EXPLORING THE ECONOMIC AND COMMERCIAL RELATIONS BETWEEN LIBYA AND THE EU: A PERCEPTION ANALYSIS OF LIBYAN BUSINESSMEN

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by

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Abstract

The Libyan economy is highly dependent on oil export revenues, which allied to a small population, makes Libya one of the richest countries in Africa. In order to diversify its sources of income, the government undertook measures to liberalise its economy and foreign trade. The central strategy of enhancing trade and developing the Libyan economy is to integrate with the EU by taking a pro-active part in EU-initiated economic cooperation and integration programmes and treaties, such as the Barcelona Process. This process constitutes an important step towards enhancing the openness of Libya's economy and creating convergence towards EU economies.

The research explores the perceptions of Libyan businessmen on the economic and trade relationship between Libya and the EU by focusing directly on trends, developments, problems and prospects. The research also aims to explore problems encountered between Libya and the EU with the objective of establishing ways in which to lessen the adverse effects. It suggests policy measures to be adopted to improve Libya's trade and economic relations with the EU.

To fulfil its aims and objectives, this study utilised both primary and secondary data. The primary data were collected through a survey questionnaire conducted in Libya, which explored the opinions, perceptions and attitudes of Libyan businessmen towards trade-related issues with the EU. In addition, the secondary data were in the form of published statistical data relating to trade between Libya and the EU.

The findings of this study demonstrated that the majority of Libyan businessmen have positive attitude towards economic cooperation and the integration process between Libya and the EU within the EU-Mediterranean Partnership (Barcelona Process) in general, and towards the establishment of FTA in particular. In addition, the majority of Libyan businessmen think that achievements in the economic field were the most successful policy aims within the Euro-Mediterranean Partnership, while perceiving the political and military and security fields to be of a minor role. However, the majority consider that trade between Libya and EU still faces a number of obstacles, despite Libya joining the Barcelona Process. These include the high price of EU products, the difference in terms of quality, and the adoption of high customs duties on EU products by the Libyan authorities and the lack of information about the opportunities available in EU markets. The study, also, finds that the majority of Libyan businessmen see the future of Libyan economy tied closely to the EU, rather than in an African, Arab or Islamic Union, in which they show little interest.

DECLARATION

I hereby declare that no portion of the work that appears in this study has been used in support of an application of another degree in qualification to this or any other university or institution of learning.

DEDICATION

THIS WORK IS DEDICATED TO THOSE WHO PROVIDED MORAL SUPPORT FOR MY POSTGRADUATE STUDIES.

Dedicated to my parents: mother, who provided me with love, encouragement and prayers; and father, who provided me unlimited support and prayers,
I'm sure you are proud of your son's achievements.

I dedicated this work also to my beloved wife, if could in some way give the right and privilege of this degree to you, I would gladly do so. Throughout the years you have struggled with me to see this work completed. Many times I faced difficulties, but you wouldn't let me give up.
Your patience and your desire for me to succeed demonstrate all that is so good about you as a person, and as my wife.
Without your love and support, I couldn't have done it.

I dedicated this work also to my children, Swhib, Anas and Sireen, who suffered as a result of not spending sufficient time with them during the period of my study.

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CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND

One of the main characteristic aspects of our age is the rapid growth in international trade and financial flows. This has led to an increase in the share of international trade in overall economic activity, as well as an increase in the growth rates of international capital compared with the growth rates of the flow of commodities. Thus each developing country has become interconnected through an extensive network of international economic relations, while the degree of interdependence in the international economy has increased considerably.

The European Union (EU), one of major economic groups, was established by the Benelux states, Italy, France and the Federal Republic of Germany with the signing of the Treaty of Rome in 1957. The Treaty of Rome set the legal foundations of close association with only those developing countries that had links of a colonial nature with the member states of the EU. However, with the passage of time the EU has slowly developed its own particular relationships with other developing countries.

The Treaty of Amsterdam came into force on 1 May 1999. In 1991 Maastricht Treaty paved the way for the formation of European Monetary Union (EMU) and for the establishment of common foreign and security policies. In addition, the Amsterdam Treaty aimed at deepening the EU’s social and political integration and prepared for the challenge of enlargement (European Commission, 2003).

The EU is in a flux of change within the provision of Amsterdam Treaty and with the implementation of World Trade Organisation (WTO) subjects. At present nearly 27 countries are members of the EU. Almost all Scandinavian countries have become members. Recently, additional 13 countries were granted membership by the EU (Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania and Slovak Republic). Many countries have association agreements with the EU and have also applied for its membership such as the Macedonian Republic and Turkey.

To the south of the EU lies Libya, the economy of which is highly dependent on the revenue generated by the oil sector. Revenues generated by oil contribute almost all export earnings and about one-quarter of the country's gross domestic product (GDP). This concentration puts Libya in a very vulnerable position with respect to export earnings. However, high oil revenues combined with a relatively small population makes Libya one of the highest per capita GDPs in Africa. However, over the trickle down effect of this high income flow appears to be inadequate. Nevertheless, Libyan officials over the last few years have made progress with economic reform as part of a broader campaign to reintegrate the economy into the international community. This effort picked up steam after UN sanctions were lifted in September 2003 (Tarhoni, 2005).

The participation of Libya in the Euro-Mediterranean Conference of Energy and the Conference of Mediterranean Fisheries Ministers are examples of potential areas of co-operation between participating countries. Furthermore, Libya's participation in the Barcelona Process, an EU project aimed at engaging with the countries of the southern Mediterranean, constitutes a crucial step towards normalising relations between Europe and its Mediterranean partners.

It is essential that Libya implements of the Barcelona Process fully to enhance the openness of its economy. To this end, this research focuses on the perceptions of Libyan businessmen on Libya's trade relations and other related dimensions with the EU. The findings will provide a background through which recommendations can be made as to how Libya has to initiate reforms in the arena of its foreign trade against the background of the changing international trading environment in general, and with the enlarged EU, the country's largest trading bloc, in particular.

Several EU member states have extensive trade relations with Libya. In 2006, Italy, Germany, the United Kingdom (UK), France and Spain were Libya's five leading suppliers of manufactured goods, energy, food products and raw materials, amounting to roughly 50% of her total imports. Moreover, Italy, Germany, Spain, France and

Greece are Libya's top five export markets, absorbing about 78% of her manufactured goods, energy and food products and raw materials (European Commission, 2009).

Accordingly, in addition to exploring the perceptions of Libyan businessmen concerning the trade relationship between Libya and the EU, this research also aims to explore problems encountered between Libya and the EU market with the objective of establishing ways in which to lessen their effects and suggest policy measures to be adopted which Libya's trade and economic relations with the EU are regulated in the changing trading environment.

1.2. AIM AND OBJECTIVES OF THE RESEARCH

The aim of this research is to explore the economic and trade relationship between Libya and the EU by focusing directly on trends, developments, problems and prospects through the perceptions and opinions of the Libyan businessmen.

In fulfilling this aim, the following objectives are developed:

- To examine the evolution of trade and economic relations of Libya with the EU;
- To investigate the impact of the EU's special and preferential trade arrangements as well as development cooperation regime on their relations over the years;
- To identify trade volumes and compositions between Libya and the EU;
- To explore and analyse the perceptions of Libyan businessmen towards Libya's trade relations and related issues with the EU through primary data collected by using a questionnaire;
- To measure the attitudes of Libyan businessmen towards international trade with the EU countries in terms of obstacles and for further cooperation;
- To explore the trade problems facing Libyan businessmen in the EU market and to see future developments in the changing trading and economic environment;

- To provide policy options to improve Libya’s trade and economic relations with the European Union.

1.3. RESEARCH METHODOLOGY

The researcher used two types of data collection method for the primary and secondary data. The primary data were collected via a survey questionnaire which aimed to elicit Libyan businessmen’s opinions, perceptions and attitudes. The questionnaire consisted of 36 questions. In general, most of the questions were of the multiple-choice type, in order to ease the processes of answering, coding, evaluating and analysing. The valid sample size of the survey is 210 respondents.

To attain the aim and objectives of the study the researcher used two type of empirical analysis namely, descriptive analysis and cross-tabulation analysis after statistically analysing the data through Statistical Package for the Social Sciences (SPSS) software package.

The research also utilised secondary data in the preparation of the research. The secondary data was obtained from libraries in the form of books, articles, magazines, and related studies, along with published and unpublished materials such as statistical reports, and University and Ministry of Higher Education publications. In addition, published statistical data related to trade relations between Libya and the EU was also collected.

1.4. OVERVIEW OF THE RESEARCH

In responding to the aim and objectives, this research resulted in nine chapters. A brief description of each chapter is presented in the following:

Chapter one commences with an introduction to the thesis. It provides the motivation for the research, the aim and objectives of the research, the research methodology and an overview of the research.

Chapter two reviews economic integration concepts and definitions. In the second section the researcher defines this term and its political and economic dimensions.

The third section provides models of economic cooperation which include the Preferential Trading Agreements (PTAs), Free Trade Area (FTA), Customs Union (CU), Common Market (CM) and the Economic Union (EU). The chapter also, examines economic integration in developing countries.

Chapter three discusses the development of the European economic relationship with the southern Mediterranean countries by focusing on the European interest in the southern Mediterranean countries and the historical development in relations between European and Mediterranean countries. The chapter also sheds light on the EU-Mediterranean Partnership, economic development under the Barcelona Process and the benefits and costs that may result from economic cooperation in the Euro-Mediterranean zone.

Chapter four is devoted to analysing the performance of the Libyan economy and foreign trade focusing on economic growth and developments between 1985 and 2005. It assesses developments in GDP and the sectoral distribution of GDP, such as agriculture, manufacturing and services. The chapter also discusses trends in the balance of payments over the same period. In addition, it examines developments and trends in foreign trade through analysing the impact of UN sanctions on the national economy and the impact of fluctuating oil prices. The composition of exports and imports composition by type and market are also assessed. Furthermore, it evaluates the development of good relations between Libya and the EU and the major individual partners, as well as the inclusion of Libya in the Barcelona process. The chapter also discusses the economic and trade policies adopted by the government in order to boost its external and internal trade and encourage foreign investment in Libya with the aim of improving the terms of trade.

Chapter five presents the research methodology used in the study. It describes the research processes adopted for data collection. The chapter also discusses the method used in selecting the population of the study and presents in detail the procedures applied to choose the study sample. It also provides an explanation and a rationale for the tools used in the selection of the data collection methods. A brief justification is also provided for the procedures of the implementation of the empirical study. The research methodology chapter also discusses the process of the statistical data analysis.

Chapter six is the first empirical chapter and is mainly based on descriptive analysis of the questionnaire findings. The chapter is divided into four sections. The first section consists of questions related to demographic aspects of the Libyan businessman. The second section reflects the opinions and perceptions towards the international trade relationship with the EU. The third section relates to obstacles facing trade between Libya and the EU. The fourth section is devoted to analysing the factors that play the most important roles in determining the volume of Libyan exports to and imports from the EU. The possibility of Libyan integration with other blocks is the content of the section five.

Chapter seven, as the second empirical chapter, provides detailed empirical findings by using the cross-tabulation method. The aim of this chapter is to investigate if there are any significant correlations between a numbers of identified variables. This method is significant in order to be able to argue with confidence that any effect was due to the identified variables, and not just by chance.

Chapter eight provides an overall discussion of the main fieldwork findings presented in the empirical chapters. The chapter evaluates the factors behind the attitudes and perceptions of Libyan businessmen, which were obtained from the field study, concerning economic and commercial relations between Libya and the EU.

Chapter nine concludes the research and presents a summary of the main findings, and highlights important recommendations. In addition, the limitations of the study are addressed, offering suggestions for further research.

CHAPTER TWO

ECONOMIC INTEGRATION: CONCEPTS AND MODELS

2.1. INTRODUCTION

Economic integration describes the process in which the economies of independent states unify progressively in response to the removal of barriers both to trade and the movement of factors of production. Consequently, the extent to which economic integration occurs in any specific arrangement is determined principally by the degree to which restrictions to the movement of goods, services, capital and labour are removed. The purpose of this chapter is, therefore, to examine the theory of economic integration.

Progressive economic integration or the gradual process of reducing barriers to trade is one of the most important forces that have shaped the post-World War II global economy. The second half of the twentieth century represents an age of formation of economic integration between both the developed and developing countries. These countries have been attempting to combine their separate national economies into large regional economic organisations. The degree of economic integration is regularly used to gauge the success of economic reform and structural adjustment policies. In addition, economic integration is not only beneficial for member countries but can also be valuable for the rest of the world through the generation of dynamic effects.

The chapter is divided into six sections: the second section examines the concept of economic integration, defines the term and assesses its political and economic dimensions. The third section discusses the five models of economic cooperation: Preferential Trading Agreements (PTAs), Free Trade Area (FTA), Customs Union (CU), Common Market (CM) and finally, Economic Union (EU).

The fourth section highlights the gains and benefits derived from regional economic integration. The fifth section examines economic integration in developing countries. The final section concludes this chapter and summarises the findings of this chapter.

2.2. DEFINITIONS AND CONCEPTS OF ECONOMIC INTEGRATION

Since the end of World War II, various forms of international economic integration have been proposed and numerous schemes implemented. However, the main motivation behind economists' interest in regional integration schemes has been generated by development of the EEC. The architects of this scheme considered the Treaty of Rome as only an initial step towards complete economic and political integration (El-Agraa, 1981).

The term "economic integration" is contested amongst economists. Some include social integration and different forms of international cooperation in the concept. Other economists argue that the mere existence of trade relations between independent national economies is an indication of integration. Therefore, there is great diversity in economic literature concerning the definition of economic integration (Balassa, 1962).

According to the Concise Oxford English Dictionary, integration is "the combination of parts into a whole" (Pinder, 1969:143). However, according to Robson international economic integration or regionalism is defined as "the institutional combination of separate national economics into larger economic blocs or communities" (Robson, 1998:1). Nevertheless, Pelkmans defines economic integration as "the elimination of economic frontiers between two or more economies" (1984:3). Haberler defines economic integration in a narrow manner as "closer economic relations between the areas concerned" (1964: 1). By referring to the process Balassa defines economic integration as a process as well as a state of affairs."Regarded as a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national states; viewed as a state of affairs, it can be presented by the absence of various forms of discrimination between national economies" (Balassa, 1962: 1).

Machlup by providing a comprehensive meaning of integration, states that the appropriate definition which reflects the fact that the correct meaning of the phenomenon of regional economic integration is “the *actual* utilisation of all *potential* opportunities of efficient division of labour” (1977:18).

It should be noted that the term ‘economic integration’ is in general used in two senses (Henderson, 1992: 634): first, it can introduce a process in which economies become more closely integrated, in addition to the tendency for the economic significance of political boundaries to be reduced; and second, it can also denote the end-result, the culmination, of such a process that is, a point at which integration is complete, consequently political boundaries no longer have economic significance.

Pinder (1969:145) defined economic integration as both “the removal of discrimination as between the economic agents of the member countries, and the formation and application of co-ordinated and common policies on a sufficient scale to ensure that major economic and welfare objectives are fulfilled”.

Tinbergen (1965) drew a distinction between two types of economic integration: ‘negative integration’ (Intégration négative), which requires the elimination of all forms of trade discrimination, and all restrictions and barriers to the free movement of factors of production and the free movement of economic flows. The second type is ‘positive integration’ (Intégration positive), which focuses on changing the existing instruments and institutions replacing them with new instruments and institutions to ensure the effectiveness of market mechanisms. However, according to Pinder, both types highlighted by Tinbergen are examples of negative integration, while positive integration means “the formation and application of co-ordination and common policies in order to fulfil economic welfare objectives other than the removal of discrimination” (1969:145)

Henderson (1992: 635) defines full integration, whether inside or outside national frontiers, as state of affairs wherein two closely interrelated conditions are satisfied. First, there is free movement of products, capital and labour, thus establishing a single unified market for all goods and services, including the services of people. Second, there is complete non-discrimination with the result that economically-speaking there are no foreigners. In each country (or each region within a country) people and/or enterprises from outside the area are treated in their capacity as economic agents in precisely the same way as people or enterprises that are viewed as belonging to it. El-Agraa by referring to mutuality, defines international economic integration is concerned with “the discriminatory removal of all trade impediments between at least two participating nations and with the establishment of certain elements of cooperation and coordination between them” (2007:1).

Consequently, it can be concluded that international economic integration is a process and a method by which a number of countries strives to develops its level of welfare. It involves the recognition that a weak or strong partnership between countries can complete this aim in a high efficiency way than by unilateral and independent pursuance of policy in each country (Jovanovic, 1998:9).

2.3. MODELS OF ECONOMIC COOPERATION

Economic integration, which occurs in varying stages, forming various degrees of economic cooperation, can be categorised into two stages of integration (Hodgson et al, 1983:279): (i) those which support the free movement of goods and services plus factors of production between member countries and (ii) those which, in addition to free trade and factor movements, involve increased cooperation in the areas of monetary and fiscal policy.

In fact, in the case of economic integration, trade arrangements that involve preferential liberalisation of trade between a limited numbers of countries within the international community should be discussed. The countries building economic integration desire to capture the economic benefits associated with dismantling the barriers between their economies and the international economy. However, the extent of economic integration is determined principally by the degree to which restrictions to the mutual trade and movement of factors of production are eliminated (Naeem, 2003).

In terms of total economic integration there are measures which should be taken into consideration in order to bring about necessary changes; these measures trace the process towards unification as well as the forms of economic integration in order of increasing integration. These measures are presented as follows (Yacoub, as cited by Hatem, 1981):

> First, measures for the creation of a single market. As removal of tariffs between the integrating countries and adopting a common external tariff against non-member countries as well as a unified system of indirect taxes;
> Second, measures for the harmonization of policy action, which consists of both internal and external policies that can lead to specialization, activities that encourage the free movement of factors, coordination of monetary, fiscal, and stabilization policies in addition to joint commercial relations with third world countries;
> Finally, measures for supervision, which embraces the unification of economic and monetary institutions and the formation of a new state to replace the previously integrated countries.

Several forms of economic integration are possible in theory: preferential trade agreements (PTAs), a free trade area (FTA), a customs union (CU), a common market (CM) and economic union (EU). Each model differs according to the level of integration that the member states seek to achieve, and to what extent the participant countries are ready to surrender their economic policies to supranational institutions and regional organisations**.**

El-Agraa (1997) believes that the process of integration does not necessarily have to be gradual. He argues that each of these forms of economic integration can be introduced in its own right; therefore, it should not be confused with *stages* in a *process* which at the end leads to complete political integration. He also stressed that "there may be sectoral integration, as distinct from general across-the-board integration, in particular areas of the economy as was the case with the European Coal and Steel Community (ECSC)" (1997:3).

2.3.1. Preferential Trade Agreements

Preferential trade agreements **(**PTAs), which are the most; limited in scope of the types of economic integration, involve liberalising trade between the participating nations,. PTAs describe a general type of arrangement whereby a limited number of countries agree to eliminate obstacles to trade and factor flows between themselves, while retaining restrictions against such flows originating outside the area (Hodgson et al, 1983).

It should be noted that usually the reductions in trade obstacles are limited to trade between the small groups of participants. Thus other groups or countries will not benefit from the reduction of the level of barriers. In contrast to PTAs is the favourable tariff treatment which granted by European countries to imports from some developing countries (Hodgson et al, 1983).

In general, economic integration results from PTAs. The proliferation of PTAs has been a feature of international economic relations since the late 1950s, although only in the last decades has it become the dominant trend. It is perhaps the simplest form of economic integration (Naeem, 2003).

2.3.2. Free Trade Area

The free trade area (FTA) is a basic but the most popular form of economic integration. In an FTA, all barriers to the trade of goods and services among member countries are removed. In an ideal FTA, no discriminatory tariffs, quotas, subsidies, or administrative impediments are allowed to distort trade among member countries. It means that international goods traffic is then free among members. Each member country, however, is allowed to determine its own trade policies with regard to non-members. Thus, the tariffs placed on the products of non-member countries may vary among members (Balassa, 1962).

However, as an FTA does not have a common external tariff, this creates administrative problems, because of the difference in policies adopted by member countries on the imports from non-member countries. This in turn creates a deflection in trade. Trade deflection occurs "because trade is free within the area, there is nothing to prevent a non-member's exports from entering the high-duty member nation through a low-duty member. Thus, within the free-trade area, the lowest rate on each commodity becomes the effective rate for the entire area" (Kreinin, 1991:396).

Shibatah (1967: 69) defines the deflection of trade as “the redirection of imports from third countries through the partner country with the lowest tariff, with the aim of realising tax advantages by exploiting the rate differentials between the member countries within an economic union”. Balassa (1962: 70) points out that “the maintenance of differing rates of duties in trade with non-member countries will create possibilities for deflection of trade, productions and investment”.

Additionally, production deflection takes place in commodities whose production needs large quantity of raw materials. Balassa (1962) argues that deflection of production may occur if the productions of goods that requires imported inputs shifts to countries that have lower tariffs on the inputs for the reason that differences in tariffs outweigh differences in production costs. This is detrimental to economic efficiency and welfare because the pattern of productive activity will be based on differences in duties rather than on comparative advantage.

The deflection of production may in turn have an effect on the pattern of international investment, whereas the differences in tariffs outweigh differences in production costs, tariffs will dictate investment decisions. Balassa, therefore, argues that:

> The establishment of so-called tariff factories is a case in point; other things being equal, foreign investors will move funds to countries with lower tariffs on raw materials and semi-manufactured products. Similarly, factories will be set up to assemble parts produced in third countries with low labour costs if tariff advantages make this operation profitable (1962:71).

Ultimately as a consequence of investment, deflection will reinforce detrimental effects on welfare and efficiency.

One solution is applying common rules of origin. This involves that goods qualifying for tariff free trade should be produced in a member country rather than just pass through member countries. Shibatah stresses the significance of the rules of origin when he defined the FTA as “An international grouping of two or more countries, each of which agrees to exempt from the tariffs and quantitative restrictions which it generally imposes on imported products, that part of those products which have originated or are produced in the territories of other the members of the group” (1967: 68).

For the purposes of customs administration, this means that the member countries remove tariffs (and quantity restrictions) on products originating within the FTA and trading among themselves, although they maintain the authority to create their own separate tariffs and other restrictions on imports of products originating outside the area (Shibatah, 1967:68).

Shibatah also describes the nature of an FTA as "Intra-area trade is not free completely from any restrictions: a free trade area must be equipped with some measures, like rules of origin, which seek to prevent deflection of trade and allow freedom of intra-area trade only on products originating or deemed to be originating within the territories of participating countries" (1967:68-9).

The most enduring FTA is the European Free Trade Association (EFTA). Established in 1960 its original members included Austria, the UK, Denmark, Finland, and Sweden, all of which are now members of the EU. The emphasis of EFTA has been on the trade in industrial goods. Agriculture was left out of the arrangement, with each member country being allowed to determine its own level of support. Members were also free to determine the level of protection applied to goods coming from outside EFTA (Naeem, 2003).

2.3.3. Customs Union

A customs union (CU) is considered as arrangement between a group of nations which allows no tariffs or other barriers on goods traded among members (as in a FTA). In addition it harmonises trade policies (such the setting of common tariff rates) towards goods imported into the union from the rest of the world (Hodgson et al, 1983).

Accordingly, the CU is a step along the road towards full economic integration. It represents the formal achievement towards integration and a greater surrender of economic sovereignty. Robson states that under the CU, countries eliminate trade barriers between member countries and adopt a common external trade policy towards the non member countries, and the distribution of customs income between the member countries according to an agreed formula (1998). However, establishment of a common external trade policy necessitates significant administrative machinery to oversee trade relations with non-members. Most countries that enter into a CU desire greater economic integration. The EU began as a CU and has moved beyond this stage successfully (Naeem, 2003).

Lipsey (1973) argues that any tariff system has two kinds of discrimination: between commodities; and between countries. He defines these as: “commodity discrimination occurs when different rates of duty are levied on different commodities, while country discrimination occurs when the same commodity is subject to different rates of duty, the rate varying according to the country of origin” (Lipsey, 1973:33). Thus, he defines the theory of CU as that “branch of tariff theory which deals with the effects of geographically discriminatory changes in trade barriers” (Lipsey, 1973:33).

2.3.3.1. Trade creation and trade diversion

For a long time it was taken for granted that the formation of a CU would increase the welfare of its members. Free trade was seen as the optimum form of trade, therefore any movement improving free trade was considered as a step towards greater welfare of the society. This belief was shaken when Viner (1950) argued that a CU with its discriminatory tariff changes represents both a move towards free trade and a move towards potentially greater protectionism through the common external trade policy. This leads towards two separate effects: ‘trade creation’ and ‘trade diversion’. The trade creation improves the international allocation of resources and increases welfare while the latter has the opposite effects. Whether the CU, on balance, will increase or decrease welfare for its members, therefore, depends on the net effect of trade creation and trade diversion.

Naeem (2003) explains the process of evaluating trade creation and trade diversion by comparing the relative dimensions of these two effects. This can be explained with the help of tables 2.1 and 2.2. Let A be the home country, B the free trade partner and C the rest of the world. It is assumed that country A and B form a CU together with C excluded. Before trade was freed with country B, consumers in country A only bought and consumed home produced goods. After establishing free trade with B, tariff free imports would reach in country A at a price lower than the home-produced goods. Thus, the home products in country A will be displaced by the low cost product from country B in the CU. This supports the case of trade creation, the positive trade and welfare effect of CU formation.

Table 2.1: Process of Trade Creation prior to Free Trade

Countries	A before	B tariff	C cut
Production costs	35	26	20
100% Tariff in A	0	26	20
Price in A	35	52	40

Table 2.2: Process of Trade Creation following Free Trade

Countries	A after	B tariff	C Cut
Production costs	35	26	20
100 % Tariff in A	0	0	20
Price in A	35	26	40

Trade diversion occurs when economic integration tariffs are changed in such a way as to lead members to buy goods and services produced relatively less efficiently in partner countries in place of those produced more efficiently and cheaply in the non-member countries. Again, the example can be illustrated with the help of tables 2.3 and 2.4. If the initial tariffs were 50% instead of 100%, a different situation would emerge. Prior to the formation of a CU demand in country A was entirely met by imports from C. After the formation of a CU with country B, its imports would be shifted from the efficient and cheapest source C to less efficient B within the CU due to the tariff cut. This is an example of trade diversion, the negative trade and welfare effect of a CU formation.

Table 2.3: Process of Trade Diversion prior to Free Trade

Countries	A before	B Tariff	C Cut
Production costs	35	26	20
50 % Tariff in A	0	13	10
Price in A	35	39	30

Table 2.4: Process of Trade Diversion following Free Trade

Countries	A after	B Tariff	C Cut
Production costs	35	26	20
50 % Tariff in A	0	0	10
Price in A	35	26	30

As a consequence of abolishing tariffs resulting from the formation of CU, the home expensive products are replaced by similar lower cost goods produced elsewhere within the CU. This is the case of trade creation- the positive trade and welfare effect of CU formation. It consists of a production effect, in the production of a quantity of products switched from inefficient sources to more efficient sources within the CU thereby saving resources. This change towards a more regional pattern of international specialisation improves the allocation of resources since products are produced within the CU more efficiently. In addition, it will also have a positive welfare effect as a result of an increase in consumer surplus (Wilson, 1986).

