International Trade Centre

TRADE IMPACT FOR GOOD

Services snapshot

Libya

KEY SERVICES DATA[1], 2012

Services[2] share of industry value added 2011: **52%**

Services share of employment 1986: **50%**

Trade in services[3] contribution to GDP: **9%**

Services share of total exports: **0.26%**

Services export breakdown 2010: **transportation (64%), other commercial services (21%), travel (15%)**

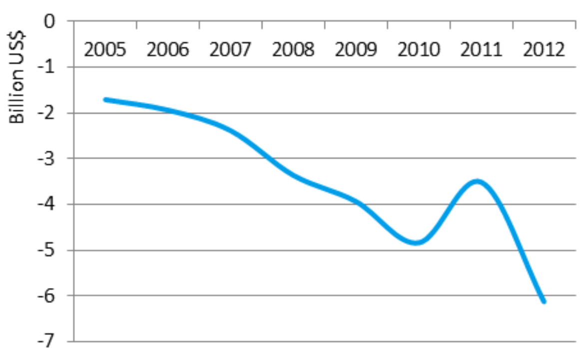
Services import breakdown: **travel (41%), transportation (39%), other commercial services (20%)**

Services exports: **US$ 152 million**

Services imports: **US$ 6.3 billion**

Services trade deficit: **US$ 6.1 billion**

Figure 1. Services trade deficit



SERVICES AT A GLANCE

Libya is dependent on its large reserves of oil and gas. After being stable for a decade, GDP increased between 2002 and 2008 but fell by 54% between 2010 and 2011 due to internal unrest. The country has recovered rapidly since then, reaching the pre-revolution GDP level in 2013 (US$ 75 billion).[4]

In value added terms, services accounted for 52% of industry value added in 2011.[5]

However, in 2012 services accounted for less than 1% of total exports and this share has been decreasing.[6] Trade in services contributed 9% to GDP, compared to 89% for merchandise trade. Fuel exports dominated merchandise exports at 98% in 2010. [4]

Transportation services contributed 64% of services exports in 2010 and the share has increased reaching 72% in 2012. Over the 6 years to 2012, the export composition has shifted dramatically with travel services becoming less important and transport services more important. In 2012, travel services accounted for the largest share of imports (41%), followed by transportation, together generating the bulk of the overall services trade deficit of US$ 6.1 billion in 2012. The services trade account is

SERVICES SUBSECTORS

Financial services

Before the internal conflict in 2011, the country underwent financial services reforms, resulting in partial privatisation and foreign participation in the banking sector. However, the financial sector remains underdeveloped. Proving largely resilient to the global financial crisis, the financial sector was badly hit by the internal conflict in 2011. The already limited access to financial services was significantly affected. There are fundamental structural problems that hinder formal access to financial services. This is largely attributable to the Special Credit Institutions (SCIs) practices of zero-cost financing as well as the so-called "connected lending" system, which involves a system in which loans are given on the basis of personal connections. [7]

The financial sector was in significant net trade deficit of US$ 1 billion in 2012. In 2012, insurance and financial services imports accounted for around 20% of both services exports and services imports. (see Figure 2) [8, 6]

Communication services

Under the previous regime, the sector was controlled by the government and during the revolution, it was disrupted: more than US$ 1 billion worth of telecoms infrastructure is estimated to have been destroyed. Nevertheless, compared to many other African countries, Libya's telecommunications infrastructure performs well. Since before the civil war outburst, Libya have invested in different projects as for example, a next generation national fibre optic backbone network. [9] There are 165 mobile cellular subscriptions per 100 people and the indicator has been above 100 since 2008. There are considerably fewer Internet users, though. In 2012, 16.5% of the population used the Internet. [4]

