

Libya's Manufacturing Sector
**Placing Strategic
Bets to Become
Competitive**

Sebastian Bustos & Muhammed Ali Yildirim

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Placing Strategic Bets to Become Competitive

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An overview of Libya

Libya's position in the product space is a difficult one. Given its limited diversification and strong dependence on oil, the country's future path for development should focus on new opportunities in the foodstuff and chemical clusters. Table 1 lists the target sectors that the methodology identifies as strategic for Libya's future development.¹

The community with the greatest number of target products is the foodstuff cluster, with 16 products (HS2:16-24). The second cluster with the highest number of target products is chemicals & allied industries, with a total of 13 products (HS2:28-38), which is somewhat expected for a big oil producer. The methodology also identifies five products in the plastics/rubbers cluster (HS2:39-40) and three in both the machinery/electrical (HS2:84-85) and textile clusters (HS2:50-63). While products in the foodstuff and textile communities are closer in distance in terms of productive knowledge and capabilities of the country, the products in the chemicals & allied industry, plastics/rubber, and machinery/electrical have a higher Product Complexity Index (PCI). Therefore, developing them would have a larger impact on Libya's average complexity. Nevertheless, it should be noted that given Libya's position in the product space, all target products are a fair distance away from what the country currently produces. This is reflected in table 1, which shows that the country currently has almost no presence in any of the target communities.

1

Please see the introduction for a detailed methodology. <http://www.lcps-lebanon.org/publication.php?id=294&category=900&year=2017>

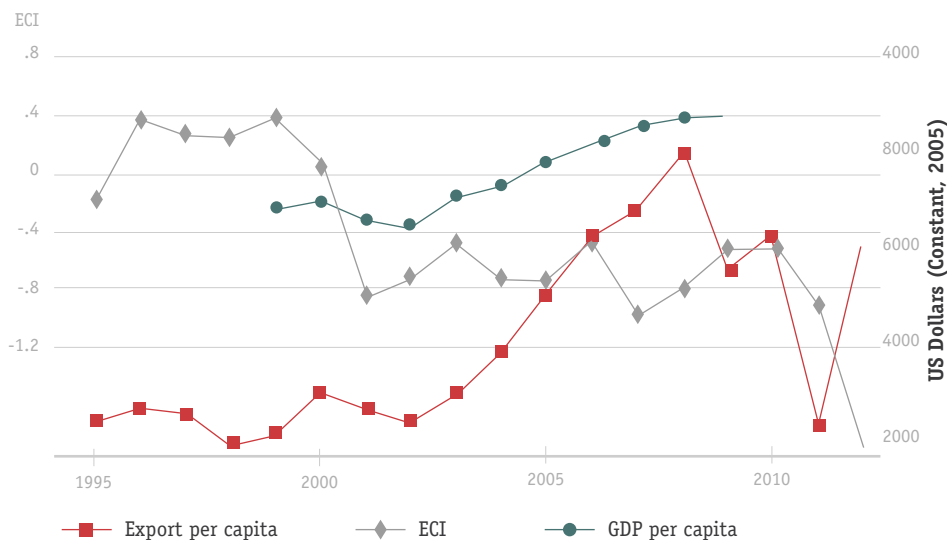
Table 1 Summary of target sectors

HS2	Product name	Product Targets	Product World Exports (\$)
39	Plastic and Articles Thereof	6	536 B
22	Beverages, Spirits and Vinegar	4	103 B
29	Organic Chemicals	4	410 B
34	Soaps, Waxes, Candles	3	53 B
84	Machinery and Mechanical Appliances, Computers, Boilers, Nuclear Reactors	3	1957 B
21	Misc. Edible Preparations	3	57 B
20	Preps. of Veggies, Fruits, Nuts, Etc.	3	53 B
18	Cocoa and Cocoa Preps	3	42 B
90	Optical, Photo/Cinematographic, Medical Instruments and Accessories	2	488 B
31	Fertilizers	2	77 B
33	Oils and Resinoids, Perfumery, Cosmetics	2	91 B
19	Preps. of Cereals, Flour, Starch or Milk	2	56 B
17	Sugars and Confectionery	2	52 B
89	Ships/Boats and Floating Structures	2	92 B

HS2	Product name	Product Targets	Product World Exports (\$)
94	Furniture, Bedding, Lighting, Prefabricated Buildings	1	186 B
52	Cotton, Yarns, Woven Fabrics Thereof	1	61 B
63	Made-Up Text. Articles Nesoi, Needlecraft Sets, Worn Clothing, Rags	1	51 B
51	Wool, Animal Hair, Yarns, Woven Fabrics	1	14 B
23	Food Industries Residue and Animal Feed	1	72 B
97	Works of Art, Collectors' Pieces, Antiques	1	21 B
24	Tobacco and Manuf. Tobacco Subs.	1	40 B
85	Electrial Machinery	1	1913 B
86	Rail/Tramway Locomotives, Rolling Stock, Track Fixtures	1	34 B
28	Inorganic Chem, Precious Metal Compounds, Isotopes	1	118 B
87	Vehicles other than Rail/Tramway Rolling Stock	1	1218 B
32	Putty and Inks, Dyes, Pigments, Paints and Putty	1	75 B
38	Misc. Chemical Prods.	1	165 B

K = thousand, M = million, B = billion

Figure 1 Evolution of Libya's complexity, GDP and exports

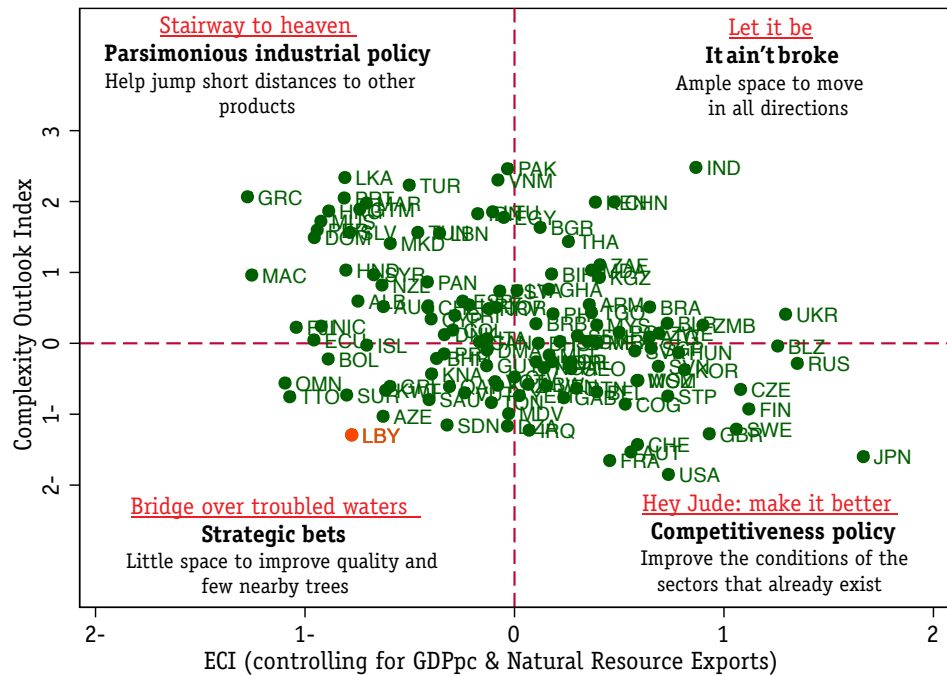


Note Own calculation using HS4-level trade data from United Nations COMTRADE, and the World Development Indicators from the World Bank Database.