Trade diversion, on the other hand, occurs when the tariff changes that follow the creation of a CU result in prices changing in such a way as to lead members to buy goods and services produced relatively less efficiently in partner countries in place of those produced more efficiently and cheaply in non-member countries. In this instance, the source of imports is shifted from a more efficient source outside the CU to a less efficient one within the CU. This is an example of trade diversion, the negative trade and welfare effect of a CU. To the extent that a CU frees trade within the bloc and causes a reduction of inefficient production within the union, there is a trade creation. To the extent that a CU discriminated against non-members it has a trade diverting impact (Williamson et al, 1991).

According to Naeem (2003) trade diversion, which is considered to be a short-run static phenomenon, may be expected to take place under the following circumstances. In the case of a non-member country whose export composition is such that a major part of it is produced in the union for duty-free intra-union trade, diversion in trade is likely to be pronounced, adversely affecting the non-member country's export earnings. Similarly, if the export composition of a non-member country is such that a greater proportion of it faces high tariff rates in the union, the magnitude of diversion is likely to be large. If the export composition of a non-member country does not conform to these patterns, then trade diversion is unlikely to be significant.

Again, a non-member developing country may face diversion if the union allows privileged access to products of other developing countries into its market by virtue of special trade arrangements. Thus, in the case of non-member country, whether a significant trade diversion has in fact taken place is an empirical question.

The theory of CU pioneered by Viner (1950) argues that there is no general presumption about whether a CU or FTA increases or decreases the real income of member countries and the world. The outcome depends on the balance between trade creation and trade diversion. For a CU to be beneficial to participants, the trade creation effect must outweigh the trade diversion effect, so that on balance, following the formation or enlargement of a CU, producers are moved from high-cost sources to low-cost sources.

CU theory gives important insights into the economic effects of a CU; however, it should be treated with caution for a number of reasons. For instance, the assumptions on which the static analysis is based are clearly unrealistic. Factors such as monopoly power, economies of scale, transport costs, information deficiencies, unemployment, adjustment costs, and non-tariff barriers are conveniently ignored (Hodgson et al, 1983).

2.3.3.2. Dynamic effects of customs union

Recently, the analysis of the CU effects has shifted away from static to dynamic effects. This area of CU theory concentrates on the effects of a CU referring to the long-term changes occurring in the economic structure of the countries participating in CU, rather than on the once-and-for-all effects outlined above (Cooper and Massell 1965). There is debate among economists as to what exactly constitutes a true dynamic effect. However, the explanations of dynamic effects normally include expansion of production in many sectors, reduction in unit costs, creation of new and competitive industries, faster technological progress and also benefits from internal and external economies of scale. Under these conditions, the share of investment in gross national product (GNP) is permanently raised and higher economic growth is attained (Naeem, 2003).

Accordingly, the main channels through which a scheme of economic integration leads to economic gains may be regarded as the specialisation of production according to comparative advantage, economics of scale arising from the potential utilisation of production units due to the enlarged size of the integrated market, improvements in terms of trade resulting from a stronger bargaining position in the international market, enhanced economic efficiency brought about by intensified competition and changes in the rate of growth attributed to changes in both the quantity and quality of factors of production (Lipsey, 1973).

Not only member countries but also non-member countries can benefit from the formation of a CU. These benefits may be from increased output and consumption within the union, which would boost demand for imports. Although such benefits will take time to materialise, in the short run the static effect of a CU on non-members is expected to be of adverse nature. However, an appropriate change in the common external tariff could avoid this. Indeed, this external tariff could be adjusted in such a way that trade between the CU and the non-member countries involves more or less the same collection and quantities of goods as prior to the formation of the union (Naeem, 2003).

The examination of CU theory suggests that in a static framework, while trade creation is generally welfare-improving, trade diversion need not necessarily reduce welfare. Occasionally, a CU may generate external trade creation resulting in an increase in imports from non-member countries. This occurs if non-member goods are complementary to goods whose internal demand is increased by the union. If non-member exports increase as a consequence of the formation or enlargement of CU, then by definition trade creation must be the outcome (Naeem, 2003).

2.3.4. Common Market

A common market (CM) can be considered to be an extension of the CU. As in the case of CU, a CM has no trade barriers between member countries. In addition, a CM attempts to boost the free movement of the factors of production. Labour and capital are free to move because there are no restrictions on immigration, emigration, or cross-border flows of capital between member countries. In this sense, CM takes economic integration a step further by not only liberalising trade, but also by liberalising the movement of factors of production among the member countries (Swann, 1995).

Establishing a CM demands a significant degree of harmony and cooperation on fiscal, monetary and employment policies. In practice, achieving this degree of cooperation has proven very difficult. For years the EU functioned as a CM, although it has now moved beyond this stage. MERCOSUR, the South American grouping of Argentina, Brazil, Paraguay and Uruguay, hopes eventually establish itself as a CM (Swann, 1995).

The liberalisation of the movement of factors of production among the member countries is usually inhibited, for example there are a number of barriers to labour mobility, which have to be removed to implement the free movement of labour. According to Hodgson et al (1983), these barriers include:

- Imposing country quotas with the purpose of restricting the number of foreign workers that allowed working in that country.
- The lack of sufficient information regarding the opportunity of employment in foreign country.
- Not accepting skilled labour and certifications of competency (e.g., diplomas and licenses) from outside the country of certification.

Balassa emphasises that “factor movements will reduce quantitative differences in the endowments of quantitatively identical factors and will increase the relative importance of natural resources, transportation facilities, and the pull of the markets in their effect on trade” (Balassa, 1962:84).

According to the theory of CM, the free movement of labour provides an integrated area with additional allocation gains, which are not offered in a CU or in a FTA (Robson, 1998). These additional benefits arise as a result of a more efficient allocation of the labour force, which comes about when workers migrate from a member country of low return to another member country with a higher return for their labour. Thus, the marginal productivity of labour inside the integrated area will be improved (Straubhaar, 1988)

Balassa (1962) states that the lack of sufficient knowledge on the possibilities of assimilation and the lack of necessary information on jobs and the requirements of working, in addition to different policies in terms of income redistribution adopted by members of the CM can contribute to a divergence between private incentives and social needs. He suggests a number of measures for redistribution in the form of social benefits such as free medical services, pensions, unemployment compensation, and so on that can be financed from general taxes. Workers could shift to a country in which the marginal product of labour is lower than in the home country, if in the country of immigration the state offers a variety of social benefits the sum of which is larger than the wage differential that is supposed to reflect differentiation in marginal productivity. For that reason, the movement of labour will reduce instead of increasing world efficiency.

The free movement of capital may face obstacles in a CM, although it would be reduced once the CM has been established. However, elements of uncertainty will exist as a result of the lack of integration in terms of economic policies and general changes in economic policy, risk of fluctuations in exchange rates due to instability of economy and the dissimilarity in fiscal, monetary and social policies between the member countries (Balassa, 1962).

The free movement of entrepreneurial resources faces obstacles because of the differences in social and cultural characteristics, disinclination towards risk-taking, lack of business education, and so on. These differences are considered as the main causes of the scarcity of entrepreneurship, as in the case of the differences in size of labour and availability of capital. However, “the migration of technically and professionally trained persons would relieve these scarcities and would also make it possible to get the best results from international capital movements” (Balassa, 1962:96).

Balassa (1962) also argues that the significance of entrepreneurial resources may become greater at higher levels of development in which operating production units of greater size will complicate the task of management more than previously. However, the shortage of entrepreneurial resources is more noticeable in underdeveloped countries; thus “the movement of these resources should proceed from more advanced to less developed economies” (Balassa, 1962:97).

2.3.5. Economic Union

An economic union entails even closer economic integration and cooperation than a CM. Like the CM, an economic union involves the free flow of products and factors of production between member countries and the adoption of a common external trade policy, but it also requires a common currency, harmonisation of member’s tax rates, and a common monetary and fiscal policy. In addition, members apply harmonised macro-economic policies. The freedom of individual nations to engage in independent macro-economic policy is diminished within an economic union. It should be noted that in theory and practice, the EU is the most advanced and complete form of economic integration (Naeem, 2003).

Such a high degree of integration demands coordination of the political systems and the sacrifice of significant amounts of national sovereignty to a supranational decision-making body. It also requires the establishment of a single monetary and banking system, a unified foreign and security policy, unified monetary and fiscal policy and the establishment of an institutional framework for designing and implementing the single economic policy on behalf of the membership. This leads towards the full economic and political unification. The situation is then virtually the same as that within a single country (Naeem, 2003).

The EU is an economic union, albeit an imperfect one since not all its members have adopted the single currency, the Euro and differences in tax rates across countries still exist. However, the EU successfully established the requisite institutions such as the European Parliament, the European Commission, the European Central Bank, the European Investment Bank, and so on which are responsible for designing and implementing coordinated macro-economic policies (Naeem, 2003).

2.4. THE GAINS FROM REGIONAL ECONOMIC COOPERATION

The expectation of net economic gains is the fundamental motivation for international economic integration. Expected gains from secure access to a larger market include an increase in the efficiency in the use of resources as a result of increased competition, specialisation, economies of scale, increases in investment on the domestic and foreign level, development in terms of trade, reduced risk and equalisation of factor prices (Jovanovic, 1998).

According to El-Agraa (1999:4-5), the possible sources of economic gain from regional integration at the levels of both FTAs and CUs can be listed as follows:

- Enhanced efficiency in production made possible by increased specialisation in accordance with the law of comparative advantage due to the liberalised market of the participating nations;
- Increased production levels due to better exploitation of economies scale made possible by increased size of the market;
- An improved international bargaining position made possible by the larger size, leading to better terms of trade (cheaper imports from the outside world and higher prices for exports to them);
- Enforced changes in economic efficiency brought about by intensified competition between firms; and
- Changes affecting both the amount and quality of the factors of production due to technological advances.

He also asserts that if the level of regional integration exceeds FTAs and CUs levels, then more sources of economic gain also become possible (El-Agraa, 1999:5):

- Factor mobility across the borders of the member nations will materialise only if there is a net economic incentive for them, thus leading to higher national incomes;
- The coordination of monetary and fiscal policies may result in cost reductions since the pooling of efforts may enable the achievement of economies of scale; and
- The unification of efforts to achieve better employment levels, lower inflation rates, balanced trade, higher rates of economic growth and better income distribution may make it cheaper to attain these targets.

In addition to the benefits that derive from specialisation according to comparative advantage, the member countries can benefit from (Robson, 1998):

- Integration through reducing trade barriers will lead to increased effective market size, create more competition, a decrease in oligopolistic mark-ups and reduced market segmentation.
- A larger market size leads to longer production runs which reduce costs.
- The increased market size that accompanies trade expansion can lead to produce the product profitably, which creates welfare gains from increased product diversity.
- Market integration may drive the firms to introduce greater specialisation, thus decreasing the number of products produced as well as reducing the costs.

It should be noted that some of these benefits may be secured by integration in short run, on the basis of available economic structures. On the other hand, others can only be achieved in the longer term, after industrial restructuring has occurred on the basis of new investment and divestment (Robson, 1998).

Further gains and benefits from international economic integration articulated by Jovanovic (1998: 353-4) include:

- Integration extends, improves and secures the markets for a country's goods and services against abrupt changes in the trade policy of partners in the future. Hence, integration can be seen as an insurance policy against sudden and unilateral economic actions by partners;

- Improvement in the efficiency of the use of resources due to increased competition, specialisation and returns of scale. This increases average standard of living;
- Integration results in more efficient manufacturing and services sectors;
- Creation of new technologies, goods and services;
- Integration reduces the cost of a national import-substitution policy;
- International action limits, to an extent, the possibility for unnecessary public intervention in the economy because it extends the scope of economic policy across several countries;
- Wider and secure markets increase investment opportunities for both domestic firms and transnational corporations (TNCs). Expectations may be established with an increase degree of security;
- Trade creation and trade diversion;
- International coordination of economic policies;
- Creation of the potential for monetary stability;
- Relatively larger markets have a potentially greater capacity for coping with various shocks than smaller markets, because larger markets may more easily offset the impacts of both favourable and unfavourable effects. Thus, vulnerability to external shocks can be reduced;
- Integration arrangements also exist because trade barriers can be adapted according to the preferences of the countries involved;
- Integration partners have a greater degree of mutual understanding and trust that is often lacking on the global scale. A relatively small number of partners may create close relations, make monitoring of the deal easier and friendly while positive cooperation within the group may potentially help exchange favours, reach agreement and (perhaps) settle disputes in a faster and more efficient than in the case in multilateral institutions;
- Improvement in bargaining positions with external partners;
- Terms of trade effects and gains to exporters provide benefits from preferential trading agreements that are not available from unilateral trade liberalisation policies;
- Stimulation of economic growth.

2.5. ECONOMIC INTEGRATION AND DEVELOPING COUNTRIES

Regional economic integration is significant in expanding trade and investments, especially in developing countries, and that regional economic integration has the potential to boost global economic growth, particularly if it is associated with openness to non-members. After World War II there has been a considerable increase in the efforts of developing countries to attain regional economic integration. In the developing world, new regional arrangements have been established or existing ones expanded. For instance, the Association of South East Asian Nations (ASEAN) which has an agreed trade liberalisation agenda, MERCOSUR in Latin America, the West African Economic and Monetary Union (WAEMU), the Southern African Development Community (SADC), Greater Arab Free Trade Area (GAFTA), Arab League and Gulf Cooperation Council (GCC) have all formulated a new strategy for market integration. These initiatives have coincided with new and deepened regional integration involving industrialised nations, as exemplified by the Treaty on European Union (EU), the enlargement of the EU and the creation of the North American Free Trade Area (NAFTA). In addition, the successful conclusion of the Uruguay Round led to the creation of the WTO, thereby strengthening the multilateral trading system (Kennes 1997).

According to Ghantus (1982), economic integration in the developing countries is considered to be a method for promoting economic growth and development. As he argues it is sufficient indicator in terms of theory and practice that economic integration among developing countries shows growth reinforcing effects and might be acting to reduce the cost of economic development in the integrating countries. Therefore, it is usually considered as a strategy or paradigm for economic development, in contrast with the developed countries which have treated it as a tariff issue.

According to some academics, the theory of economic integration has been developed in relation to industrialised countries, which renders it of limited relevance to developing countries. For that reason it becomes necessary to widen the basic theory of economic integration, which is “drawn in ‘static’ terms, by including in the analysis some ‘dynamic’ elements that are inherent in the theory of economic development” (Ghantus 1982). However, El-Agraa claims that there is in actual fact no theoretical difference between economic integration in developed countries and developing countries but there is

> A major difference in terms of the *type* of economic integration that suits the particular *circumstances* of developing countries and that is politically feasible: the need of an equitable distribution of the gains from industrialisation and the location of industries is an important issue. This suggests that any type of economic integration that is being contemplated must incorporate as an essential element a common fiscal authority and some coordination of economic policies (El-Agraa 1997:71).

However, on reflecting the nature of economic development, Hitiris (2002:5) argues that developing countries are usually similar, both potentially and in reality; therefore economic integration between them cannot aim at a static welfare gain.

Developing countries are establishing regional economic associations in an attempt to foster growth and to achieve fundamental changes in the structure of their production and trade. Integration allows them to fashion a regional trade structure, which can help orient their economies towards regional specialisation. Hitiris (2002:5) suggests several means that such countries should follow to achieve the foregoing aims:

- Pooling scarce resources essential for economic growth, such as capital, skilled labour, foreign exchange and entrepreneurship;

- Avoiding unnecessary and uneconomic duplication in capital investment, research expenditure and the application of modern technology; and

- Enlarging the market to gain from economies of scale and the potential for developing a competitive structure.

Balassa puts forward several factors that curtail progress in economic integration among developing countries (1976:27):

- Item-by-item negotiations on tariff reductions encounter considerable difficulties because of the power of special interests;

- Disparity in the level of industrial development hinders trade liberalisation agreements;

- As a result of the distortions in relative prices because of protection, it is difficult to determine the gains to be derived from the integration process and there is a tendency to consider changes in the trade balance as a sign of gains or losses;

- The government of each developing country is reluctant to be involved in the process of integration because they are anxious not to undermine their sovereignty.

2.6. CONCLUSION

This chapter outlines the models of the economic integration, which have their origins within international trade literature. Economic integration theory is a branch of international trade theory, which focuses on the economic gains (or losses) of international trade accruing to trading partners if tradable goods are produced and exported according to the principle of comparative advantage based on their factor endowments. Economic integration theory, itself, focuses on the economic gains and losses accruing to countries by removing barriers to trade and freeing factor mobility among them. In the case of economic integration, trade arrangements that involve preferential liberalisation of trade between a limited numbers of countries within the international community are examined, as economic integration implies free trade among the member countries, but protection of the entire union against the rest of the world.

The different models of economic integration have been assessed and characterised in order to provide an understanding of the concept of economic integration. Moreover, the models that have been presented in this chapter include PTA, FTA as has been designed in the Barcelona Process which is to be launched in 2010, CU and CM. Either of these two models could be adopted within the EU-Mediterranean partnership which in the end may lead to an increased EU.

Economic integration is desirable if the losses due to trade diversion are outweighed by the gains of trade creation. Although the analytical framework set out to capture the entire range of economic effects associated with economic integration;

nonetheless as can be seen from the review of literature it remains the dominant method used by economists to analyse the consequences of integration.

Nevertheless, the theory suggests that the progressive economic integration expedites the process of economic development in the long run through the generation of a series of dynamic effects. With the achievements of these effects the pace of economic growth and economic development is accelerated in the union. This, in turn, allows non-member countries to increase their exports to the union and therefore materialise potential benefits from the economic integration. The literature suggests that trade creation has on the whole been considerably greater than trade diversion; therefore on balance economic integration appears to contribute to the efficient allocation of the factors of production in the world. The economic integration process entails only limited static effects. Nevertheless, its greater advantages are found in its dynamic effects following formation allowing both member and non-member countries to gain benefits from the CU.

Finally, this chapter highlights the importance of economic integration in achieving development for developing countries, which includes economic bargaining power.

CHAPTER THREE

EUROPEAN ECONOMIC RELATIONS WITH THE SOUTHERN MEDITERRANEAN COUNTRIES

3.1. INTRODUCTION

The European Union (EU) and its forerunner the European Economic Community (EEC) have a long relationship with the Mediterranean area. The EU has a strategic interest in maintaining stable and peaceful relations with this area, in which significant challenges are at work, not only in terms of trade and financial flows, but also in a number of vital fields, from stability and security in face of complex tensions to the environment, migration and energy security. Therefore, from the early 1960s the EU and its forerunners have been promoting integration schemes and comprehensive regional cooperation. As a result in 1995 the Barcelona Process was launched with the aim of establishing Euro-Mediterranean cooperation across three inter-related fields (or chapters): political and security issues; economic and financial partnership; and social, cultural and human rights. In addition, in 2004 the EU has implemented the European Neighbourhood Policy (ENP), which extends to a number of southern and Eastern Mediterranean countries

This chapter discusses the development of the EU’s economic relationship with the southern Mediterranean countries. It is divided into six sections including the introduction: section two examines the European interest in southern Mediterranean countries; section three reviews the development in historical relations between European and Mediterranean countries; section four sheds light on the EU-Mediterranean Partnership (EMP); the fifth section analyses the economic development of the EMP under the Barcelona Process; the sixth section investigates the benefits and costs of economic cooperation under the EMP; the last section summarises the main finding.

3.2. EUROPEAN INTEREST IN THE SOUTHERN MEDITERRANEAN

The primary focus of the EU's foreign policy is on its neighbouring regions, including Eastern Europe and the Mediterranean countries. As the EU is the largest global economic bloc it seeks, in the context of the new world order and globalisation, to play a parallel political role to its economic strength through its involvement in partnerships with Eastern Europe and the Mediterranean countries (Khasheem, 2002a).

The EU aims to establishing an equal partnership with the Eastern Europe countries following the collapse of communism, including expansion of the EU by allowing the former communist countries to join. Thus, the EU endeavours through its partnership with Eastern Europe to secure its eastern borders, the EMP, in turn, aims to secure the southern borders of Europe (Joffe, 1998).

European countries consider the southern and eastern Mediterranean as one of the most important regions in the world, based on its huge and cheap energy resources. Also, It is notable that the structures of the Mediterranean economies differ. Furthermore, there is widespread conflict in the non-European part (Jawad, 1992).

Moreover, the EU is an active force in the new world order, and therefore, its relationship with the Mediterranean countries goes beyond purely economic and financial relations. Thus, the objectives of the EMP exceed economic and financial relations to establish a full partnership in the political, security and socio-cultural fields. Ghassan argues that EU interests in the region are a security issue "for which the catchword has changed over the years from oil deliveries to terrorism and now to Islamism" (1994: 247).

It should be noted the reasons behind the European interest towards the region are related to a number of inter-related factors. If the primary concern of the EU was security, then it has to be noted that economic instability in the region can affect the security of Europe. For example, stability in the southern Mediterranean faces a number of obstacles; these are a combination of political, strategic and economic impediments (Khalil, 2000). Khasheem (2002a) supports the view that European interests focus on the economic dimension, represented in securing supplies of oil and natural gas, as well as encouraging the Arab financial surpluses to invest in Europe.

Also, he argues the need of the Mediterranean countries for the financial and technical assistance has helped support the EMP. (Khasheem, 2002a).

There are a number of motives for the EU to be associated with the Mediterranean countries, as the countries of the Southern and Eastern Mediterranean and the Middle East are an area of vital strategic importance to the EU. Bernidaki (2006:1) lists these factors as:

- Geographic proximity, colonial and post-colonial ties, strategic geographic location;
- 60-70% of Europe's energy is imported from southern Mediterranean countries and the Middle East;
- Cheap labour from those countries supports the EU's economic growth and contributes to national social welfare systems;
- Petrodollars irrigate (although less so than in the 1970s) Europe's financial systems.
- Environmental hazards pose economic and health challenges to its governments and citizens; and
- Islamic fundamentalism stokes fears of terrorism and instability in the region.

In addition, Derisbourg highlights three essential reasons behind establishing the EMP (1997):

- After the collapse of the USSR, the EU was concerned with granting accession to central European countries and the Baltic states. The European Commission and member states required to rectify the balance in favour of its southern Mediterranean neighbours who cannot accede to the EU.

- The process of regionalisation through the wider process of globalisation of the world economy is an obvious trend. For example: NAFTA in North America, which might extend to South America; MERCOSUR embracing four Latin American countries; ASEAN and possibly APEC in Asia. Furthermore, new rules of the WTO have motivated the EU to review its network of bilateral agreements with its Mediterranean neighbours.

- The need to enhance the socio-economic situation of southern neighbours, which are associated with two aims: peace and stability, on the one hand, and a desire to stop the flow of immigration from the south to Europe on the other.

Therefore, a number of factors including historical links, proximity, security, illegal immigration and opening new markets for EU products have all provided impetus for the EU's interest towards the Mediterranean neighbours.

3.3. DEVELOPMENTS IN THE HISTORICAL RELATIONS BETWEEN THE EU AND THE SOUTHERN MEDITERRANEAN COUNTRIES

Although the EMP is a contemporary process, its roots date back to medieval times. However, in the contemporary times, it can be traced back to 1995, when 27 European and Mediterranean countries signed the Barcelona Declaration. Importantly, the Barcelona Process did not emerge as a result of a vacuum, as Arab-European relations are ancient based around the interface between the peoples and civilisations of the Mediterranean basin.

Since ancient times, the Mediterranean Sea basin has seen the prosperity of many civilisations, including: the Pharaonic civilisation; the Greeks;, the Phoenicians; the Romans; Byzantium; and the Islamic civilisation. As a result, the Mediterranean basin has experienced considerable conflict and interaction (Khasheem, 2002a).

European relations with southern Mediterranean changed to one of occupation after the emergence of the concept of a modern state following the signing of the Treaty of Westphalia in 1648. The occupation of Algeria, Libya, and Palestine was for purpose of a settlement, while the colonisation of the rest of the Arab world was for domination and exploitation (Mukalid, 1985).

After the independences of most of the southern Mediterranean countries in the 1950s and 1960s, the Arab-European relations became marked a new stage based on respecting the principles of international law which emphasised on sovereign equality, independence and non-interference in internal affairs (Khasheem, 2002a). At this time, in 1952 six countries (France, West Germany, Belgium, Italy, Luxembourg and Netherlands) signed a treaty establishing the European Coal and Steel Community

(ECSC), which became the first step towards European integration. The charter of the ECSC did not reflect any European policy towards the Mediterranean region. However, the Treaty of Rome in 1957, which established the EEC, emphasised the need to create a policy aimed at Mediterranean region. This was affirmed in Article 237 which stated that the integration process was open to other Euro-Mediterranean countries. As a result membership was eventually extended to Greece, Spain, and Portugal, as the goal of expanding the EEC to the south and east was implemented (Niblock, 1994).

The EEC's relations with the non-European Mediterranean countries was also organised by the Treaty of Rome in Articles 131 to 136, which provides for the right of partnership but not full membership. France and Italy played an important role in pushing the EEC to adopt a European Mediterranean policy during the Rome Treaty negotiations, as both countries have vital interests in the Mediterranean Sea basin. France has strong historical links with most of the Maghreb countries, particularly its colonial ties with Algeria, Tunisia, Morocco and Mauritania, while Italy also had colonial links with Libya (Pirzio-Biroli, 1980).

In addition, the application of Articles 131-136 saw positive results during the 1960s in terms of trade agreements between the Mediterranean countries and the EEC. These agreements granted the Mediterranean countries preferential access, but in return, imposed restrictions on its exports of agricultural products to the EEC (Commission of the European Communities, 1983).

At the beginning of 1970s the Euro–Arab relations had entered a crucial phase, as a result of the economic and political impacts following the use of the oil weapon by the oil-rich Arab states against US and a number of the European countries that supported the Israeli war against Arab countries in 1973. From that time Europe started to rethink its relations with the Arab world (Khasheem, 2002a). As a result, Euro-Mediterranean relations became defined by cooperation, as the EEC adopted its Global Mediterranean policy. The process of Euro-Mediterranean cooperation was based on Articles 113 and 238 of the Treaty of Rome. Cooperation agreements were concluded with three Maghreb countries (Algeria, Tunisia and Morocco) in 1976 and four Mashreq countries (Egypt, Lebanon, Syria and Jordon) in 1977 (Jawad, 1992).

