economy and Trade Decision No. 190 of 2005 requires agencies for the seven product groupings listed below. Other commodity classes will reportedly be added to this list over the coming two years on a rolling basis (despite the fact that mandated agency runs counter to World Trade Organization (WTO) provisions, and Libya is in the process of preparing its application for accession to that organization). Agencies are reputedly exclusive, but exceptions are made for distinct geographic regions and brand segmentation (i.e., two agents, one for Benghazi, one for Tripoli; different agents for different product lines manufactured by a single company). Consult USLO for updates.

The following product classes currently require a local agent:

- 1.) Passenger vehicles
- 2.) Motorcycles
- 3.) Copying machines
- 4.) Ovens, refrigerators, washers & dryers, other major household appliances
- 5.) Televisions, faxes, and computers
- 6.) Road making and paving equipment
- 7.) Heavy agricultural equipment (including pumps)

Libyan nationals no longer need import licenses to act as agents for foreign firms.

*Before entering into a contractual arrangement, it is advisable to verify that the foreign investor has the right to import all machinery, equipment and other requirements for building a project and also to import all primary materials and other requirement which are not available in the Libyan market.* In the past, foreigners (non-Libyans) have offered their services as agents and trademark registrars. Non-Libyans do not have this right, and any documentation produced by such individuals holds no legal weight.

#### **Other Required Permissions and Fees:**

Once an affirmative response is obtained from the registration authorities, a foreign company must sign the relevant municipality (shaabiyya) commercial register. Documentation used to satisfy national branch registration requirements should be sufficient for local registration. A foreign company or branch must also register with the Libyan Chamber of Commerce. Required documents (again original, certified, and in Arabic as stipulated above) include: memorandum and articles of incorporation, power of attorney or a letter of authority of the branch manager and proof of registration with the Libyan Secretariat of Economy and Trade and relevant municipality. Companies working as subcontractors must provide a letter of approval from the Secretariat for whom the main contractor works, a list of all vehicles including cars, trucks and cranes over 1.5 tons, and a nominal annual fee. Foreign service companies operating in the oil sector must also register with the NOC, an action that results in the company’s placement on NOC’s list of approved contractors. Again, a company that obtains branch registration should be able to fulfill requirements for registration with NOC. Proposals floated to streamline the above procedures have thus far not been implemented.

## **Contracts and Import Documentation:**

Major construction contracts are often awarded on turn-key or EPC (engineering, procurement and construction/commissioning) terms. BOT (Build-Operate-Transfer) contracts are extremely rare in oil & gas power sectors.<sup>8</sup> Bid and performance bonds are reasonably common, as are milestone payments. Libya requires standard import documentation including certificate of origin, tariff code and Customs ID.

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<sup>8</sup> Libya Oil and Gas 2003, A UK Trade Partners Publication

## **Advertising/Marketing:**

The advertising industry in Libya is in its infancy; most marketing is done through word of mouth, and/or on the basis of personal and/or corporate reputation. American companies—especially those with a pre-1980 presence in-country—will find they have an immediate advantage over “unknowns”, as Libyan consumers as a group have long memories and U.S. products are assumed to be high-quality. A de facto ban was in effect until 2004 on the public display of product logos that a.) are written in a language other than English or b.) express an “untranslatable” concept. Several firms have lost considerable sums in campaigns that the municipalities or their agents have ruled illegal. This “ban” appears to have been lifted, at least in part, in recent months, with prominent billboards appearing in Tripoli for products such as Tang and Philadelphia Cream Cheese.

Foreign companies may advertise in one of several State-run newspapers; satellite television is pervasive. A couple of new advertising agencies have appeared in the last year. A few enterprising private sector companies have banded together to offer each other advertising through proprietary media (e.g., Jotun Paints advertises on Buraq Air ticket stubs). Companies may also advertise on Libyan websites. See: Useful Contacts.

## **After Sales Support:**

Several European franchises have successfully used after-sales support as a marketing tool. Jotun Paints, a Norwegian Firm, was one of the first foreign enterprises to set up product showrooms, which have apparently contributed significantly to sales in the residential/home paint market. High-end car dealerships tend to maintain showrooms as well.

## **Intellectual Property Rights: Trademarks and Patents**

Trademark violations are widespread and violators are adept at producing credible fakes. U.S. brands are at the present time extremely vulnerable to such activity, for their presumed high quality and Libya’s lack of direct experience with the “real thing.” A competent local agent will keep an eye out for infringements. USLO has noted several cases in which foreign firms successfully pursued claims against trademark infringements by local (Libyan) companies. While Libya is in the process of applying for entry to the WTO, it is not currently a member, and thus is not a party to TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights).

“Trademark agents” are typically responsible for registration of company trademarks with the Trademark Office. These agents must themselves either engage an authorized trademark registrar, or hold a registrar’s permit. USLO does not provide due diligence or formal notary services.

## **Libyan Tax Regime:**

**Income Tax Law No. 11 of 2004** increased personal tax exemption bands over those specified in Law No. 64 of 1973.

## **Personal Income Tax (Foreign Nationals):**

Foreigners’ income is taxed according to its source. Tax on income from agriculture is levied at a flat 5% per year; income on commercial activities is 20% for the first 10,000 LD 25% for the subsequent 20,000 tranche, 20% for the subsequent 30,000 tranche, and a flat 35 % on income above this amount. Tax on income from industry & crafts is levied at a 5% discount per tranche over taxes levied on income from (other) commercial sources. Employees within Libyan-run

companies pay 3.75 % of gross income as Social Security Tax, while the employer contributes 11.25%. There is no VAT in Libya, no gift and inheritance tax, no locality taxes, and no tax on insurance premia (i.e., these are deductible expenses).

### **Corporate Income Tax:**

In a process that is far from transparent, foreign companies submit preliminary (self) assessments of their tax liabilities, which Libyan tax authorities then review against a theoretical (and rarely attainable) industry average. After a period of time, the tax authorities issue a final assessment, incorporating whatever additional information they believe relevant. A company may appeal this final assessment. In practice the tax payment process is something of a negotiation, in which the smaller firms have the upper hand (vigor with which assessments are pursued is directly proportional to the obvious asset base. Companies with no fixed address, or few tangible assets often fall through the cracks).

### **Stamp Tax Law**

With law No. 12 of 2004, the GPC created a new Stamp Tax. This tax specifies the following tax rates on items procured in Libya by a foreign firm:<sup>9</sup>

<b>Taxable Item</b>	<b>Rate</b>
Auditors Certificate & Reports, per document	100 LD
Accounting Books (registered), per page	.250 LD
Automobile invoices, on sale/purchase	3%
Invoices over 100 LD	2%
Rentals (housing)	1%
Contracts for supplies, services, public works, etc.	2%
Sub contractor on 1/10 value of subcontract	1%
Opening of Letters of Credit	.2%
Guarantees, insurances, etc.	.5%
Receipts (general)	.5%
Amounts paid by any public body on behalf of recipients	.5%

### **Double Taxation Agreements:**

Although Libya has double taxation agreements with several countries in the Middle East, it has no such agreements with the United States. A Presidential waiver signed in November allows credits to be claimed against U.S. income tax for taxes paid in Libya (U.S. Department of the Treasury, Dec 28, 2004).

### **Miscellaneous Tax Regulations:**

- Export of goods to Libya is not subject to tax if the exporter's responsibilities end prior to customs clearance and exporter/supplier is not registered in Libya.

<sup>9</sup> Dr. Abdussalam Sultan, Certified Accountant & Tax Consultant, drabdussalamsultan@yahoo.com

- Contracts must be registered with the Tax department within 60 days of signing. 2% of total amount + 1% of proportion that is sub-contracted is payable upon registration. Fines are levied at a rate of 3%/month delay.
- Personal income tax (may) be up to 90% on salaries over 200,000 LD

<b>Foreign Income Tax</b>					
Source of Income:	Tranche 1: 10,000 LD	Tranche 2: 20,000LD	Tranche 3: 30,000LD	Tranche 4	Tranche 5:
Agriculture	5 %	5 %	5 %	5 %	5 %
Commerce	20 %	25 %	20 %	35 %	35 %
Industry & Crafts	15 %	20 %	15 %	20 %	20 %

<b>Tax on Corporate Profits</b>					
Tranche	First 200,000 LD	Next 300,000 LD	Next 500,000 LD	Next 500,000 LD	>2 Million LD
percentage	15 %	20 %	25 %	35 %	40 %

## **Procedures for American Visa Applicants:**

Americans wishing to travel to Libya are required to obtain a Libyan visa. Tourists are advised to apply for a tourist visa on their own, or through a tourist agency. Business travelers are advised to have their Libyan counterpart submit an invitation through the Libyan Immigration office prior to submission of their visa application. As of April, 2005, representatives of U.S. companies have experienced longer than normal delays in obtaining Libyan visas (from several weeks or months). Libyan visa practice seems subject to change without notice. For further information and updates, consult the Department of State's Consular Information Sheet for Libya, available on:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_951.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_951.html)

## **Procedures for Libyan Visa Applicants:**

All applicants aged 14 years and older must apply in person between 8 and 10 AM, Monday, Tuesday, Thursday and Friday at the Consular Section of the U.S. Embassy in Tunis, Tunisia, and provide the following:

- A Libyan Passport, valid for at least 6 months beyond the projected entry date into the U.S.
- One passport photo, size 50mmx50mm. The photograph of each applicant must be an unmounted, full-face photo, taken within the past six months. Photos may be either in color or black and white and must be taken against a white or off-white background. Photos should be printed without borders.
- Completed and signed DS 156 and 157 forms (forms must be filled out in their entirety and signed by the applicant or his/her guardian).
- 100 USD application fee.

Applicants who are employed directly by the Great Socialist People's Libyan Arab Jamahiriya and are traveling to the U.S. on official Libyan Government business and whose applications are accompanied by a Libyan diplomatic note do not require a personal interview. Libyan delegates who are not visiting the U.S. on an official diplomatic mission must travel to the U.S. Embassy in Tunis for a visa interview. The average time-in-process for a successful application is 3-4 weeks. Third country nationals living in Libya are subject to the same reciprocity schedule as Libyans. Once the review process is complete, the applicant's passport must be returned to Tunis to collect his/her visa.

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## Chapter 4: Leading Sectors for U.S. Export and Investment

With proven oil reserves at 36 billion barrels and the price of oil at record levels, Libya's oil and gas sector will remain a high priority for the foreseeable future.<sup>10</sup> Libya, like other oil-producing countries in the region, would like to see significant foreign investment in non-hydrocarbon sectors. In addition to energy, areas of particular growth and interest to U.S. investors include--but are not limited to--telecommunications, information technology, banking services, electric power generation, construction & engineering, health & medical services, wastewater treatment, desalination, agricultural technologies, transportation, tourism, education & training and manufacturing.

### Oil:

1. Introduction
2. E&P Snapshot
3. The National Oil Company and its subsidiaries
4. EPSA IV
5. Downstream Marketing and Refining

### 1. Introduction:

Surveys of Oil & Gas executives published after 1999 cited Libya as the top international exploration prospect for three consecutive years.<sup>11</sup> U.S. oil companies consider the environment challenging, but regard Libya as an attractive long-term investment, as illustrated by the recent U.S. bids under the terms of the latest exploration round, EPSA IV 1 & 2 (see EPSA IV, below). Libya remains "highly unexplored", and has "excellent" potential for future oil discoveries.