Libya has been in a state of a civil war, and not surprisingly, its productive structure has been adversely affected. This is reflected in figure 1 showing volatility and collapse of exports per capita. The civil war also explains, in part, missing GDP per capita data. Libya's Economic Complexity Index (ECI), on the other hand, has also varied greatly during the last decade, including a collapse after the civil war began.

This implies that the average complexity of Libya's products has decreased since 1995. This can be explained to a certain degree by the fact that after the start of the civil war, the only remaining industry has been oil.

Figure 2 Summary of Libya in the product space



Note Own calculation using HS4-level trade data from United Nations COMTRADE, and the World Development Indicators from the World Bank Database.

Figure 2 shows the position of countries in terms of ECI (after controlling for the effect of income and natural resources) and Libya's position relative to the complex products in the product space. Given that Libya did not report some data after 2009, figures from that year are used. Libya's complexity is a reflection of its oil exports. Nevertheless, even after taking its oil production into account, Libya's ECI is not as high as its GDP per capita suggests. Therefore, Libya is on the left half of the figure. Moreover, when it comes to the ease of moving through the product space, since Libya is not competitive in other sectors, the country's position in the product space is troubled; there is little space to gain complexity and move to new industries. It will require significant effort to develop sectors and become competitive in world markets without tackling market failures. Countries in this lower left quadrant would benefit from placing strategic bets or industrial policy 'in the large' and building a bridge over troubled waters to ease the transition into new and more complex industries. In these cases, enhancing production possibilities around existing industries will not

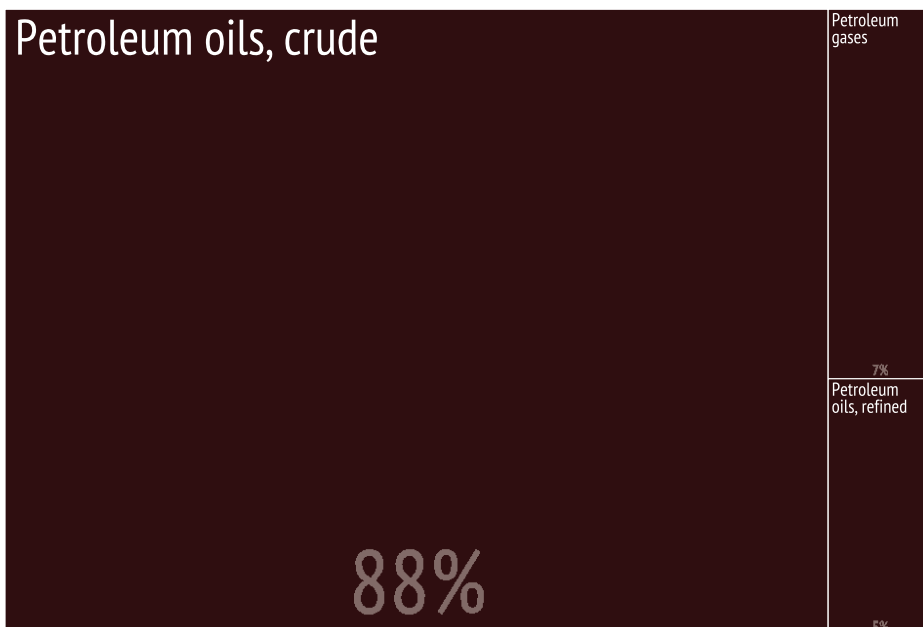
produce the leaps that are desired. Industrial policy should focus on selecting a number of new industries or products at which to target public inputs. The aim of such support is to provide temporary public support that will attract and facilitate private investment in new products.

Libya's Productive Structure

In 2009, Libya exported about \$50 billion worth of products (figure 3a). Figure 3c shows that Libya's exports reflect the effects of civil war and fluctuations of oil prices in world markets. After the start of the civil war, Libya's economy collapsed. Moreover, the political environment has not been stable, hence, the economic ecosystem in Libya does not facilitate the development of industries competitive in world markets other than oil. Not surprisingly, Libya's exports are 99% oil-related products. Some diversification efforts were undertaken prior to 2009, especially in the chemicals sector, but these ended after the civil war began.

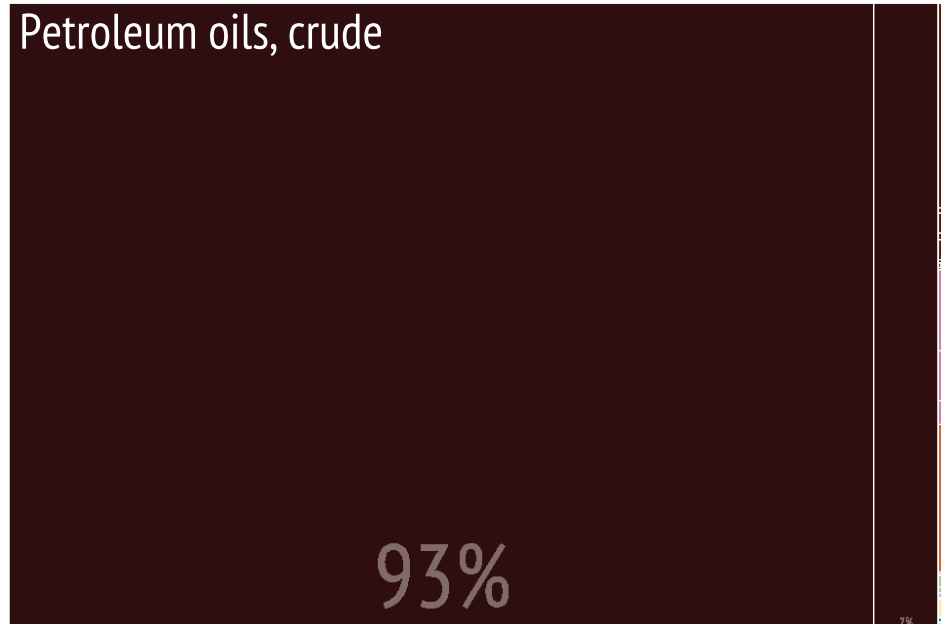
Figure 3 **Libya's trade structure 2012 and evolution of exports per capita of Libya (1995-2012)**