The objective of the cooperation agreements was to restructure the division of labour between the European Community (EC) and the southern Mediterranean countries. To realise this objective, the cooperation agreements included provisions to encourage trade and economic cooperation between EC and the Maghreb and Mashreq countries, taking into consideration the disparity in the levels of development. These agreements aimed to encourage (Hatem, 1981):

- The participation of the EC in the efforts made by the southern Mediterranean countries for the development of productive capacity and infrastructure, in order to allow their economies to diversify. This participation was focused on industrialisation and the modernisation of agriculture;
- Promoting scientific cooperation in areas such as technology, protection of the environment, and fisheries and encouraging private sector investments; and
- The contribution of the EC in processes for exploration, production and processing of energy resources in southern Mediterranean countries.

The Association Agreements were characterised by: being of unlimited duration; providing duty free access for most industrial exports and preferences for agricultural products; and not requiring reciprocal treatment of EC exports. Moreover, financial assistance was provided by the EC to the agreement countries through Financial Protocols, which accompanied the Association Agreements (European Commission, 1995). Additional protocols to reduce the negative effects of the accession of Spain and Portugal on agricultural exports of the southern Mediterranean countries were signed bilaterally with each country.

Association Agreements between the EC and the southern Mediterranean countries often represented historical ties, for instance those resulting from French links with Morocco and Algeria. There were also motivated by a desire to bind the southern Mediterranean countries into a region under the influence of the EC, including controlling their trade and illegal immigration flows into the EC. The agreements also helped to diffuse criticism over market access especially in relation to agricultural imports to the EC, which were previously curtailed (Winters, 1993). However, the agreements remained heterogeneous and did not fulfil the main objectives of the EC: they failed to control illegal migration; they improve the economic performance of the southern Mediterranean countries; and the expected development of exports from southern Mediterranean countries into the EC did not materialise (Ghoneim, 2003).

Furthermore, aid offered under the Financial Protocols remained ineffective and insufficient to respond to the various challenges. Moreover, pressure from a number of EU countries to increase aid allocated to Central and Eastern European countries created a counter-pressure from Spain, Italy and France to increase aid allocated to southern Mediterranean countries. As a result a new policy, the '*New Mediterranean Policy*', was adopted by the EU in the 1990s as part of the broadening aspect of the EU trade integration in general. Adoption of the New Mediterranean Policy heralded a new era in which aid levels were stepped up through the formal MEDA process and concessions for agricultural exports from the southern Mediterranean countries were increased (European Commission, 1995).

3.4. THE EU-MEDITERRANEAN PARTNERSHIP: BARCELONA PROCESS

The Conference of EU and Mediterranean Foreign Ministers in Barcelona between 27 and 28 November 1995 marked a new beginning for relations between the two areas; usually referred as the Euro-Mediterranean Partnership (EMP) or Barcelona Process. The programme responded to a perceived need, principally among the countries in southern Mediterranean, to address more directly the increasing social and economic problems on the non-European side of the Mediterranean coast. It also reflected a desire among southern EU members to redress a perceived imbalance in the allocation of resources between the east and the south. The Barcelona Conference was a culmination of many years of efforts by the EU to set stronger foundations for partnerships with Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, and the Palestinian National Authority. Libya had observer status at the Conferences of Ministers of Foreign Affairs as well as at Senior Officials Meetings. Mauritania, a candidate for membership in the partnership, has traditionally been invited to the conferences as a 'special guest of the Presidency'. The essential change in EU-Mediterranean policy was primarily driven by France, Italy, and Spain; in 1994 the European Council requested the European Commission to draft a proposal for a new policy with the Mediterranean countries. This was the core of Barcelona Declaration (Khasheem, 2002b).

The EMP was different to the previous bilateral relations policy adopted by EU in relation to the southern Mediterranean countries. The differences included (Derisbourg, 1997):

- To create a new atmosphere in the relationship by working together in different groups that meet frequently (for example, the Euro-Mediterranean Committee for Barcelona Process and the senior officials meetings on political and security questions), to guarantee full cooperation between the 27 countries of the Barcelona Process;
- A large number of issues were incorporated in the EMP, of a political, economic and financial, social, human and cultural nature;
- Two complementary tracks were employed: regional and bilateral. The initial stage was the promotion of bilateral agreements as a precondition for establishing real regional integration through a network of bilateral South-South agreements.

The Barcelona Declaration revolves around three main chapters, which are elaborated in the following sections:

3.4.1. Chapter One: Political and Security Partnership

This objective seeks to establish a common area of peace and stability. Cooperation in political and security affairs is coordinated through a committee of senior government officials from the signatories. In principle, security cooperation is designed to foster good neighbourly relations by establishing early warning systems, organising Euro-Mediterranean meetings of senior military officers, sharing military expenditure data, promoting exchanges of visits at military academies, and training arms control experts from partner countries (Derisbourg, 1997).

Moreover, this partnership aims: to promote regional security; to work to prevent the proliferation of nuclear, chemical and biological weapons; and to pursue a Middle East free of weapons of mass destruction. According to Bernidaki (2006) this chapter, aims to realise:

- Legislation in conformity with the Charter of the UN and the Universal Declaration of Human Rights;

- Rule of law, democracy and the right of each member to decide and develop its own political system;

- Respect for human rights, pluralism, contrasting manifestations of racism and xenophobia, mutual respect for sovereign equality, respect of territorial integrity and unity by other partners, to cooperate in combating terrorism, drugs and organised crime;

- Measures to prevent the proliferation of nuclear, chemical and biological weapons together security-building measures.

Although this Chapter is considered to be the most difficult to put into practice, the partners have been working pragmatically to strengthen the relationship between two sides. The principles of the Barcelona Declaration and the political atmosphere in North Africa and Middle East are deeply interlinked. Also the Declaration initially aimed to create a dialogue between Arab countries and Israel, as well as between Turks and Cypriots, and to promote confidence-building measures (Ghoneim, 2003).

3.4.2. Chapter Two: Economic and Financial Partnership

Among the main aims of the EMP is to improve economic and financial cooperation and create of area of shared prosperity through sustainable and balanced socio-economic development, which in turn improves standards of living and boosting employment opportunities. According to Bernidaki (2006) the Chapter on Economic and Financial Partnership is primarily based on:

- The gradual establishment of a Free Trade Area in the Euro-Mediterranean region by 2010;

- Promoting cooperation between enterprises, the environment, the role of women, water, development of agriculture, industries, transports and training of research scientists;

- Hastening the pace of sustainable socio-economic development, through the enhancement of standards of living, creating new employment opportunities, narrowing the development gap and encouraging more regional cooperation and integration;

- Increasing the EU’s financial supports to its partners.

3.4.3. Chapter Three: Social, Culture and Human Rights Partnership

As developments demonstrated, the socio-cultural chapter affair was given less importance than the other Chapters. According to the Barcelona Declaration, the partners agreed to establish a partnership in social, cultural and human affairs, with a view to bringing peoples closer and promoting understanding between them. The partnership was based on the existence, recognition and mutual respect of diverse traditions, cultures and civilisations throughout the Mediterranean area (Khasheem, 2002a).

According to Bernidaki (2006) the programme of this Chapter emphasises:

- Respect for religions, cultures and education and the promotion of dialogue about these issues;
- Exchanges between leaders of political and civil society, universities, research cooperation, media and trade unions;
- The importance of the role that the media can play in the mutual recognition and understanding of different cultures;
- Cooperation in the field of illegal immigration (reduced through training and job creation schemes) and cooperation against terrorism, drugs, racism and xenophobia.

It should be noted that the EU insists on the unity rather than on the independence of the three Chapters. Furthermore, the strategy is based on attempts to link commercial and financial provisions with the application of political reforms. The EU policy is seeking to encourage and sustain genuine civil societies within the southern Mediterranean partners.

3.5. DEVELOPMENTS IN EURO-MEDITERRANEAN ECONOMIC RELATIONS UNDER THE BARCELONA PROCESS

The Barcelona process highlights the importance of sustainable and balanced economic and social development in order to achieve the aims of creating an area of shared prosperity in the Mediterranean region. To this end, the participants adopted three principal long-term objectives under the economic and financial partnership: accelerating the pace of sustainable socio-economic development; improving the living conditions of all Euro-Mediterranean populations, including an increase in employment levels and a reduction in the development gap in the Euro-Mediterranean region; and encouraging regional cooperation and integration (Calleya, 2005).

These objectives were to be achieved through the progressive establishment of a free trade area, the implementation of appropriate economic cooperation and action, and a substantial increase in the EU's financial assistance to its Mediterranean partners (Calleya, 2005). These policy dimensions are discussed in the following sections.

3.5.1. Free Trade Area

The gradual establishment of a Euro-Mediterranean free trade area (FTA) is undoubtedly the most ambitious economic aim; the participants have set 2010 as the target date for its establishment. Tariff and non-tariff obstacles to trade in services, agriculture and manufactured products were to be gradually removed and liberalised in accordance with a set timetable after negotiations between the partners. It was planned to operate under the conditions of free trade and in observance with the rules and regulations of the WTO (European Commission, 1995).

There were four priority areas defined for the establishment of the FTA (European Commission, 2005):

- The promotion of mechanisms to boost technology transfer;
- The modernisation and adjustment of economic and social structures. The private sector and its promotion and development is at the top of the agenda, as well as the establishment of an institutional and regulatory framework for a market economy;

- The adoption of a number of measures for the protection of competition, such as certification, rules of origin and protection of intellectual and industrial property rights; and
- The development of new policies based on the principles of a market economy.

The establishment of a FTA in accordance with the principles contained in the Barcelona Declaration is an essential element of the EMP. Cooperation was to focus on practical measures to facilitate the establishment of free trade as well as its consequences, including (European Commission, 1995):

- Harmonising rules and procedures in the customs field, with a view in particular to the progressive introduction of cumulating of origin; in the meantime, favourable consideration was to be given, where appropriate, to finding ad hoc solutions in particular cases;
- Harmonisation of standards, including meetings arranged by the European Standards Organisations;
- Elimination of unwarranted technical barriers to trade in agricultural products and the adoption of relevant measures related to plant-health and veterinary rules as well as other legislation on foodstuffs;
- Cooperation among statistics organisations with a view to providing reliable data on a harmonised basis; and
- Possibilities for regional and sub-regional cooperation (without prejudice to initiatives taken in other existing fora).

3.5.2. Economic Cooperation and Concerted Action

The participants in Barcelona Conference agreed to promote economic cooperation in different fields between the two areas, such as (European Commission, 2005):

- Investment and internal savings: Non-EU Mediterranean countries were required to progressively eliminate obstacles to FDI and encourage internal savings in order to support economic development. The creation of an environment conducive to investment could, according to the Declaration, lead to the transfer of technology and increase production and exports. The work programmer highlighted the importance of giving greater attention to the definition of the obstacles to investment and to the means for promoting such investment, including in the banking sector;

- Regional cooperation as a key factor in promoting the creation of a FTA;
- Industrial cooperation and support for small and medium-sized enterprises (SMEs);
- Stepping up environmental cooperation;
- Promoting the role of women in development;
- Creating joint instruments for the conservation and rational management of fish stocks;
- Developing dialogue and cooperation in the energy sector;
- Developing cooperation in the area of water resource management; and
- Modernising and restructuring agriculture.

In addition, the partners undertook to draw up a programme of priorities in other areas, including the development of transport infrastructure, the development of information technologies and the modernisation of telecommunications. They also agreed to respect the principles of international maritime law, to encourage cooperation between local authorities in support of regional planning, and to promote cooperation on statistics. They also recognised that science and technology have a significant influence on socio-economic development (European Commission, 1995).

3.5.3. Financial Cooperation

The participants in the Barcelona Conference acknowledged that it was important to create such a FTA and guarantee the success of the EMP. In order to do so, they recognised the need for greater financial cooperation and a substantial increase in financial assistance provided by the EU. For that reason the Cannes European Council agreed to set aside EUR4.685m as financial assistance in the form of community budget funds for the period 1995-1999. This was to be supplemented by European Investment Bank (EIB) assistance in the form of loans of a similar amount as well as bilateral financial contributions from the member states (European Commission, 2005).

Furthermore, the partners agreed that a significant increase in financial assistance was not sufficient to guarantee the success of the EMP if they are not associated by an equivalent increase in the rate of modernisation and economic structural adjustment in the Mediterranean partner countries. They argued that negotiations between the Mediterranean Partners themselves should be stepped up and financial support from the EU whether from budget funds or via the European Investment Bank, should be fully exploited by the Mediterranean Partners in order to quicken the pace of reform (Commission of the European Communities, 1997).

3.5.4. The MEDA Programme

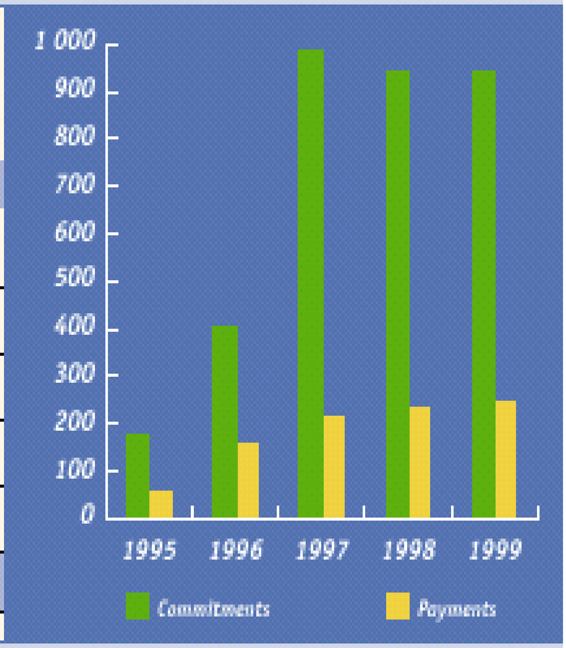
The MEDA programme is the main financial instrument of the EU to implement the EMP. The programme of MEDA I, which ran until 1999, provided project financing worth over €3,435m. About 45% of the funds were allocated to projects in support of economic transition, private sector development and support for structural adjustment. The funds of the MEDA Programme were divided between bilateral and regional cooperation. 86% were allocated to the partners eligible for bilateral financing (Algeria, Egypt, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey); while 12% were devoted to regional activities (the 12 Mediterranean partners and 15 EU Member States were eligible for these funds) and the remaining 2% were set aside for technical assistance offices (European Commission, 2007).

The amount of funding under MEDA I, and its country allocation is illustrated in the figures 3.1 and 3.2.

Figure 3.1: MEDA Commitments and Payments, 1995-99

MEDA commitments and payments 1995–99 per year (million EUR)

	Commitments	Payments
1995	173	50
1996	403	155
1997	981	211
1998	941	231
1999	937	243
Total	3 435	890



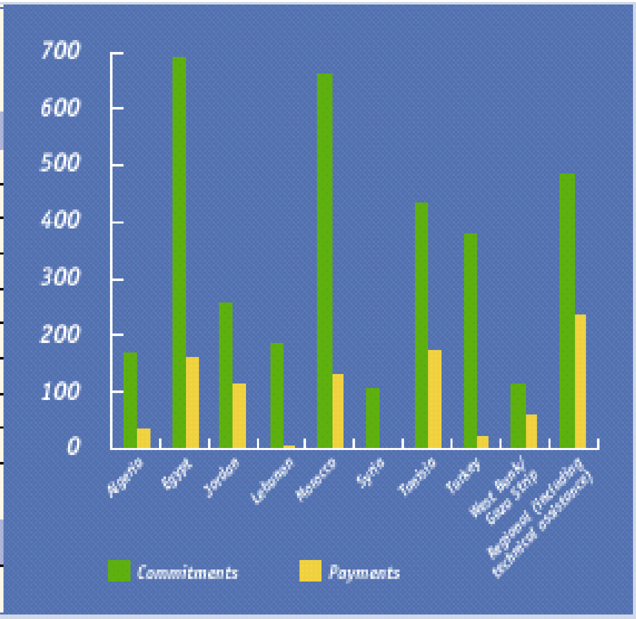
Source: The Barcelona process, five years on, European Commission (2000:22)

Figure 3.2: MEDA Commitments and Payments per Partner, 1995-99

MEDA commitments and payments 1995–99 bilateral (¹) (per partner) and regional (million EUR)

	Commitments	Payments
Algeria	164	30
Egypt	686	157
Jordan	254	108
Lebanon	182	1
Morocco	656	127
Syria	99	0
Tunisia	428	168
Turkey	375	15
West Bank/Gaza Strip	111	54
Regional (including technical assistance)	480	230
Total	3 435	890

(¹) Cyprus, Israel and Malta may benefit from regional funds.



Source: The Barcelona Process, Five Years On, European Commission (2000:23)

The amount allocated under MEDA for the period 2000-2006 (€5,350m) was considered by many commentators to be inadequate and did not represent a significant increase on the previous allocation (€3,435m for 1995-1999). Following the interruption of monthly tax receipt transfers to the Palestinian Authority by Israel, the Commission provided direct budgetary assistance of €10m per month to the Palestinians. The aim of this assistance is to allow the Palestinian Authority to continue providing essential services such as health and education. This monthly transfer is subject to macro-economic conditions and more general conditions agreed with the Palestinian Authority that includes more transparency in the management of public finances, reform of pension schemes and reform of the legal system. The IMF monitors the expenditure of this money and informs the Commission through monthly comfort letters. In the light of this unexpected commitment the allocations for each country under MEDA for the period 2002-2006 were adjusted.

The support the EU provides to MEDA countries makes it possible to fulfil three objectives (European Commission, 2005):

- Strengthening political stability and democracy in a common area of peace and security,
- Creating an area of shared economic prosperity and supporting the creation of a FTA between the EU and its Mediterranean partners by 2010,
- Establishing closer links between the peoples of these countries through cultural, social and human partnerships.

3.5.5. The Euro-Mediterranean Association Agreements

As part of the EMP process, new generations of bilateral agreements were created between the EU and its member states, and the Mediterranean partners. These built upon the old generation of agreements (the agreements of the 1970s). Tunisia and Israel were the first to sign the new generation of agreements, while Morocco had initiated one. Agreements with Egypt, Jordan, Lebanon, and the Palestinian Authority were being negotiated. Cyprus and Malta were already linked to the EU through association agreements signed in 1971 and 1973, respectively. In the meantime, Turkey was arranging to enter a customs union with the EU (Commission of the

European Communities, 1997). Between 1998 and 2005 Euro-Mediterranean Agreements were negotiated and implemented; these offer a suitable structure for North-South political dialogue. They also form the basis for the gradual liberalisation of trade in the Mediterranean area, and institute the conditions for economic, social and cultural cooperation between the EU and each partner country.

As table 3.1 shows the trade integration process has made progress in recent years. The process is dynamic and not all partner countries are at the same level in implementing their FTAs which is planned to be completed by 2010. While agreements with Morocco, Israel and Tunisia are at a relatively advanced step of implementation, even following recent reviews of the tariff provisions, ratification and entry into force has been relatively recent for Jordan (2002) and Egypt (2004). Agreements with Algeria and Lebanon have been signed but not yet ratified. By the end of 2004, Syria had finalised technical negotiations but signature was pending on the resolution of political problems (European Commission, 2006).

Table 3.1: Association Agreements with the Mediterranean Countries

Partner	**Status**	**Date Signed**	**Entry into Force**
Algeria	Signed	April 2002	Ratification in progress
Egypt	Signed	June 2001	June 2004
Israel	Signed	November 1995	June 2000
Jordan	Signed	November 1997	May 2002
Lebanon	Signed	June 2002	Interim Agreement
Morocco	Signed	February 1996	March 2000
Palestinian Authority	Signed	February 1997	Interim Agreement July 1997
Syria	Initialled (October 2004)		
Tunisia	Signed	July 1995	March 1998
Turkey	Customs Union	January 1996	

Source: Euro-Med Association Agreements: Agricultural Trade - Regional Impacts in the EU (Proceedings of the Workshop) (2007)

Although the Association Agreements are bilateral and provide for specific arrangements with each partner country, the agreements share a similar structure as they were proposed to promote the following issues (Commission of the European Communities, 1997):

- Regular dialogue on political and security matters, providing a suitable framework for developing close relations between the parties;
- The gradual liberalisation of trade in goods, services and capital. Developing trade will encourage the growth of balanced economic and social relations between the parties; and
- Social, cultural and human dialogue, which includes science, culture and finance; these areas, will be subject to particular cooperation.

3.6. THE COSTS AND BENEFITS OF EURO-MEDITERRANEAN ECONOMIC COOPERATION

Countries entering the Barcelona Process were expected to benefit from a stable macro-economic framework and market-oriented reforms. For instance, with more trade and FDI, the countries were supposed to achieve higher rates of growth, create more jobs, and improve the knowledge, skills and productivity of their labour force (Müller-Jentsch, 2005).

The reforms were also expected to boost private or semi-private production and the provision of services in order to give the economy a better end-product and service and promote social benefits. For example, when electricity production is partially or largely sub-contracted by the state to private capital, public capital saved can be invested in education or health and welfare (Müller-Jentsch, 2005).

The benefits offered by the liberalisation of trade in services are extensively recognised; greater competition can lead to efficiency gains in both the services sector itself and the other sectors of the economy which use services as an input. Moreover, when liberalisation involves areas with diverse levels of economic development, technology transfer from the most advanced countries to the least advanced ones, by different means such as FDI, can be a significant source of growth for the latter countries (Mattoo et al., 2001).

The establishment of a FTA was expected to produce several important effects (Salama, 2001):

- It should encourage FDI flows, which would lead to the creation of jobs and growth;
- It should lead to a more efficient allocation of resources and enhanced competition making local firms more efficient;
- The possibility of importing cheaper intermediate products should entail lower production costs for local producers and therefore lower final prices; and
- The loss of tariff revenues for the public sector should be compensated by the increase in indirect tax revenue once production and trade grow.

However, the establishment of a FTA in the manufacturing sector under the Euro-Mediterranean Association Agreements is an asymmetric liberalisation process that entails the unilateral removal of trade barriers for EU exports entering the Mediterranean partner countries. The consequences of this opening-up of their domestic markets could present serious difficulties for many of the Mediterranean Partner countries. Without access to the appropriate technology, human capital and finance they will remain uncompetitive with EU industrial products. In the short term this may lead to the elimination of many SMEs, with a consequent reduction in employment (Salama, 2001).

Doubts have also been expressed as to whether the establishment of a FTA will increase FDI. Since access to the EU market for industrial exports is not improved, it is difficult to see how this will encourage additional FDI; although it is true that the Mediterranean partners are able to gain economic credibility and that the partnership should encourage institutional and political stability. However some FDI will have been attracted to the Mediterranean Partner countries because of the protective import duties and once these barriers are removed such FDI may decline, diverted to countries that offer similar advantages to foreign investors (Salama, 2001).

The efficiency gains from the FTA will also only be realised in the long-run, while the short-run adjustment costs are likely to be considerable. where part of the industrial labour force will have to be transferred into more viable activities at considerable social cost. The economic impact of adopting a FTA will be greater the higher the existing rate of unemployment and the current rate of protection. In relation to the argument that the FTA would enhance competitiveness through the provision of cheaper imported intermediate inputs, it has to be observed that many Mediterranean partner countries had already established special export processing zones which were not subject to import duty. Nonetheless some scope for competitiveness gains may exist (Salama, 2001).

On the subject of the loss of tariff revenues for the Mediterranean partner countries, the fiscal systems have to be reformed to increase revenues from other sources, such as direct taxation. However, if the government fails to compensate for the loss of revenues it would be obliged to reduce public spending, something which could have particularly adverse consequences during a period of transition and job losses (Khasheem, 2002b).

It should also be noted that the establishment of the FTA may have other adverse effects. It may cause trade diversion towards the EU; that is, the substitution of EU imports for cheaper products currently being supplied by third countries (Salama, 2001).

3.7. CONCLUSION

The southern Mediterranean countries are of prime strategic and economic importance to the EU, as these countries are the most important suppliers of energy resources to the EU and are an important destination for its exports. For that reason, enhancing the process of economic development in these countries would be in the interest of the EU.

European economic and political interests in the southern part of the Mediterranean basin are historically well-established. This chapter shows the strong trade relations between the two sides and these relations were boosted following the establishment of the EEC. The need to secure supplies of oil and gas from the southern Mediterranean countries and to guarantee the continuing flow of Arab financial surpluses to Europe were the main motivations for the EU to rethink its policy towards these countries.

The EMP initiative initiated at the Barcelona Conference in November 1995 marked beginning of a new era in relations between the EU and its southern neighbours. As a substitute for preferential single trade agreements with its southern neighbours, the EU adopted a multilateral approach by introducing a FTA, backed by financial assistance earmarked for partner countries in order to develop their economies.

EU financial assistance and the MEDA programme aimed at promoting economic development in these countries has focused on the gradual liberalisation of trade in goods, services and capital. Developing trade is considered to encourage balanced economic growth and improve social relations between the parties.

CHAPTER FOUR

DEVELOPMENTS AND TRENDS IN THE LIBYAN ECONOMY AND FOREIGN TRADE

4.1. INTRODUCTION

This chapter provides a picture of the growth of economy in Libya over the last two decades, and looks at the developments and trends in its foreign trade and economic relations. It is divided into seven sections: first section sets the historical context and economic developments from independence to 1985. The second section focuses on the economic growth and developments in the period 1985 to 2005. It highlights developments in GDP and its sectoral distribution of agriculture, manufacturing and services. The third section examines trends in the balance of payments over the same period. The fourth section examines developments and trends of foreign trade, as well the impact of UN sanctions on the economy and fluctuations in oil prices on the balance of trade. It also highlights the composition by type and market of exports and imports. The fifth section evaluates the development of relations with the EU, including the Barcelona process, and with the main commercial partners. The sixth section discusses the economic and trade policies adopted by libyan government to enhance its external and internal trade and encourage foreign investment with the aim of improving the terms of trade and therefore the economy. The last section is the conclusion, which will summarise the main findings.

4.2. HISTORICAL BACKGROUND

Libya lies in the north of Africa and has a total area of about 1,759,540 million square kilometres, with 1,900 kilometres of coastline along the Mediterranean Sea to the north. It borders Egypt and Sudan in the east, Chad and Niger in the south, and

Tunisia and Algeria to the west. It lies within easy reach of Europe and links the Arab countries of North Africa with those of the Middle East.

The present Libyan population is estimated at about 5 million, up from 4.483 million in 1990. The compound annual growth rates of population is about 4.5%, being one of the highest population growth rates in the world. Thus, Libya is characterised by its vast geographical area and its relatively small population resulting in low population densities: in some desert regions it is as low as 0.10 person per sq. km, However, the coastal cities have higher population densities, peaking at about 360 person per sq. km in Tripoli (Alqadhafi, 2002: 19).

On 21 November 1949, the UN passed a resolution stating that Libya should become independent before 1 January 1952. When Libya declared its independence on 24 December 1951, it was the first country to attain independence via the UN and one of the first former European colonies in Africa to gain independence. Libya was proclaimed as constitutional and a hereditary monarchy under King Idris (Habib, 1975).

At independence Libya was one of the poorest and most backward countries in the world. Its population was less than 1.5 million and illiteracy was over 90%. There were no universities, and low number of high schools which had been established seven years before independence. This was the result of centuries of Turkish domination and western occupation (Habib, 1975).