### E&P Snapshot:

The Libyan Government hopes to increase oil production to its pre-sanctions rate of roughly 3 million bbl/d by 2010. By its own estimate, more than 10 billion USD in investment will be required to reach this target: 6 billion for Exploration and Production (E&P) activities and 4 billion for refining and petrochemical plant development. Libyan exploration priorities include areas in the Sirte (i.e., Blocks 25 and 36), Ghadames (i.e., Block 20), and Murzuq basins, as well as under-explored areas such as Kufra and Cyrenaica.<sup>12</sup> The most significant of recent discoveries have been in Murzuq, whose El Sharara field is producing about 170,000 bbl/d. El-Bouri, located off Libya's Western coast, is the largest producing oilfield in the Mediterranean, with 2 billion barrels in proven recoverable reserves. Bouri, purchased from Eni by Repsol in 1993 for USD65 million, produced approximately 150,000 bbl/d in 1995, but went into sharp decline thereafter. Sanctions crippled, but did not end foreign involvement in Libyan exploration and development, which continued throughout the 1990's. In October 1997, an international consortium made up of British, Italian, and South Korean firms discovered 700 million barrels of recoverable reserves in NC-174 Block, 465 miles south of Tripoli. The field, dubbed "Elephant," is expected to reach full capacity of 150,000 bbl/d by 2006. In 2000, the Libyan National Oil Company (NOC) opened 137 petroleum blocks to foreign investment.<sup>13</sup> In the same year, a consortium led by Spain's Repsol YPF Group announced a major discovery in Block NC 186.

<sup>10</sup> Libyan Government estimate. Estimates of total unproven reserves run as high as 100 billion barrels.

<sup>11</sup> Robertson, 2002

<sup>12</sup> By comparison, the government of Kuwait recently announced a similar oilfield renovation project, with projected expenditures totaling USD 40 billion over 15 years.

<sup>13</sup> Mobbs

## **2. The National Oil Company (NOC) and its Subsidiaries:**

Libya's oil industry is controlled by the state-owned National Oil Corporation (NOC), which in turn runs subsidiaries Waha Oil Company, Arabian Gulf Oil Company (Agoco), Zueitina Oil Company (ZOC), and Sirte Oil Company (SOC). Oil exploration and development continued throughout the period of sanctions (1986-2004), although many projects were put on hold and minimal maintenance was performed to keep equipment running. In 1983, the Libyan government created Umm Al-Jawaby, the international procurement arm of the National Oil Corporation (NOC) to replace the procurement arms of the foreign oil companies whose assets had been nationalized and/or frozen. Al-Jawaby sources more than 150,000 items annually, both oil and non-oil-related, worth over 400 million USD. Most of these products come from the UK, and are distributed to 16 client companies in Libya. NOC operates a second procurement company, Medoil (Mediterranean Oil Services) out of Dusseldorf, Germany. Medoil, with a comparable budget to Umm Al-Jawaby, deals mostly in products from Germany and Continental Europe; its clients are also essentially the same. Umm al-Jawaby procures a large amount of services, including training courses and conferences for Libyan staff. While Umm Al-Jawaby's *raison d'être* is being eroded by reform at home, the company continues to service NOC and its subsidiaries. U.S. firms may request to be added to Umm Al-Jawaby's register of approved training providers (RATP). NOC created yet another subsidiary, Oilinvest, in large part to secure international refining capacity during the sanctions period. Oilinvest itself operates over forty subsidiaries, the largest of which are Tamoil and Gatoil. The latter two companies manage a range of investments as well as branded gas products. Tamoil's Italian subsidiary, Tamoil Italia, owns and operates approximately 2,100 service stations. Tamoil suffered financial crisis over its dealings with Zimbabwe, which contracted with the company to supply 70 % of its oil requirements. The Libyan government recently sold 60% of its interest in Tamoil.

## **3. EPSA IV: A Model for Transparency in Exploration and Production Concessions**

### EPSA IV-1

In September of 2004, NOC announced it would pursue a new formula for awarding exploration and production contracts. Dubbed "EPSA IV" (EPSA=Exploration and Production Sharing Agreement), NOC touted EPSA IV as "a more transparent and open" version of previous EPSAs, one-on-one negotiations between NOC and individual companies. EPSA IV concessions, which run for 25 years, differ from previous EPSAs in that they regulate fieldwork requirements, the conditions under which NOC is authorized to reject a bid (the "Ratification Clause") and assignment parameters governing the timing and distribution of subcontracts. Another innovation in this round is the existence of a "signing bonus", firm-specified payouts which, in the event of identical revenue ("M" factor) bids, NOC will use to determine a winner. EPSA IV explicitly mentions associated gas, and specifies that it should be shared on same basis as crude oil, using fuel oil as the gas reference price. Concession winners cover all costs of exploration; development, appraisal and abandonment costs are shared with NOC.

During the first week of September, over 500 representatives crowded into Tripoli's Al-Mehari hotel, and London's Langham to hear NOC's EPSA IV term-readout. More than 250 firms submitted bids, and of those, 68 qualified. 57 of the 68 submitted formal bids, in various combinations, producing a total of 104 offers. On January 29, NOC officiated a bid-opening session, at which 11 of the 15 exploration blocks went to U.S. firms Occidental, Amerada Hess and Chevron-Texaco and their partners. Licenses also went to Indian, Canadian, Indonesian and Australian firms. None of the major European firms in competition won bids in this round. It is key to note that this past round is the first, and not the largest in what is expected to be a series of similar exercises. NOC has announced it will auction off 40 exploration blocks in early Spring,

and has hinted at a third round in the 3<sup>rd</sup> quarter of 2005.<sup>14</sup> The NOC is attempting to balance “transparency” with the longer-term interests of the sector, which may be best served by application of deep water, and enhanced oil recovery technologies unavailable to many otherwise qualified bidders.

#### EPSA-IV-2:

On October 2, 2005, NOC held EPSA-IV round 2. Asian and European companies bid much more aggressively than in the previous round, with Italy’s ENI Spa winning the most number of exploration permits. Exxon-Mobil was the only U.S. company to win new rights. Of the seventeen companies that participated, winners included Statoil, Total, Oil India/India Oil, Pertamina, Japex, Norsk Hydro and British Gas. M factors were significantly lower in this round than in the previous, feeding speculation that the driving force behind the competition was not profitability, but the desire on the part of State-run companies to secure access to reserves. The work requirements specified in this round require 482 million USD in investment.

NOC has not announced dates for the next round, nor for a rumored DEPSA, or “Development EPSA”, focused on the application of EOR (Enhanced Oil Recovery) technologies to boost production from declining fields.

#### Areas/Blocks Won in EPSA IV-2, with M Factors and Signing Bonuses

		<u>CRL</u>	<u>BONUS</u>
Area 2 Block 1&2	<u>Nippon/ Mitsubishi</u>	<u>8</u>	<u>2.5</u>
Area17 Block 3	<u>Pertamina</u>	<u>11.7</u>	<u>8.009</u>
Area 17 Block 4	<u>CNCP</u>	<u>28.5</u>	<u>6.08</u>
Arae 40 Block 3&4	<u>Nippon/Mitsubishi/Japex</u>	<u>8</u>	<u>2.5</u>
Area 44 Blocks 1-4	<u>Exxon</u>	<u>28.3</u>	<u>1.5</u>
Area 42 Blocks 1&3	<u>NB</u>	<u>NA</u>	<u>NA</u>
Area 42 Blocks 2&4	<u>Total/Impex</u>	<u>27.8</u>	<u>1.801</u>
Area 94 Blocks 1-4	<u>Statoil</u>	<u>24.9</u>	<u>2.95</u>
Area 81 Block 1	<u>ONGC</u>	<u>11.8</u>	<u>6</u>
Area 81 Block 2	<u>Mitsubishi/Tekuku</u>	<u>7.5</u>	<u>6</u>
Area 82 Block 3	<u>Mitsubishi/Tekuku</u>	<u>7.5</u>	<u>6</u>
Area 82 Block 4	<u>Techneft</u>	<u>10.5</u>	<u>6</u>
Area 102 Block 3	<u>NB</u>	<u>NA</u>	<u>NA</u>
Area 102 Block 4	<u>Oil India-India Oil</u>	<u>10.5</u>	<u>3.001</u>
Area 121 Block 2	<u>NB</u>	<u>NA</u>	<u>NA</u>
Area 123 Bloack 1	<u>BG</u>	<u>10.9</u>	<u>7.501</u>
Area 123 Block 2	<u>BG</u>	<u>14.2</u>	<u>7.501</u>
Area123 Block 3	<u>PT Pertamina</u>	<u>8.8</u>	<u>7.8</u>
Area 146 Block 1	<u>Norsk Hydro</u>	<u>7</u>	<u>7.07</u>
Area 147 Blocks 3&4	<u>Turkish Petroleum Co.</u>	<u>9.7</u>	<u>7.262</u>
Area 161 Block 1	<u>ENI</u>	<u>8.5</u>	<u>3.1</u>

<sup>14</sup> JANA and *Al Fajr Al-Jadid*, 1/30/05

Area 161 Blocks 2&4	<u>ENI</u>	<u>7.9</u>	<u>4</u>
Area 176 Block 3	<u>ENI</u>	<u>9.8</u>	<u>3.3</u>
Area 176 Block 4	<u>Japex</u>	<u>6.8</u>	<u>3</u>
Area 171 Blocks 1-4	<u>Statoil/BG</u>	<u>19.8</u>	<u>1.001</u>
Area 186 Blocks 1-4	<u>ENI</u>	<u>15.4</u>	<u>1.1</u>

Source: Marathon Oil Co.

<b>Oil Production Capacity (000b/d), c. 2004</b>	
National Oil Company Managed	
Arabian Gulf Oil Company (AGOCO)	450
Waha Oil Company	425
Sirte Oil Company	120
Zueitina Oil Company	80
Other Operators	
AGIP	280
Veba	95
Repsol	80
Wintershall	15
Total	15
Petrofina	5
Total:	1565

Source: Canadian Trade Service

## **Downstream Refining/Marketing:**

Libya operates five refineries, with a combined capacity of approximately 320,000 bbl/d. These include Ras Lanuf (Gulf of Sirte) with a capacity of 220,000 bbl/d, Azzawia (120,000 bbl/d), Sarir (10,000 bbl/d), Tobruq (20,000 bbl/d), Brega (10,000 bbl/d). Libya exports production over domestic demand (approximately 93,000 bbl/d). In May 2002, Libya signed a USD280 million contract with South Korea's LG Petrochemicals to upgrade the Zawiya refinery. In March 2002, Ras Lanuf was shut down for several days after a fire broke out at an ethylene storage tank. A new refinery is reportedly planned for Sebha.<sup>15</sup> The NAPECTCO (National Petrochemical Company) produces methanol, ammonia and urea at small petrochemical complexes near Abu Khammash salt lake, 165 km west of Tripoli. Ras Lanuf Oil and Gas Processing Company (RASCO) built Ethylene and Polyethylene plants in 1988, and opened a Naptha cracker in 1997. Foreign oil companies have expressed a strong desire to bid on combined upstream/downstream packages.