a Exports of Libya



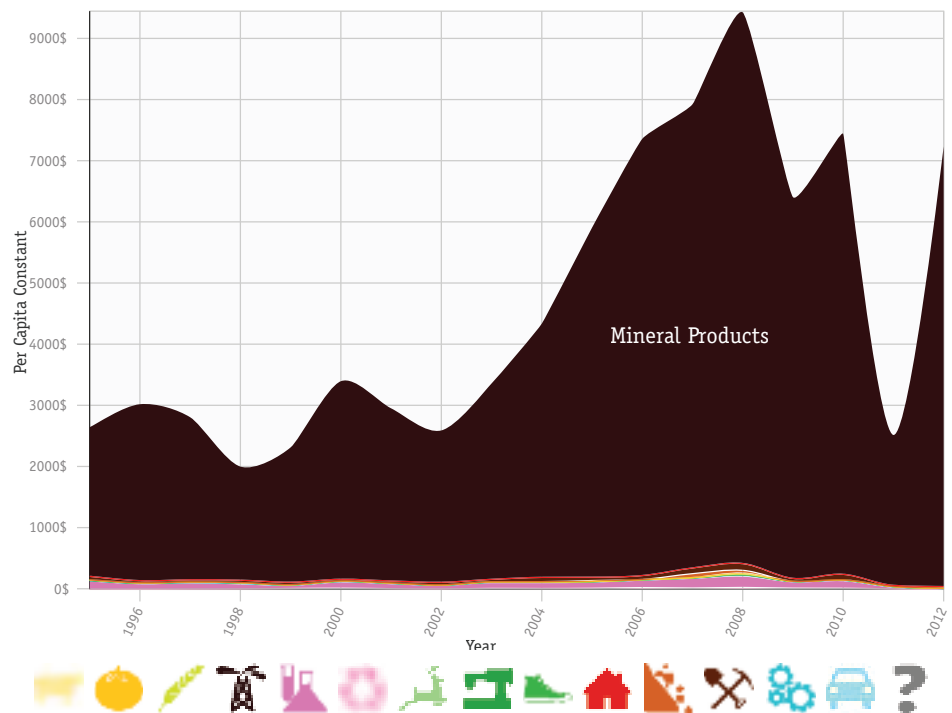
Libya's exports totaling approximately \$49 billion

b Net exports of Libya



Libya's net exports totaling approximately \$46.7 billion

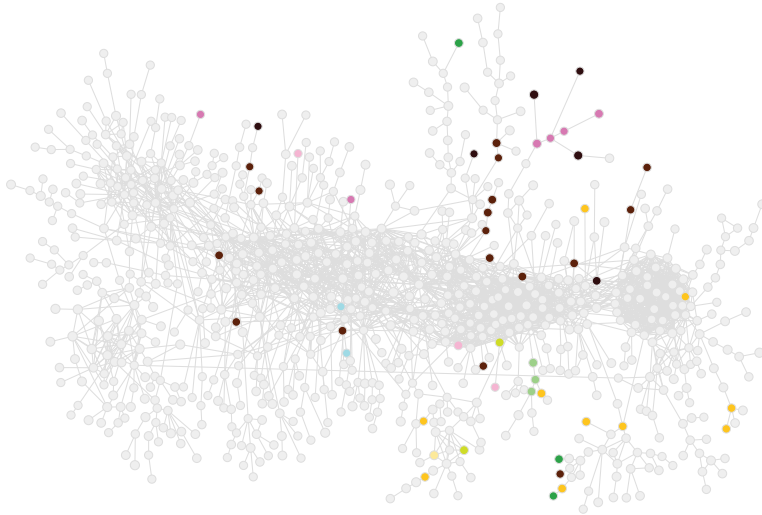
c Evolution of exports



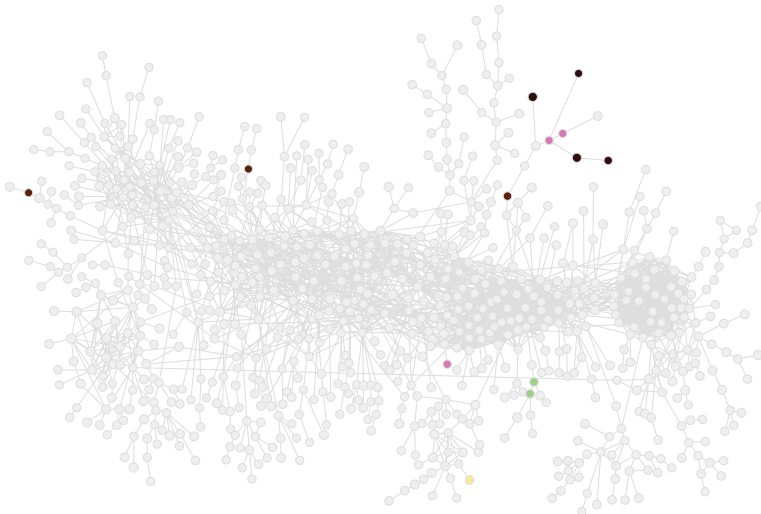
Note Own calculation using HS4-level trade data from United Nations COMTRADE. Products are colored according to the communities that they belong according to the following legend:

Figure 4 **Libya on the product space**

a 1995



b 2012

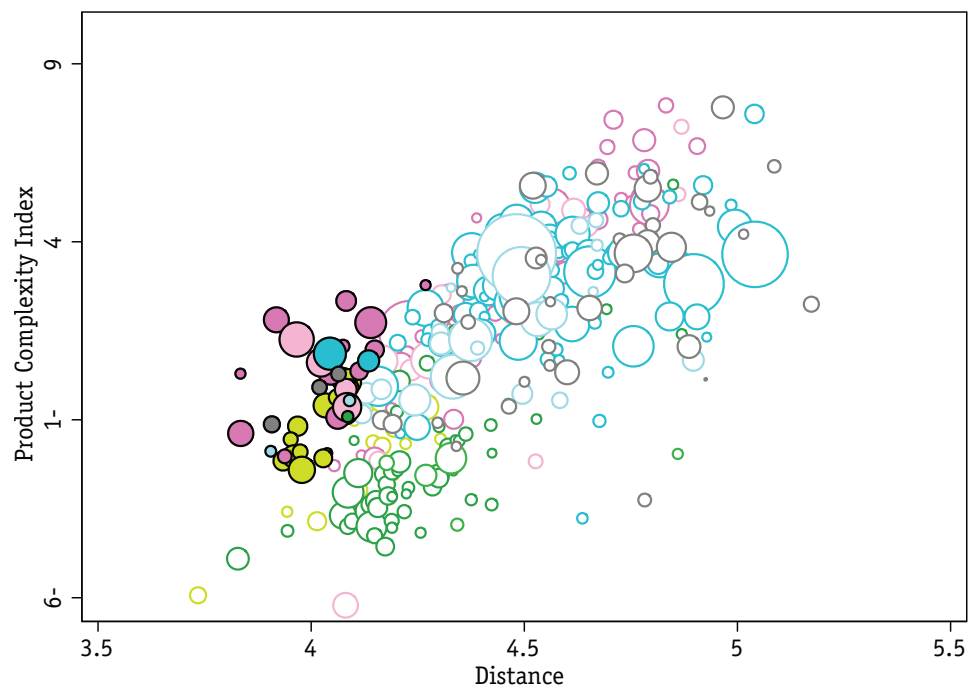


Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. Solid colored nodes indicate the products in which Libya is competitive in world markets (i.e. $RCA > 1$). The nodes are colored according to the communities.

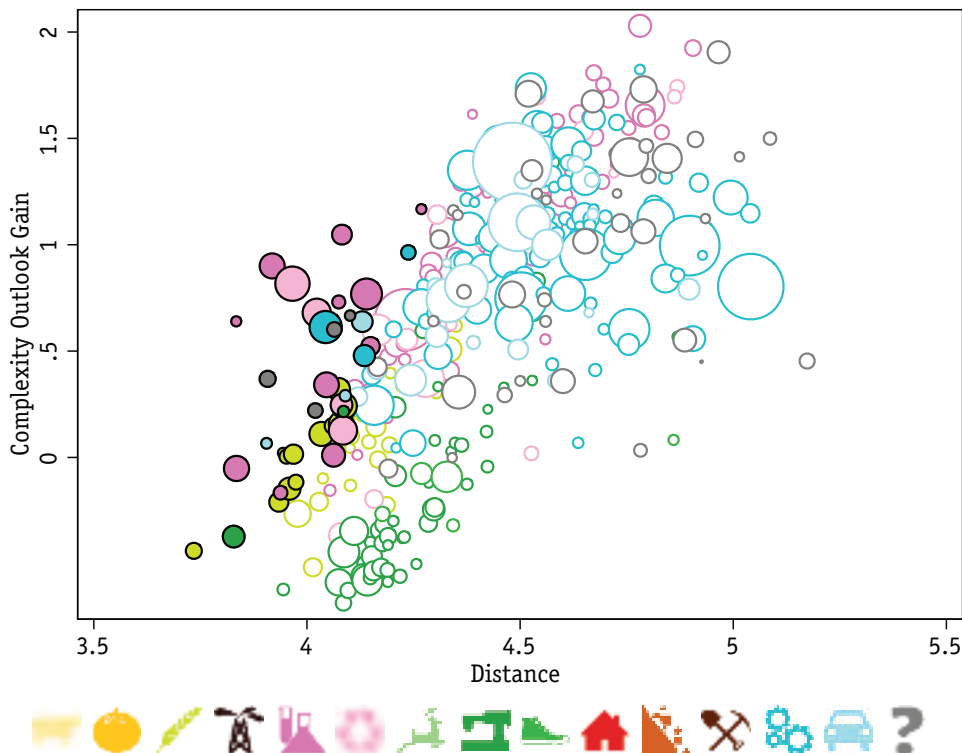
In order to get a sense of the type of productive knowledge present in Libya and what may be nearby, its product space and its change from 1995 to 2012 (figure 4a and 4b) are analyzed. As would be expected given the country's export basket, Libya is competitive in very few products other than oil. Additionally, Libya's number of competitive products (with RCA greater than one) has diminished since 1995, and those that remain are mostly peripheral in the product space. The absence of competitive industries in the central region of the product space is of concern, as it suggests that it will be difficult for the country to transition into more complex products with available productive knowledge.

Figure 5 Strategic bets for Libya

a Product Complexity Index



b Complexity Outlook Gain



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. Solid colored nodes indicate the strategic bets. The nodes are colored according to the communities that they belong to.

Libya's position in the product space limits its possibilities of increasing the average complexity of its production. Figures 5a and 5b highlight products that are attractive based on PCI and Complexity Outlook Gain, respectively. A detailed description of products on the target list is provided in table 2. These products signal to strategic clusters in Libya for which industrial policy should aim to provide temporary public support and public inputs to attract and facilitate private investment to new products and sectors.

From the figures above it is possible to see that Libya's diversification paths lie mostly in the chemicals and plastics communities, although the methodology recommends mostly products in the foodstuff cluster, given its relative closer distance. It is important to note that all these products are, according to the methodology, a fair distance away from the current export basket. Thus, any move toward a new product will be a challenging task. Libya should take advantage of its oil industry, which would likely entail a move to petrochemical products within the chemical sector and plastics. Moreover, it currently produces some products that could be used as anchors, which would make it relatively easier to move into cleaning products. Nevertheless, with the exception of five products, Libya has no presence (RCA=0) in products identified

as opportunities. The only exception with an RCA close to the benchmark value of 1 is mineral or chemical fertilizers, nitrogenous (3102), while the rest have values of 0.4 or lower.