When Libya achieved independence, it had one of the lowest per-capital incomes in the Middle East and the world. The economy was based largely on agriculture, which employed more than 70% of the labour force and contributed about 30% of GDP, despite of the sector's lack of modern machinery. Moreover, agriculture was dependent on climatic conditions (Habib, 1975).

By 1961 oil had been discovered in substantial quantities. The revenues from oil exports played an immense role in the country's socio-economic development. In 1963 based on these revenues, the government announced its first five-year economic and social development plan (1963-1968), in which it allocated LD169 million (about US$500 million) for developing the various economic sectors. The plan sought to remedy the deficiencies which had curtailed the development of the Libyan economy. It adopted seven major objectives (Ministry of Planning, 1964):

- To ensure the early improvement in the standards of living, particularly for those on limited incomes;
- To give special consideration to agricultural and industry sectors, being sources of supply of most of the essential consumer goods, in addition to being the main source of income and employment for the majority of the population; to improve the productive efficiency of farmers and labourers; and to encourage the private sector to investments in this sectors;
- To permit the public sector to continue its investments in such services as education, health, communications and housing, and in other sectors as required to consolidate the basic elements for rapid economic growth;
- To develop rural areas by establishing production and public service projects;
- To adopt a policy to avoid importing goods that could be produced in the country;
- To take such monetary, financial and commercial measures as may be necessary to ensure increased revenues and to control expenditures;
- To take such steps to meet the lack of information and statistical data that are necessary for planning through studies and research.

The second important event after independence was the revolution of September 1969 which eventually resulted in a change of economic direction, although initially the economic policies remained the same for the first few years after the revolution, while the private sector continued to grow. However, the massive increase in oil revenues resulted in the government continuing with a planned economy but with a different scheme. The first plan adopted after revolution was the 1970-1972 three-year economic and social plan. This was followed by three-year 1973-1975 plan. The main objectives of these plans were (Ministry of Planning, 1980):

- Achieve the maximum rate of growth for the national economic as a whole;
- Diversify the economy by accelerating the rate of growth of crude oil production;

- Increase per-capital income as well as raise gross national income;
- Raise total employment in the economy;
- Increase the output of agricultural sector.

In the 1976-1980 five-year economic and social plans radical changes were adopted in various aspects of Libyan economy, where the government nationalised the internal and external commercial activities.. The main targets of five-year plan were (Ministry of Planning, 1980):

- To raise total production;
- To increase final private consumption;
- To increase per-capital income.

In the 1981-1985 five-year plan the government directed its efforts towards growth in the non-oil sectors. The other objectives were (Ministry of Planning, 1985):

- Continuation of investment in the economic infrastructure;
- Placement of emphasis on industrialisation following an extension of advanced production techniques in other fields of economic activity;
- Decreasing external dependency by increasing the rate of agricultural growth and achieving sufficient supply of foodstuffs for the population;
- Creating a more equitable income distribution by providing employment opportunities, extending social and welfare services and extending local development programmes, especially in rural areas;
- Diversifying exports of goods, expanding existing markets and penetrating new markets;
- Improving the administrative services by introducing basic changes in the administrative system and extending advanced managerial techniques to all ministries, and to public and private organisations.

The government directed its plans during the period 1973-1985 towards investments in both industry and agriculture, in order to fulfil self-sufficiency in food.

4.3. ECONOMIC GROWTH AND DEVELOPMENTS: 1985-2005

The Libyan economy depends primarily upon revenues from the oil and gas sector: this constitutes about one-quarter of GDP. These revenues allied to the small population make Libya one of the highest GDPs per person in Africa. Since the 1970s the country has exerted significant efforts to achieve economic diversification. These efforts have led to sustained investment in the non-oil sectors, particularly in manufacturing, agriculture, services and other sectors.

Table 4.1 depicts the developments in the GDP of Libya by economic sectors for the 1985-2005 periods.

Table 4.1: GDP by Sectors 1985-2005 (LD million at current factor price)

Sector	**1985**	**1990**	**1995**	**2000**	**2005**
Agriculture	342.2	482.9	933.4	1437.7	1554.5
Oil & Natural Gas	3500.4	3243.8	3380.0	7761.9	39937.5
Mining	49.6	105.5	132.9	293.9	495.5
Electricity, Gas &Water	111.7	152.2	216.7	270.0	379.0
Manufacturing	421.7	457.6	743.1	889.7	799.0
Construction	677.4	457.8	477.9	1013.9	1718.0
Transport	471.8	645.8	905.4	1213.9	1947.5
Commerce	572.2	789.5	1267.1	1685.9	2797.9
Finance	253.7	285.3	232.6	357.2	560.1
Housing	250.5	302.6	398.8	475.5	614.1
Services	1200.9	1321.9	1984.4	3057.3	5221.7
Total GDP	**7852.1**	**8244.9**	**10672.3**	**18456.9**	**56025.2**
Of which:					
Oil & Natural Gas	3500.4	3243.8	3380.0	7761.9	39937.5
Non-Oil	4351.7	5001.1	7292.3	10695.0	16087.7

Sources: Ministry of Planning Department of National Accounts, National Accounts. Libya, (various issues); Central Bank of Libya, Economic Bulletin, (various issues)

From table 4.1, it is apparent that the oil sector is most important contributor to GDP, followed by the services sector, then construction, commerce and transport. Other sectors make a minimal contribution.

Table 4.2: Sectors share of GDP (%)

Sector	**1985**	**1990**	**1995**	**2000**	**2005**
Agriculture	4.3	5.9	8.7	7.8	2.8
Oil & Natural Gas	44.6	39.3	31.7	42.1	71.3
Mining	0.6	1.3	1.2	1.6	0.9
Electricity, Gas &Water	1.4	1.8	2.0	1.5	0.6
Manufacturing	5.4	5.5	7.0	4.8	1.4
Construction	8.6	5.5	4.5	5.5	3.1
Transport	6.0	7.8	8.5	6.6	3.5
Commerce	7.3	9.6	11.9	9.1	5.0
Finance	3.2	3.5	2.2	1.9	1.0
Housing	3.2	3.7	3.7	2.6	1.1
Services]	15.3	16.0	18.6	16.6	9.3

Source: Computed from Table 4.1

As table 4.2 highlights the share of the agricultural sector declined between 2000 and 2005, despite the increase in agricultural production (see table 4.1). This is because of the large increase in output in the other sectors. In other words, it is attributed to a lower rate of growth in the agricultural sector than in overall GDP. The share of the services sector in the GDP increased noticeably, as a result of the large increase in its output. The share of the manufacturing sector increased between 1985 and 1995 but declined thereafter. This was due to the large increase in output in the other sectors.

During the period 1985-2005, considerable increases were achieved in other sectors including mining, electricity, gas and water, construction, transport, commerce, finance and housing, because of the large rate of growth in all sectors of the economy during the period 1985-2005. However, the oil sector still played the dominant role in the Libyan economy, which is more than three-quarters of GDP. Oil price increases led to this large increase. Consequently, it resulted in lower shares to the GDP by the non-oil sectors.

4.4. TRENDS IN THE BALANCE OF PAYMENTS

The Libyan balance of payments data compiled quarterly and annually by the Central Bank of Libya cover the full range of international activities of the Libyan economy. The Central Bank relies on direct reporting by official agencies and the financial sector. However, the coverage of transactions of non-financial private institutions is less comprehensive, and the data includes estimates for illegal transactions. The balance of payments consists of: the current account which contains information on merchandise goods, services, and transfers: the capital account which shows the movements of direct investment, government borrowing and lending, and trade financing; and the reserves account which reflects monetary transactions including those in foreign exchange (Lenaghan, 1987).

The level of oil revenue is the main variable in the Libyan balance of payments, and between 1963 until 1980 earnings from this source contributed to the substantial surpluses on the current account. However, oil export revenues decreased from 1980 due to the uncertainty of world oil demand and the disorder in the production and pricing policies pursued by members of OPEC. At the same time, import costs rose considerably from 1981 as the 1981-1985 development plans came into operation and many new projects were implemented (Lenaghan, 1987).

Libya's balance of payments has fluctuated between surplus and deficit (see table 4.3), in part due to impact of changes in oil export earnings. For instance, in 1985 the current account recorded a surplus of over US$1,983 million, while the deficit in the capital and financial account was of over US$1,579 million. Thus, the overall balance achieved surplus of US$77 million. In 1990 and 1995 the balance of payments recorded deficits of US$173 million and US$121 million respectively. The deficits occurred due to the decreasing in trade balance reached US$822 million and US$2,284 million respectively compared to the year 1985. as a result of the increasing value of imports, also the fluctuating oil prices in the world markets and the great affect of the United Nations (UN) economic sanctions imposed in 1992 on the country.

Table 4.3: Summary of Libya's Balance of Payments 1985-2005 (US$ million)

Year	1985	1990	1995	2000	2005
Trade Balance	4599	3777	2315	7909	17675
Exports (fob)	10353	11352	7483	12038	28849
Imports (fob)	-5754	-7575	-5168	-4129	-11174
Services Balance	-1712	-1268	-544	-723	-1815
Transfer Payments	-904	-481	-220	-487	-634
Current Account	1983	2028	1551	6699	15226
Capital and Financial Account	-1579	-2164	-1902	-5452	-13495
Net Errors and Omissions	-327	-37	230	-818	-1450
Overall Balance	77	-173	-121	429	281

Source: Central Bank of Libya, Economic Bulletin, (various issues); IMF, International Financial Statistics (various issues)

The overall balance of payments increased sharply in 2000 when it recorded a surplus of US$429 million, because of the increase in oil prices, which reflected positively on the trade balance, which reach US$7,909 million, and the drop that occurred to the imports. Moreover, after the UN sanctions were lifted in September 2003, the balance of payments in 2005 achieved a surplus of US$281 million. This was despite an appreciable increase in imports; however exports growth outstripped them providing a favourable trade balance of US$17,675 million.

4.5. DEVELOPMENTS AND TRENDS IN FOREIGN TRADE

In the early years of independence, Libya tended to have serious difficulties in financing their trade as imports continually outweighed exports. At that time, the current account deficits could not be financed by FDI inflows, therefore the economy depended on foreign aid to finance their necessary imports (Higgins, 1968).

Since the beginning of 1960s as a result of developing of crude oil exports the economy moved from one with an external deficit dependent on aid to a position of external surplus, despite the remarkable increase in imports. The development of the oil industry accounted for high rates of growth in imports and exports (Oreibi, 1985).

4.5.1. The Volume of Trade Exchange

The volume of trade exchange (exports and imports) between Libya and the outside world has witnessed a number of disparate developments. The volume of trade exchange reached LD65,928.2 million in 2008 up from LD4,860 million in 1985. According to table 4.4 total foreign trade fluctuated considerably between 1985 and 2008, gradually declining each year between 1985 and 1988 to LD3,584 million from LD4,860 million in 1985 as a result of decreases in exports as the oil price fell. In addition, the restrictive trade policies also exacerbated revenues. Export growth resumed in 1989 and 1990, driving up total trade to LD5,255.8 million in 1990. Thereafter, the value of exports fell annually until 1993 (to LD4,188.9 million) as a result of economic sanctions imposed by the UN, restrictive trade policies which were include direct controls on foreign exchange, and the instability in exchange rates. Thereafter, as a result of increases in exports, total trade reached LD5,594.2 million in 1997. It declined again to reach LD4,577.9 million in 1998 due to the decrease in value of exports as oil prices fell, before growing annually until 2008. This was driven by rising international oil prices and the suspension (then eventual cancellation) of UN in 1999, which boosted bilateral trade between Libya and outside world. Imports also grew sharply as a result of the government easing restrictive trade policies and encouraging a more free-market economy.

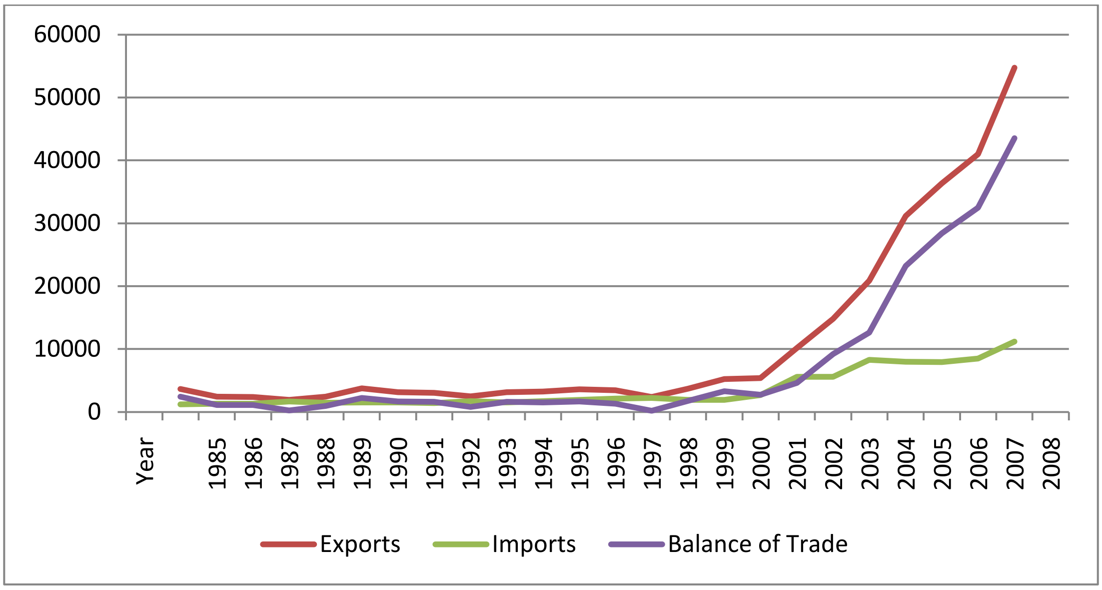
Table 4.4: Libyan Foreign Trade 1985-2008 (LD million)

Year	Exports	Imports	Balance of Trade	the Volume of Trade Exchange
1985	3645.6	1214.4	2431.2	4860.0
1986	2431.5	1315.7	1115.8	3747.2
1987	2372.3	1278.1	1094.2	3650.4
1988	1906.7	1677.3	229.4	3584.0
1989	2407.4	1475.0	932.4	3882.4
1990	3744.9	1510.9	2234.0	5255.8
1991	3153.7	1505.5	1648.2	4659.2
1992	3038.8	1422.1	1616.7	4460.9
1993	2477.6	1711.3	766.3	4188.9
1994	3117.2	1487.9	1629.3	4605.1
1995	3222.1	1728.5	1493.6	4950.6
1996	3578.7	1914.8	1663.9	5493.5
1997	3455.6	2138.6	1317.0	5594.2
1998	2374.1	2203.8	170.3	4577.9
1999	3682.2	1928.6	1753.6	5610.8
2000	5221.5	1911.4	3310.1	7132.9
2001	5394.0	2660.4	2733.6	8054.4
2002	10177.0	5585.7	4591.3	15762.7
2003	14806.6	5597.9	9208.7	20404.5
2004	20848.3	8255.2	12593.1	29103.5
2005	31148.0	7953.5	23194.5	39101.5
2006	36336.3	7934.7	28401.5	44271.0
2007	40972.0	8501.4	32470.6	49473.4
2008	54732.4	11195.8	43536.6	65928.2

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1954 – 2003; Central Bank of Libya, Economic Bulletin, (various issues)

As can be seen in figure 4.1 exports have grown considerably more than imports. Therefore, balance of trade followed the dominating pattern of exports.

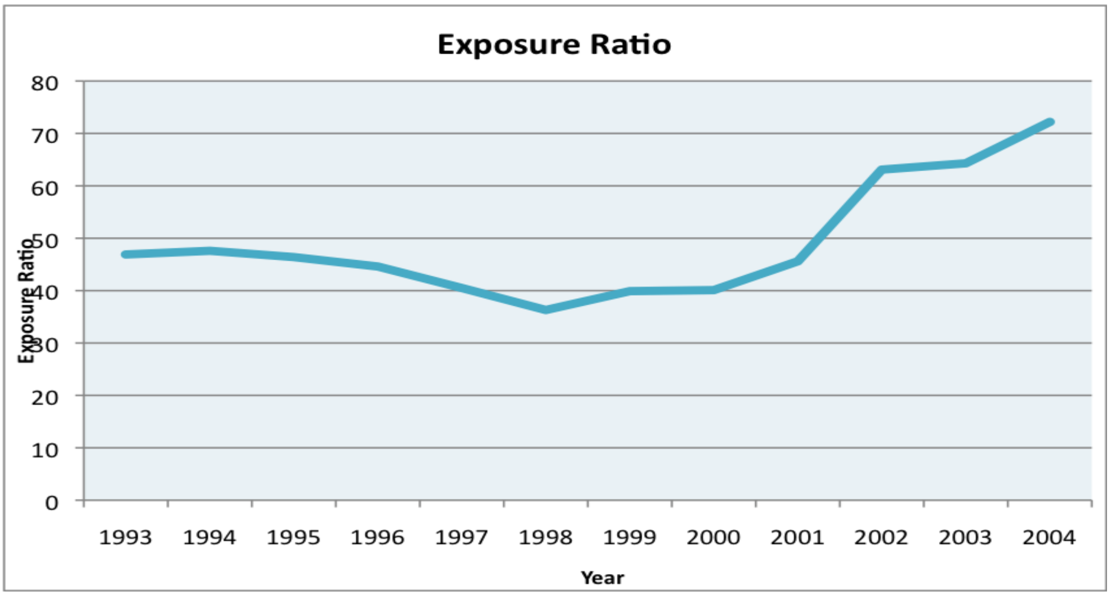
Figure 4.1: Trends in International Trade



Source: Table 4.4.

To find out the importance of the foreign trade sector to the national economy, the ratio of foreign trade to GDP is utilised; this is known as the Exposure Ratio. As this ratio will lead to increase in the degree of rates correlation of GDP growth by changes in the foreign trade movement, and thus the sensitivity of the national economy to fluctuations in international markets, this highlights external economic dependency (Central Bank of Libya, 2005).

Figure 4.2: Exposure Ratio in Libyan Economy 1993-2004



Source: Central Bank of Libya, Libyan Foreign Trade during 1993-2004

According to figure 4.2, the national economy suffers from a high Exposure Ratio. It reached a low of 36.3% in 1998, since when it has grown to peak in 2004 at 72.2%. The reasons behind the changes in the ratio are: fluctuations in oil prices, the policy and later removal of trade protection and the imposition and later removal of UN sanctions.

The high Exposure Ratio is due to the limited productive capacity of the Libyan economy, which is reflected in high levels of imports to fill the deficit in the domestic production of goods and services, as well as the size of oil exports. Moreover, the government issued important legislation to boost foreign trade, such as: the law in 1997 regarding organisation imports, the distribution of goods, and encourage FDI; the decision in 2001 to reduce customs taxes: and the regulation of 2004 regarding trade agencies. All these factors have had a positive impact on Libyan foreign trade movement.

4.5.2. Developments in Exports

As stated previously, the Libyan economy depends heavily on crude oil exports as a principal source of income. Oil exports represented on average around 94% of total exports between 1985 and 2008. As table 4.4 shows Libyan exports surged from LD3,645.6 million in 1985 to a peak of LD54,732.4 million in 2008. However, this disguises a series of fluctuations which were primarily related to the instability in international oil prices.

Despite, the exports declined in 1998 to reach about LD2,374.1 million due to the deterioration of oil prices particularly in that year, and then it reconvened again to record the rising reach to about LD5,221.5 million in 2000, followed by high improvement in exports value reached LD5,394 million, LD10,177 million in 2001 and 2002, respectively. Furthermore, it witnessed noticeable increases in exports value reached to LD36,336.3 million, LD40,972 million and LD54,732.4 million in 2006, 2007 and 2008 respectively. This was due to the massive rise in oil prices in international markets caused by the political and economic factors.

4.5.2.1. The composition of exports

According to table 4.5 exports of gas and crude oil and associated products constitute the majority of national exports, which witnessed decline during 1986 to 1989 to recording the lowest level in 1988 with value reached LD1,790 million compared with LD3,592.2 million in 1985. However, in 1990 it has jumped to LD3,534.7 million, subsequently. Such fluctuations in exports value due to instability in international oil prices, and also it fall down to LD2,198.7 million during 1998. However, it resumed rising again from 2000 to 2008 to jumping to unprecedented levels reaching in 2008 to LD52946.90 million. Thus, representing the relative importance of these commodities for total national exports about 93% during 1985, then it has rose to reach a highest percentage of 97 % during 2008.

On the other hand, the exports of chemicals came in the second in terms of their relative importance; reaching an average rate of 2.4 % of the total national exports during the period between 1985 to 2008, while the rest of exports constitute the rest proportion, indicating a lack of exports diversification in the national economy, as a result of weak domestic production structure, also lack of free movements of factors of production.

Despite the exerted efforts to reduce the dependence on the oil exports and diversify of the economy since the first economic plan in 1963 and despite the fact that policies have been produced by government to encourage creating other sources of gross domestic product, all these efforts failed to achieve any positive change.

4.5.2.2. Geographical distribution of exports

The proximity of Libya to Europe, along with the size of the market, has resulted in the EU being the prime market for its exports (see table 4.7). The highest export value to west European countries was in 1990 about LD3,174.3 million, while in 1985 it reached the highest value for the east European countries, LD365.07 million. In 1992 the value of exports to the EU was LD2,578.52 million; this level fluctuated over the next few years, falling to low of LD1,070 million. Thereafter, it grew rapidly to reach LD43,268.65 million in 2008. The reason behind the rise in Libyan exports to the EU is the degree of dependence of the economies of these countries on oil.

Asian states are the second largest market for Libyan exports, averaging around 15.0% of total national exports over the period 1985-2008. In 1985 the value of exports to Asia was LD314.77 million, before decreasing sharply to LD46.5 million in 1988, thereafter they fluctuated in line with oil prices, before rising sharply from 1998 as result of the significant economic development in these countries resulting in increased demand for crude oil.

Libyan exports to Arab countries averaged only 6.2% of total exports between 1985 and 2008. The low level of intra-Arab trade is primarily due to the weakness of the productive base in most of these countries and the similarity of their exports. However, in 1990s within the framework of the policies of liberalisation of trade within the Arab Maghreb Union, saw the value of exports increase to LD230.5 million in 1997 before climbing further to reach LD1,708.71 million in 2008.

Libyan exports to the rest of the world, including Africa, were negligible throughout the period, averaging only 0.2 % of total national exports.

4.5.3. Developments in Imports

Due to the developing nature of Libyan economy, and the limited availability of resources other than oil and gas, its economy depends heavily on the imports of intermediate inputs. Between 1985 and 2005 in both value and quantity imports grew considerably, unconstrained by the balance of payments. However, the main aim of the government's development plans was to reduce the volume of imports to the minimum. Therefore, the plans sought to fulfil that aim through enhancing the domestic production of goods and services on the one hand, and reducing consumption on the other (Central Bank of Libya, 2002a). However, these efforts were not effective (Central Bank of Libya, 2002b).

It is clear from table 4.4 the fluctuations in the value of imports from year to year, Import growth was curtailed by direct quantity controls from the early 1980s, which resulted in imports increasing or decreasing in line with government perceptions on the needs of Libyan national economy. Thus Libyan imports grew slowly in 1996, 1997 and 1998 respectively but declined in 1999 and 2000.

On the contrary, remarkable rise in the rate growth of imports amounted to LD7,953.5 million in 2005, as a result of economic policy which followed in the early 2000s, for instance, the government sought to amend and unify exchange rates against the Libyan dinar and lift restrictions on foreign trade and reducing customs duties on essential goods and encouraging the foreign investments and other policies.

4.5.3.1. The composition of imports

In the context of the objective to improve growth rates through the development plans imports of plant and equipment were made the priority; as a result these items constituted about one-third of Libyan imports (see table 4.6). The value of these imports amounted to LD652.41 million in 1988, compared to LD488.72 million in 1993, thereafter increasing to LD1,126.37 million in 2001, before increasing dramatically to LD3,960.3 million in 2004, followed by a slight drop to LD3,787 million in 2005, before jumping further to reach LD5714.76 million in 2008 . Imports of manufactured goods were second in terms of relative importance of total imports, gradually rising to LD456.1 million in 1998 from LD265.45 million in 1985.

However, the value decreased to LD309.56 million in 2000 before increasing sharply to reach the highest level LD1,650 million in 2005. The high level of imports of plant and machinery and manufactured goods can be attributed to the policies of diversification, of encouraging domestic production and of working towards achieving self-sufficiency in many goods and services.

Food products and live animals were ranked third in terms of relative importance. Their value was LD184.8 million in 1985, rising to LD311.74 million in 1990, before falling to LD247.52 million in 1993 and 1994. Thereafter, it increased to reach LD478.51 million in 1998. In 1999, imports declined to LD283.4 million, before surging to a peak of LD1,586.4 million in 2008. This reflects a decline in domestic output and the inability of the domestic market to provide many of goods and services needed, along with increased domestic demand for imported goods.

Chemical imports were the fourth highest category. In 1988 these increased to LD132.34 million from LD68.33 million in 1985 before declining to LD102.45 million in 1990. However, levels increased gradually during 1990s to reach LD162.21 million in 1998. In addition, they recorded a sharp increase during 2000s reached to LD755.52 million in 2008.

The most important factors that led to the sharp increases in imported consumer and capital goods are the highly ambitious development plans and the lack of capital goods provision in the domestic market. In addition, the high rate of population growth, the high rate of urbanisation, the improvements in the standard of living, and the failure of the domestic manufacturing and agricultural sectors to meet the increased demand for consumer goods are other determining factors.

4.5.3.2. Geographical direction of imports

The industrialised European countries are the main source of Libyan imports (table 4.8). The imports value from European countries was LD826.35 million in 1985, increased gradually to LD1,063.75 million in 1990, it dropped to LD780.06 million, LD908.76 million, LD 766.05 million and LD925 million in 1992, 1993, 1994 and 1995 respectively, which was as a result of UN sanction imposed on Libya during the period in question. Nonetheless, it recorded rise in the following years to reach

LD1,261.4 million during 1998 before declining slightly again to LD1,070 million and LD1,042.06 million during 1999 and 2000. Yet, the imports value from EU continued rising until reached the highest value LD5,131.17 million in 2008. The large level of imports from the EU is a result of the proximity and also the need of the local market for European products, especially machinery and equipment and food commodities.

Asian countries were the second most important source of imports. In 1985 the value was LD194.47 million which increased to LD417.76 million in 1988, before declining to LD239.56 million in 1990. Thereafter the level trended upwards to LD435.2 million in 1997. Despite declining to LD375.61 million in 2000, it peaked in 2008 at LD3818.42 million.

Imports from Arab countries were low compared with other areas. Thus, in 1985 and 1986 the value of export of Arab countries to Libya was only LD28.8 million and LD16.24 million. This was followed by a steady increase to LD162 million in 1993. The imports from Arab countries peaked in 2007 at LD995.41 million before dropping slightly to LD713.60 million in 2008.