## **Natural Gas:**

Libya's proven gas reserves amount to 46.4 Tcf; potential reserves are as high as 70-100 Tcf. One senior oil and gas analyst described Libya's gas prospects as "truly world class." Until relatively recently, Libya did little with its considerable gas reserves. According to an NOC representative, the company is currently flaring approximately 15-17% of associated gas (the actual amount is likely much higher). The NOC says it aims to get this number down to 10% by the end of 2006, and is looking for partners with technology to help pool smaller gas pockets. More generally, with the deepening international market for natural gas, Libya is seeking both to export gas and to use it to satisfy domestic energy needs (thereby freeing up additional oil for export).

Inaugurated in October 2004, the Western Libya Gas Project (WLGP) is the cornerstone of Libya's gas program. WLGP, which cost 5.6 billion USD to develop, sources gas from the desert near the Southern Libyan border with Algeria, and an offshore platform 110 kilometers North of Tripoli. The resulting gas flows to Melitah (80 km West of Tripoli) where it is collected, then pumped by submarine pipe to Sicily and mainland Italy. Libya's feedstock commitments to WLGP amount to 1 billion cubic meters per year. WLGP notwithstanding, Libya has been faulted for not having a comprehensive gas strategy. Libya is actively seeking foreign participation and investment in gas infrastructure. In recent years, large new gas discoveries have been made in the Ghadames and Sirte basins.

## **Liquified Natural Gas (LNG)**

Libya produces a small amount of liquefied natural gas (LNG), most of which is consumed by domestic refineries. The Esso-built LNG plant has been operating for many years at half-capacity, due to technical problems. With considerable investment, Libya has the potential to produce more LNG per year than each of Malaysia, Algeria and Indonesia. Libya's main gas-producing fields are Attahadi, Defa-Waha, Hatiba, Zelten, Sahl and Assumud. Royal/Dutch Shell this past year signed an extensive contract with NOC to develop Libya's LNG infrastructure.

## **Electric Power:**

Libya currently has electric power production capacity of about 4.6 gigawatts; in 1999, electricity generation was 3190 megawatts. The Libyan General Electric Company (GECOL) runs 23 generating plants, of which six are steam-powered and seventeen run on gas or diesel fuel. A projected increase in demand of 4-5 % per year throughout the late 90s has risen to 6-7% recently, tracking economic growth. Domestic gas demand is projected to rise to 22 billion cubic

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<sup>15</sup>Mohammed Ghattour & Co., *Doing Business in Libya*, 2004

meters in 2010. Power demand is growing rapidly (approximately 6 % annually), and Libya has plans to more than double installed capacity by 2010 at a cost of over 3.5 billion USD.<sup>16</sup> Most stations are oil-fired, although some have been converted to gas.

Libya's power generation and distribution sector requires substantial investment, and officials are looking at alternatives to public financing. In October 2003, Spain's Abengoa and Cobra signed deals worth a combined 339 million USD with GECOL to expand and upgrade the country's power transmission and substation infrastructure. There are also plans to link Libya's power network with those of Egypt, Tunisia, and possibly other countries in Africa. German industrial conglomerate Siemens is hoping to sign a 240 million USD contract to modernize Libya's electricity grid. Major generation projects for which tenders have been issued in the past year include a 200 MW project in Sarir and an 800 MW project in Sirte.

### **Construction and Engineering Services:**

The vast majority of construction and engineering services in Libya in recent years have been applied to two large sets of projects, those related to oil field development, and those related to a 20-billion-plus USD water drilling and transport project known as the Great Man Made River. Contracting services and construction materials will be required in the coming years to support major road, large-scale office complex, hotel, and residential housing projects. A 130 million USD oil field infrastructure project was recently awarded to Cypriot contractor J&P.

### **The Great Man Made River (GMMR)**

The GMMR project, known locally as the "Eighth Wonder of the World", transports water from a series of deep Southern aquifers to the Northern coastal belt. The first feasibility studies for the GMMR were conducted in 1974; work began in the early 1980s on the first of five phases, whose total cost is estimated at more than 30 billion USD. Once complete, the system is projected to carry over 5 million cubic meters of water per day.

Phase I of the GMMR completed in 1991 at a cost of 14 billion USD pumps approximately 2 million cubic meters of water a day from As-Sarir and Tazerbo to Benghazi and Sirte, over a distance of 1200 km. From Sarir, two parallel, four meter-diameter pipelines convey water to Ajdabiya. From Ajdabiya reservoir, the conveyance splits, continuing West to Sirte and East to Benghazi. Phase II is complete and delivers 1 million cubic meters of water a day from the Fezzan region to Tripoli and the Jeffara plain. The system consists of 127 wells, distributed along three east-west collector pipelines. These pipelines ultimately feed a 28 million cubic meter reservoir at Suq El Ahad.

Phase III is divided into two sets of projects. Those centered in the East include a 700km expansion of the existing Phase I system linking Sarir to Benghazi, adding 1.68 million m<sup>3</sup>/day to Phase 1 capacity. The expansion includes the construction of a reservoir and pipeline linking Tobruq to a well-field at Al-Jaghboub. The 500 kilometer pipeline will pump 138,000 cubic meters per day. The 'Western' project consists of building a pipeline linking Ghadames to Zuwara and Zawiya. Subsequent phases involve the extension of the distribution network together with the construction of a pipeline linking the Ajdabiya reservoir to Tobruq. Ultimately, the Eastern and Western pipelines will be linked into a single network.

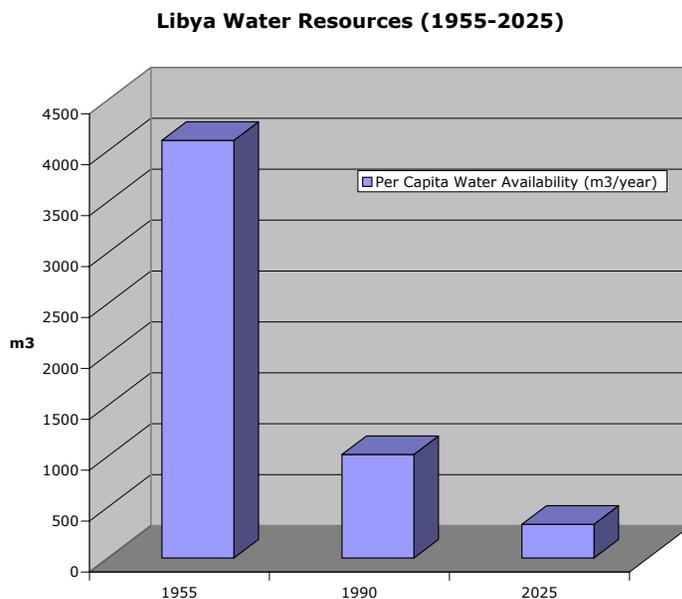
The GMMR project is managed by the Great Man-made River Authority (GMMRA), whose director holds a ministerial-level position. Brown & Root and Price Brothers (now KBR) were responsible for the original project design; the prime contractor for the initial phases was South Korean construction giant Dong Ah, which subsequently declared bankruptcy. In 2004, Korea Express, formerly part of the Dong Ah group, re-negotiated the contract held by its parent. The

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<sup>16</sup> First National Report on the State of the Environment, 2002

preliminary engineering and design work for Phase III, a 15.5 million USD contract, went to Nippon Koei/Halcrow consortium. The Frankenthal KSB consortium won a contract for construction of pumping stations and technical support, while Canada's SNC-Lavalin built the pipe production plant (Lavalin recently signed an MOU for an additional 1 billion USD contract to assist with water distribution).

According to cost/benefit analyses conducted in the late 1970s, one LD would buy 0.74 cubic meters of water if shipped by pipeline from Europe, 0.79 cubic meters if produced through desalination, 1.05m<sup>3</sup> if transported by ship and 14.7 cubic meters if transported from underwater aquifers through the Great Man Made River (GMMR). The cost of desalination has since fallen, and estimates of the 'real' cost of GMMR water is rising (largely due to a greater awareness of the 'depletion cost' of a non-renewable resource). At the conclusion of the first stage of the GMMR, a study showed that the user's gate price of a cubic meter of GMMR water was 0.83 USD when measured in 1991 prices, against 0.55 USD per cubic meter for desalinated water (inclusive of interest, capital recovery and operation). Cost trends have continued in this direction throughout the past decade.<sup>17</sup>



### **Desalination and Wastewater Treatment:**

Current desalination output is reportedly 30 million cubic meters per year. Thermal and flash vaporization account for 60-70% of this output; reverse osmosis techniques generate 20% of output, while 10% comes from electro-membrane separation. It is widely believed that, even with extensions to the GMMR, there will be a large demand for desalination technology in Libya over the coming years. Over 60% of medium and large capacity desalination plants currently operating are more than 17 years old.

#### *Wastewater Treatment:*

Libya built forty wastewater treatment plants in the 1970s and 80s, with a total capacity of 175 million cubic meters per year. Water quality in Libya in and around the major population centers

<sup>17</sup> Alghariani, Saad "Water transfer versus desalination in North Africa: Sustainability and Cost Comparison," in *Libyan Studies*, Vol. 34, 2003

is known to be extremely poor. There have been several major contamination incidents, including one in which a leak from an ageing underground pipeline at the Zawia refinery polluted groundwater in the agricultural district of Gargouza, thirty kilometers West of Tripoli.<sup>18</sup> Several hundred million USD worth of water, wastewater treatment, and desalinization contracts are expected to be awarded over the coming few years.

### **Telecommunications:**

Telecommunications infrastructure development is the responsibility of the state-owned General Post and Telecommunications Company (GPTC). GPTC was created by Law No. 16 of 1984, and is headed by Eng. Mohammed Qadhafi (son of Moammar Qadhafi). GPTC oversees the operation of fixed and mobile lines, as well as Libyan Internet service providers (ISPs). Eng. Qadhafi has stated publicly that he does not see a full liberalization of the telecom sector in the near future; nevertheless, GPTC has expressed interest in U.S. technology, and U.S.-furnished centers for training and software certification.

In July 2004, GPTC issued tenders for the installation of next-generation backbone and switching networks with an eye towards bringing 3 million new lines into service by the end of 2005. GPTC is considering acquiring VSAT and VoIP capabilities in the near future. On the user-side, Nokia currently maintains an approximate 90% market share for cellular and radio communications equipment. Remaining U.S. sanctions govern most telecommunication procurements (See U.S. Export Regulations).

In 1996, GPTC spun off Al-Madar, or “Orbit”, a subsidiary dedicated to mobile communications. In September 2004, France’s Alcatel and Finland’s Nokia won a 244 million USD contract to expand Libya’s mobile network by 2.5 million new mobile lines over the course of two years, using Evolium™ mobile radio access and core network solution to serve GSM/EDGE and 3G users (Nokia’s portion of the contract applies to the area from Tripoli to the Western mountains, while Alcatel’s covers Libya’s Eastern and Southern regions). GPTC has announced its intention to spend 10 billion USD on telecommunications infrastructure over the next 15 years.