Table 2 Recommendations for Libya

HS4	Product name	RCA-2012	Distance	PCI	Target rank	World Trade (\$)	Top Importers	Top Exporters
2901	Acyclic hydrocarbons	0.0	3.9	1.8	1	30 B	CHN BEL USA	NLD KOR JPN
2909	Ethers	0.0	4.1	2.3	2	16 B	NLD SGP VEN	USA NLD SAU
3901	Polymers of ethylene, in primary forms	0.0	4.0	1.3	3	70 B	CHN DEU USA	SAU USA BEL
3817	Mixed alkylbenzenes and mixed alkylnaphthalenes	0.0	3.8	0.3	4	3 B	MEX IND THA	USA ITA KOR
8431	Parts for use with hoists and excavation machinery	0.4	4.0	0.9	5	59 B	USA DEU CHN	CHN DEU USA
3902	Polymers of propylene or of other olefins, in primary forms	0.0	4.0	0.6	6	42 B	CHN DEU TUR	SAU KOR BEL
2815	Sodium hydroxide; potassium hydroxide; peroxides of sodium or potassium	0.0	4.1	1.1	7	5 B	AUS BRA USA	USA CHN DEU
3402	Cleaning products	0.0	4.0	0.3	8	29 B	DEU FRA GBR	DEU USA FRA
9406	Prefabricated buildings	0.0	4.0	-0.1	9	7 B	DEU NOR AUS	CHN DEU NLD
2902	Cyclic hydrocarbons	0.0	4.1	1.7	9	53 B	CHN BEL TWN	KOR JPN NLD
9014	Direction finding compasses	0.0	4.1	0.3	11	7 B	USA GBR DEU	USA FRA GBR
9015	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances	0.0	3.9	-1.1	12	9 B	USA CHN GBR	USA FRA GBR
3102	Mineral or chemical fertilizers, nitrogenous	0.9	3.8	-1.4	13	30 B	USA IND BRA	RUS CHN UKR
1806	Cocoa powder, sweetened	0.0	4.1	0.1	13	23 B	USA FRA DEU	DEU BEL ITA
1905	Bread, pastry, cakes, biscuits and other baked goods	0.0	4.0	-0.6	15	27 B	USA GBR FRA	DEU BEL FRA
1704	Confectionery sugar	0.0	4.1	-0.4	16	9 B	USA DEU GBR	DEU CHN NLD
8904	Tugs and pusher craft	0.0	3.9	-1.9	17	3 B	SGP ARE JPN	IND RUS ESP
2202	Waters flavored or sweetened	0.0	4.0	-1.2	18	15 B	USA GBR DEU	AUT DEU CHE
2306	Cotton seed oilcake	0.0	4.0	-1.6	19	7 B	USA NLD ESP	CAN UKR IDN
3917	Tubes, pipes and hoses and fittings	0.0	4.1	-0.2	20	21 B	USA DEU MEX	DEU USA CHN
2106	Food preparations not elsewhere specified	0.0	4.1	0.1	21	31 B	USA GBR DEU	USA DEU NLD
3401	Soap	0.0	3.9	-2.0	22	6 B	USA CAN FRA	IDN DEU USA
2009	Fruit juices	0.1	3.9	-2.2	23	15 B	USA DEU NLD	BRA CHN NLD
3105	Mineral or chemical fertilizers, mixed	0.0	4.1	-0.9	24	24 B	IND BRA THA	RUS USA CHN
3305	Hair products	0.0	4.1	0.4	25	12 B	USA JPN GBR	DEU FRA THA
2402	Cigars	0.0	4.0	-2.0	26	22 B	ITA FRA JPN	DEU NLD POL

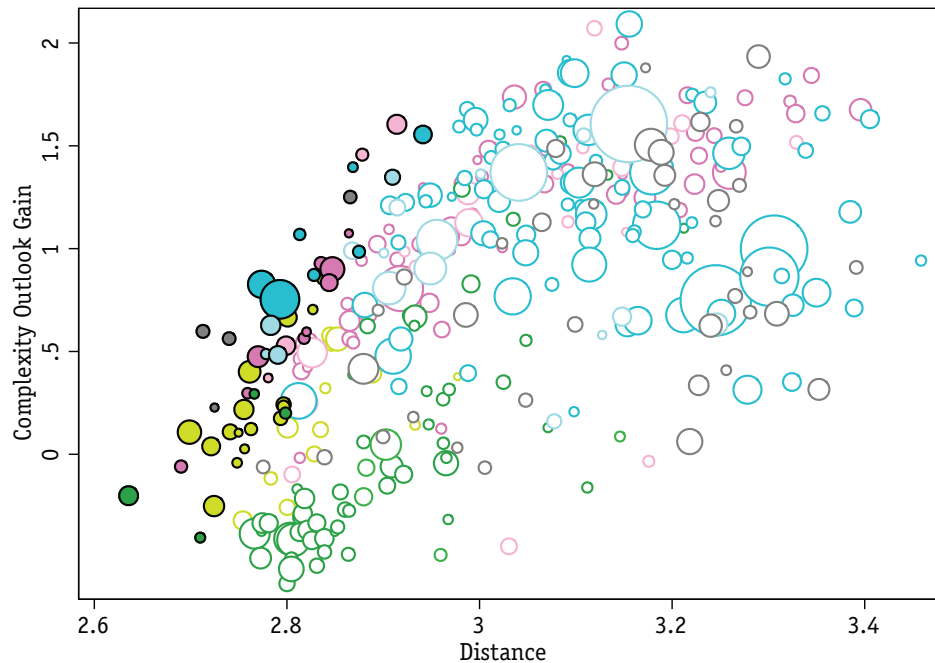
HS4	Product name	RCA-2012	Distance	PCI	Target rank	World Trade (\$)	Top Importers	Top Exporters
1902	Pasta	0.0	4.0	-1.9	26	8 B	USA DEU FRA	ITA CHN USA
8474	Machinery for working earth, stone, and other mineral substances	0.0	4.1	0.7	28	19 B	RUS USA CHN	DEU CHN USA
2208	Alcoholic preps for beverages	0.0	4.1	-0.8	29	28 B	USA CHN RUS	GBR FRA USA
2103	Sauces and seasonings	0.0	4.1	-0.1	29	10 B	USA GBR FRA	USA NLD DEU
2104	Soups and broths	0.0	4.1	-0.4	31	3 B	USA GBR MEX	USA DEU CAN
3208	Paints and varnishes, nonaqueous	0.0	4.1	1.0	31	13 B	RUS CHN DEU	DEU JPN USA
3923	Packing of goods	0.0	4.1	-0.6	33	42 B	USA DEU FRA	CHN DEU USA
8609	Containers for carriage by one or more modes of transport	0.0	4.1	-0.5	34	4 B	USA DEU AUS	CHN USA DEU
3404	Artificial and prepared waxes	0.0	4.3	2.8	35	3 B	CHN USA DEU	DEU USA DNK
2201	Waters natural	0.0	4.0	-1.9	35	3 B	HKG USA JPN	FRA CHN ITA
6309	Used clothes and textiles	0.0	4.1	-0.9	37	4 B	PAK RUS UKR	USA GBR DEU
2008	Fruit, nuts and edible plants preserved with sugar	0.0	4.0	-2.1	38	13 B	USA DEU JPN	CHN USA THA
1701	Raw sugar, cane	0.0	4.0	-2.4	39	35 B	USA CHN IDN	BRA THA IND
9706	Antiques older than one hundred years	0.0	4.1	-0.5	40	3 B	USA GBR HKG	GBR USA FRA
2203	Beer	0.0	4.1	-0.6	41	12 B	USA FRA GBR	MEX NLD DEU
8905	Floating or submersible drilling platforms	0.0	4.1	-0.3	42	18 B	IND SGP USA	KOR SGP BRA
1801	Cocoa beans, whole	0.0	3.7	-5.9	43	9 B	NLD BRB USA	CIV GHA NGA
5201	Cotton raw	0.0	3.8	-4.9	44	21 B	CHN IDN TUR	USA IND AUS
1804	Cocoa butter, fat, oil	0.0	3.9	-3.6	45	3 B	DEU NLD FRA	NLD MYS IDN
3301	Essential oils	0.0	4.1	-2.3	46	4 B	USA FRA GBR	IND USA CHN
3907	Polyacetals	0.0	4.2	0.7	47	54 B	CHN DEU USA	USA DEU KOR
2007	Jams, jellies	0.0	4.1	-1.0	48	2 B	USA DEU FRA	FRA DEU BEL
8504	Electrical transformers	0.0	4.3	2.1	49	79 B	USA HKG DEU	CHN DEU JPN
8425	Pulley tackle and hoists; winches and capstans; jacks	0.4	4.2	1.9	50	7 B	USA CHN DEU	CHN DEU USA