4.6. LIBYAN TRADE WITH THE EU

There is a geographic as well as historic basis for high trade relations between Libya and the EU. A number of EU countries have coastlines on the Mediterranean Sea and as a result have long historical trading relations with south Mediterranean countries. As shown previously the major partner for Libyan trade is the EU, both in terms of exports (primarily crude oil and associated products) and imports (mainly consumer goods and machinery).

Libya is in a strong position to take advantage of the proximity of the EU, certainly, by using its capital assets built up from crude oil earnings for investment to increase trade with the EU. Neighbouring countries such as Algeria, Egypt, Morocco and Tunisia do not have this asset base, while the rich Gulf States are not the doorstep of Europe (Bergs, 2004).

4.6.1. Libyan Exports to the EU Countries

Italy was the largest market for Libyan exports between 1992 and 2008 (see table 4.9). The value of exports to Italy grew rapidly from LD1,379 million in 1992 to LD24,428.4 million in 2008. France and Germany are the second and third most important markets in the EU, with imports from Libya in 2008 of LD5,409.7 million and LD4,503.6 million respectively. In addition exports to other EU countries were: Spain LD3,042.4 million, the UK LD1,705.5 million, Netherlands LD1,476.1 million Greece LD685 million and Belgium LD140 million. In this period, Libyan exports to the EU were primarily crude oil and gas because of dependence of the economies of EU on energy.

4.6.2. Libyan Imports from the EU Countries

Table 4.10 shows the distribution of Libyan imports from EU countries between 1992 and 2008. It is clear that the majority of imports came from Italy, Germany, UK and France, while imports on a smaller scale are sourced from Netherlands, Spain, Belgium and Greece.

Italy was the main source for Libyan imports between 1992 and 2008, in 1992 these totaled LD290 million. Thereafter the level fluctuated slowly upwards to LD365.3 million in 2000, before rising sharply to a peak of LD1,102.2 million in 2008. Germany was the second largest source market in the same period, peaking at LD 994.1million in 2004, followed by France (the level fluctuated between LD73 million and LD414.1 million) and the UK (between LD102 million and LD393.0 million). Imports from Spain and Netherlands peaked in 2008 at LD130.4 million and LD131.1 million respectively, while imports from Greece peaked in 2008 at LD120.9 million, and imports from Belgium at LD160.0 million in 2008.

4.6.3. Libya and the Barcelona Process

In November 1995 the EU signed the Euro-Mediterranean Partnership which instigated an important new policy with the 12 littoral states of the southern and eastern Mediterranean. The Barcelona conference was the culmination of years of effort by EU to lay the foundation for a stronger relationship with its Mediterranean partners. This commenced what became known as the Barcelona process for regional cooperation. The initial 12 Mediterranean partners were Algeria, Cyprus, Egypt, Israel, Jordon Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey (Otman & Karlberg, 2007).

One of the main objectives of the Barcelona declaration was to encourage long-term stability through economic and social cooperation to promote economic development and liberalisation and create an area of shared prosperity. The key objectives was to establish a Euro-Mediterranean regional grouping based on a free trade area to be instigated by 2010: this will include around 40 countries and about 600-800 million consumers to be one of the largest trade blocs in the world (Bergs, 2004). This process was associated with considerable EU financial aid to support the partners dealing with their various economic challenges (Vasconcelos & Joffe, 2000).

All non-EU Mediterranean countries joined the Barcelona process with the exception of Libya. However, in April 1999 at third Euro-Mediterranean conference Libya gained observer status: this followed the suspension of UN sanctions. Moreover, the members agreed that Libya could become a full member of the Barcelona process as soon as UN sanctions were lifted and Libya accepted the whole Barcelona *acquis* (European Commission, 2004). The negotiation of an Association Agreement with Libya was achieved and once the contractual arrangements have completed, Libya can become fully integrated into the Barcelona process. Participation in the European Neighbourhood programme (ENP) will be essential incentive towards strengthening the EU's relationship with Libya. In February 2004 an important step has taken to invitation of Libya to fully join the Barcelona process (European Commission, 2004).

The ENP should have significant economic implications in relation to technical assistance and trade integration. Also, through the Barcelona process neighbouring countries can access the EU internal market based on harmonised legislative and regulatory procedures, the participation in a number of EU programmes and improved cooperative ties with the EU in general (Bergs, 2004).

Moreover, it is expected that the Barcelona process to achieve substantial economic benefits directly and indirectly.

> "Directly, the reduction of tariff and non-tariff barriers to trade should bring about efficiency gains and improve welfare through increased market integration. The indirect effects, particularly on partner countries, are even larger. By bringing the neighbouring countries closer to the EU economic model, also through the adoption of international best practices, the ENP and particularly the proposed extension of the internal market, will improve the investment climate in partner countries. It will provide a more transparent, stable and enabling environment for private sector-led growth. A positive impact on foreign direct investment inflows is expected as a result of a more favourable policy environment, falling trade and transaction costs, attractive relative labour costs and reduced risk" (Commission of the European Communities, 2004:14).

It should be stated that the oil sector has a peculiar effect on labour cost in different sectors with tradable goods is of particular importance. In order to encourage trade exchange between Libya and EU in the non-oil sectors, import prices for Libyan products need to be either reduced by a substantial currency devaluation or productivity significantly increased in these sectors to improve costs. However, neither of these strategies is not realistic in the case of Libya, because devaluation would cause substantial welfare losses due to increasing import prices especially for consumer and capital goods thereby reducing prospects of diversification into the non-oil sectors (instead of improving them). In addition, increasing labour productivity would be difficult to achieve in the short and medium term (Bergs, 2004).

Therefore, trade liberalisation will initially have a negative impact on the small but growing manufacturing sector. Also, the costs of imported goods from EU will gradually become more competitive and cheaper. Hence, a structural change to the economy is associated with welfare gains because of decreasing costs. Thus, a market-led structural change process will simultaneously lead to a reduction in capital assets but a gain in welfare. Although the short-term effect will be painful in the longer run it should beneficial if the assumption of perfect competition is taken into consideration. The impact on the manufacturing sector will be relieved to a certain extent by the gradual liberalisation approach until 2010, which is give to it more time for adjustment in manufacturing productivity (Bergs, 2004).

4.7. CHANGES LIBYAN POLICIES FOR ENHANCING FOREIGN TRADE

From the mid-1970s the state started to control the majority of economic activities, without the participation of the private sector, through the nationalisation of internal and external commercial activities. It created many public companies to import and distribute goods, with the aim of achieving a balance between supply and demand for commodities, maintaining the flow of commodities at reasonable prices for all citizens and achieving self-sufficiency, by giving priority to increasing production and productivity in order to raise the standard of living. In addition, these policies aimed at reducing the dependence on oil.

The most prominent characteristics of that period were (Ministry of Economy and Trade, June 11, 2008):

- Building a balanced system of imports in relation to various commodities; this later became balancing of the uses of the available foreign exchange;
- Rationalisation of import controls, including expanding the list of banned commodities;
- Fixed pricing for all commodities;
- All goods subject to an import licensing system; and
- Distribution system based on quotas for individuals and determination of distribution channels.

These policies caused a number of problems, mostly related to low productive efficiency and a lack of attention to quality and development of new products. The domestic market suffered from corruption while the black market flourished as many commodities were hard to obtain legally. Thus the black market distorted the main objective of these policies. Furthermore, the country was forced to employ a huge number of people who were previously involved with trade, which created a substantial financial burden (Alqadhafi, 2002).

However, at the end of 1980s, the private sector was again permitted to become involved in trade although this was subject to considerable regulations that determined the size, shape and limit of trade (Alqadhafi, 2002). Moreover, the government adopted Decision No. 9 in 1992 to improve and regulate private sector activities in the country. The decision allowed the establishment of private business activities owned and managed by families and individuals. The decision also permitted the selling of publicly held companies to private investors which boosted the emergence of private companies. In addition, Decision No. 5 of 1997 encouraged foreign investment. In 2001 the government moved to encourage the FDI with the objective of transferring modern technology, creating new jobs, optimising the uses of local resources and diversifying income generation. In the same context, it adopted series steps to activate internal and external trade through launching the liberalisation of trade and services and involving the private sector to take the leading role in the economy. Also, these policies aimed to encourage transit trade and establishing free trade zone.

The overall aim of these changes was to reduce public spending and gradually withdraw government subsidies, and to encourage private sector initiatives in different sectors (Buferna et al., 2005). As a result of these changes the Libyan economy is undergoing a radical transformation and helping Libya integrate into the global economy, as evidenced by Libya's request to join the WTO.

The new economic policies have focussed on foreign trade by designing appropriate trade policies which have helped develop and diversify export activity, aim to improve the terms of trade, reduce the dominance of the oil sector, and achieve self-sufficiency in many goods and services.

4.8. CONCLUSION

The foreign trade of Libya before the discovery of oil was very weak, since when Libyan foreign trade has come to depend on the export of crude oil and gas. After the oil boom Libya's economy witnessed significant developments, with oil revenues accounting for the majority of GDP and the balance of trade achieved enormous surpluses. Oil revenues became the mainstay for the economic development plans and the transition of the economy from one dependent on financial aid to one of self-sufficiency. The socio-economic development plans concentrated on imports to help develop the industrial base of the country. As a result, the machinery and equipment have become the main imports.

The Libyan trade policies have changed since the end of 1980s. The private sector became more involved than previously when the government controlled all trade. Also, the government encouraged FDI inflows by adopting number of policies to enhance internal and external trade.

The location of Libya on southern shore of the Mediterranean has resulted in the EU becoming Libya's main trade partner. However, Libyan exports suffering from a lack of diversity, with only a small contribution by non-oil exports. The oil sector accounts for around 95% of total exports. Libya was able to take an important step when it joined to Barcelona Process following the lifting of UN sanctions. Its participation in the ENP was an essential incentive towards opening its economy to the EU.

Table 4.5: Libyan Exports according to Goods Classifications, 1985-2008 (LD million)

Classifications	1985	1986	1987	1988	1989	1990	1991	1992
Foodstuff and livestock	0.00	0.22	0.00	0.00	0.00	13.30	14.80	35.60
Beverages and tobaccos	0.00	0.00	0.00	0.03	0.00	0.60	0.61	0.87
Crude materials inedible - except fuel	0.00	0.02	0.03	0.30	0.50	20.50	6.06	15.40
Metallic fuels, fuels and related materials	3592.20	2398.30	2297.50	1790.00	2293.60	3534.70	3009.20	2811.00
Animal and vegetable oil and fats	0.00	0.00	0.00	0.00	0.00	0.10	0.67	2.60
Chemical materials	53.40	33.00	74.80	116.40	113.40	141.60	105.70	80.50
Goods classified according to materials	0.00	0.00	0.00	0.00	0.05	30.30	15.10	73.80
Plants and equipments	0.00	0.00	0.00	0.00	0.00	1.10	0.71	10.20
Miscellaneous products	0.00	0.00	0.00	0.00	0.00	2.70	1.42	8.80
Goods classified on the basis of kind	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.00
Total	3645.60	2431.54	2372.33	1906.73	2407.55	3744.91	3154.31	3038.77

Table 4.5: Libyan Exports according to Goods Classifications, 1985-2008 (LD million) (cont)

Classifications	1993	1994	1995	1996	1997	1998	1999	2000
Foodstuff and livestock	27.70	17.00	12.20	5.50	9.12	12.50	15.80	6.07
Beverages and tobaccos	0.02	0.00	0.01	0.00	0.00	0.02	0.00	0.00
Crude materials inedible - except fuel	17.00	3.40	10.10	2.86	2.80	4.50	7.00	1.59
Metallic fuels, fuels and related materials	2276.90	2900.40	2966.00	3433.30	3275.20	2198.70	3489.00	4992.17
Animal and vegetable oil and fats	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chemical materials	60.90	76.30	134.80	91.60	112.60	100.00	98.20	190.70
Goods classified according to materials	78.50	102.80	84.50	43.90	54.50	54.60	71.00	30.60
Plants and equipments	5.20	4.10	4.60	0.13	1.30	3.00	0.57	0.00
Miscellaneous products	11.20	13.20	10.00	1.50	0.10	0.83	0.70	0.38
Goods classified on the basis of kind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	2477.65	3117.20	3222.21	3578.79	3455.62	2374.15	3682.27	5221.51

Table 4.5: Libyan Exports according to Goods Classifications, 1985-2008 (LD million) (cont)

Classifications	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Foodstuff and livestock	0.39	6.12	3.00	3.20	2.30	0.99	0.10	1.28
Beverages and tobaccos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Crude materials inedible - except fuel	1.80	1.20	0.40	1.50	3.50	2.52	1.40	11.83
Metallic fuels, fuels and related materials	5142.19	9824.00	14047.40	20085.60	30312.20	34891.18	39589.13	52946.90
Animal and vegetable oil and fats	0.00	0.00	0.00	0.00	0.00	1.24	0.66	0.13
Chemical materials	174.22	211.00	616.71	675.90	825.20	1223.97	1173.31	1352.90
Goods classified according to materials	74.11	134.61	139.20	73.20	2.30	215.30	198.30	418.96
Plants and equipments	0.01	0.02	0.00	8.90	2.50	0.33	0.12	0.63
Miscellaneous products	1.23	0.03	0.00	0.00	0.00	0.73	9.04	0.38
Goods classified on the basis of kind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	5393.95	10176.98	14806.71	20848.30	31148.00	36336.30	40972.05	54732.37

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1954 – 2003; Central Bank of Libya, Economic Bulletin, (various issues)

Table 4.6: Libyan Imports according to Goods Classifications, 1985-2008 (LD million)

Classifications	1985	1986	1987	1988	1989	1990	1991	1992
Foodstuff and livestock	184.80	230.76	192.20	215.34	266.32	311.74	301.64	284.33
Beverages and tobaccos	3.91	3.03	6.00	7.22	5.40	2.10	6.56	6.80
Crude materials inedible - except fuel	17.90	16.16	15.07	19.23	26.81	31.91	36.04	21.20
Metallic fuels, fuels and related materials	8.70	4.46	5.40	5.34	4.86	4.33	5.54	6.10
Animal and vegetable oil and fats	19.30	30.60	28.90	32.53	26.23	28.75	46.20	45.93
Chemical materials	68.33	96.14	115.63	132.34	114.05	102.46	114.63	118.11
Goods classified according to materials	265.45	282.55	248.45	302.04	361.72	359.25	341.10	309.67
Plants and equipments	488.72	504.06	446.10	652.41	501.27	522.61	509.55	501.90
Miscellaneous products	150.44	134.64	205.24	291.80	160.06	142.50	139.10	117.10
Goods classified on the basis of kind	7.01	13.24	15.10	19.20	8.25	5.24	5.13	10.95
Total	1214.56	1315.64	1278.09	1677.45	1474.97	1510.89	1505.49	1422.09

Table 4.6: Libyan Imports according to Goods Classifications, 1985-2008 (LD million) (cont)

Classifications	1993	1994	1995	1996	1997	1998	1999	2000
Foodstuff and livestock	247.52	252.80	389.92	340.61	428.03	478.51	283.40	384.74
Beverages and tobaccos	6.70	5.82	3.60	6.50	15.80	46.91	19.70	6.21
Crude materials inedible - except fuel	29.50	21.80	45.10	33.70	28.40	44.44	46.11	48.80
Metallic fuels, fuels and related materials	10.20	12.34	14.10	7.70	5.15	5.47	9.20	4.80
Animal and vegetable oil and fats	21.26	35.70	42.30	35.50	38.45	64.30	57.72	71.20
Chemical materials	162.90	122.26	139.60	145.85	159.80	162.21	154.92	136.64
Goods classified according to materials	375.06	365.70	372.24	432.96	430.65	456.10	419.22	309.56
Plants and equipments	641.00	528.91	548.40	686.25	769.50	732.92	740.36	784.20
Miscellaneous products	215.92	136.36	166.33	216.35	251.80	208.00	197.94	165.30
Goods classified on the basis of kind	1.35	7.30	6.95	9.51	11.07	4.95	0.00	0.00
Total	1711.41	1488.99	1728.54	1914.93	2138.65	2203.81	1928.57	1911.45

Table 4.6: Libyan Imports according to Goods Classifications, 1985-2008 (LD million) (cont)

Classification	2001	2002	2003	2004	2005	2006	2007	2008
Foodstuff and livestock	456.03	839.90	749.00	1159.80	1177.40	1008.83	1215.51	1586.40
Beverages and tobaccos	9.50	21.85	8.60	15.10	30.20	55.01	37.37	30.65
Crude materials inedible - except fuel	57.60	119.40	77.20	118.10	145.80	201.87	184.61	250.87
Metallic fuels, fuels and related materials	4.03	71.62	38.22	56.40	30.00	69.10	92.75	136.77
Animal and vegetable oil and fats	50.43	52.85	175.94	156.50	111.60	184.76	69.60	114.23
Chemical materials	171.85	472.34	294.13	334.40	458.10	550.51	788.41	755.52
Goods classified according to materials	423.54	1104.14	1169.71	1646.70	1650.00	1430.43	1348.45	1587.15
Plants and equipments	1126.37	2401.70	2685.63	3960.30	3787.00	3909.95	3878.45	5714.76
Miscellaneous products	361.10	499.72	399.43	807.90	563.10	524.24	886.26	1019.44
Goods classified on the basis of kind	0.00	2.19	0.00	0.00	0.30	0.00	0.00	0.00
Total	2660.45	5585.71	5597.86	8255.20	7953.50	7934.72	8501.40	11195.79

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1954 – 2003, Central Bank of Libya, Economic Bulletin, (various issues)

Table 4.7: Libyan Geographical Distribution of Exports, 1985-2008 (LD million)

Region	1985	1986	1987	1988	1989	1990	1991	1992
Arab countries	72.12	68.24	53.85	28.14	32.31	124.03	118.30	185.30
Africa	0.00	0.00	0.22	0.09	5.75	9.40	0.09	0.58
West Europe	2826.30	1924.20	1923.36	1695.50	2133.54	3174.30	2787.70	2578.52
East Europe	365.07	301.52	250.50	128.85	139.35	285.70	148.30	78.75
The Americas	67.33	4.15	3.00	7.63	2.16	2.70	8.50	8.76
Asia	314.77	133.43	141.40	46.50	94.30	148.90	91.00	186.90
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	3645.59	2431.54	2372.33	1906.71	2407.41	3745.03	3153.895	3038.81

Region	1993	1994	1995	1996	1997	1998	1999	2000
Arab countries	145.70	198.46	200.00	173.83	230.50	175.22	217.4.00	280.04
Africa	4.23	2.74	6.38	4.44	4.00	11.46	7.06	0.00
EU	2126.56	2628.80	2615.61	2854.00	2500.36	1943.73	1070.00	4456.10
Other Europe	99.40	97.80	144.00	308.63	447.83	63.44	139.80	52.00
The Americas	4.50	31.00	27.26	9.40	19.50	13.40	95.51	11.30
Asia	97.30	158.42	229.00	228.50	253.54	167.00	400.10	422.11
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	2477.69	3117.22	3222.25	3578.8	3455.73	2374.25	1929.87	5221.55

Table 4.7: Libyan Geographical Distribution of Exports, 1985-2008 (LD million) (cont)

Region	2001	2002	2003	2004	2005	2006	2007	2008
Arab countries	356.70	633.80	677.71	809.20	1123.11	1233.78	1239.56	1708.71
Africa	14.00	37.20	25.36	35.61	22.44	32.93	26.46	38.20
EU	4363.50	8401.30	11951.31	16887.27	23671.30	28220.02	31757.41	43268.65
Other Europe	159.00	156.40	222.48	244.00	138.18	65.93	248.55	711.10
The Americas	17.24	23.25	58.55	291.00	1363.44	3190.95	4380.34	5366.36
Asia	483.80	925.14	1871.22	2581.24	4710.16	3592.63	3319.72	3639.36
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	5394.24	10177.09	14806.63	20848.32	31028.63	36336.24	40972.05	54732.40

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1954 – 2003; Central Bank of Libya, Economic Bulletin, (various issues)

Table 4.8: Libyan Geographical Distribution of Imports, 1985-2008 (LD million)

Region	1985	1986	1987	1988	1989	1990	1991	1992
Arab countries	28.80	16.24	31.00	55.08	53.63	90.19	130.80	116.50
Africa	1.07	3.50	2.17	3.30	1.37	1.84	2.71	3.66
West Europe	826.35	919.00	900.34	1060.74	1048.23	1063.75	999.46	780.06
East Europe	65.70	55.24	68.70	93.32	67.00	37.18	26.00	137.78
The Americas	88.54	69.64	33.00	44.66	58.00	75.90	76.44	79.62
Asia	194.47	241.40	234.24	417.76	243.00	239.56	265.00	300.00
Others	9.53	10.70	9.00	2.57	4.00	2.47	5.20	4.61
Total	1214.46	1315.72	1278.45	1677.43	1475.23	1510.89	1505.61	1422.23

Region	1993	1994	1995	1996	1997	1998	1999	2000
Arab countries	162.01	125.52	151.33	160.63	215.60	197.30	200.00	222.00
Africa	0.85	2.33	10.60	2.00	1.90	7.36	7.06	12.16
EU	908.76	766.50	925.66	1037.51	1124.74	1261.40	1070.00	1042.06
Other Europe	240.10	227.05	180.30	194.00	196.50	130.00	140.00	110.50
The Americas	76.34	50.20	94.04	132.00	127.71	147.51	95.51	138.07
Asia	317.66	294.73	358.02	380.00	435.20	376.01	400.10	375.61
Others	5.60	21.60	8.55	8.90	37.01	84.37	16.35	11.13
Total	1711.32	1487.93	1728.50	1915.04	2138.66	2203.95	1929.02	1911.53

Table 4.8: Libyan Geographical Distribution of Imports 1985-2008 (LD million) (cont)

Region	2001	2002	2003	2004	2005	2006	2007	2008
Arab countries	271.20	544.00	567.06	502.00	689.16	898.27	995.41	713.60
Africa	22.77	20.00	24.00	19.73	23.60	7.54	5.10	16.41
EU	1625.55	3105.00	3060.64	3754.85	4458.15	4053.33	3385.96	5131.17
Other Europe	145.07	352.42	839.21	1311.40	402.70	370.07	371.50	348.90
The Americas	154.70	403.75	194.47	618.02	619.21	754.04	1008.41	1140.26
Asia	419.30	1116.03	891.22	2032.27	1726.20	1831.48	2724.82	3818.42
Others	22.00	44.68	21.41	17.00	34.54	19.98	10.18	27.02
Total	2660.59	5585.88	5598.01	8255.27	7953.56	7934.72	8501.40	11194.79

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1954 – 2003; Central Bank of Libya, Economic Bulletin, (various issues)

Table 4.9: Libyan Exports to the major EU countries, 1992-2008 (LD million)

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000
Belgium	68.0	74.0	35.0	2.0	15.0	5.0	6.4	5.0	7.0
France	280.0	201.0	236.0	197.0	139.0	157.0	91.7	237.4	294.2
Germany	211.0	213.0	384.0	435.0	583.0	518.0	388.0	702.0	797.0
Greece	115.3	84.0	97.0	95.0	98.3	63.0	63.0	87.0	139.0
Italy	1379.0	1104.0	1329.0	1354.0	1544.0	1251.0	949.0	1391.0	2225.0
Netherlands	110.3	69.0	54.0	23.0	26.3	30.0	55.0	38.1	36.0
Spain	320.4	259.0	378.3	422.4	330.0	316.0	266.0	505.1	796.4
United Kingdom	69.3	62.2	67.1	53.0	91.1	77.3	61.1	49.0	120.0

Country	2001	2002	2003	2004	2005	2006	2007	2008
Belgium	10.0	41.1	30.0	29.0	26.2	139.7	141.2	140.0
France	196.0	377.0	381.0	435.4	1733.1	1747.6	2616.2	5409.7
Germany	761.0	1357.0	2174.0	3815.2	3031.5	3560.2	4659.1	4503.6
Greece	123.0	242.1	327.0	432.9	997.1	1440.3	1875.0	685.0
Italy	2246.0	4176.0	5868.0	8187.7	12930.6	15456.4	16805.6	24428.4
Netherlands	67.0	111.0	132.1	153.8	608.4	1099.4	1042.1	1476.1
Spain	835.3	1739.0	2179.0	2782.7	3102.8	3079.0	2379.2	3042.4
United Kingdom	94.4	283.0	358.0	350.4	624.2	1008.8	1156.5	1705.5

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1959 – 2003, Central Bank of Libya, Economic Bulletin, (various issues)

Table 4.10: Libyan Imports from the major EU countries, 1992-2008 (LD million)

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000
Belgium	29.4	37.2	22.0	48.1	56.0	39.0	39.2	32.0	35.1
France	77.0	73.0	80.3	94.0	94.0	132.1	122.2	106.0	105.0
Germany	187.3	218.0	177.0	217.0	253.0	274.4	239.0	279.1	226.0
Greece	17.0	14.3	12.5	26.2	20.0	27.0	23.0	18.0	14.0
Italy	290.0	323.0	253.0	273.2	339.1	337.3	476.4	352.0	365.3
Netherlands	44.3	52.4	43.1	68.0	56.0	54.2	37.0	38.0	45.0
Spain	11.0	23.3	41.0	43.0	47.0	57.0	103.2	54.0	62.3
United Kingdom	102.0	143.0	118.2	133.1	148.0	167.0	168.4	124.0	111.0

Country	2001	2002	2003	2004	2005	2006	2007	2008
Belgium	157.0	78.0	131.1	154.6	124.5	139.6	137.2	160.0
France	117.0	246.4	355.2	333.7	414.1	232.7	256.9	315.2
Germany	347.2	626.4	630.0	994.1	742.6	673.7	503.6	500.2
Greece	10.0	43.3	62.0	60.0	59.7	107.0	104.4	120.9
Italy	647.2	1360.0	1199.0	1511.5	946.9	784.1	690.4	1102.2
Netherlands	68.2	101.0	90.5	94.0	75.5	74.2	100	131.1
Spain	48.2	107.0	83.4	121.1	80.0	68.1	101.4	130.4
United Kingdom	150.3	393.0	390.0	340.0	273.8	291.4	386.1	275.4

Source: Libyan National Corporation for Information and Documentation – External Trade Statistics 1959-2003, Central Bank of Libya, Economic Bulletin, (various issues)

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1. INTRODUCTION

This chapter presents a description of the procedures that were followed in this research in order to collect the primary data. The research methodology was primarily qualitative and was based on the questionnaire survey method. The questionnaire was used to collect primary data from Libyan businessmen on their attitudes towards further cooperation on international trade with the EU.

This chapter explains the research process in terms of methodology that was used and describes how the research was designed. In addition, the method used to choose the population of the study and procedures implemented to select the study sample is discussed in detail. It also provides an explanation and the rationale for the tools used in the selection of the data collection methods. Thereafter, a brief explanation is given for the procedures for the implementation of the empirical study. Finally, the chapter discusses the process of the statistical data analysis.