In 2004, GPTC launched Libyana, a second State-owned subsidiary. Libyana’s area of coverage will be limited initially to Tripoli, Benghazi and Sebha.<sup>19</sup> In December, 2005, Chinese firm Huawei won a 40 million USD contract to increase Libyana’s capacity by 1 million mobile lines, and Swedish telecommunications giant Ericsson signed a 58 million USD contract to provide al-Madar with the same number.

#### *Recent Developments:*

In 2005, the General People’s Committee (GPC) signed legislation creating the General Authority for Information and Telecommunication (GAIT), which oversees both GPTC and its subsidiaries/affiliate companies, as well as the National Authority for Information and Documentation (NAID). Rumor has it that yet another entity, the holding company Libya Telecom, will be created to house GPTC, Al-Madar, Libyana, LTT and the UAE-based satellite communications company Thurayya, in which Libya holds a stake.

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<sup>18</sup> Libya Oil and Gas, Trade Partners, UK (2003)

<sup>19</sup> JANA

<b>Cost of Mobile Service</b>			
Year	1997	August, 2004	September 2004
Line Cost	USD 3,300	USD 710	USD 68+410 deposit=USD 478

Source: BBC News

<b>ICT Statistics</b>										
Telecommunications Infrastructure										
Year	1995	1996	1997	1998	2001	2002	2003	2004	2005 (E)	
Fixed lines and mobile telephones per 1000 people				94.4	127.2	--				
Mobile subscribers:									215,000/570,000	
Al-Madar/Libyan										
Fixed Lines	318,000	380,000		500,000						
Personal Computers per 1000 people						23.4				
Internet Users					20,000	125,000	160,000 (2.8% of population)		5%, of the population or approximately 300,000 (Approximately 20% of those between the ages of 15-35)	
Internet Cafes				0	0			70 (est.)	150 (est.)	
ISPs				0	0	1				
Internet Bandwidth (kbps)			256							

Source: World Bank, ITU, LibyaOnline, Network Wizards

### **Medical Supplies and Services:**

Libya's hospitals and clinics largely do not meet international standards. Those Libyans with sufficient resources travel to Tunisia, Jordan, or Europe for anything but the most routine medical care, a trend that has led to the establishment of a 100+ mile "medical services alley" on the Tunisian side of the border. This area caters almost exclusively to Libyan clients. Benghazi

Medical Center, a long-vacant (and never-used) 1200-bed facility, recently announced a 120 million USD tender for mid-term management and complete furnishing of the facility, including advanced imaging equipment, basic supplies, furnishings, etc.

## Agriculture:

Although farming accounts for only 5 – 7 % of Libyan GDP, the sector employs one-fifth of the country's workforce. 1 % of Libya's land is cultivated, while approximately 8 % is suitable for grazing. One study conducted in the 70s estimated there to be 9400 sq km of land receiving 250-500mm annual rainfall in the Jeffara and Jabal Nafusa regions (Western Libya) and 13,000 square kilometers in Benghazi and Jabal al-Ahdhar. The Jeffara region has traditionally been the center of Libyan agriculture. Libya's main crops include wheat & barley, tomatoes, citrus fruits, potatoes, olives, figs, apricots and dates.

Until recently, farming activity depended wholly upon erratic rainfall and poorly developed irrigation systems. Libya attempted to alleviate this pressure through a massive engineering project known as the Great Man Made River (See *Construction/Great Man Made River*), which carries water North from underground aquifers near Kufra, in the South. In 1980 J.A. Allan warned that "the marginality of the natural resources is such that these resources are very sensitive to ill-judged agricultural development."<sup>20</sup> Since then, water-mining and overuse of land by a rapidly growing population has had a devastating effect on coastal Libyan groundwater resources. Sea-water intrusion into coastal water tables is a significant and widespread problem.

The Jefara Plain cereals project (1973-1978) was one of the first of Qadhafi's major land-reclamation schemes. It was followed by the much less successful Kufra Productive Project (KPP), which aimed to develop 10,000 hectares of arid land, using 100 deep wells and automatic irrigation. KPP was expected to produce wheat, barley and clover, as well as fodder to support a large animal husbandry project. The Libyan government allocated 10 million LD between 1972- and 1975 to this project, into which Occidental Petroleum invested 5 % of its early-years' profits.<sup>21</sup> KPP was abandoned due to technical problems shortly thereafter.

In an effort to increase agricultural production and to stem rapid migration to the major coastal cities, the Libyan government has offered various subsidy and land grant schemes. To date, the most successful ventures have been those that consolidate small-holdings into large production and marketing operations. With the aid of imported technology (irrigation, etc.), foreign consultants have helped identify "off-season" export crops (red globe grapes, other), fed by water from the Great Man Made River. U.S. firm Technofarm International currently manages a 2500-acre farm in Benghazi, under contract to the GMMR Authority. The company recently signed contract to expand this farm to 14,000 hectares. Additionally, the company is currently developing 600 irrigated hectares in Tarhona and 200 in Qararah Al-Qataf, using water from artesian wells.

Libyan agricultural projects and policies are overseen by a General Inspector; there is no Ministry of Agriculture, per se.

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<sup>20</sup> Allan, J.A., *Libya: The Experience of Oil*, p 21

<sup>21</sup> Fergiani, *The Libyan Jamahiriya*, p 172

## **Banking Services:**

It is often said that Libya's banking sector has been 'frozen' since the 1970s. Private ownership of financial institutions dates to 1997. With their link to SWIFT in 2001, Libyan banks were freed from the need to use Libyan Arab Foreign Bank to process foreign transactions.

The Central Bank of Libya (CBL) is undoubtedly the most powerful banking institution in Libya, and indeed nothing much happens in the banking sector without at least its tacit approval. CBL's mission includes maintaining monetary stability and promoting sustained growth of the economy in accordance with the general economic policy of the state. The Bank Governor is the chief executive officer responsible for the implementation of the policy of the Bank and the management of its affairs. Bank functions include the issue of banknotes and coins, stabilization of the Libyan currency; maintaining and managing the official reserves, regulating the quantity, quality and cost of credit, lending to commercial banks and public entities, supervision of commercial banks, acting as a banker and fiscal agent to the state and public entities; advising the state on the formulation and implementation of financial and economic policy. The headquarters of the Central Bank is in Tripoli with three branches located in Benghazi, Sebha and Sirte.

In addition to CBL, there are 6 state-owned commercial banks and 48 national banks. The largest of the state commercial banks, The Libyan Arab Foreign Bank (LAFB), operates subsidiaries and affiliates in more than 30 countries. Other state-owned banks are Jumhuriyya Bank, the National Commercial Bank, Sahara Bank (undergoing privatization), Umma Bank and Wahda Bank. There has been considerable talk about unifying at least 13 of the smaller national and private banks.

Of the five quasi-private banks, one with significant capitalization is the Bank of Commerce and Development (BCD), established in 1996 with two thousand shareholders. BCD, with eleven branches, was the first to offer (pre-paid) credit cards and domestic travelers checks in amounts from 20 to 10,000 LD. There has been much discussion recently regarding the proposed merger of several smaller state-owned and private banks, as well as the establishment of something called the Tourism Development Bank, to facilitate--as the name suggests--projects in the tourism sector.

The Prime Minister has recently announced the creation of a seven billion dollar fund to promote local economic activity, housing and entrepreneurship. In theory, all Libyan banks may draw on this fund, through application to the Secretariat of the Treasury.

## **Transport:**

Libya's transport infrastructure is extremely weak. Paved roads and airline service link major population centers; there are no railways, and few reliable marine transport services available. Contracting authorities have been set up in each of the *shaabiyat* to administer/oversee road construction.

**Railways:** Long-suspended plans for a 1,435-mile standard gauge line from Zawiyya to Misurata via Tripoli are being re-considered, as are plans to link a major coastal city with the Southern city of Sebha. Libya has discussed partnering with Egypt to establish a rail line from As-Sallum, Egypt, to Tobruq, but no action has yet been taken.

**Highways:** Total: 83,200 km Paved: 47,590 km Unpaved: 35,610 km (1996 estimate). The government has issued a number of high-profile road and road-improvement tenders in recent months.

**Pipelines:** Crude oil 4,383 km; petroleum products 443 km (includes liquefied petroleum gas or LPG 256 km); natural gas 1,947 km.

**Airports:** The capital is served by two airports, Tripoli International and Metiga-City Center. Metiga is used primarily for domestic flights, and is the base of Buraq Air (See Airline Schedules). Benghazi is served by a single airport, Benina International. Most other major cities maintain municipal airports.

**Sea Ports and harbors:** Al Khums, Benghazi, Derna, Marsa al Burayqah, Misurata, Ras Lanuf, Tobruq, Tripoli, Zuwarah.

**Merchant marine:** Total: 27 ships (1,000 GRT or over) totaling 401,303 GRT/656,632 DWT  
Ships by type: 9 cargo vessels, 1 chemical tanker, 3 liquefied gas tankers, 6 petroleum tankers, 4 roll-on/roll-off vessels, 4 short-haul passenger vessels (1999 estimate)

### **Tourism:**

Libyan tourism promotions feature the following slogans: “Libya...is Near” and “Libya: All You Imagine, All You Can’t Imagine.” Available statistics suggest that between 200,000 and 350,000 tourists visited Libya in 2003.<sup>22</sup> While this figure may be somewhat exaggerated, an increase in Mediterranean cruise traffic has added substantially to the number of foreign tourists visiting Libya in 2004/2005. The Government of Libya projects that by 2010, more than 1 million tourists will visit the country annually. As noted above, American tourists have experienced increased difficulty in obtaining Libyan visas. Hundreds of American tourists have arrived aboard cruise ships expecting to disembark with other passengers, only to discover that their anticipated port visa would not be issued.

Factors impeding growth in the tourist industry include the lack of physical infrastructure, a blanket prohibition on the sale and consumption of alcohol and difficulties in negotiating land-purchase/lease deals and identifying local partners. This latter condition is especially problematic for companies that prefer to manage, not build new properties. Libya had in 2004 4050 hotel rooms; the number is expected to rise to 6100 in 2005, and Libyan authorities claim to be aiming for a 14300-room capacity by 2008.<sup>23</sup> Currently, the vast majority of these are centered in Tripoli. Law No. 7 of 2004 created the Libyan Association for Voyages and Tourism (LAVT), responsible for the development of a comprehensive, nation-wide tourism policy. LAVT is the coordinating body for 25 government-run tourism agencies.

### **Investment:**

A handful of small to mid-sized Libyan companies (50-100 employees) has been coordinating cruise-related sight-seeing tours, as well as executive retreats. European firms, including France’s Club Med are rumored to have opened talks with the Government of Libya for the construction of a few large resort facilities. South Korea’s Daewoo reportedly has plans to build a 100 million dollar, 3000-bed hotel complex in Tripoli. In late December, 2004, the Italian real estate broker Gruppo Norman signed a deal with the Libyan government, a first step towards the construction of a 268 million USD resort on the island of Farwa, near the Tunisian border. A number of Italian firms have come to similar understandings regarding proposed developments in the Homs/Leptis Magna area, but as of October, 2005 no construction was in evidence. Emirati firms have signed MOUs with the Libyan government to develop mixed-use industrial complexes in the Tripoli area.