K = thousand, M = million, B = billion

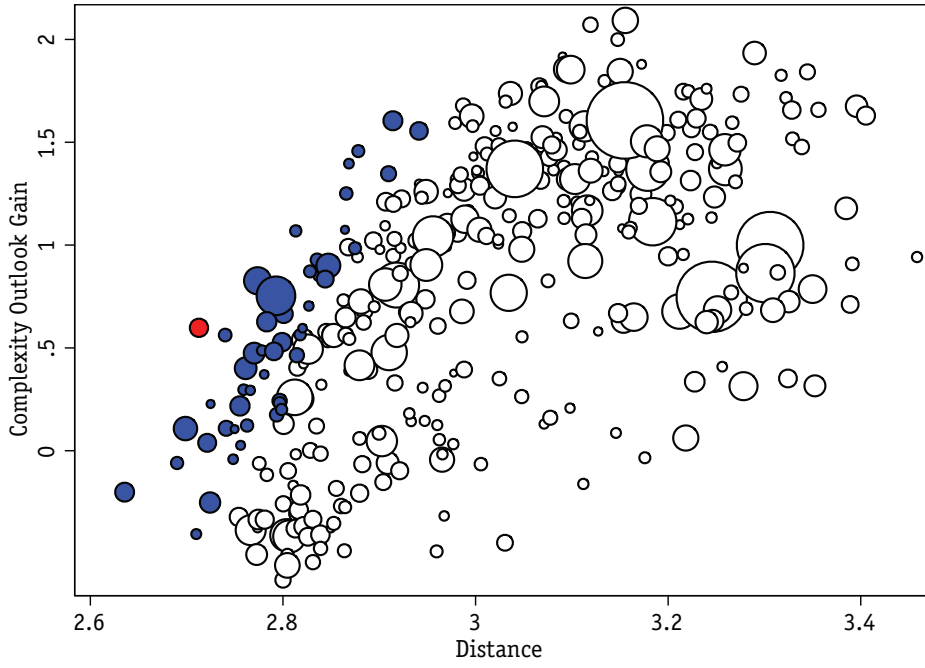
The previous exercise is now repeated for the year 2000 to identify target products given a hybrid rank that combines the ease and attractiveness of each product, and to compare its results with data from 2010 to analyze whether they were developed. Libya, by 2010, had a competitive presence in only two of the products identified on the target list for 2000: Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances (9015), and steam or other vapor generating boilers (8402) (some products are hidden behind other nodes that have the same values). Nevertheless, there are several products (in blue) that have high attractiveness and are also relatively easy to conquer, that were not developed in Libya by 2010. These are interpreted as missed opportunities. These blue products warrant special attention as they might also hint to the presence of market failures in the country. As can be seen in figures 6a and 6c, while there are products from the agribusiness and chemical communities, most of them are in the machinery cluster. A detailed description of these products is provided in table 3.