5.2. RESEARCH METHODOLOGY

A description of the research methodology helps the readers to understand the process of the research. In addition, a systematic study is composed of certain rules and procedure that guide the investigation process and interpretation of results. Gould and Kolb (1964:425) argue that “methodology in its original and proper usage refers to the systematic study of principles guiding scientific and philosophical investigation” , while Asutay (2007:1) defines the term methodology as “how a researcher can go forward to study a phenomenon properly” .

Research methodologies in the social sciences are based on two essential approaches: qualitative and quantitative. Quantitative methodology usually involves numerical analysis of data to achieve the objectives of the research (Hussey & Hussey, 1997; Partington, 2002). Moreover, Leedy (1997:153) states, "it involves the collection of data so the information can quantified and subjected to statistical treatment in order to support or refute alternative knowledge claims". Accordingly, quantitative methodology refers to the implementation of natural science experiments as the condition for scientific research, its fundamental characteristics being quantitative measurement of the phenomena analysis and methodical control of the theoretical variables influencing those phenomena (Hammersley, 1993).

Qualitative research, on the other hand, emphasises words in the collection and analysis of the data. Thus, it is useful method to explore social relations and embodies a view of social reality as seen by respondents (Bryman, 2008). Kane and Brun (2001) state that qualitative method can be used for a number of reasons, for instance, to understand the meaning of material that has been collected using qualitative techniques, demonstrating and fleshing out results from quantitative research, obtaining an initial picture in order for the researcher to gain sufficient information to improve his or her research and finally, questions, and ruling out hypotheses. It should be stated that the motivation of the researcher for using a qualitative research methodology is usually explanation, evaluation and reflecting on opinions and behaviours.

As mentioned in chapter one, this research is designed as a qualitative research study, as it explores the opinions and analyses the perceptions of Libyan businessmen in relation to trade and economic relations of Libya with the EU. In addition, this is an explanatory study, which classifies it as qualitative research.

5.3. RESEARCH DESIGN

Choosing the correct research design is considered the key to conducting a successful study. The design organises the aims and objectives, the rationale and conditions, the nature of the information and the necessary data for the research. This view is supported by Hedrick et al (1993:38). who stated that:

> Selecting a research design is a key decision for research planning, for the design serves as the architectural blueprint of a research project. It ensures that the data collection and analysis activities used to conduct the study are tied adequately to the research questions and that the complete agenda will be addressed.

In relation to social research there are large number of research designs and methods from which a researcher can select. The selection of an appropriate research design depends mostly on the aims and objectives, and the questions that the research attempts to answer (Hakim, 1987; De Vaus, 2001).

According to Baily(1994), most research projects are classified into four broad categories, depending on the purpose and area of application. The four types are:

- Historical research, which seeks to arrive at conclusions concerning trends, causes or effects of past occurrences that may help to explain present events and to anticipate future events. Hence, in this type of research researchers use past events to anticipate future trends;
- Relational study, which is designed to investigate relationships between two or more variables. A number of authors believe that this type of study resembles the descriptive methods, which are set out here as the fourth type;
- Experimental research, which is intended to determine whether one or more variables causes or affects one or more outcomes; and
- Descriptive research, which is designed primarily to describe what is going on, or what exists. Thus it is a type of research in which researcher use the past to explain the present.

The essential difference between descriptive and experimental research is that in the former, the researcher accounts for what has already occurred or presently exists, while in the latter, he arranges for events to happen (Trochim and Donnelly, 2007).

Considering the nature and the aims of this research, this study is constructed within a descriptive study, since it aims to describe what is happening, or what exists at a particular time in a particular country. The research benefits from the use of a case study, which searches the particularities related to the subject within a specific country, Libya. The aim of this study is to describe the existing trade and economic relations between Libya and the EU. However, the analytical nature of the study is also important, as this research is not limited to the collection of the data, but also to responding to ‘how’ and ‘why’ questions. In addition, it uses an interpretative method with the intention of providing further meaning to the results by responding to ‘so what’ questions. Hence, this study should be considered as an explanatory case study as it aims to explore the attitudes of particular subjects (Libyan businessmen) in a specific case (Libya).

5.4. RESEARCH METHOD AND DATA COLLECTION

According to Bryman and Bell (2007:40), research method is “simply a technique for collecting data. It can involve a specific instrument, such as a self-completion questionnaire or a structured interview schedule, or participant observation whereby the researcher listens to and watches others”.

In social sciences one of the most frequently used methods is the survey method. Surveys can be used when a researcher desires to gather data on a research question that is difficult to observe directly. Furthermore, this method is widely used to measure attitudes and characteristics across a wide number of subjects. Babbie (2008: 270) argues that “survey research is probably the best method available to the social researcher who is interested in collecting original data for describing a population too large to observe directly”.

Research surveys can be divided into two basic categories:

- The cross-sectional survey: this type of survey is used to collect information on a population at a single point in time, perhaps over a period of days or weeks or months, in order to answer questions that revolve around the study (Sakaran, 2003).
- The longitudinal survey: in this type of survey the researcher collects data over a period of time. After that, he or she then will analyse changes in the population, attempt to describe them, and then explain their causes.

In this study, the researcher used two main types of data collection method for its primary (qualitative) and secondary data. The primary data were collected through the survey questionnaire, which was used to elicit respondent's opinions, perceptions and attitudes. In addition, this research also used secondary data in the initial stages for preparing the research. The secondary data were obtained from libraries in the form of books, articles, magazines, and related studies, along with published and unpublished materials such as statistical reports from the EU and the Libyan authorities, including university and Ministry of Higher Education publications.

5.4.1. Questionnaire Survey: Primary Data Collection Method

In social science research, the quantitative method is considered as the most popular method for collecting primary data. As De Vaus (2001) states "the use of the sample survey is a popular and useful technique for the quantitative method in social research, as it provides a large amount of collected data from a sizeable population in a very inexpensive way". Saunders, Lewis et al (2009) argue that based very often on a questionnaire, the survey approach gives the researcher more control over the research process. Since this research aims in cross-sectional manner to explore the views of the Libyan business on a number of issues related to international trade relations with the EU, the questionnaire is considered to be the most efficient method.

Questionnaires are usually used to test hypotheses or to answer questions and to collect large amounts of data. According to Wiersma (1986:179) "questionnaire instruments are defined as a list of questions or statements to which the individual is asked to respond in writing; the response may range from a checkmark to an extensive written statement".

In fact, questionnaires are regarded as an efficient instrument for collecting data when the researcher knows specifically what is required and how to determine the significant variables. It is the most popular method for collecting data that is not available in open literature. As Lewis-Beck (1994:2) confirms, "questionnaires are used to collect data that are unavailable in written records or cannot be readily observed".

Bryman (2008), Levin et al (1989) and Sarantakos (2005) state that a questionnaire has a number of advantages which can be summarised as follows:

- It provides a relatively simple and straightforward approach to the study of attitudes, values, beliefs and motives;
- There is a high degree of data standardisation as all respondents are posed with exactly the same questions; and there are no variations in the wording of the questions or the manner in which the question is asked;
- It is the quickest way of attaining information as questionnaires can be sent out through the post or otherwise distributed in very large quantities at the same time;
- It is of relatively low cost to administer as it can be sent out to a geographically dispersed sample, thus it saves time and cost of travel;
- It allows anonymity, which can encourage frankness especially when sensitive information is involved; and
- It is convenient for respondents as well as they can complete the questionnaire whenever and at any pace they want.

On the other hand, the questionnaire method has many disadvantages that need to be taken into account. Sarantakos (2005) and Gillham (2007) list these as:

- Data are affected by the characteristics of the respondents; for example their knowledge, memory, experience and personality;
- Respondents do not necessarily report their beliefs, attitudes, etc. as accurately as they could; for example they may do so to show themselves as having socially desirable attitudes;
- Ambiguities and misunderstandings of the survey questions could occur and may not be detected; and
- Respondents may not treat the questionnaire seriously which may not be detected;

In considering the realities and aims of this research, the questionnaire was selected as the best method to deliver the expected data, as the benefits of the questionnaire technique outweigh the disadvantages

5.4.2. Questionnaire Design

The context created by the questionnaire has a major impact on how individual questions are interpreted and whether they are answered. Therefore, very careful attention must be given to the design of the questionnaire and the questions in it (Schutt, 2006). The type of questions utilised and developed in any questionnaire vary according to the type of information desired. Consequently, to secure the information required all questions have to be phrased carefully.

Many steps are involved in the development of a questionnaire. The researcher begins with the research objectives, and then goes through the process of preparing the questions. The questionnaire utilised by this study is divided into five sections. The first section is devoted to the respondents' personal details and background. Libyan businessmen's perceptions and opinions on the Barcelona Process and the FTA are analysed in section two. Section three is designed to focus on the obstacles facing trade between Libya and the EU. Libyan exports and imports to the EU are assessed in section four. The final section deals with the attitudes and opinions regarding alternative forms of economic integration.

In terms of the structure of the questions, the questions posed were mostly closed-ended. The benefit of closed-ended questions:

- Are easy and quick to answer, which makes respondents relatively more diligent in answering all questions in which they do not have to offer their opinions in a written form;
- Help respondents to decide on the correct choice when they are presented with alternative responses (Oppenheim, 2000; Miller, 1983); and

- Have a finite set of answers from which the respondents can choose: this can make the process easier for the respondents and also for the researcher at the analysis stage.

Closed-ended questions can be divided into five basic types:

- Likert-scale, which are used when the researcher wants to know the respondents' feelings or attitudes about something;

- Multiple-choice, which are used when the researcher wants respondents to pick the best answer from all possible options;

- Ordinal which are used when the researcher needs all possible answers to be rank-ordered;

- Categorical, which are used when the possible answers to a question are categories, and each response must 'belong' to one of them;

- Numerical, which are used when the answer must be a real number.

The Likert scale is used in many fields of research, in which a statement is given, and endpoints correspond to agree strongly and disagree strongly (Sekaran, 2003). The five-point Likert scale is applied in this study, since it is most commonly used. The points were given as 'strongly agree', 'agree', 'not sure', 'disagree' and 'strongly disagree'.

The final version of questionnaire appears in Appendix. The questionnaire was prepared first in English, and then translated into Arabic, the official language in Libya, by an official translation office in Libya. The pilot test was conducted using the Arabic copy. The translation was checked out in the pilot test for the accuracy.

In the covering letter, the researcher introduced himself to the respondents and explained the topic of the research. A statement of the purpose of the study was also included in the covering letter. The researcher's address, telephone and fax numbers were clearly presented in the covering letter, which also expressed a note of appreciation for anticipated cooperation and willingness to complete the questionnaire.

5.4.3. Population and Sample Design

Population and sample are considered to be significant issues, as it is typically the case that researchers have limited time and resources. Therefore, a representative sample (a sample that reveals the nature and characteristics of the population) facilitates the researcher to form a statistical inference on the whole population from the sample. For this reason, the population needs to be precisely defined and carefully specified according to the research objectives, because the result will depend on the adopted definition (Kalton, 1983). Therefore, sampling is the process of picking an adequate number of elements from the population in order to be able successfully analyse the sample, and understand the properties or features of the sample subject, in order to allow researchers to generalise these properties or characteristics to the entire population (Sekaran 2003).

According to Emory (1985), there are a number of motives that encourage researchers use a sample:

- It would be impossible, impractical and extremely expensive to collect data from all the potential units of the analysis covered by the research problem;
- It is likely to lead to more reliable results, mainly because there will be fewer shortcomings, and hence fewer errors in data collection, especially when there are many elements involved; and
- Results can be obtained more quickly than they could if studying the entire population.

5.4.3.1. Population and sampling frame

A population is a group of people, institutions, or events, which are the aggregate of all cases that conform to some designated set of specifications (Gillham, 2007).

Purposive sampling can be collected from selected individuals whose views are related to study because you make a judgment, and your collaborators convince you that their views are particularly worth obtaining and typify important varieties of viewpoint. Sekaran argues that, It might become necessary to get information from a specific target that is, specific types of people who will be able to provide the researcher with the desired information, either because they are the only ones who can give the needed information, or because they conform to some criteria set by the researcher.

Purposive sampling can be conducted in several ways (Jankowicz, 2005:204):

- By the key informant technique, where the people selected have specialised knowledge about the issue in question;
- Taking slices through organisations, selecting people because of the position they occupy in the organisation. The researcher might choose a vertical chain of command from chief executive down to a first-line manager, working within one or more business functions; and
- By 'snowball sampling' new respondents are selected on the recommendation of people to whom the researcher has already put his questions; as the researcher proceeds, the number of respondents grows like a snow ball.

The purposive sampling technique was utilised in this study as an instrument for data collection. In order to achieve this process, several steps were adopted by the researcher to ensure selective representative sampling, characterised by reliability and validity, with minimal bias or subjectivity. These steps were as follows:

First, the researcher attempted to determine the number and character of participants that would be required for the study so that the sample's size could be determined later. Since the researcher knows businessmen mainly in the Swaq Al Tholatha business district, one of the biggest markets in Tripoli, this research did not face many problems in specifying the characteristics of the traders' category.

Second, the researcher sought to select educated businessmen who had the ability to respond to the questions and who were able to understand the nature of EMP; also to avoid people with a low level of education that could prevent them from realising the aims of the research.

Finally, the researcher made an effort to involve, as far as possible, all the elements of the independent variables in the collected sample. For example, when he noted that the random sample would produce a low number of participants belonging to industrial companies, he widened the survey area by including the Swaq Al Tholatha industrial area in order to guarantee a reasonable number of respondents belonging to these companies.

The collected sample consisted of 105 businessmen who run a trading company (50% of the entire sample); 45 respondents owned industrial companies (more than 21% of the sample), and service companies were represented by 60 respondents (about 29%) (see table 5.1).

Table 5.1: Collected Questionnaires According to Type of Business Activity

Business Activity	Frequency	Percent
Trade	105	50.0
Industry	45	21.4
Services	60	28.6
Total	**210**	**100.0**

5.4.3.2. Sampling and return rate

The size of the sample obtained must be sufficient in order to represent the population which the study is intended to investigate. If the size is inadequate, there is an increased likelihood of sampling error (Sakaran, 2003). Roscoe (1975) states that samples sizes smaller than 500 but larger than 30 are appropriate for most research. In this study the targeted population were Libyan businessmen. As seen in table 5.2, the researcher selected 300 for the sample. As a result he distributed 300 questionnaires, 255 of which were returned, but 45 were eliminated as invalid after editing the collected questionnaire. Thus, the return rate for the questionnaires was 85%; however, in terms of the valid questionnaires, the rate was 70%, which is considered a successful rate considering the closed nature of the Libyan society.

Table 5.2: Distributed Questionnaires

Distributed	Collected	Valid	Invalid
300	255	210	45

5.4.3.3. Administration of the questionnaire

There are several instruments by which a questionnaire can be delivered to recipients; each has its advantages and disadvantages (Saunders et al., 2009; Rubhy, 1998):

- On-line questionnaire: this instrument can be conducted via email or via a website. This instrument depends on the recipient being motivated to reply to the questionnaire and return it. However, despite the advantages that can be obtained, such as time savings and low cost; this instrument is confined to those with access to the internet. Also, the rate of response may be low.

- Postal Questionnaire: this instrument is characterised by its ability to cover extensive and far-flung regions with large populations. It is also low cost and requires little effort. In addition, it allows the respondents to answer the questionnaire in their spare time isolated from any researcher effects. The shortcoming of this instrument is the low percentage of responses, as well as the absence of an opportunity for the respondents to seek clarification about ambiguous questions.

- Telephone Questionnaire: the quality of data which is collected via this instrument is highly dependent on the researcher's competence to conduct interviews. This instrument is characterised by its ease of use and it enables the researcher to interview people in different parts of the world. However, it is very expensive to use and it requires the respondent to be available at a specific time, as well as access to telecommunication devices by both parties.

- Personally administered questionnaire: this instrument enables the researcher to explain the purpose of the survey to the respondent and in some cases the questionnaire can be completed on the spot. Moreover, this instrument enables the researcher to collect all the distributed questionnaires and clarify any unclear questions to the respondents.

The researcher had only limited time to spend on field-work, but required a sufficient quantity of data to achieve success. It was partly for these reasons that the questionnaire method was used in order to obtain sufficient information within the time limit. The questionnaire was distributed personally. As the return rate indicates, this method proved to be successful.

5.4.4. The Pilot Study

Before finishing any questionnaire, it should be tested. The reason for the test is to examine how well the cover letter encourages the respondents to complete the questionnaire and to ensure the clarity of the instructions, questions, and answers. The researcher should choose a small number of the target population to carry out the testing (Air University, 1996).

The aim of the pilot test is to remove any ambiguities from the questionnaire so as to allow the respondents to answer its questions without difficulty and misunderstandings, as well as to test its validity and reliability. Furthermore, Saunders et al. (2009) state that pilot testing allows the researcher to gain some evaluation of the data that will be collected. Thus, an initial analysis using the pilot test data can be carried out to confirm that the data collected.

A pilot test is adopted to identify limitations in design and instrumentation and to offer alternative data for selection of a probability sample (Cooper and Schindler, 2002). Punch (2003) stated that there are three general objectives for conducting the pilot test:

- Recently written items and questions have to be tested for understanding, clarity, ambiguity and difficulty. Thus, the questions need to be situated in such a way that respondent can quickly, easily and confidently respond to them;
- The entire questionnaire has to be tested for the length, time and difficulty of completion;
- The intended data collection process itself, of which the questionnaire is the key feature, needs testing. This takes into consideration issues of access and approach, ethical issues, covering letters and others. Care taken during this stage will help to increase response rates.

Before finalising the questionnaire, a pilot test was conducted using the draft document in order to obtain feedback in order to correct any shortcomings in the design of the questionnaire and to ensure that the respondents would have no difficulties in understanding the questions. Bell (2005) mentions that the main purpose for conducting a pilot test before distribution are: the simplicity of words; which, if any, question is ambiguous or uncertain; if there are any important topic omissions; if the design is comprehensible and logical; which, if any, question the respondents were uncomfortable about answering; how long the time needed to complete the questionnaire was; and any other related comments.

A pilot study was conducted in Libya in July 2008 by distributing ten questionnaires to Libyan businessmen in the trade, industry and services sectors. However, the results from the pilot study showed that there were no problems with the draft.

5.4.5. Validity and Reliability

Researchers should also test the validity and reliability of the survey questions.

5.4.5.1. Validity

The validity of the questionnaire is an important requirement to ensure that the survey instrument is measuring the exact concept that it is supposed to measure. According to Collis and Hussey the term validity refers to "the capacity of research techniques to encapsulate the characteristics of concepts being studied and so properly to measure what the methods were intended to measure" (2003:233). However, Saunders et al (2009:157-8) highlight several threats that may affect the validity of the questionnaire. These are:

- History: For example, you may decide to study the opinions that employees have about job security in a particular organisation. However, if the research is conducted shortly after a major redundancy programme this may well have a dramatic and quite misleading effect on the findings (unless, of course, the specific objective of the research was to find out about post-redundancy opinions).

- Testing: Your research may include, for example, measuring how long it takes telesales operators to deal with customer inquiries. If the operators believe that the results of the research may disadvantage them in some way, then this is likely to affect the results.

- Instrumentation: In the above example, the telesales operators may have received an instruction that they were to take every opportunity to sell new policies between the times the first batch and the second batch of operators were tested. Consequently, the calls are likely to last longer.

- Mortality: This refers to participators dropping out of studies due to the lengthily research period or any other personal matter.

- Maturation: During the research, there could be other events happening which might have an effect on the project.

- Ambiguity about causal direction: This is a particularly difficult issue; as some studies aim at establishing correlation and even causal relationship. It may not be always possible to determine the direction of the relationship.

There are two types of validity: internal validity and external validity. External validity refers to the extent that the results of a study can be generalised, while internal validity refers to the degree to which a study exactly reflects or assesses the specific concept that the researcher is trying to measure. There are several types of internal validity: face validity, content validity, construct validity, predictive validity and concurrent validity (Kalton, 1983).

In any survey work the quality of the results depend to a great extent on the quality of the primary data collected from the respondents. Working on this premise, the researcher took into consideration all essential measures to ensure that the data collected were of high quality in terms of accuracy and reliability. In order to check the content validity of the questionnaires the researcher contacted a number of professors in the Higher Studies Academy of Economic and Trade Science in Libya and statistical analysts involved in social research. Their comments were taken into consideration in order to make any necessary alterations to the final version of the questionnaire.

5.4.5.2. Reliability

Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions (Silverman, 2005). In other words, reliability concerns the extent to which an experiment, test or any measuring procedure produces the same results under constant conditions in all repeated trails. There are three common ways of estimating reliability: test-retest reliability; parallel-form reliability; and split-half reliability (Nachmais and Nachmais, 1996).

According to Saunders et al (2009) reliability can be assessed by posing the following three questions:

- Will the measures produce the same results on different occasions?
- Will similar observations be reached by other observers? and
- Is there transparency in how sense was made from the raw data?

The researcher adopted a further method namely (Cronbach's Alpha) to ensure the questionnaire's reliability by using the Reliability Statistics in the Statistical Package of Social Science (SPSS) programme which aims to measuring the internal consistency of the questionnaire. The formula for the standardised Cronbach's Alpha can be shown as:

$$\alpha = \frac{\boldsymbol{N.C}}{\overline{v} + (N - 1).\overline{C}}$$

Where N is equal to the number of variables, c-bar is average inter-item covariance among the variables, and v-bar equals the average variance.

Therefore, the result was 0.776 according to Cronbach's Alpha scale (see table 5.3).

Table 5.3: The Distribution of Cronbach's Alpha for Reliability

Cronbach's alpha	No of Items
0.776	34

This value of reliability is satisfactory, as it means that the collected responses have a relatively good level and the findings have a good level of constancy. According to Fahmi (2005), Cronbach’s Alpha should be higher than 0.70. Thus the test result confirms the reliability of the questionnaire.

5.5. ANALYSING THE DATA

Selecting the correct data analysis technique is one of most difficult parts of the research process. Lewis-Beck et al argues that “data analysis is an integral part of qualitative research and constitutes an essential stepping-stone toward both gathering data and linking one’s findings with higher order concepts” (2003:186). Therefore, the researcher has to select an appropriate statistical technique, which is consistent with a type of questions, assumptions and hypotheses.

In this study, the data collected from the questionnaire was coded and analysed by using the statistical computer software, namely SPSS, which is widely used for analysing collected data. To evidence this Brace et al state that “SPSS is a widely used computer program designed to aid the statistical analysis of data, particularly data collected in the course of research” (2006:2).

According to Trochim and Donnelly (2007) data preparation refers to: the checking or logging of data; checking the data for accuracy; entering the data into a computer; transforming the data; and developing and documenting a database structure that integrates the various measures. Different researchers differ in how they prepare the research data. Therefore, in this research, the following steps were used to set up the data for statistical analysis.

(i) Checking the Data for Accuracy: Once the data was collected it was checked for accuracy. This meant ensuring that all the important questions were answered and that the responses were complete. As editing questionnaires involves checking for completeness to make sure there was an answer to every question and checking that all questions were answered accurately, for example ticks were in the correct box. These checks were intended to identify and eliminate any errors that might be made by respondents.

(ii) Developing a Database Structure: This is the method used by the researcher to store the data in order that it can be accessed in subsequent data analyses. Database programmes and statistical programmes are generally the two main options for storing data on a computer. Usually database programs are the more complex of the two to learn and operate. Therefore, a statistical programme was utilised to store the data for this study. The Microsoft Excel package which allows for data transfer was chosen to store the data in case there was a need to use different statistical packages. The data were later transferred to the SPSS program to be analysed.

(iii) Coding: As in any study, the researcher should create a codebook that expresses the data and indicates where and how they may be accessed. The codebook should include the following simple items for each variable: variable name; variable description; and variable format (number, data, text). After preparing the codebook, codes were allocated to the answers for each question and to each variable. In this research numbers have been used to code the answers from 1 to the last option given and according to the Likert scale.

(iv) Entering the Data into a Computer: There are a wide variety of ways to enter data into a computer for analysis. The method that was utilised in this study, which is considered as the easiest way, is to type the data in directly. In order to ensure a high level of data accuracy, the data were summarised using SPSS programmes that allow the data to be checked within acceptable limits.

(v) Data Transformations: As soon as the data is entered, it is necessary to transform it into variables that are usable in the analyses. The most important transformation is of the missing values, many analysis programmes automatically treat blank values as missing, while in others, there is a need to designate specific values to represent missing values. In this research, blank values were automatically treated as missing. This technique is probably the best one for handling missing data in order to enhance the validity of the study, especially if the sample size is large.

After the preparation process, the data was ready to be presented in statistical tables in order to help reader observe the pattern of the analysed data. The following statistical methods were used.

Descriptive Method analysis, which involves the frequencies and percentages in order to describe the characteristics of the study sample. It also measures the mean value as the idea is that for a particular item on the questionnaire, we are computing the mean value that underscores the respondents' behaviour with respect to the stated research question and/or hypothesis.

Cross-tabulation was used to test the level of significance between the dependent variable and each independent variable. This helps to identify contributing measures as well as to eliminate irrelevant ones.

5.6. DIFFICULTIES AND LIMITATIONS OF THE STUDY

Similar to any other research, this study faced certain difficulties. These were:

- The difficulty of obtaining necessary approval from the competent authorities in order to conduct a questionnaire survey in Libya;
- Similar to many other developing countries, this survey was conducted in a society which is not familiar with the culture of measuring public opinion, especially in subjects related to political and economic issues. Therefore, many respondents refused to answer questions in this survey, because they thought that they were related to sensitive political issues. In other words, in third world countries and societies such as Libya, civil society is not sufficiently developed to encourage individuals to take part in such exercises.
- The most difficult part of this survey was the fact that it was carried out with businessmen who were usually very busy and did not have much spare time. Also, most of them have a mentality that does not give anything away for free. Therefore, in certain cases, the participants were entertained to encourage them to complete the survey.

5.7. CONCLUSION

This chapter explains the methodology used to conduct the research. The questionnaire was used as an instrument to discover the views of Libyan businessmen concerning economic and commercial relations between Libya and the EU. This instrument was reviewed by people specialised in the subject of international economic relations, statistics and Arabic language. All suggestions were taken into consideration by the researcher. After the corrections were made, a pilot study was conducted using a random sample to ensure the validity and reliability of the questionnaire.

A purposive sampling method was used for the data collection, accompanied by several measures adopted by the researcher to ensure that the sample represented the views of the trade, industry and services sector. Upon arrival in Libya, the questionnaires were distributed to the study population. When questionnaires were collected, it was decided that the SPSS was the most appropriate method to analyse the data and to establish relationships between the study variables.

As in any other research project, limitations and difficulties were encountered, which were noted above.