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<sup>22</sup> MSNBC

<sup>23</sup> HATA: High Authority for Tourism and Antiquities

### **Attractions:**

Libya is known for its extremely well-preserved Roman and Greek archaeological sights (Roman ruins at Leptis Magna, Sabratha, Yefren, Gharyan, and Jadi), Greek sites (Teuchira, Cyrene, Appolonia, Ptolemais, and Berenice), and 1,770 km of scenic coastline. The ‘Pre-Saharan’ Ghadames and Ghat, once centers for the Saharan caravan trade, host yearly festivals, whose attendance has risen noticeably in the last 24 months. Among these are the annual festivals of Ghadames (late September/early October), Ghat (late December) Derg (information unavailable), and Murzuq (as of January, 2005). The Paris-Dakar rally has in the past included Libyan segments.

Note: While “tour group” visas are generally easier to obtain than other types, travelers are advised to be skeptical of tour operators’ guarantees, and to investigate refund options in case visas are not awarded and/or entry is denied.

### **Education & Training:**

Until recently, Libyan children were required to attend six years of primary school, followed by three years of preparatory school and three of secondary school, for a total of twelve years of compulsory education. Currently the requirement is nine years of basic education and four of secondary school. In theory, university education is free and available to all. Recent General People’s Congress sessions have called for a rationalization of the Libyan educational system, including a decrease in the number of schools and an increase in quality of teaching and available resources. In addition to state-run schools, there is a growing number of private educational institutions and training centers (See also, *Hints for Long-Term Residents*)

Foreign firms have found a receptive audience for proposals to increase training opportunities available to Libyan nationals, particularly in technical subjects. There is a rapidly growing market for educational exchange programs, school supplies and tools related to school administration. USLO is planning to maintain a roster of U.S. firms offering training in various areas, from IT to ISO standards implementation to agricultural technologies. For further information, contact USLO’s Political/Economic section.

### **Manufacturing Industries:**

Libya is an import-driven society with extremely limited local production and manufacturing capabilities. The non-oil manufacturing and construction sectors, which account for about 20% of GDP, have expanded from processing mostly agricultural products to include the production of small amounts of petrochemicals, iron, steel, and aluminum. Many of the country’s manufacturing facilities are in disrepair, overstaffed and under utilized. Recently, Libya announced plans to privatize several manufacturing plants, mostly in the areas of steel, iron, and cement. Other possibilities for investment include such areas as textiles and agricultural refining and processing.

### **Environmental Services:**

In general, Libyan concern for the environment is weak. There are no national or local recycling programs, and visitors will note large amounts of garbage strewn throughout public areas. Libya is actively seeking a waste management company to provide a comprehensive plan for the gathering and disposal of waste in the major urban centers of Tripoli and Benghazi. Of particular interest to investors interested in the oil and gas sector is Law No. 7 of 1982, which establishes a Technical Center for the Protection of the Environment. The center was replaced in 1999 by the

Environment General Authority, which strictly prohibits the disposal of oil and the washing of tankers within Libya's territorial waters.

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## Chapter 5: Trade Regulations and Standards

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- [Libyan Customs Administration](#)
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- [Free Trade Zone Administration, International Treaties](#)

### U.S. Export Regulations: Bureau of Industry and Security

As of April 29, 2004, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) held jurisdiction over the export and re-export to Libya of dual-use items subject to Export Administration Regulations (EAR). See: [http://www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html). Please consult Section 742.20 of the EAR for specific guidance on the remaining controls imposed upon Libya. The Department of the Treasury, Office of Foreign Assets Control (OFAC) continues to control certain financial transactions, including those related to blocked assets or Specially Designated Nationals (SDNs). Access OFAC website on <http://www.treas.gov/offices/enforcement/ofac/index.html>

As of January, 2006 Libya remains on the U.S. List of State Sponsors of Terrorism. As a result, the export and re-export of dual use items and technology to Libya is restricted. Exporters of certain dual-use items or technology products must apply for export or re-export licenses from BIS. License applications are considered on a case-by-case basis. Items requiring a BIS license are generally not approved for export or re-export to 'sensitive' end users (see Section 744). Applications for the export or re-export of items subject to the EAR that are destined to military end-use or military end-users are reviewed under a general policy of denial. Foodstuffs, medicine and medical devices are generally classified EAR 99, and thus typically do not require an export license for Libya, given that their intended end-users are not 'sensitive.'

**On March 23, 2005, BIS issued further guidance and clarification regarding how to deal with "installed base" and made other changes to export and re-export controls on Libya.**

**Recent amendments/clarifications include:**

- Certain **commercial explosive charges** (perforators) classified under Export Control Classification Number (ECCN) 1C992 are now reviewed on a case-by-case basis, rather than a policy of denial. In conducting such reviews, BIS will consider the end-use and user and the ability of the exporter and consignee to ensure the safety of the charges during transport to and within Libya, and while in storage in Libya.
- **The Aircraft and Vessels License Exception (AVS)** has been modified to permit vessels to make temporary sojourns to Libya without a license.
- **Portable electric power generators**, controlled under ECCN 2A994—as well as related software and technology--, controlled under ECCNs 2D994 and 2E994 require a license for export or re-export to Libya for anti-terrorism reasons.
- **ECCN 8A992 governs vessels in addition to submersible items.**

**The complete text of the final rule may be found at the following link:**

<http://a257.g.akamaitech.net/7/257/2422/01jan2005>

### **Installed Base:**

Many U.S.-origin goods were exported illegally to Libya during the embargo. These goods are known as “installed base” and are controlled by Section 764.2(e), which reads: *"No person may order, buy, remove, conceal, store, use, sell, loan, dispose of, transfer, transport, finance, forward, or otherwise service, in whole or in part, any item exported from the United States, or that is otherwise subject to the EAR, with knowledge that a violation of the EAA, the EAR, or any order, license or authorization issued thereunder, has occurred, is about to occur, or is intended to occur in connection to that item."* This prohibition is restated in general prohibition 10 in part 736 of the EAR.

If you think an item may be part of the installed base, do not conduct the transaction as your company will be in violation of the EAR, if the transaction falls within the scope of the prohibitions defined in Section 764.2(e) of the EAR.

In addition to being published in the Federal Register, BIS’s regulations are posted to its website: [www.bis.doc.gov](http://www.bis.doc.gov)

### **Personal Computers:**

The U.S. Department of Commerce in November, 2005 amended license requirements affecting the import and use within Libya of personal computers and certain software. The Bureau of Industry and Security (BIS) thus created a new license exception authorizing the export and re-export of certain items controlled for anti-terrorism (AT) reasons ONLY. The items covered by this exception may only be used by U.S. persons or by non-U.S. person employees within the scope of their employment and must remain under the control and supervision of the U.S. person employer. They may not be transferred to non-U.S. persons in Libya. These items include those classified under Export Control Classification Numbers (ECCNs):

2A994 (portable generators)

5A992 (encryption hardware)

5D992 (“Information Security” “software” not controlled by 5D002) (most Microsoft products fit this category)

9A900 (Diesel engines)

Additionally, certain items under the following ECCNS are exempt:

3A991 (electronic devices)

3A992 (test and inspection equipment for electronic components)

4A994 (computers)

5A991 (telecommunications equipment)

### **Continuing Restrictions:**

For software controlled under ECCN 5D002 (less common, but some personal firewalls or other operating systems such as Red Hat are classified this way) exporters may employ license

exception EAR TMP 740.9. Consult part 740 of the terms and conditions of the relevant license exception.

U.S. companies may not sell computers or other goods to police, intelligence agencies, military, and proliferators of chemical, biological, or nuclear end users or end-uses. Moreover, BIS is not authorizing licenses for the sale of computer or software on a distribution basis in Libya at this time. BIS will only authorize license for the sale of computers or software to known end-users.

### **Vessels:**

Vessels (seagoing ships) subject to the EAR are controlled under ECCN 8A922.f., and require a license to enter Libyan waters, regardless of cargo.

### **Cell phones and GPS Devices:**

These items normally require a license. BIS is not authorizing license for the distribution sale of these items in Libya at this time.

### **Applying for an Export License:**

First, determine whether the product in question requires a license. To do this, consult part 732 of the EAR. If a license is required, please note that the following license exceptions are available in Libya in part or in whole: TMP, GOV, GFT, TSU, BAG, RPL and AVS. Information on each of these license exceptions is available in part 740 of the EAR.

SNAP is an on-line tool for exporters to submit export/re-export license applications, notification and commodity classification requests. Request appropriate forms on line, or by contacting the BIS' Office of Exporter Services at 202-482-4811. Department of Commerce district offices should have the requisite forms as well. To access STELA (BIS's automated voice response system), call (202) 482-4811 and enter the application control number (begins with a Z, followed by six digits).

For faster processing:

- Provide a clear description of the commodities you seek to export including CCATs numbers and/or technical specifications to allow for verification of ECCN.
- Software for computers should be listed as separate line items on the application even if pre-installed on the computer, since the licensing requirements for software may be different than for computers.
- Provide a clear end-use statement that explains who will use the equipment and what they will use it for.
- Provide clear information on the end-user. If the end-user cannot be verified as a legitimate recipient of U.S. goods or technology the application may be denied.
- Provide a cover letter to supplement your application. The cover letter should summarize the transaction and provide any useful information that does not fit into the application form.

### **Libya Licensing, October 1, 2004-September 30, 2005**

In FY05 BIS approved 191 export and re-export licenses for Libya valued at 1.042 billion USD. BIS returned 86 applications without action (valued at 267 million USD), and returned 6 applications to Libya worth 549.685 USD.

Top 5 Licensed ECCNs, by number

Commodity	Number of Licenses
5D992-Information security software controlled for AT reasons only	85
4A994-Computers	71
5D002-Information security software controlled for NS, AT and EI reasons	65
5A991-Telecommunications Equipment	51
5A992-Information security equipment	30

Top Five ECCNs, by dollar value<sup>24</sup>

Commodity	Licenses (millions USD)
9A991-Aircraft and parts	521.3
5A991-Telecommunications Equipment	247.9
4A994-Computers	54.5
9A990-Certain diesel engines and off-highway truck parts	24.5
7A994-Navigation equipment	16.9

For further information on license applications or the Department of Commerce product classification system (CCAT), contact BIS's Office of Exporter Services at (202) 482 4811 or send an email via the link on the BIS homepage. For further information specific to Libya, contact BIS's Office of Nonproliferation and Treaty Compliance/Foreign Policy Controls Division at (202) 482-4252, or contact Eric Longnecker by email, [elongnec@bis.doc.gov](mailto:elongnec@bis.doc.gov). Libya-related information is also found on the BIS website: [www.bis.doc.gov](http://www.bis.doc.gov).

**Licensing Quick Reference:**

- Items subject to the Export Administration Regulations (EAR) but not specifically controlled on the Commerce Control List (CCL)--EAR 99 items--no longer require a license for export or re-export to Libya. Over 99% of items fall into this category. Most household goods are classified EAR 99.
- If the item is controlled on the Commerce Control List (CCL), it may not be resold without prior U.S. government clearance of the end-user.
- The vast majority of U.S. origin computers, peripherals and software currently available on the Libyan market has been imported into Libya illegally.
- BIS's licensing restrictions apply to foreign goods containing more than 10% of American components (for some commodities there is no minimum U.S. content to be controlled. Consult the EAR for more information on those items: <http://www.access.gpo.gov/bis/>)
- ANY item that was imported during the embargo is likely to be in violation of 764.2(e), and qualifies as "installed base."
- U.S. origin computers or technology available for sale today in Libya are almost certainly in violation of the EAR, as the Department of Commerce does not license

such items for resale in Libya. You purchase such items at your peril as you may violate the EAR and subject yourself to civil and criminal penalties.