Figure 6 Strategic bets for Libya in year 2000

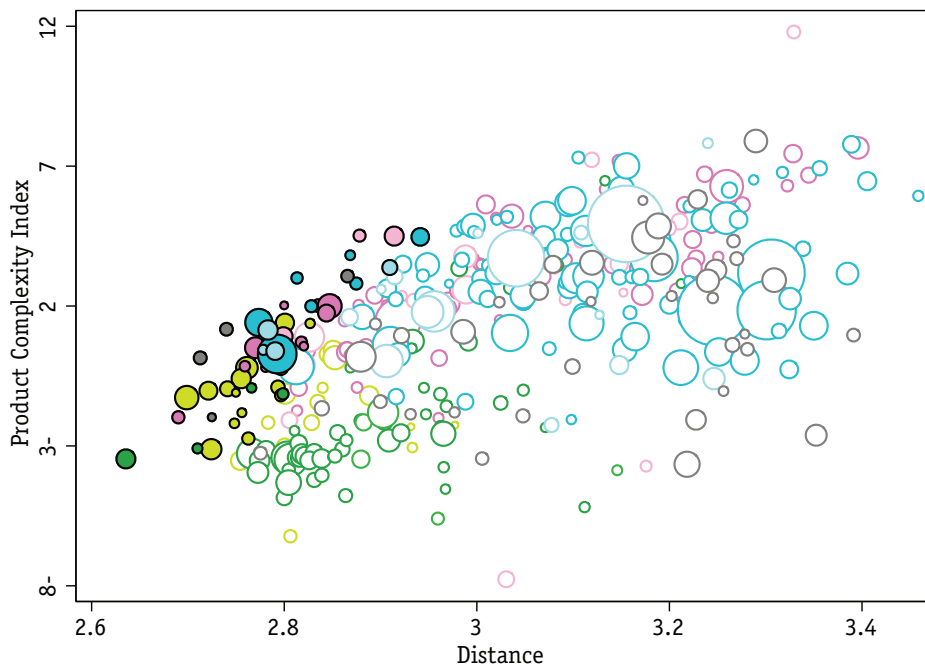
a Complexity Outlook Gain



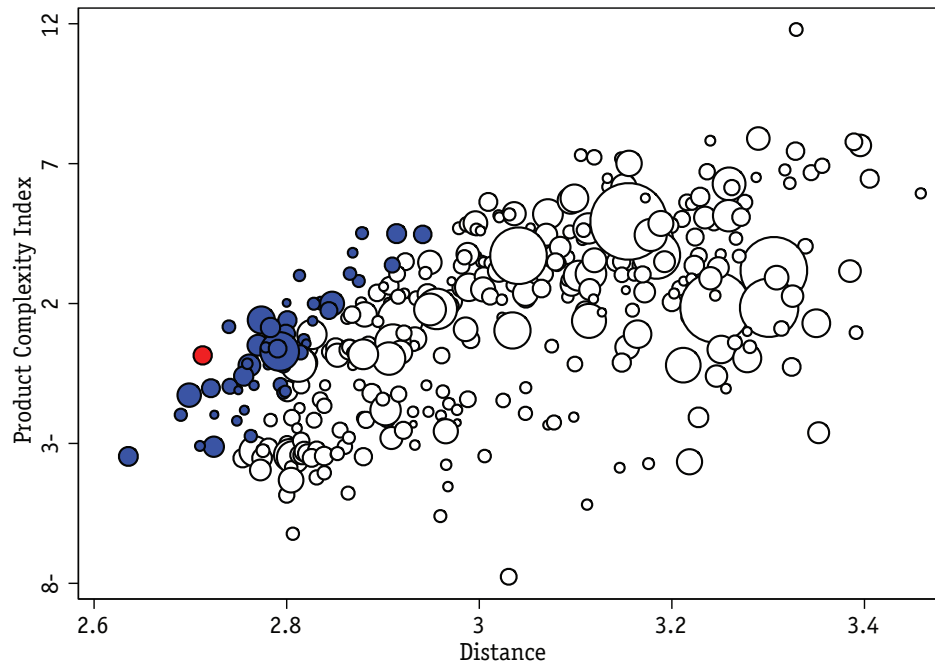
b Complexity Outlook Gain



c Product Complexity Index



d Product Complexity Index



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. The nodes are colored according to the communities that they belong to in (a) and (c). In figures (b) and (d), Red nodes are conquered by Libya and were also in our target list, blue nodes are not conquered by Libya and were in our target list. Finally, Yellow nodes are conquered but were not in the target list.

Table 3 Strategic bets for Libya in year 2000

HS4	Product name	RCA-2000	RCA-2010	Distance	PCI	COG	World Trade (\$)	Target rank
9406	Prefabricated buildings	0.1	0.0	2.7	1.2	0.6	3 B	1
8431	Parts for use with hoists and excavation machinery	0.0	0.1	2.8	1.4	0.8	19 B	2
9015	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances	0.1	1.0	2.7	0.1	0.6	3 B	3
8432	Agricultural, forestry machinery for soil preparation	0.0	0.0	2.8	3.0	1.1	2 B	4
3814	Organic composite solvents and thinners	0.0	0.2	2.8	2.0	0.8	707 M	5
8716	Trailers and semi-trailers	0.0	0.0	2.8	1.1	0.6	8 B	6
4010	Conveyor or transmission belts of vulcanized rubber	0.0	0.0	2.9	4.5	1.5	2 B	6
3402	Cleaning products	0.0	0.0	2.8	0.5	0.5	10 B	8
8546	Electrical insulators of any material	0.0	0.0	2.9	3.8	1.4	1 B	9
3306	Dental hygiene products	0.0	0.0	2.8	-0.2	0.3	2 B	10
8411	Turbojets, turbo propellers and other gas turbines	0.4	0.2	2.8	0.3	0.8	50 B	12
8609	Containers for carriage by one or more modes of transport	0.2	0.0	2.8	0.4	0.5	1 B	12
2402	Cigars	0.0	0.0	2.7	-1.3	0.1	13 B	12
2208	Alcoholic preps for beverages	0.0	0.0	2.8	-0.2	0.4	11 B	14
1806	Cocoa powder, sweetened	0.0	0.0	2.8	1.4	0.7	7 B	15
2009	Fruit juices	0.0	0.0	2.7	-1.0	0.0	6 B	16
1905	Bread, pastry, cakes, biscuits and other baked goods	0.0	0.0	2.8	-0.6	0.2	8 B	17
1704	Confectionery sugar	0.0	0.0	2.7	-1.0	0.1	4 B	18
9703	Original sculptures and statuary	0.0	0.0	2.7	-2.0	0.2	780 M	19
8702	Motor vehicles for the transport of > 10 persons	0.2	0.0	2.8	0.4	0.5	6 B	20
4002	Synthetic rubber	0.0	0.0	2.9	4.5	1.6	8 B	21
6309	Used clothes and textiles	0.3	0.0	2.8	-0.9	0.3	1 B	21
3917	Tubes, pipes and hoses and fittings	0.0	0.1	2.8	0.9	0.5	7 B	23
3401	Soap	0.0	0.0	2.7	-2.0	-0.1	2 B	24
2007	Jams, jellies	0.0	0.1	2.7	-1.1	0.1	758 M	24
9306	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war	0.0	0.0	2.9	3.1	1.3	2 B	26
4012	Retreaded or used pneumatic tires of rubber	0.1	0.0	2.8	-0.2	0.4	940 M	27
8425	Pulley tackle and hoists; winches and capstans; jacks	0.2	0.0	2.8	2.0	0.9	2 B	28
2849	Carbides	0.0	0.0	2.9	3.1	1.1	781 M	29
2207	Ethyl alcohol > 80% by volume	0.0	0.0	2.8	-1.8	0.0	1 B	30
2306	Cotton seed oilcake	0.0	0.0	2.7	-2.2	-0.0	1 B	31
2804	Hydrogen, rare gases and other nonmetals	0.0	0.0	2.8	2.0	0.9	3 B	31

HS4	Product name	RCA-2000	RCA-2010	Distance	PCI	COG	World Trade (\$)	Target rank
5201	Cotton raw	0.0	0.1	2.6	-3.5	-0.2	7 B	33
1601	Sausages	0.0	0.0	2.8	2.0	0.8	1 B	34
2202	Waters flavored or sweetened	0.0	0.0	2.8	-0.2	0.2	4 B	35
1701	Raw sugar, cane	0.0	0.0	2.7	-3.1	-0.3	9 B	36
2105	Ice cream	0.0	0.4	2.8	1.4	0.7	1 B	37
2301	Flour or meal for animal feed	0.0	0.0	2.8	-2.7	0.1	2 B	37
6305	Sacks and bags, used for packing goods	0.0	0.0	2.7	-3.1	-0.4	1 B	39
2103	Sauces and seasonings	0.0	0.0	2.8	-0.9	0.2	3 B	40
2902	Cyclic hydrocarbons	0.0	0.0	2.8	2.0	0.9	14 B	41
3209	Paints and varnishes, aqueous	0.0	0.0	2.8	0.7	0.6	2 B	42
2101	Extracts of coffee, tea or mate	0.0	0.0	2.8	-1.2	0.2	2 B	43
3208	Paints and varnishes, nonaqueous	0.0	0.0	2.8	1.7	0.8	6 B	44
8433	Harvesting or agricultural machinery	0.0	0.0	2.9	4.5	1.6	6 B	45
3405	Polishes and creams	0.0	0.0	2.8	0.6	0.6	949 M	46
8607	Parts of railway locomotives	0.0	0.0	2.9	3.4	1.3	4 B	47
5702	Carpets, woven, not tufted or flopped, handwoven rugs	0.0	0.3	2.8	-1.1	0.2	2 B	48
8402	Steam or other vapor generating boilers	0.0	1.7	2.9	2.8	1.0	2 B	49
3305	Hair products	0.0	0.0	2.8	0.3	0.5	4 B	50