Having presented the research methodology in this chapter, the next chapters present the empirical analysis; chapter six, which is the first empirical chapter, presents the initial descriptive analysis.

CHAPTER SIX

IDENTIFYING ATTITUDES OF LIBYAN BUSINESSMEN TOWARDS INTERNATIONAL TRADE WITH THE EU AND BEYOND

6.1. INTRODUCTION

This chapter provides a descriptive analysis of the primary data collected using a questionnaire survey conducted among Libyan businessmen. The questionnaire was conducted in July-August 2008 with 210 Libyan businessmen in various cities of Libya working in the three main sectors: trade, services and industries, as explained in Chapter Five. It should be noted that these businessmen and their companies are all involved in international trade, as stipulated by the questionnaire administration.

Also, it should be stated that the data was analysed using the SPSS programme and this empirical chapter provides the initial results which are extended in the following chapters.

The analysis and discussion in this chapter are divided into four sections. The first section presents an analysis of the demographic features of the Libyan businessmen. The second section reflects on the Libyan businessmen's opinions and perceptions towards international trade relationships with the EU. The third section provides an analysis of the obstacles which face trade between Libya and EU countries. The fourth section is devoted to analysing the factors that play the most important roles in affecting the volume of Libyan exports and imports to EU countries. The fifth section analyses the probability of alternative regional and international integration with other blocs. The last section is the conclusion, which summarises the results and highlights the main findings of the chapter.

6.2. DEMOGRAPHIC FEATURES OF THE PARTICIPANTS

This section provides detailed information of the demographic characteristics of the whole sample in terms of type of business activity; capital size of the firms participating in the research; size of the participant companies; the business experience of participating businessmen; business visits to EU countries; and the country's most preferred with which to do business.

6.2.1. Type of Business Activity

In question 1 of the questionnaire, respondents were asked to identify themselves according to their business activities. The responses are shown in table 6.1:

Table 6.1: Type of Business Activity

	Frequency	Percent
Trade	105	50.0
Industry	45	21.4
Services	60	28.6
Total	210	100.0

As can be seen in table 6.1, 50% of the participants run trade-related companies which include wholesale and retail businesses. 28.6% own service-related companies such as telecommunication companies, transport companies, customs declaration companies and shipping companies. 21.4% of the respondents represent industry-related companies including heavy and light industries. Thus, the majority of the respondents own trade-related companies; the percentage of service-related companies is almost half the trade-related companies, followed by industry-related companies.

6.2.2. Capital of the Firm

With regard to question 2 of the questionnaire which concerns capital of the firm, respondents were asked to identify their firms in terms of capital size. Table 6.2 presents the responses as follows:

Table 6.2: Capital of the Firm

LD	Frequency	Percent
Less than 25,000	15	7.1
between 25,000 and 50,000	25	11.9
between 50,000 and 100,000	79	37.6
between 100,000 and 250,000	38	18.1
more than 250,000	53	25.2
Total	210	100.0

The distribution of capital size of the companies whose owners participated in this research is depicted in table 6.2. The table shows that the majority of the respondents belong in the group of firms with capital between LD50,000 and LD100,000 (about US$38,000 and US$76,000), which reveals the extent of spread of these companies in Libya which made it easier for the distribution of the questionnaire.

15 Libyan businessmen, the smallest representation, come from firms with capital less than LD25,000. They formed only about 7.1% of the entire sample. Most of these small businesses are called 'suitcase traders', meaning that they bring only a small amount of goods in their own luggage from other countries which they sell in Libya. 35 % of the participants come from firms with capital more than LD250,000, and only 18.1% of the respondents are associated with firms of capital size in the LD100,000 and LD250,000 group, while 11.9% of the sample is from the LD25,000 and LD50,000 capital size group.

6.2.3. Size of the Company

The respondents' company size in terms of employment was assessed in question 3 of the questionnaire which asked them to state the number of employees in the company. The responses are presented in the following table:

Table 6.3: Size of the Company

	Frequency	Percent
1-5	66	31.4
6-10	42	20.0
11-20	63	30.0
21-50	12	5.7
51-100	15	7.1
100+	12	5.7
Total	210	100.0

As shown in table 6.3, most of the respondents belong to groups 1-5 (31.4%) and 11-20 employees (30%). The preponderance of these groups could be a reflection on the degree of contribution of the small economic activities in the economic growth process and the prevalence of this type of activity in Libya, particularly in the trade sector. As 81.4% of the respondents have 1 to 20 employees, this gives an indication that the majority of the companies are small and medium sized enterprises (SMEs) in terms of their employment size.

On the other hand, businessmen belonging to the group with 6-10 employees formed 20% of the sample and while those with 51-100 employees made up 7.1%, only 5.7% of the entire sample for both categories 21-50 employees and 100+ employees.

6.2.4. Business Experience: Longevity

Question 4 of the questionnaire asked the respondents to identify their experience of business in terms of longevity and table 6.4 presents the results:

The table shows that the largest number of respondents (35.2%) has between 10 to 15 years experience followed by 30.0% of the respondents with 5 to 10 years experience. About 16.7% of respondents have 15 to 20 years experience, while 10.0% of the sample has more than 20 years experience, and those with less than 5 years experience were in minority at 8.1% of the total sample.

Table 6.4: Business Experience

	Frequency	Percent
Less than 5 Years	17	8.1
5 to 10 years	63	30.0
10 to 15 Years	74	35.2
15 to 20 Years	35	16.7
More than 20 Years	21	10.0
Total	210	100.0

This result is ascribed to the fact that the majority of economic activities before the 1990s were controlled and dominated by the government and private business activities did have not a significant role in economic activities. However, due to decisions taken by the government between 1992 and 1997, economic activity was liberalised and the government encouraged private businesses to become involved in different economic activities. Therefore, a relatively high number of participants belong to the groups 5 to 10 and 10 to 15 years of experience.

6.2.5. Business Visits to EU Countries

The subject of question 5 concerns business visits to EU countries during the last 5 years. Respondents were given five choices and in two of the choices they were asked to identify the countries they have recently visited. Tables 6.5, 6.5.1 and 6.5.2 depict the responses.

According to table 6.5, 30.0% of the respondents visited a single country many times, and 21.9% visited more than one country many times. In addition, 11.9% had made one visit to only one country and 7.1% had made one visit to more than one country. Therefore, about 70% had made at least one business visit to one or more EU countries compared with 29.0% who had not made any business visits to any of the EU countries in the last 5 years.

Table 6.5: Business Visit to EU Countries

	Frequency	Percent
Yes once and to one country only	25	11.9
Yes once, to more than one country	15	7.1
Yes many times, to one country only	63	30.0
Yes many times, to more than one country	46	21.9
Never	61	29.0
Total	210	100.0

Tables 6.5.1 and 6.5.2 compare single and multiple visits to a particular country to distinguish the preference between Libyan businessmen who, in the past, did business regularly with just one country, say Italy and those who made business visits to a number of EU countries where the trade relationship has been enhanced and developed after Libya joined the Barcelona process.

Table 6.5.1: Single Destination for Business Visit

	Frequency	Percent
Italy	11	44.0
France	5	20.0
Switzerland	3	12.0
Germany	3	12.0
United Kingdom	2	8.0
Spain	1	4.0
Total	25	100

Table 6.5.2: Most Popular Destinations for Multiple Business Visit

	Frequency	Percent
Italy	29	46.0
Switzerland	8	12.7
Germany	11	17.5
United Kingdom	6	9.5
France	4	6.3
Malta	3	4.8
Netherlands	1	1.6
Greece	1	1.6
Total	63	100

The findings from table 6.5.1 and table 6.5.2 indicate that Italy is the most popular country for Libyan businessmen to visit once or more. That is, 44% of the whole study visited just Italy once only while about 46% visited just Italy more than once. However, the tables reflect at the same time that there were a large proportion of Libyan businessmen who had business contacts with a number of EU countries.

6.2.6. Preferred Countries for Business Trips

The subject of question 6 regards the most preferred countries for business trips and the responses are presented in table 6.6:

Table 6.6: Preferred Countries for Business Trips

	Frequency	Percent
American Countries	6	2.9
African Countries	12	5.7
EU Countries	78	37.1
Arabic Countries	36	17.1
Asian Countries	78	37.1
Total	210	100.0
Mean	3.8000	

The findings from table 6.6 show that both Asian countries and EU countries are the preferred countries for the majority of Libyan businessmen to do business with: 37.1% prefer to do business with Asian countries and 37.1% prefer to do business with EU countries. As expected, this finding demonstrates the advantages of proximity of the EU markets which is a great source of motivation for Libyan businessmen. On the other hand, as with most developing countries, the majority of Libyan imports come from Asian countries, especially China, as a result of its cheap products.

It is worth pointing out that a considerable number, 17.1% of respondents, prefer to do business with Arabic countries. 5.7% prefer to make business with African countries, while the minority, about 2.9%, of respondents prefer to do business with American countries.

It can also be observed that the mean value in this category is 3.8 which indicate that the preferred trade partners are EU countries.

6.3. OPINIONS AND PERCEPTIONS ON INTERNATIONAL TRADE

This section analyses the opinions of Libyan businessmen on international trade and their views on developments of the Libyan trade relationship with the EU.

6.3.1. Most Successful Field of Cooperation

Question 7 of the questionnaire investigates the opinions and perceptions of the respondents on the most successful field of cooperation. They were given six choices: political; economic; military and security; all of the options; and none of the options. The responses are shown in table 6.7.

As depicted in table 6.7, the majority of respondents (about 40% of the sample) agreed that the most successful fields of cooperation achieved through the Barcelona process or EU-Mediterranean process were all fields of cooperation (political, economic and military and security). In contrast, a minority of Libyan businessmen (only 5.7%) believe that none of the fields mentioned have been successfully fulfilled.

Moreover, about 23.3% considered that economic integration is the most successful cooperation field. 16.7% of the total sample stressed that political cooperation is the most successful and only 14.3% believed that the military and security field is the most successful field of cooperation. This result is evidenced by the mean score of 3.0 which corresponds to the economic field.

Table 6.7: Most Successful Field of Cooperation

	Frequency	Percent
Political	35	16.7
Military and Security	30	14.3
Economic	49	23.3
All the above	84	40.0
None of the above	12	5.7
Total	210	100.0
Mean	3.0381	

6.3.2. Establishment of a Common EU-Mediterranean Customs Regime

In question 8 of the questionnaire, the respondents were asked to identify their opinions towards the establishment of a common EU-Mediterranean customs regime. Table 6.8 show the results:

Table 6.8: Establishment of a Common EU-Mediterranean Customs Regime

	Frequency	Percent
Strongly Agree	42	20.0
Agree	75	35.7
Not sure	51	24.3
Disagree	24	11.4
Strongly Disagree	18	8.6
Total	210	100.0
Mean	2.5286	

Table 6.8 depicts that the majority of Libyan businessmen (55%) agree or strongly agree that the movement towards the establishment of a common EU-Mediterranean customs regime will be a crucial step in the economic integration process. 20% disagreed with this thought and more than 24% were not sure.

The result is confirmed by the mean value of over 2.5 which indicates that the majority of responses are close to the 'agree' group.

6.3.3. Establishment of an EU-Mediterranean Common Market

Question 9 of the questionnaire examines the respondents' thoughts on the establishment of an EU-Mediterranean common market. Table 6.9 presents the responses as following:

Table 6.9: Establishment of EU-Mediterranean Common Market

	Frequency	Percent
Strongly agree	45	21.4
Agree	90	42.9
Not sure	30	14.3
Disagree	24	11.4
Strongly Disagree	21	10.0
Total	210	100.0
Mean	2.4571	

As can be seen from table 6.9, most of the respondents agree or strongly agree (64.3% of total study) that the establishment of an EU-Mediterranean common market, where there is free movement of goods, capital and people, will have positive effects. About 14.3% were not sure and over 21% of the entire sample did not agree with this idea.

The result is substantiated by the mean value of 2.4 which reveals that most of the participants were close to the 'agreeing' range.

6.3.4. Libyan Steps towards Economic Integration

Question 10 measures the perceptions of Libyan businessmen on Libya joining the Barcelona process. The responses are presented in table 6.10 below:

Table 6.10: Libyan Steps towards Economic Integration

	Frequency	Percent
Strongly Agree	48	22.9
Agree	73	34.8
Not Sure	44	21.0
Disagree	30	14.3
Strongly Disagree	15	7.1
Total	210	100.0
Mean	2.4810	

Table 6.10 tells us that most respondents (about 57% of the whole sample) agree or strongly agree that Libya has taken great steps towards economic cooperation and integration after joining the Barcelona process. Nevertheless, about 21% of the businessmen disagreed with this opinion, and 21% of the sample were not sure. The estimated mean value is approximately 3.5, which can be found between 'agree' and 'not sure' groups.

6.3.5. Speed of Developments in the EU-Mediterranean Partnership Process

In question 11 the respondents were asked to give their opinions on the speed of the developments in EU-Mediterranean process. Table 6.11 presents the responses as follows:

Table 6.11 shows that a considerable number of the sample (156 of respondents or 74%) agree or strongly agree that the economic integration process among EU-Mediterranean partners has been very slow during the last 10 years and that it should be faster. By comparison, less than 15% of the respondents disagreed with this idea and over 11% of the sample were not sure.

According to the mean value of 2.0, the majority of Libyan businessmen's perceptions indicate the 'agree' group which substantiates the result.

Table 6.11: Speed of Developments in the EU-Mediterranean Partnership Process

	Frequency	Percent
Strongly Agree	81	38.6
Agree	75	35.7
Not Sure	24	11.4
Disagree	18	8.6
Strongly Disagree	12	5.7
Total	210	100.0
Mean	2.0714	

6.3.6. Opinions on the FTA and Enhancing Libyan Trade

Question 12 asked the respondents to state whether they thought that the FTA (free trade agreement) was conducive for enhancing Libyan trade. The responses are shown in table 6.12.

Table 6.12: The Role of the FTA for Enhancing Libyan Trade

	Frequency	Percent
Strongly Agree	53	25.2
Agree	55	26.2
Not Sure	36	17.1
Disagree	33	15.7
Strongly Disagree	33	15.7
Total	210	100.0
Mean	2.7048	

Table 6.12 reveals that more than half of the sample, about 51% of Libyan businessmen, either agree or strongly agree with the point of view that the FTA within the Barcelona process can be conducive for enhancing Libyan trade, Over 30% disagreed or strongly disagreed with this view, while almost 17% were not sure. This result evidenced by the mean value of 2.7, which depicts that the majority of responses fall between the ‘agree’ and ‘not sure’ groups.

In addition, question 13 asked the respondents to reveal their perceptions on whether the establishment of FTA will help to decrease prices of EU commodities available to the Libyan market. The responses shown in Table 6.13:

Table 6.13: The FTA’s Impact on Decreasing Prices of EU Commodities

	Frequency	Percent
Strongly Agree	87	41.4
Agree	51	24.3
Not Sure	30	14.3
Disagree	24	11.4
Strongly Disagree	18	8.6
Total	210	100.0
Mean	2.2143	

As shown in table 6.13, the majority of respondents (66% of the sample) believe that the establishment of the FTA between the EU-Mediterranean partners will help to decrease prices of EU commodities available in the Libyan market. On the other hand, only 20% of the respondents disagreed with this point of view while about 14% were not sure. Furthermore, it is clear that the mean value in this category is 2.2 which correspond to the groups in agreement.

In question 14 participants were asked to declare their point of view on the formation of the FTA as a motivation to increase rapidly the volume of trade between Libya and EU countries. Table6.14 shows the results:

Table 6.14: The FTA's Positive Role on the volume of Trade between Libya and EU Countries

	Frequency	Percent
Strongly Agree	36	17.1
Agree	87	41.4
Not Sure	60	28.6
Disagree	15	7.1
Strongly Disagree	12	5.7
Total	210	100.0
Mean	2.4286	

According to table 6.14, the majority of Libyan businessmen respondents (almost 59%), supported the view that the formation of the FTA will increase rapidly the volume of trade between Libya and EU countries. At the same time, about 13% either disagreed or strongly disagreed with this point of view and about 28.6% of respondents were not sure. In addition, it can be seen that the mean value in this category is 2.4 which is close to the 'agree' group.

Question 15 of questionnaire asked the participants to state their opinion on whether or not the FTA will help to increase Libyan exports to EU countries. The table 6.15 presents the responses.

Table 6.15: The FTA's Role in Increasing Libyan Exports to EU Countries

	Frequency	Percent
Strongly Agree	54	25.7
Agree	80	38.1
Not Sure	27	12.9
Disagree	26	12.4
Strongly Disagree	20	9.5
Missing Data	3	1.4
Total	210	100.0
Mean	2.4106	

The findings show that about 64% of Libyan businessmen who participated in this study agreed that the establishment of the FTA under the EU-Mediterranean process can be an incentive to increasing Libyan exports to EU countries. About 22% of the participants did not agree with this thought, and about 13% of them were not sure. This finding is agreed with the mean value of 2.4, this is close to the 'agree' group.

This study also aims to measure the opinions of the respondents in relation to the potential role of the FTA to eliminate obstacles and develop trade between Libya and EU countries. Therefore, question 16 of the questionnaire asked the respondents whether or not the establishment of the FTA will help to eliminate all the obstacles that hinder trade between Libya and EU countries. Table 6.16 below presents the responses:

Table 6.16: FTA's Role in Developing Trade between Libya and EU Countries

	Frequency	Percent
Strongly Agree	30	14.3
Agree	88	41.9
Not Sure	45	21.4
Disagree	33	15.7
Strongly Disagree	14	6.7
Total	210	100.0
Mean	2.5857	

As demonstrated in table 6.16, over 56% of Libyan businessmen agreed or strongly agreed that the role of FTA eliminates all trade obstacles and develops trade between Libya and EU countries. However, 23% did not agree with this approach and 21.4% of the participants were not sure. The result was evidenced by the mean value of 2.6, which is the majority of the participations is located between the 'agree' and 'not sure' groups.

6.4. THE MAIN OBSTACLES FACING LIBYAN INTERNATIONAL TRADE

This section analyses the main obstacles hindering the volume of Libyan international trade especially after Libya joined the Barcelona process and EU-Mediterranean partnerships. It is divided into nine sub-sections, each of which reflects the attitude of Libyan businessmen towards Libya and EU trade obstacles.

Question 17 of the questionnaire asked Libyan businessmen to provide their opinion towards the obstacles that affect trade between Libya and the EU. The responses are set out in table 6.17.

Table 6.17: Libya and EU Trade Obstacles

	Frequency	Percent
Strongly Agree	73	34.6
Agree	81	38.4
Not Sure	36	17.1
Disagree	12	5.7
Strongly Disagree	8	3.8
Total	210	100.0
Mean	2.0524	

It is obvious from the table 6.17 that 158 of the total respondents (73% of the sample) believe that trade between Libya and EU still faces obstacles even after Libya joined the Barcelona process. On the other hand, about 10% of Libyan businessmen disagreed with this thought and about 17% were not sure. The mean value of about 2.05 is supporting the aforementioned result, which indicates that the majority of responses were located in the ‘agree’ category.

Question 18 investigated the views of respondents on whether the high price of EU commodities is one of the obstacles facing trade between Libya and the EU. Table 6.18 shows the responses.

Table 6.18 shows that 164 respondents (nearly 78% of the entire sample) agreed or strongly agreed with the view that the high price of EU commodities is one of the obstacles facing trade between Libya and EU countries. However, almost 12% of the respondents did not agree with this view and only 10% were not sure. It should be noted that the result is confirmed by the mean value of approximately 1.9, which is close to the 'agree' group.

Table 6.18: The Impact of High Price of EU Products on Trade

	Frequency	Percent
Strongly Agree	100	47.4
Agree	64	30.3
Not Sure	21	10.0
Disagree	16	7.6
Strongly Disagree	9	4.3
Total	210	100.0
Mean	1.9048	

Furthermore, question 19 measured the opinions of the participants on the difference in the quality of Libyan and EU products. The table 6.19 below presents the responses:

Table 6.19: Difference in Product Quality between Libyan and EU Countries

	Frequency	Percent
Strongly Agree	69	32.7
Agree	76	36.0
Not Sure	40	19.0
Disagree	19	9.0
Strongly Disagree	6	2.8
Total	210	100.0
Mean	2.1286	

As depicted in table 6.19, the majority (about 69%) of Libyan businessmen think that the difference in terms of the quality of product inhibits trade between Libya and the EU countries. Only about 12% of the respondents reject this view and over 19% were not sure. Besides, this result is evidenced by the mean value of 2.1, which reveals that the majority of responses in the 'agree' group.

With regards to question 20 of questionnaire, the aim was to assess the notion that the policy dissimilarity in EU countries towards Libya is the one of the obstacles affecting trade. The responses are presented in table 6.20:

Table 6.20: The Policy Dissimilarity in the EU towards Libya as an Obstacle

	Frequency	Percent
Strongly Agree	66	31.4
Agree	75	35.7
Not Sure	24	11.4
Disagree	29	13.8
Strongly Disagree	15	7.1
Missing Data	1	5
Total	210	100.0
Mean	2.2919	

Table 6.20 shows that the majority (about 67%) of Libyan businessmen agreed or strongly agreed that policies vary amongst EU countries rather than there being an unified EU policy towards Libya which created obstacles to trade. Less than 21% did not agree with this notion and over 11% were not sure. The estimated mean value is around 2.3, which corresponds to agree category.

Question 21 of the questionnaire asked participants which EU country had the least trade impediments for Libyan businessmen according to their experience. The following table (6.21) responses the results:

Table 6.21: The EU Country with the Least Serious Trade Impediments

	Frequency	Percent
Czech Republic	1	.5
France	10	4.8
Germany	25	11.9
Greece	13	6.2
Italy	99	47.1
Malta	11	5.2
Netherlands	8	3.8
Spain	11	5.2
Switzerland	17	8.1
United Kingdom	1	.5
Missing Data	14	6.7
Total	210	100.0

As expected, the data indicates that according to their experience the majority of Libyan businessmen (47.1%) considered Italy as the EU country with the least trade impediments. This reflects the fact that Italy is the favoured EU country for Libyan businessmen. Germany occupied the second position with nearly 12% of respondents believing it had the least trade impediments for Libyan businessmen, followed by Switzerland with 8.1% of respondents.

On the other hand, the minority of respondents (0.5% of sample) believed that the United Kingdom and Czech Republic have the least trade obstacles among the EU countries. About 6.2% of Libyan businessmen thought that Greece had the least trade impediments for them; 5.2% for both Malta and Spain; 4.8% thought it was France; and 3.8% thought it was the Netherlands.

In a further question related to trade obstacles, question 22 of the questionnaire asked Libyan businessmen to present their experience regarding the EU country which they felt had the most serious trade obstacle. The results are depicted in Table 6.22:

Table 6.22: The EU Country with the Most Serious Trade Impediments

	Frequency	Percent
Czech Republic	14	6.7
Denmark	15	7.1
France	15	7.1
Germany	29	13.8
Italy	7	3.3
Malta	9	4.3
Netherlands	13	6.2
Spain	17	8.1
Sweden	9	4.3
Switzerland	20	9.5
United Kingdom	52	24.8
Missing Data	10	4.8
Total	210	100.0

As can be seen from table 6.22, the United Kingdom is considered to have the most serious trade impediments among the EU countries; 24.8% of Libyan businessmen think this. Germany is considered to be the second according to 13.8% of respondents, followed by Switzerland with 9.5% of the sample thinking this.

Again, it can be seen that a very small proportion (3.3%) of the respondents consider Italy as having the most serious trade impediments among EU countries. This is followed by about 8.1% who believe that the most serious trade impediments comes from Spain; 7.1% for both France and Denmark; 6.7% for the Czech Republic; the Netherlands with 6.2%; and 4.3% for both Malta and Sweden having the most serious trade impediments among EU countries.

6.5. LIBYAN IMPORTS–EXPORTS TO THE EU

This section presents the results of the research according to the opinion of the Libyan businessmen in the survey with respect to their attitude regarding the trade relationship between Libya and the EU. It is divided according to the factors which influence Libyan foreign trade and its exports and imports to EU countries.

The subject of question 23 is on whether the geographical closeness of EU countries to Libya is a factor that encourages the respondents to import their goods from EU countries. Table 6.23 presents the responses as follows:

Table 6.23: Geographical Closeness of EU Countries

	Frequency	Percent
Strongly Agree	51	24.3
Agree	106	50.5
Not Sure	12	5.7
Disagree	23	11.0
Strongly Disagree	18	8.6
Total	210	100.0
Mean	2.2905	

As shown in Table 6.23, the great majority (about 75%) of respondents agreed or strongly agreed that the geographical factor plays a significant role in encouraging many Libyan businessmen to import from EU markets. Nevertheless, more than 19% of the participants disagreed with this view and 5.7% of the entire study was not sure. This result is proved by the mean value of about 2.3, which indicates the majority of the responses located in the ‘agree’ group.

Question 24 expanded the discussion and investigated whether the respondents’ tourist trips to EU countries encouraged them to purchase from EU markets. The results are shown in the following table:

Table 6.24: Tourism Factor

	Frequency	Percent
Strongly Agree	51	24.3
Agree	89	42.4
Not Sure	21	10.0
Disagree	26	12.4
Strongly Disagree	23	11.0
Total	210	100.0
Mean	2.4333	

Table 6.24 depicts that a large percentage (almost 67%) of Libyan businessmen considered that tourism plays a role for Libyans to purchase from EU markets. Yet, 23% of the sample did not agree with this thought, and 10% of the respondents were not sure. The finding is confirmed by the mean value of 2.4 which is close to the 'agree' group.

Question 25 examined the negative effects of customs duties on Libyan imports from EU countries. Respondents were asked to express their point of view towards whether or not adopting high customs duties on EU products will decrease imports from EU countries. Table 6.25 below shows the responses:

Table 6.25: Adopting High Customs Duties on EU products

	Frequency	Percent
Strongly Agree	78	37.1
Agree	57	27.1
Not Sure	23	11.0
Disagree	23	11.0
Strongly Disagree	29	13.8
Total	210	100.0
Mean	2.3714	

In general, it appears from table 6.25 that the majority (about 64%) of the respondents agreed or strongly agreed that adopting high customs duties on EU products by Libyan authorities contributes to a decrease in imports from EU countries. Conversely, a small percentage of the sample (approximately 15%) were not in agreement with this statement, and only 11.0 % of Libyan businessmen were not sure. The mean value of 2.37 reflects the findings as it corresponds to the 'agree' category.

In question 26 of the questionnaire, Libyan businessmen were asked to state their opinion on the impact a lack of information about EU markets had for them. Table 6.26 sets out the results:

Table 6.26: Lack of Information about EU Markets

	Frequency	Percent
Strongly Agree	55	26.2
Agree	84	40.0
Not Sure	15	7.1
Disagree	47	22.4
Strongly Disagree	9	4.3
Total	210	100.0
Mean	2.3857	

Table 6.26 indicates that approximately 66% of the respondents agreed that the lack of information about the opportunities available in EU markets is one of the obstacles facing Libyan businessmen to export to these markets. On the other hand, about 27% did not agree with this opinion and only 7.1% were not sure. Moreover, the estimated mean value of nearly 2.38 shows that the majority of responses are close to the 'agree' group.