- It is illegal for U.S. citizens to use or purchase items (including those designated EAR 99) imported to Libya in contravention of U.S. sanctions. If the item in question is EAR 99 and was imported into Libya after the sanctions were lifted, it is legal to use, purchase, etc.
- Libyan end-users must submit an 'end use confirmation statement' for orders of non-EAR, U.S. product with value over 5000 USD.

### **Libyan Customs Administration:**

**The Libyan Customs Administration cancelled duties on more than 3500 product categories, effective August 1, 2005.** Approximately 80 products remain subject to duties of between 5 and 50 %. Higher duties are reserved for luxury items such as furs and very high-end furnishings; duties on cigarettes and tobacco products remain unchanged. **While customs duties have been drastically abated, "consumption" and "production" taxes apply to many goods, particularly those also produced locally.** Incidence is borne by the importing agent (and frequently passed to the consumer).

Equipment imported into Libya for use in the oil sector has traditionally been exempt from customs duties, under Article 16 of Law No. 25/1955 (Petroleum Law). Additionally, as detailed in chapter 7, duty rebates are available to foreign investors entering under the terms of Law No. 5 (1997). Temporary importation of equipment is also exempt, but subject to a deposit and substantial fines and penalties if breached.

Libya maintains a list of approximately 40 items prohibited for import; this list is expected to be shortened. Currently, alcoholic beverages, pornography, pork and pork-related products, as well as goods manufactured in Israel, are prohibited for import. Products of at least 40% Arab content origin are exempt from customs duties. Again, all import license requirements have been removed (see *Establishing A Commercial Presence*).

### **Customs Clearance:**

1. For project-related materials and full shiploads, one must obtain provisional pre-clearance prior to berthing. Estimated time-in-wait for final clearance is one week.
2. For general cargoes (except food) no pre-clearance is available. Estimated wait for final clearance: at most one week from discharging in port.
3. For foodstuffs requiring health clearance, one may obtain a temporary clearance upon arrival. Estimated time-in-wait for final clearance is ten days.

Required Customs Documents:

1. Original bills of lading
2. Copies of all invoices
3. Health certificates
4. Packing list
5. Certificate of Origin

### **Libyan Product Standards:**

At present, imports are covered by a loose patchwork of international standards. In 2003, the government re-constituted the National Center for Standardization and Metrology (LNCSM), charged with creating a comprehensive, unified regime under ISO 9000/90002 standards. As a

prelude to its application to WTO membership, Libya is working to accredit its central Standards Bureau and to implement a network of certified national testing laboratories. While Libya is now a party to agreements with other Arab states recognizing the certifying authority of the relevant national standards authorities (Tunisia is one example), no such agreement is currently in place between Libya and the U.S., meaning effectively that the U.S. exporter must wait for the results of testing of landed products, before knowing whether or not the product will be admitted into the country (even if the product is a trusted brand within the U.S., and/or on the international market). The approval process can be time-consuming and has in the past been subject to corruption. The best assurance against a negative outcome is to provide LNCSM with full details and product specifications before entering into an agreement with a local distributor. LNCSM is currently actively seeking U.S. partners and contractors to help implement ISO standards.

#### **Free Trade Zone Administration, International Treaties:**

Misurata, 210 km East of Tripoli, is currently Libya's sole operating Free Trade Zone (FTZ). Projects in the free zone enjoy standard "Five Freedoms" privileges, including tax and customs exemptions. At present, the zone occupies 430 hectares, including a portion of the Port of Misurata.

Libya is a member of the 1989 Arab Maghreb Union (AMU) linking Tunisia, Algeria, Morocco, Mauritania and Libya. The AMU's stated objectives include the encouragement of free movement of goods and people, revision and simplification of customs regulations, and movement towards a common currency. Nominally, AMU mandates duty-free trade among its members. Disputes between AMU members have stood in the way of much concerted action.<sup>25</sup>

Libya is a part of the Greater Arab Free Trade Area (GAFTA, also called PAFTA, Pan Arab Free Trade Agreement) and the Euro-Med Partnership (EMP), also known as the "Barcelona Process", a dialogue between the European Union and 12 Mediterranean countries. The Barcelona Declaration of November 27, 1995 outlined goals of reducing political instability and increasing commercial integration. In 1999, 27 EMP partners agreed to admit Libya contingent on Libya's accepting the Barcelona acquis.

Libya has applied for membership within the World Trade Organization. A working body has been set up to review and assist Libya in this process. WTO will consider Libyan domestic practices relative to Trade Related Aspects of Intellectual Property Rights (TRIPS), the country's extensive and enduring subsidy regime as well as non-tariff barriers to trade such as existing agency requirements. At least one major international consulting firm is in discussion with the National Center for Standards and Metrology (NCSM, see previous section) to support aspects of the development and application of ISO standards.

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<sup>25</sup> Algeria and Morocco are engaged in a protracted dispute over the Western Sahara, while Mauritania-Libya relations have been soured by what Mauritania alleges was a Libyan plot to overthrow its president.

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## Chapter 6: Investment Climate

- Background
- Currency & foreign exchange Controls
- Corruption/Transparency
- Dispute Settlement
- The Libyan Foreign Investment Board

### Background:

Through Law No. 5 (1997), “Encouragement of Investment Decision”, the government aims to diversify their oil-dependent economy, encourage technical training of Libyan nationals and enhance regional development. Sectors targeted under this law include but are not limited to agriculture, industry, tourism, services and health. Imported machinery, tools, and other capital equipment are exempt from all customs duties and taxes; any equipment, spare parts, or primary materials needed for the operation of the project are exempt for a period of five years; the project is exempt from income tax on its activities for a period of five years from the date of the commencement of the production or work; goods directed for export are exempt from excise tax and from the fees and taxes imposed on exports; stamp duty tax on commercial documents are exempt; and finally profits from the project will enjoy the same exemption if reinvested. A recent (and controversial) GPC decision places a 50 million LD floor on investments qualifying under Law No. 5.

### Currency & Foreign Exchange Controls:

Those with residence permits (*iqamaat*) are permitted to hold foreign currency in Libyan accounts. Non-residents working in Libya may open domestic accounts, in which to hold earnings. Central Bank approval is required for all other credits to non-resident accounts.<sup>26</sup> Per-transaction withdrawals are limited to 5,000 USD in cash and 10,000 USD in travelers’ checks. For Libyans and foreigners exporting US dollars, a receipt from the bank of purchase is required. Import of currency must be declared at time of entry. It is illegal to import or export Libyan currency.

From February 1999 to December 2001, Libya maintained a dual exchange rate, with the official rate pegged to a Special Drawing Right (SDR) at the rate of 1LD=.608 SDRs. State import agencies effected transactions using the official rate. Since 2001, the Libyan Dinar has been unofficially pegged to the U.S. Dollar (allowed to float within a specified band). With a 50% devaluation of the official rate in 2002, the two rates were effectively unified. A further 15% devaluation took place in June of 2003. In June of the same year, Libya agreed to the terms of IMF Article IV consultations, which called for, among other things, the end to advanced import requirements and an end to the 15% exchange tax and subsidy.

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<sup>26</sup> IMF Consultation Summary

### **Corruption/Transparency:**

Transparency International recently placed Libya 118<sup>th</sup> out of 133 countries (“1” indicates least corrupt). Despite high-profile campaigns attempting to draw attention to the issue, corruption remains rampant in Libya. Corruption frequently takes the form of openly solicited or thinly veiled requests for payoffs and/or “valueless” intermediation. The 1977 U.S. FCPA (Foreign Corrupt Practices Act) mandates stiff sanctions against U.S. companies engaging in corrupt payments to foreign officials or their intermediaries for the purpose of obtaining or keeping business (Department of Justice).” Any U.S. company or national may request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. For further information contact Peter B. Clark or Philip Urofsky at (202) 514-7023.

### **Dispute Settlement/Contract Termination:**

Companies are advised to specify in advance and contractually agreed methods for dispute resolution. Libya is not a signatory to the U.N. Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The ‘New York Convention’). In the case of commercial disputes, most foreign entities currently opt to try cases before the ICC, the International Chamber of Commerce, whose judgments Libya has a history of respecting.

The law governing agencies specifies cases in which an agency contract may be terminated by either party. Otherwise, local courts will rule on the legality of the termination and/or award compensation to the injured party. Contracts are only exclusive if thus specified in the agency contract. Some agent-company disputes have apparently been settled through direct appeal on the part of the foreign company to the Ministry of Economy and Trade. Given the newness of the private sector, not much precedent exists in this area.

### **The Libyan Foreign Investment Board:**

The Libyan Foreign Investment Board (LFIB) was created as an implementation organ for Law No. 5, i.e., to oversee and regulate foreign investment in Libya’s ageing and obsolete industrial base, characterized by an absence of national industrial planning, obsolete technology, incompetent management, low maintenance, slow restructuring and over-employment.<sup>27</sup> While theoretically LFIB’s mandate includes investment-promotion, at this time its activity is limited to processing foreign investment inquiries, *except* those related to tourism, or the Misurata Free Zone. Applications for investment in those sectors should be directed to the Ministry of Tourism and the Free Zone Authority, respectively. LFIB aims to be a “one-stop shop”, assisting with issues related to customs and immigration, taxes, and labor for those companies entering under Law No. 5.

### **Application Process:**

A foreign investor whether wishing to invest alone or with a private local partner must submit an application and letter of intent to the LFIB, on LFIB forms. Applications may also be submitted

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<sup>27</sup> Libya Human Development Report, p 177.

via commercial attachés at Libyan People's Bureaus (embassies) abroad. LFIB will review the application at its proximate monthly board meeting. The Ministry of Economy and Trade is entitled to request further information prior to issuing their decision. LFIB will notify the potential investor when approval is granted.

In possession of a favorable decision, the investor must open an account under the project's name in one of several authorized Libyan commercial banks and transfer capital according to contractual stipulations (typically a minimum of 600,000 Euros). If part of the project's required capital is a fixed asset, the investor must present all ownership documents and purchase invoices to the customs office to facilitate necessary customs procedures. The following documents, along with forms provided by the LFIB, are required for LFIB to register the new entity:

- Application for approval to execute an investment project (founders, project details, including duration, target market, sources of raw materials, applied technology, tripe of equipment, environmental impact, substitution timetable for manpower, training programs, local training, projected costs, owned capital, sources of funding.
- Deed of incorporation and articles of association for the project (or a copy of the deed of incorporation and articles of association of the parent company if the project takes the form of a branch). The branch should formally appoint its general manager and legal representative in Libya. If the investor is a Libyan citizen, the information supplied upon applying for permission to invest is sufficient.
- Document stating power of attorney or delegation of authority issued to the project manager or his/her legal representative, clearly stating his/her authorities and period of the document's validity.
- Copy of the signature of the project's general manager or local legal representative.
- Certificate from the relevant competent authority certifying the transfer of part or all of the project's capital to Libya.