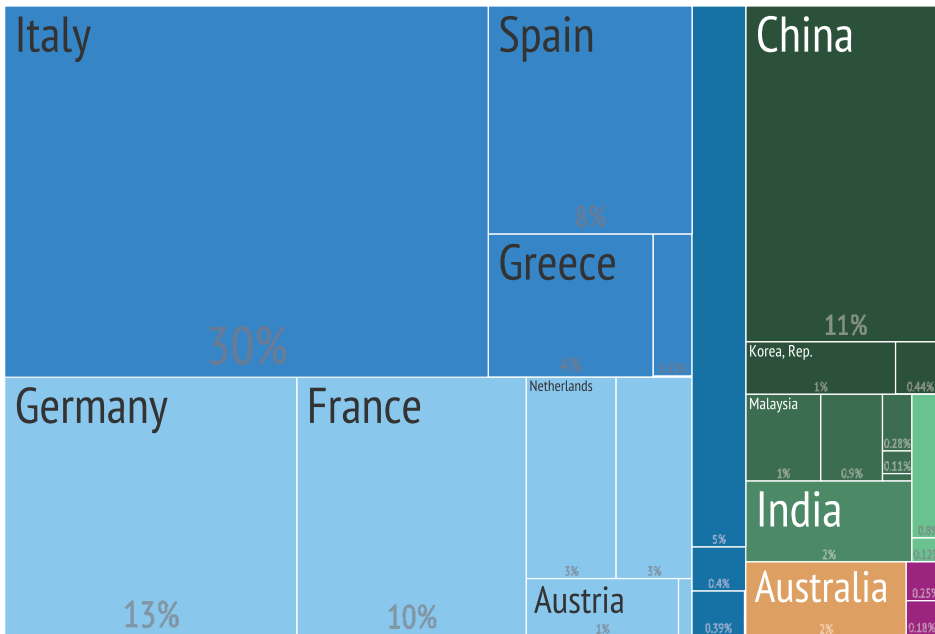
K = thousand, M = million, B = billion

Libya's export destinations

Lastly, possible markets for the country's exports are analyzed. As can be observed in figure 7a, Libya mainly exports to European countries. The major destinations of Libya's exports are Italy (accounting for 30%), followed by Germany (13%), China (11%), and France (10%). Figure 7b shows that exports to Europe increased sharply after 2012, and later collapsed (along with exports to all destinations in 2010). Libya lost all its trade with North America after the start of the civil war, although it should be noted that trade to Europe and Asia had recovered somewhat in 2012.

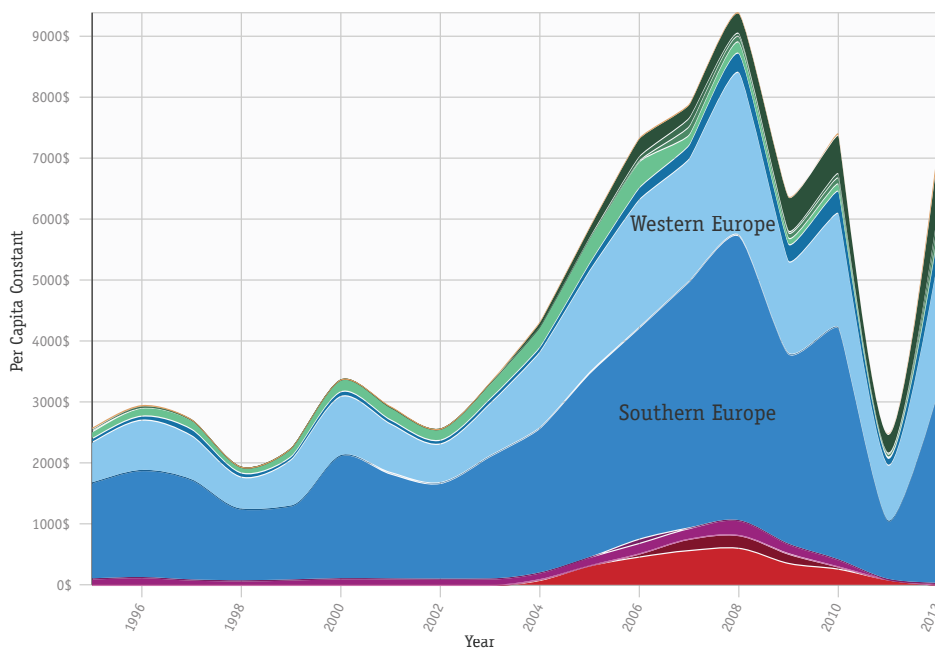
Figure 7 Libya trade partners (2012)

a Export destinations



Libya's exports totaling approximately \$49 billion

b Evolution of export destinations



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Products are colored according to the communities that they belong according to the following legend:



When taking into account the current trade of countries in eligible products versus potential, it is possible to identify top export destinations for the country. Table 4 presents potential trade with those export destination countries as well as the potential of other countries included in this report. From the table it follows that Libya's trade with Middle East countries was healthy and that its greatest opportunities lie in China, Germany, India, and Benelux countries.

Table 4 **Trade potential**

Importer	Trade Health	Number of Eligible Products	Potential in Eligible Products (\$)	Current Trade in Eligible Products (\$)	Total Trade (\$)
BEL	1.2	4	60 M	46 M	48 M
CHN	0.0	1	4 M	95 K	1 M
DEU	0.2	4	60 M	11 M	12 M
EGY	23.8	6	0 K	108 M	109 M
FRA	2.5	4	9 M	52 M	52 M
IND	0.1	2	22 M	109 K	185 K
JOR	29.7	3	0 K	7 M	7 M
KWT	153.7	9	124 K	23 M	85 M
NLD	0.5	2	26 M	20 M	21 M
SYR	24.8	3	0 K	39 M	39 M
TUN	13.1	6	6 K	14 M	17 M
TUR	4.6	7	16 K	65 M	65 M

K = thousand, M = million, B = billion

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