Figure 2. Financial services share in services trade

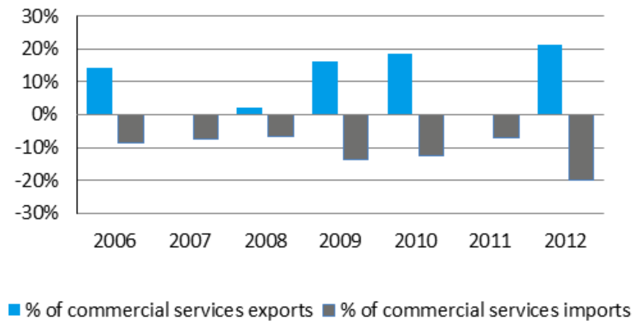


Figure 3. Communication services share in services trade

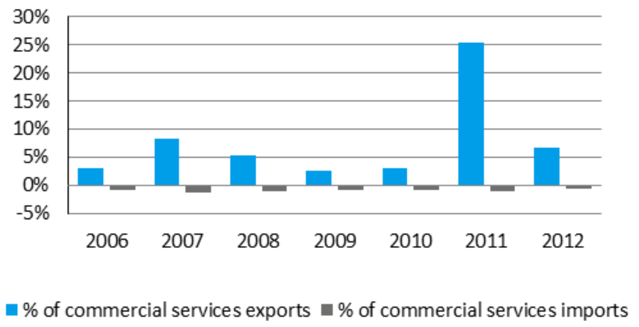
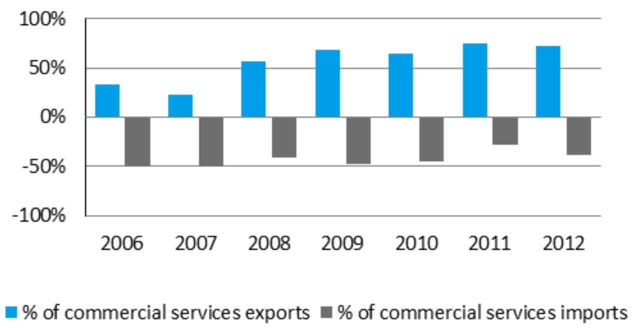


Figure 4. Transport services share in services trade



The deficit in trade in communication services had been increasing until 2005 since when it has steadily dropped. In 2012 the net trade deficit was US$ 31 million. Communication services exports accounted for 7% of services exports, while the share of services imports was less than 1% (see Figure 3). [6]

Transport services

The largest exports of services are transport services, constituting 72% of services exports in 2012 (see Figure 4). **There is nevertheless a large relative net trade deficit in transport services** which reached US$ 2.3 billion in 2012. [6]

As of 2013, the transport infrastructure includes more than 57,000 km of paved roads, 146 airports of which less than a half with paved runways (68), 2 major seaports (Marsa el Brega, Tripoli) and 2 oil terminals (Az Zawijah, Ra's Lanuf). The merchant marine consists of 23 vessels, of which 13 are petroleum tankers, 4 chemical tankers and 3 for liquefied gas transportation. [10]

Tourism

The traditional trade deficit in travel services has been increasing, reaching US$ 2 billion in 2010. In 2012, travel services accounted for the largest part (41%) of services imports (see Figure 5). On the export side, travel services have been gradually overtaken in relative size by transport services since 2007. In 2007, travel services share of services exports was 68%, diving to 15% in 2010 (data is not available for 2011 and 2012), whereas transport services expanded from a 23% share of services imports in 2007 to a 64% share in 2010. [6]

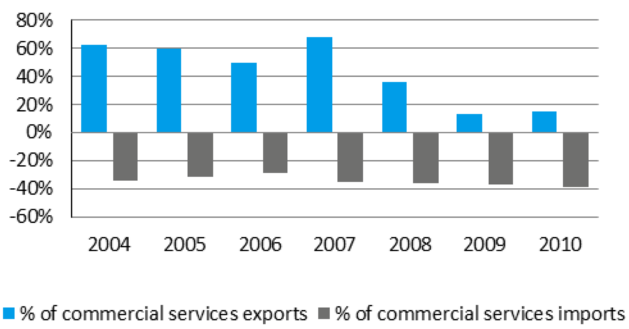
There is great potential for tourism with Libya's unique natural assets such as pristine beaches and desert and cultural and archaeological sites, 5 of which are UNESCO World Heritage. [11] However, the sector is considerably underdeveloped. The most recent data on tourism arrivals dates from 2008, when 34,000 international tourist arrivals were registered. [4] This figure is expected to increase.

FOREIGN DIRECT INVESTMENT (FDI)

FDI inflows reached a peak in 2007 of almost US$ 5 billion but gradually fell to US$ 702 million in 2013. Investment inflows contracted during and in the aftermath of the revolution of 2011 that brought about economic and political instability. [4] FDI inflows are expected to remain limited over the short- to medium-term. Most FDI will continue to be in the oil and gas sector, with the main investors being Turkey, South Korea and China. [13]

With a ranking of 188th out of 189 countries in the World Bank Ease of Doing Business index 2014, Libya is ranked the most difficult place to do business in the Middle East and North Africa region. [14]

Figure 5. Travel services share in services trade



FOOTNOTES / SOURCES

1. Key data derived from: UN statistics division – National Accounts Official Country Data, ILO – Key Indicators of the Labour Market (KILM), WTO Trade Profile, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. World Bank – World Development Indicators.
5. United Nations Statistics Division – National Accounts Official Country Data.
6. Source: ITC Trade Map.
7. African Development Bank - African Economic Outlook, Libya (2012).
8. Insurance and financial services share of commercial services exports were not available (n.a.) for 2007 and 2011.
9. Research and Markets Brochure : “Libya – Telecoms Mobile and Broadband – Market Insights and Statistics”, 2014.
10. CIA Factbook, Libya.
11. Libya´s Tourism Minister Ikram Bash Imam, UNWTO Press Release No. PR13073, Nov.2013.
12. World Travel & Tourism Council – Travel & Tourism Economic Impact 2014, Libya.
13. KPMG – Libya snapshot.
14. World Bank Group – Doing Business Index, June 2014.

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