After satisfying document and information requirements, the Investment Registrar Office will issue a registration certificate. The LFIB will then grant the licenses required for executing and operating the project. The investor is required to perform activities and present periodic reports on the status of project, including the maintenance of accounts, preparation of annual budget and cost-benefit analysis, periodic updates.

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## Chapter 7: Trade and Project Financing

- General Advice For U.S. Firms Seeking To Do Business In Libya:
- Information for Long-Term Residents
- Useful Information for the Business Traveler
- Estimated Magnitude of Opportunities
- Companies Slated for Privatization
- U.S.-Libya Imports/Exports

The majority of exports are financed through letters of credit. Some institutions will work with documents of collection. In the past, several foreign investors have complained of lack of timely payment when their client has been a Libyan government institution. Project financing is available through a few foreign commercial banks.

**Project Financing:** Limited project financing is available from a handful of foreign investment banks. Most recently, Arab Banking Corporation (ABC), Amen Bank, Islamic Banking Corporation and APICORP have provided financing for projects in Libya.

**Letters of Credit (LC):** A letter of credit may not be issued by a local bank without a minimum advance deposit of 20% of the value of the imported goods. U.S. firms have reported some delays in opening LCs, due primarily to differing expectations between U.S. and Libyan financial institutions regarding procedure and information requirements.

**Feasibility Studies:** The U.S. Trade and Development Agency ([www.tda.gov](http://www.tda.gov)) facilitates economic development in emerging markets by promoting US partnerships in high-priority overseas projects. USTDA does not at this time offer funding for Libya-targeted feasibility studies. Consult USLO for updates.

**OPIC:** Overseas Private Investment Corporation typically provides loan guarantees, trade financing as well as insurance against political and currency risk. A senior-level OPIC delegation visited Libya in late September 2005 to discuss with Libyan authorities a possible bilateral agreement. OPIC does not as yet offer financing or guarantees for U.S. business activity in Libya.

**ExIm Bank:** While the U.S. Congress recently approved a measure lifting a ban on U.S. Export-Import Bank loans to Libya, ExIm bank is not as yet financing U.S. exports to Libya. For further information, consult [www.exim.gov](http://www.exim.gov).

**Payment Terms:** Payment intervals have fallen in the last two years from an average two years to two to three months on 'straightforward' state-to-private sector deals.<sup>28</sup>

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<sup>28</sup> Libya Oil and Gas

### General Advice For U.S. Firms Seeking To Do Business In Libya:

- Relationships and front-dealing are key: USLO has seen many ventures fail because U.S. counterparts attempted to run a project remotely, and/or with limited resources. If you are serious about the market, think about assigning someone here permanently. Corollary: Libyans may be offended if you choose to assign someone as GM or local representative who is not a U.S. citizen.
- Corruption: Despite widely-publicized government campaigns against malfeasance, corrupt practices are common in Libya. The challenge for the U.S. firm in dealing with this problem may not lie so much in identifying egregious incidents (for these are obvious, as well as commonplace), but in navigating the “grey region” between cultural corner-bending and outright corruption. Many U.S. representatives find themselves in positions where they are asked to do provide certain low-lost favors to local partners, staff, etc. in return for solving certain types of problems. The rub lies in the fact that many of the sorts of logistical problems that arise during the course of operating a business are unforeseeable and can be solved no other way than through the intervention of a personal contact.
- Gain a thorough knowledge of local business laws and requirements before making sales commitments: USLO typically recommends that those investigating market potential in Libya speak with a qualified local lawyer.
- Visas: U.S. citizens and representatives of non-U.S. companies have in recent months experienced considerable delays in obtaining Libyan visas, from several weeks to more than a month. U.S. businesses are advised to apply well in advance of travel. You may wish to consider employing the services of a visa expediter (see section on Visas).
- Give forethought to method and timing of payments: While Libyan firms are becoming more timely and reliable with payment, one should not take it as given that payment will be made. Lump sum payments are notoriously difficult to amend.
- Think carefully about your target market: Libya constitutes a reasonably limited market; that said, the country has potential to be a base for regional operations. Consider engaging one of a small number of high-quality market research companies and/or their Western affiliates to assist with market sizing and sales projections.
- Begin official processes early: Most processes that require official sanction or approval have a lengthy gestation (2-24 months). If you know your business requires registration of a branch office, for example, start the process early, as you can always annul the application.
- Be mindful of the limitations of local partners: There is a shortage of skilled workers, particularly in technical fields. Do not assume local partners have the capacity to support complex projects.

- Small things may have large consequences: Business etiquette is very important in Libya. Respect for hierarchy is important, as expressed through the use of appropriate titles (from “Engineer” to “Doctor” or “Director”).
- Start small, think long-term: Relationships take time to build, especially if your product has no prior brand-name recognition in Libya. Think about partnering with another foreign firm with a more established local presence, or entering into small-scale agreements to test the market.
- Differentiation factors: Consider emphasizing sales techniques and services that are both suited to the local market, and long-absent: for example, several firms have found showrooms offering after-sale service an effective differentiator.
- Advertising: There are regulations on the books governing advertising which are wholly foreign to Western businesses. Before spending on “conventional” advertising, look at what others in similar industries have been able to do, and think creatively.
- Identify parties with power to issue and sign contracts.
- Training is key: Government bodies (tender-issuers, most likely) are seeking means to re-tool and re-assign workers. Integrating well-considered training plans into bids is likely to generate good will.
- Consult USLO: The U.S. Liaison Office Commercial Section will do its best to respond to all serious inquiries in a timely manner.

## **Information for Long-Term Residents:**

### **Schooling:**

An “American” (U.S.-run, American curriculum, K-8) school opened in September 2005, under the patronage of a number of U.S. companies. Companies and families interested in potential enrollment are asked to contact the school Director, Mr. Jim Liebzeit, 218 (0) 91 378 6409. Enrollment in the British School is open to U.S. citizens.

### **Health:**

International product safety standards are not enforced in Libya. Many of the water sources (both tap and bottled) contain high levels of nitrates (a possible carcinogen), salts and heavy metals. Bottled water produced by the Shaabia of Tripoli under the brand Great Man Made River scored high on water quality tests done in 2003. Many pesticides in use in Libya are banned in Europe and the U.S. As a result, long term (and short term) visitors are advised, when possible, to wash edible-peel fruits and vegetables thoroughly before eating, and to avoid consuming greenhouse-grown (off-season) fruits and vegetables. Hepatitis A & B and tuberculosis are widespread in Libya; there are no reliable statistics on the rate of HIV infection. International health insurance company BUPA has identified three local facilities as meeting “international standards.” These include Al-Wafa Medical Services and Brothers Clinic. Many international companies use the Swiss-Libyan Medical Center for routine care. St. James hospital, based in Malta, opened a clinic in Tripoli in 2005.

### **Oil & Gas Discussion Group:**

Treating issues of general concern to industry operators, and open to senior representatives of major Oil and Gas Exploration companies. Contact the Embassy of the U.K. or USLO for further information.

## **Useful Information for the Business Traveler:**

### **Libyan Business Custom:**

Traditionally, most business transactions took place with state organizations, however with the move toward greater privatization, business is increasingly being done with private citizens. English is widely understood and used, although it is government policy for all official documents to be in Arabic. Appointments are necessary and business cards are useful though not necessarily widely used. Suits and ties are generally worn, although casual business attire is acceptable during the hotter months.

### **Travel Advisory and Visas:**

Visitors to Libya require visas, which are normally valid for three months and must be used within 45 days of issuance. Visas are carefully controlled and usually confined to those working in Libya or those visiting as part of groups run by local tour operators. Applicants can apply at any of Libya's diplomatic missions and may need to wait weeks for receipt of a visa. Entry at borders may be refused:

- If the visitor holds an Israeli passport or any passport containing a visa for Israel
- If the traveler is not carrying at least 500 USD or equivalent [exceptions include those in possession of an official government invitation and passengers arriving in tourist groups arranged by an operator or travel agency pre-paying expenses].<sup>29</sup>
- If visitors are women and/or children of nationals of other Arab League countries and are traveling alone (unless they are met at the airport by their husband/father or unless they are holding a "No Objection Certificate" issued by the Libyan Immigration Department and are met at the airport by the resident relative who filed the application).

Current U.S. and Libya visa policies are effected within a framework of 'general reciprocity': as the U.S. issues Libyan nationals single-entry visas only, the Libyans do the same for U.S. citizens. Travel advisories are maintained by the Department of State. For the most recent notices regarding Libya, see the Libyan Consular Information Sheet maintained by the U.S. Department of State: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_951.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_951.html)

At one time, tourist visas were available upon entry. As of May 1, 2005, this is not common practice. Most tourist visas for U.S. citizens are being issued via Ottawa, Canada. The charge is 100 USD per individual. Some visa applicants choose to employ the services of a local (Libyan) visa expediter. Visa expediters can generally arrange tourist visas for pick-up or mail-back via certain Libyan embassies abroad. They will ask for payment (fees vary, but generally should not exceed USD 150) and a copy of your passport (fax or scan). (See Contact Directory).

### **ATM Machines and Cash Advances:**

In Spring, 2005, half a dozen ATM/cash withdrawal machines were installed in prominent commercial points (Burj Al-Fateh, Al-Kebir Hotel, The Corinthia) in Tripoli, and in the Tibesti Hotel, Benghazi. As of early 2006, ATMs located in Tripoli were in operation three out of any

given seven days. It is currently possible to obtain cash advances using MasterCard and Visa from a facility located in Burj el-Fateh. The Bank of Commerce and Development says it will install more than 300 new ATMS across the country by the end of 2006.

**Dress:**

For men, suits and ties are common; in the summer months, jackets are less frequently seen. For women, shirts and tops should ideally reach elbow-level or below. Dresses that show shoulders or legs are not considered appropriate for business.

**Security:**

While precise statistics are unavailable, the incidence of petty crime in Libya is moderate, and the risk of domestic terrorism is deemed low. The Qadhafi regime strictly controls opposition movements, particularly those of a radical Islamic nature. Libyan Islamic Fighting Group (LIFG), whose original stated goal was bringing down the current regime, was classified as a Foreign Terrorist organization in 1995 and constitutes the most serious threat to U.S. interests and personnel in Libya.

**Holidays:**

Major Libyan secular holidays are as follows:

Declaration of the Authority's Power – March 3  
Evacuation of Foreign Military Bases – June 11  
Anniversary of the Revolution of 1969 – September 1

The following religious holidays are also observed.

Islamic New Year  
Prophet's Birthday – May 2  
Ramadan\*  
Aid Esseghir (El-Fitr)\*  
Aid El Kebir (El-Idha)\*

\*Actual dates are based on the lunar calendar and vary from year to year

**Languages:** Arabic is the official language, some English and Italian are spoken.

**Work week:** Private sector – Saturday-Thursday:

8 am – 1 pm & 4 pm – 6:30 pm  
(Thurs. generally 8 am – 2 pm)

Public sector – Saturday-Thursday:

7 am – 2pm

Working hours are shorter during July/August and the month of Ramadan.

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## **Chapter 8: Business Travel**

### **Airline Schedules:**

No U.S. carriers currently serve Libya direct; code-share applications have been filed by both Houston-based Continental Airlines (through partner KLM) and Delta Airlines. Of the foreign airlines, British Airways, Swiss, Alitalia, Lufthansa, and Air Malta offer the most convenient connections to Europe through London, Zurich, Rome, Frankfurt and Valetta, respectively. EgyptAir, Austrian, Qatar Airlines, Emirates, Royal Jordanian and TunisAir also operate flights to Libya. Libyan state-funded airline Afriqiya links various African capitals to Paris, London-Gatwick, Brussels and Geneva via Tripoli on new Airbus equipment, often at considerably lower fares. Citing safety concerns, several Western companies have effectively prohibited their employees from traveling on Libyan Arab Airlines.

There is currently little price competition on flights from Europe to Libya, making it worthwhile to consult tariffs for multiple airlines/routes. For flights to/and from European capitals, the lowest fares are typically on the national carriers of the destination country. At the time of writing, Buraq operated three daily flights from Tripoli's municipal airport (Metiga) to Benghazi. Internationally, Buraq flies to Turkey, Rabat and Malta, with service to Dubai expected to begin mid-2006. Austrian Airlines is currently attempting to negotiate a code-share agreement with United Airlines on the Vienna-Tripoli route.

### **Internal Flights:**

There are four Libyan airlines, three of which are state-owned and operated: Libyan Arab Airlines (LAA)/Libyan Airline Company(LAC), Libya Air, and Afriqiya. For its punctuality and acceptable service Buraq, the sole 'private' operation of the group, is a darling of the Libyan private sector. Buraq expects to take delivery of at least two new 737-800s in the third quarter of 2006. For many internal destinations, Libya LAA is the sole option. Various tour companies run charters to destinations such as Ghat and (occasionally) Ghadames, particularly during local festivals.

### **Oilfield Flights:**

Local airline companies offer regular charters to and from airfields in and around major oilfield installations. Contact airlines directly for further information.

### **Road Transport**

The incidence of fatal car crashes in Libya is considered high, even by regional standards. Visitors to Libya would do well specifically to request skilled and careful drivers for any substantial trip in-country.

The U.S. Department of State puts out consular information sheets, public announcements and travel bulletins which one can access by phone, toll free: 1-888-407 4747, or via the Internet: <http://travel.state.gov>.

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## **Chapter 9: Contacts, Market Research, and Trade Events**

NOTE: Conference topics, times and dates are subject to change at short notice. Consult USLO for updates.

### **Upcoming Commercial Events:**

- U.S. Corporate Council on Africa trade mission March 2006
- 4/2-4/12/2006 Tripoli International Fair, Tripoli
- Libya Build 2006, May 8 – 11, 2006. , International Trade Fairs Inc., can be reached at 514-626-1111
- U.S. Oil & Gas and Energy Exhibition and Project Libya 2006. December 2006. For more information please visit <http://www.pwnexhibicon.com>

## Chapter 10: Guide to Our Services

### USLO

The U.S. Commercial Service does not at present have a representative in Libya. Commercial inquiries are currently handled by the Political/Economic Section of USLO. USLO maintains a partnership with the U.S. Commercial Service office in Cairo, which allows us to offer a very limited range of for-fee services. Contact USLO via email, [American.Products@mail.doc.gov](mailto:American.Products@mail.doc.gov)

### The U.S. Commercial Service:

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Effective April 1, 2006, the U.S. Commercial Service office in Egypt will offer a limited Gold Key and International Company Profile services through contractors in Libya.

#### The Gold Key Matching Service will offer:

- Appointments with prospective trade partners in key industry sectors
- Briefing with Economic and Political Officers at the U.S. Liaison office to assist in developing appropriate follow-up strategies
- Interpreter and car
- Help with travel and accommodations

#### The International Company Profile Service will offer:

- A detailed background report on a prospective sales representative or partner
- A listing of the company's senior management
- Main business activities and product/service lines
- Banking and financial information (An ICP is not a credit report and, therefore may not contain the detailed financial information that is obtainable from mercantile credit agencies. However, reliable basic financial information is included in the report)
- Insight on whether the prospective partner can meet your needs - trading experience, market coverage, stature, business connections in the country
- Opinion as to the strength of the company versus its competitors

### Payment:

Clients are required to pay in advance in full when ordering. Work is initiated only after client payment is received. Credit card transactions are preferred.

**ICP: \$600** - for ICP checks conducted within Tripoli and adjoining areas that can be covered within office hours.

**Gold Key Service:** \$700 each day (includes interpreter and a car with driver for appointments)

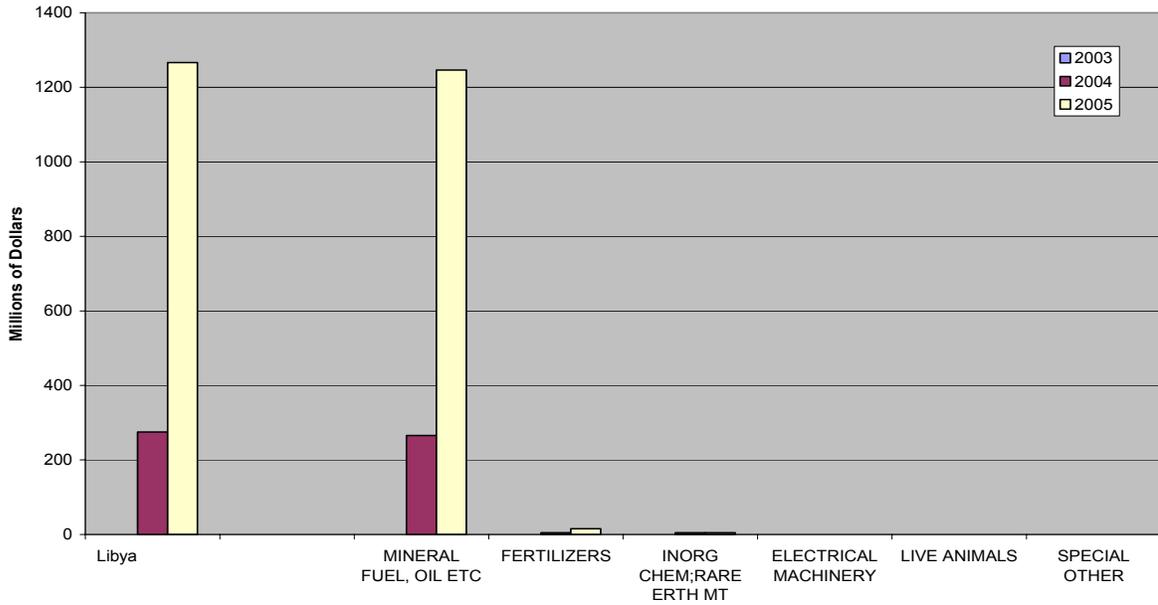
**Ordering:** Please contact [amer.kayani@mail.doc.gov](mailto:amer.kayani@mail.doc.gov)

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**Appendices:**

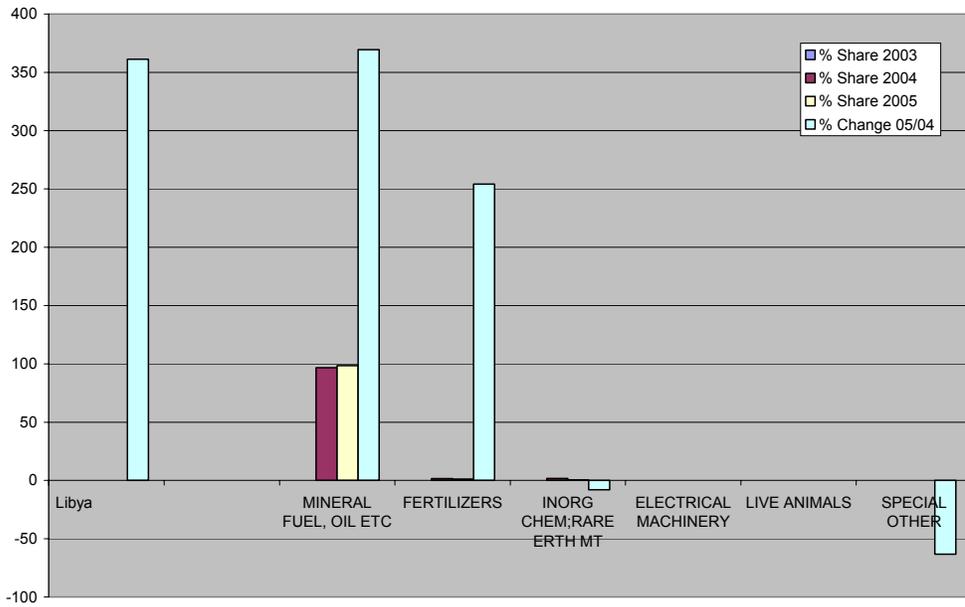
U.S. Exports to Libya 2003-Oct. 2005

**Customs Value from Libya**



Source: U.S. Department of Commerce, Bureau of Census

**%Share-%Change Of U.S. Customs Value from Libya**



Source: U.S. Department of Commerce, Bureau of Census



## Other Trade Statistics

Libya Export/Import Shares 2003, by country

Country	Export Share	Country	Import Share
Italy	39.6	Italy	21.4
Spain	14.7	Germany	11.3
Germany	14.7	Japan	7.5
Turkey	7.7	U.K.	7
Portugal	3.4	E.U.	6.7
Tunisia	3.1	France	6.4
India	3.0	Malta	3.7
France	2.6	Tunisia	3.1
U.K.	2.4	Egypt	3
Greece	2.2	Belgium	2.3
		UAE	2.3
		South Korea	2.2
		Switzerland	2.2
		Turkey	2.1
		China	2
		Netherlands	1.6
		Spain	1.5
		Brazil	1.2
		Greece	1.1

Source: Libya National Statistics Office, [www.nidaly.org](http://www.nidaly.org)

Import/Export from **Italy** (in millions of Euro)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports	810	889	892	867	1028	1294	1316	1367	N/A
Import	3609	3921	2848	3099	6384	5466	4908	5226	N/A
Balance									

Source: Embassy of Italy in Libya

Import/Export from **France** (in millions Euro)

	2001	2002	2003	2004	2005
Exports	260	288	272	224	N/A
Imports	750	409	756	1044	N/A

Source: Embassy of France in Libya

Composition of Exports (France-Libya), 2004

	%	Millions of Euro				
Equipment (telecom equipment, electrical & mechanical)	30	67				
Intermediate goods	25	56				
Agro-alimentary	22	50				
consumables	12	28				
automobiles	5	12				

Source: Libya National Statistics Office, [www.nidaly.org](http://www.nidaly.org)

**U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: <http://www.export.gov>. To the best of our knowledge, the information contained in this report is accurate as of the date published. However, USLO does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements.** U.S. exporters seeking general export information and assistance or country-specific commercial information should consult with their nearest Export Assistance center or the U.S. Department of Commerce's Trade Information Center at (800) U.S.A-TRADE, or go to one of the following web sites: [www.buyUSA.com](http://www.buyUSA.com), [www.export.gov](http://www.export.gov) or [www.tradeinfo/doc.gov](http://www.tradeinfo/doc.gov).