Question 27 was concerned with the obstacles that face Libyan exports to EU countries and respondents were asked their opinion on this. Table 6.27 shows the following responses:

Table 6.27: Libyan Exports to EU Countries Face Obstacles

	Frequency	Percent
Strongly Agree	109	51.9
Agree	64	30.5
Not Sure	13	6.2
Disagree	14	6.7
Strongly Disagree	10	4.8
Total	210	100.0
Mean	1.8190	

Table 6.27 demonstrates that a considerable percentage (over 82%) of the sample agreed that Libyan exports to the EU countries face obstacles. A very small proportion, about 11%, did not agree with this point of view, and only 6.2% were not sure. This result is evidenced by the mean value of 1.8, which indicates that the majority of responses are equal to the 'agree' groups.

In a further question concerning Libyan trade to the EU countries, question 28 of the questionnaire asked the respondents to express their views on whether the main problem of accessing the EU markets is the low quality of Libyan products. Table 6.28 reveals the responses as follows:

Table 6.28: The Main Problem is the Low Quality of Libyan Products

	Frequency	Percent
Strongly Agree	83	39.3
Agree	88	41.7
Not Sure	24	11.4
Disagree	12	5.7
Strongly Disagree	3	1.4
Total	210	100.0
Mean	1.8762	

From the results provided in table 6.28, it is very clear that the great majority or 81% of Libyan businessmen believe that the main problem facing Libyan products entering EU markets is their low quality. Only 7.1% of the respondents did not believe this was a problem and 11.4% were not sure. The finding is confirmed by the mean value of 1.87, which is corresponds to the 'agree' group.

Continuing the theme of obstacles that limit Libyan trade to EU countries, question 29 asked the respondents their opinion if routine and administrative obstacles in EU countries limit the export of Libyan national products. The results are shown in table 6.29:

Table 6.29: Routine and Administrative Obstacles in EU Countries

	Frequency	Percent
Strongly Agree	59	28.1
Agree	53	25.2
Not Sure	18	8.6
Disagree	49	23.3
Strongly Disagree	28	13.3
Missing Data	3	1.4
Total	210	100.0
Mean	2.6812	

Table 6.29 above informs us that over 53% of the participants were either agreed or strongly agreed that the routine and administrative obstacles in exporting and marketing to the EU countries limit the export of Libyan national products. Nonetheless, over 36% did not agree with this concept while only 8.6% were not sure. The estimated mean value is approximate 2.7, which is located between the 'agree' and 'not sure' categories.

In question 30 of the questionnaire, the researcher attempted to shed light on the role of high oil prices on Libyan exports to EU countries by asking the respondents whether it has a positive impact or not. The responses are set out in table 6.30:

Table 6.30: Impact of High Oil Prices on Libyan Exports to EU Countries

	Frequency	Percent
Strongly Agree	63	29.9
Agree	86	40.8
Not Sure	47	22.3
Disagree	12	5.7
Strongly Disagree	2	.9
Total	210	100.0
Mean	2.0667	

Table 6.30 depicts that 141 or 71% of the respondents agreed with the statement that Libyan exports to EU countries have been helped by the improved economic situation as a result of higher oil prices in the world. In contrast, only 6.6% of the respondents either disagreed or strongly disagreed, and those who were not sure formed 22.3% of the sample. Likewise, the mean value of 2.06 supports the result, which indicates that most of the responses correspond to the ‘agree’ group.

Question 31 examines the positive changes in business for the respondents since sanctions were lifted from Libya. They were asked to state to what extent they agreed or not with this statement. The responses are depicted in table 6.31.

It is clear by looking at the percentages in table 6.31 that most of the participants have experienced positive changes in their business with the EU countries as a result of the sanctions being lifted from Libya. The majority or 68% were positively affected. However, 26% did not experience positive changes in their business after the lifting of the sanctions from the country, while only 5.7% were not sure. This result is proved by the mean value of 2.1, which is equal to the ‘agree’ class.

Table 6.31: Positive Changes in Business after the Lifting of Sanctions

	Frequency	Percent
Strongly Agree	90	42.9
Agree	53	25.2
Not Sure	12	5.7
Disagree	49	23.3
Strongly Disagree	6	2.9
Total	210	100.0
Mean	2.1810	

As part of the questions aimed at measuring the opinions on the impact of the lifting of sanctions, question 32 of the questionnaire investigates the trade volume since sanctions were lifted from Libya. The respondents were asked their opinion whether or not volume of trade had increased. The table 6.32 reveals the responses:

Table 6.32: Increased Trade Volume since the Lifting of Sanctions

	Frequency	Percent
Strongly Agree	117	55.7
Agree	36	17.1
Not Sure	24	11.4
Disagree	18	8.6
Strongly Disagree	12	5.7
Missing Data	3	1.4
Total	210	100.0
Mean	1.8986	

According to table 6.32, the majority or nearly 73% of Libyan businessmen either agreed or strongly agreed that there has been an expansion in trade volume between Libya and EU countries after the UN lifted sanctions on Libya. Around 13% of the sample did not agree with this point of view and 11.4% of the respondents were not sure. Also, it can be observed that the mean value in this category is about 1.9, which is corresponds to the 'agree' group.

6.6. ALTERNATIVE INTERNATIONAL BUSINESS RELATIONS

This section investigates the attitudes and opinions of the Libyan businessmen towards alternatives in international integration blocs such as an African Union, Arab Union or Islamic Economic Union which may better serve Libya economically and improve trade.

This section consists of four statements of alternatives international relationship to overcome Libya's economic problems and achieve economic integration benefits.

In the first statement, question 33 of the questionnaire asked the respondents' opinion with regard to the point of view that Libyan economic interests are not fully met by a close relationship of Libya with the EU. The results are depicted in table 6.33:

Table 6.33: Libyan Economic Interest is not Fully Represented by a Close Relationship with the EU

	Frequency	Percent
Strongly Agree	12	5.7
Agree	20	9.3
Not Sure	21	9.5
Disagree	92	44.3
Strongly Disagree	65	31.0
Total	210	100.0
Mean	3.7524	

As demonstrated in table 6.33, the vast majority (more than 75%) of Libyan businessmen think that Libyan economic interest is fully represented by a close relationship with the EU. Alternatively, about 15% of the sample does not support that and 19.5% were not sure. This result is evidenced by the mean score of 3.7, which is close to the ‘disagree’ group.

In an attempt to find the opinions of the participants on alternative regional integration areas, question 34 of the questionnaire asked the respondents to provide their opinion on the view that it is in Libyan interest to commit itself economically to an African Union. The data are presented in Table 6.34 below:

Table 6.34: Economic Relations of Libya with an African Union

	Frequency	Percent
Strongly Agree	11	5.2
Agree	10	4.8
Not Sure	51	24.3
Disagree	84	40.0
Strongly Disagree	54	25.7
Total	210	100.0
Mean	3.7619	

The data in table 6.34 show that 65.7% of the respondents either disagreed or strongly disagreed that Libyan interest would be better served if it commits itself economically to an African Union. Only 10% of Libyan businessmen agreed with this view and 24.3% were not sure. Such findings are proved by the mean value of 3.7 which is close to the ‘disagree’ category.

In question 35, the respondents were asked to state their viewpoint on a hypothetical Arab Union and Libya’s entry to measure their political position. Table 6.35 depicts the responses.

Table 6.35 reveals that more than 54% of the participations agreed with the idea that the Libya should enter into an Arab Union to enhance its economic capabilities. However, 25.7% did not agree with this idea and 20% were not sure. This result is confirmed by the mean value of nearly 2.6, which is located between the ‘agree’ and ‘not sure’ groups.

Table 6.35: Entry of Libya into an Arab Union

	Frequency	Percent
Strongly Agree	66	31.4
Agree	48	22.9
Not Sure	42	20.0
Disagree	42	20.0
Strongly Disagree	12	5.7
Total	210	100.0
Mean	2. 5905	

In the last question of the questionnaire, question 36, the respondents were asked to express their opinions on Libya becoming part of a hypothetical Islamic Economic Union with the objective of measuring participants' political position. The results are shown in table 6.36.

Table 6.36: Joining an Islamic Economic Union

	Frequency	Percent
Strongly Agree	51	24.3
Agree	77	36.7
Not Sure	36	17.1
Disagree	18	8.6
Strongly Disagree	16	7.6
Missing Data	12	5.7
Total	210	100.0
Mean	2.3485	

As can be seen from table 6.36 above, the majority (61%) of the Libyan businessmen prefer Libya to be part of an Islamic Economic Union rather than having close economic and financial relations with the EU. However, about 16% of the respondents were in disagreement with this statement, and almost 17% of the sample was not sure. This result evidenced by the mean value of 2.3 which is close to the 'agree' group.

6.7. IDENTIFYING THE IMPORTANT FACTORS IN LIBYAN RELATIONS WITH THE EU

In order to identify the important factors in Libyan relations with the EU, further statistical methods were used to examine the Libyan businessmen's perceptions and opinions towards trade between Libya and the EU; the Barcelona process and EU-Mediterranean partnership; the obstacles that face trade between Libya and the EU;, Libyan imports and exports to EU countries; and the possibility of joining other unions economically. The main method of analysis used in this section is the mean ranking, which aims at establishing the new value in terms of the perceptions and opinions and then ranking them to locate the most important perceived statement.

First, the statements related to perceptions on regional trade and economic relations were examined. The mean ranking of statements related to opinions and perceptions on regional trade and economic relations are depicted in table 6.37:

Table 6.37: Mean Ranking of Statements Related to Perceptions on Regional Trade and Economic Relations

Perceptions and Opinions		Mean
1	Speed of developments in the EU-Mediterranean partnership process	2.07
2	FTA's impact on decreasing prices of EU commodities	2.21
3	FTA's role on increasing Libyan exports to EU countries	2.41
4	FTA's positive role on the volume of trade to between Libya and EU countries	2.42
5	Establishment of an EU-Mediterranean common market	2.45
6	Libyan steps towards economic integration	2.48
7	Establishment of a common EU-Mediterranean customs regime	2.52
8	Role of FTA in developing trade between Libya and EU countries	2.58
9	Role of the FTA for enhancing Libyan trade	2.70

To find out the most important statement according to participants the mean values of each statement is ranked. The mean ranking of statement related to Libyan businessmen's perceptions on regional trade economic relations are listed from the lowest mean to the highest (considering that the lowest statement is the most important). As table 6.37 shows, the statement related to 'Speed of the developments in the EU-Mediterranean partnership process' is considered to be the most important factor; 'FTA's impact on decreasing prices of EU commodities' is second; 'FTA's role on increasing Libyan exports to EU countries' is ranked as third; 'FTA's positive role on the volume of trade to the EU' is fourth; 'Establishment of an EU-Mediterranean common market' is fifth; 'Libyan steps towards economic integration' is sixth; 'Establishment of the EU-Mediterranean common customs duties' is seventh, 'Role of FTA in developing trade between Libya and EU countries' is eighth; and 'Role of FTA for enhancing Libyan trade' came last.

Second, the mean ranking of statements related to obstacles facing regional trade and economic relations between the EU and Libya are depicted in table 6.38 below:

Table 6.38: Mean Ranking of Statements Related to Obstacles which Facing Regional Trade and Economic Relations

	Obstacles	**Mean**
1	Libya and EU trade obstacles	2.05
2	Difference in product quality between Libyan and EU	2.12
3	The impact of high price of EU products on trade	2.29
4	The political perception in the EU towards Libya as an obstacle	2.29

Table 6.38 ranks in terms of the mean value of each statement the most serious obstacles according to Libyan businessmen's views. Each statement is ranked from the lowest mean to the highest (considering that the lowest statement is the most important). Thus the statement 'Libya and EU trade obstacles' is ranked first; 'Difference in products quality between Libyan and EU' is second; followed by 'The impact of high price of EU products on trade'; and last 'The political perception in the EU towards Libya as an obstacle'.

Third, the mean ranking of statements related to perceptions on Libyan import and export to the EU was conducted and presented in table 6.39:

Table 6.39: Mean Ranking of Statements Related to Perceptions on Libyan Import-Export to the EU

Libyan Imports-Exports to the EU		Mean
1	Libyan exports to EU countries face obstacles	1.81
2	The main problem is the low quality of Libyan products	1.87
3	Increased trade volume since the lifting of sanctions	1.89
4	Impact of high oil prices on Libyan exports to EU countries	2.06
5	Positive changes in business after the lifting of sanctions	2.18
6	Geographical closeness of EU countries	2.29
7	Adopting high customs duties on EU products	2.37
8	Lack of information about EU markets	2.38
9	Tourism factor	2.43
10	Routine and administrative obstacles in EU countries	2.68

Table 6.39 presents the mean ranking of statements related to perceptions on Libyan import-export to the EU countries. The statements are ranked from the lowest mean to the highest (considering that the lowest statement is the most important). Hence, the statement 'Libyan exports to EU countries face obstacles' is the first; 'The main problem is low quality of Libyan products' is the second; 'Increased trade volume since the lifting of sanctions' is the third; 'Impact of high oil prices on Libyan exports to EU countries' is the fourth; 'Positive changes in business after the lifting of sanctions' is the fifth; 'Geographical closeness of EU countries' is the sixth; 'Adopting the high customs duties on EU products' is the seventh; 'Lack of information about EU markets' is the eighth; 'Tourism factor' is the ninth, and the last statement according to the mean ranking is 'Routine and administrative obstacles in EU countries'.

Last, the mean ranking of statements concerning alternative international business relations for Libya was conducted and table 6.40 shows the results:

Table 6.7: Mean Ranking of Statements Related to Alternative International Relations of Libya

Alternative International Relations		Mean
1	Joining an Islamic Economic union	2.34
2	Entry of Libya into an Arab Union	2.59
3	Libyan economic interest is not fully represented by a close relationship with the EU	3.75
4	Economic relations of Libya with an African union	3.76

To show the most important statement according to respondents, the mean value of each statement relating to perceptions on alternative international relations of Libya is listed from the lowest mean to the highest (considering that the lowest statement is the most important). The ranking is shown in table 6.40. Thus, the statement Joining an Islamic Economic Union' is the first; 'Entry of Libya into an Arab union' 'is the second; 'Libyan economic interest is not fully represented by a close relationship with the EU' is the third; and 'Economic relations of Libya with an African union' is the last.

6.8. CONCLUSION

This chapter presents a descriptive analysis on the perception of Libyan businessmen in relation to their opinion on trade and economic relations between Libya and EU countries. An analysis of the primary data from the survey is also discussed in order to provide useful statistics about Libyan businessmen's views on the joining of Libya to the Barcelona process and the EU-Mediterranean Partnership.

According to the data analysed in this chapter, it is clear that there are positive attitudes among Libyan businessmen towards cooperation and integration between Libya and EU and strong support for the formation of the FTA, and adopting further steps towards more integration, such as the establishment of a customs union and a common market.

On the other hand, the analysed data shows that there is dissatisfaction with the very slow economic integration process of the EU-Mediterranean partnership in recent years, and the respondents agreed that there are still many obstacles facing trade between Libya and EU countries.

Also, it should be noted that according to Libyan businessmen’s opinion on the alternative international relations of Libya, the results related to mean ranking show that the statement Libyan economic interest is not in fully a relationship with the EU is located almost close to disagree group; while economic relations of Libya with an African Union is situated between not sure and disagree group; however, being part of an Islamic Economic Union; and joining of Libya to an Arab Union sited between not sure and agree group.

CHAPTER SEVEN

ANALYSING THE PERCEPTIONS OF LIBYAN BUSINESSMEN ON TRADE ISSUES WITH THE EU

7.1. INTRODUCTION

In the previous chapter, the univariate analysis of the research variables was obtained using frequency tables. In order to extend the analysis, cross-tabulation analysis is used in this chapter, which concerns how two variables are related to each other. This chapter also compares the key elements of the results obtained from Libyan businessmen in order to clarify the main idea about the sample. More specifically, it investigates the findings established in each case.

The aim of this chapter is to investigate whether there are any significant correlations between the different variables. These correlations were examined by using the cross-tabulation statistical functions of the SPSS package. This is important in order to establish that the relationship is really due to the variable, and not just to chance.

In conducting the cross-tabulation analysis, a number of control or independent variables were selected for correlation to a number of dependent variables. These variables are: type of business activity; size of the company (in terms of employees); capital of the company; business experience; business visits to EU countries; preferred countries for business trips; most successful field of cooperation; establishment of EU-Mediterranean common customs duties; and establishment of the EU-Mediterranean common market.

7.2. PERCEPTIONS ON SUCCESS OF THE BARCELONA PROCESS

This section examines the respondents' perceptions on the most successful fields of cooperation within Barcelona process by cross-tabulating against business activity, capital of company, size of company and business experience.

Table 7.1: Type of Business Activity with Field of Cooperation (%)

Business Activity	Most Successful Field of Cooperation					Total
	Political	Military and Security	Economic	All	None	
Trade	0.0	14.3	33.3	52.4	0.0	100.0
Industry	26.7	0.0	24.4	48.9	0.0	100.0
Services	38.3	25.0	5.0	11.7	20.0	100.0
Total	16.7	14.3	23.3	40.0	5.7	100.0

The cross-tabulation relating to type of business activity of the respondents and their perception towards the most successful field of cooperation with the EU is depicted in table 7.1. Around 33% of respondents who run trading companies thought that the most successful field is economic and more than 52% believe that all the fields of cooperation are successful. However, almost 27% of those who own industrial companies considered that political cooperation is the most successful and about 49% considered all the fields of cooperation are successful. In addition, approximately 38% of the respondents of service companies believe that the political field is most successful and 25% thought that military and security are most successful, while only around 12% considered that all fields of cooperation are successful.

Table 7.2: Capital of Firms with Field of Cooperation (%)

Capital of Firms	Most Successful Field of Cooperation					Total
	Political	Military and Security	Economic	All	None	
Less than 25,000	0.0	0.0	6.7	13.3	80.0	100.0
Between 25,000 and 50,000	16.0	60.0	12.0	12.0	0.0	100.0
Between 50,000 and 100,000	26.6	0.0	25.3	48.1	0.0	100.0
Between 100,000 and 250,000	2.6	15.8	26.3	55.3	0.0	100.0
More than 250,000	17.0	17.0	28.3	37.7	0.0	100.0
Total	16.7	14.3	23.3	40.0	5.7	100.0

Table 7.2 depicts that the cross-tabulation regarding capital size of companies and their view on which is the most successful field of cooperation. 28.3% of companies with capital of more than LD250,000 believe that economic cooperation is the most successful field within the Barcelona process and 37% of them consider all the fields of cooperation are successful. Moreover, 26.3% firms with capital of between LD100,000 and LD250,000 thought economic cooperation is the most successful field and 55.3% think that all fields are successful. Also, more than 25% of companies with capital between LD50,000 and LD100,000 consider political is the most successful field, about 25% believe it is economic cooperation and 48% all fields of cooperation. While, 60% of respondents from firms with capital between LD25,000 and LD50,000 think that the political field is the most successful within the Barcelona process. On the contrary, 80% of the smallest firms (less than LD25,000) consider that no area of cooperation is successful.

Table 7.3: Size of Company with Field of Cooperation (%)

Size of Company	Most Successful Field of Cooperation					Total
	Political	Military and Security	Economic	All	None	
1-5	0.0	18.2	34.8	47.0	0.0	100.0
6-10	0.0	0.0	28.6	42.9	28.6	100.0
11-20	36.5	23.8	12.7	27.0	0.0	100.0
21-50	0.0	25.0	16.7	58.3	0.0	100.0
51-100	0.0	0.0	26.7	73.3	0.0	100.0
100+	100.0	0.0	0.0	0.0	0.0	100.0
Total	16.7	14.3	23.3	40.0	5.7	100.0

According to the cross-tabulation of size of company by number of employees and their perception on most successful field of cooperation, table 7.3 reveals that all of those who belong to 100+ groups believe that the political area is the most successful area of cooperation. Conversely nearly 35% of those who belong to 1-5 groups' view consider economic cooperation to be the most successful field and 47% view all the fields of cooperation as successful. Furthermore, 36.5% of respondents categorised as 11-20 employees chose political cooperation as the most successful field while around 24% chose the military and security field. In addition, 25% of those categorised as 21-50 employees said that the military and security cooperation is the most successful and around 58% said all of the cooperation fields are successfully achieved within the Barcelona process.

The correlation between business experience and the most successful fields of cooperation are shown in table 7.4. Almost 48% of the participants who had experience of between 5-10 years believe that economic cooperation is the most successful field and about 38% of them selected all fields of cooperation as successful. Additionally, 60% of those who had experience of more than 20 years considered that political cooperation is the most successful while more than 31% thought it was the military and security. Of those with low experience (less than 5 years) about 53% believed that none of the fields are successfully achieved, while about 41% were of the belief that all are successful.

Table 7.4: Business Experience with Field of Cooperation (%)

Business Experience	Most Successful Field of Cooperation					Total
	Political	Military and Security	Economic	All	None	
Less than 5 years	0.0	0.0	5.9	41.2	52.9	100.0
5 to 10 years	0.0	14.3	47.6	38.1	0.0	100.0
10 to 15 years	4.1	14.9	27.0	50.0	4.1	100.0
15 to 20 years	17.5	7.9	28.6	46.0	0.0	100.0
More than 20 years	60.0	31.4	0.0	8.6	0.0	100.0
Total	16.7	14.3	23.3	40.0	5.7	100.0

7.3. PERCEPTIONS ON THE ECONOMIC INTEGRATION PROCESS

This section explores Libyan businessmen's perceptions on the economic integration process and cross-tabulating these perceptions with their business activity, capital of company, size of company and business experience.

Table 7.5: Type of Business Activity with Establishing a Common EU-Mediterranean Customs Regime (%)

Business Activity	Establishing a Common EU-Med Customs Regime					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	14.3	48.6	19.0	15.2	2.9	100.0
Industry	0.0	42.2	48.9	2.2	6.7	100.0
Services	45.0	8.3	15.0	11.7	20.0	100.0
Total	20.0	35.7	24.3	11.4	8.6	100.0

Table 7.5 reveals that the cross-tabulation between the type of business activity and their opinion on moving towards establishing a common EU-Mediterranean customs regime will be a crucial step in the economic integration process. Nearly 63% of participants of trade-related companies either agree or strongly agree with this viewpoint while around 18% either disagree or strongly disagree, 19% of traders were sure. Whereas 42% of the owners of industrial companies were in agreement but

nearly 49% were not sure, while 9% disagreed . Furthermore, about 53% of the services companies agreed with this view, while only 20% of disagreed and only 15% were not sure.

Table 7.6: Capital of Company with Establishing a Common EU-Mediterranean Customs Regime (%)

Capital of Company	Establishing a Common EU-Med Customs Regime					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	0.0	20.0	0.0	0.0	80.0	100.0
Between 25,000 and 50,000	68.0	12.0	16.0	4.0	0.0	100.0
Between 50,000 and 100,000	31.6	46.8	7.6	13.9	0.0	100.0
Between 100,000 and 250,000	0.0	47.4	42.1	2.6	7.9	100.0
More than 250,000	0.0	26.4	47.2	20.8	5.7	100.0
Total	20.0	35.7	24.3	11.4	8.6	100.0

Table 7.6 highlights the cross-tabulation between capital of company and the establishment of a common EU-Mediterranean customs regime. 80% of the participants of the firms with capital between LD25,000 and LD50,000 agreed that the creation would be a crucial step towards economic integration, while only 4% disagreed. Furthermore, more than 78% of those firm's with capital between LD50,000 and LD100,000 agreed with this idea while around 14% disagreed. On the other hand, 80% of companies with low levels of capital strongly disagreed with this opinion with only 20% in support.

Table 7.7: Size of Company with Establishing a Common EU-Mediterranean Customs Regime (%)

Size of Company	Establishing a Common EU-Med Customs Regime					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	18.2	54.5	12.1	10.6	4.5	100.0
6-10	0.0	35.7	28.6	7.1	28.6	100.0
11-20	42.9	19.0	22.2	15.9	0.0	100.0
21-50	25.0	50.0	0.0	25.0	0.0	100.0
51-100	0.0	13.3	80.0	6.7	0.0	100.0
100+	0.0	33.3	41.7	0.0	25.0	100.0
Total	20.0	35.7	24.3	11.4	8.6	100.0

The results in table 7.7 show the cross-tabulation between size of company and if the establishment of EU-Mediterranean common customs will be a major step towards economic integration. Around 75% of the respondents of companies with 21-50 employees agreed with this view but 25% did not agree. Furthermore, nearly 73% the respondents of the smallest companies (1-5 employees) agreed with this view with almost 15% disagreeing. What is more, around 62% of companies in the 11-20 employees group were in agreement with this perception, while about 16% were not.

Table 7.8: Business Experience with Establishing a Common EU-Mediterranean Customs Regime (%)

Business Experience	Establishing a Common EU-Med Customs Regime					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	41.2	0.0	0.0	58.8	100.0
5 to 10 years	0.0	23.8	42.9	33.3	0.0	100.0
10 to 15 years	5.4	43.2	27.0	17.6	6.8	100.0
15 to 20 years	14.3	47.6	28.6	6.3	3.2	100.0
More than 20 years	82.9	2.9	11.4	0.0	2.9	100.0
Total	20.0	35.7	24.3	11.4	8.6	100.0

In table 7.8 the cross-tabulation between length of business experience and point of view that the establishment of a common EU-Mediterranean customs regime will be a positive step towards economic cooperation is highlighted. The great majority (almost 86%) of participants who had the highest experience (more than 20 years) were in agreement with this view, while only 2.9% of them disagreed. In addition, around 62% of those whose experience is categorised between 15 to 20 years agreed with this thought, while more than 9% of them disagreed. On the other hand, only 41% of the participants who had experience of less than 5 years agreed, while nearly 59% strongly disagreed with this view.

7.4. PECEPTIONS ON THE EU-MEDITERRANEAN COMMON MARKET

This section seeks to understand respondents' opinion on the establishment of the EU-Mediterranean common market by cross–tabulating with their type of business activity, capital of company, size of company and business experience.

Table 7.9: Type of Business Activity with Establishment of EU-Mediterranean Common Market (%)

Business Activity	Establishment of EU-Mediterranean Common Market					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	14.3	65.7	0.0	14.3	5.7	100.0
Industry	53.3	0.0	33.3	13.3	0.0	100.0
Services	10.0	35.0	25.0	5.0	25.0	100.0
Total	21.4	42.9	14.3	11.4	10.0	100.0

Table 7.9 highlights the cross-tabulation between types of business activity and if the establishment of the EU-Mediterranean common market will be more fruitful for the EU-Mediterranean partners. The great majority (80%) of the respondents of in the trade category agreed with this point of view while only 20% disagreed. In addition, 53.3% of industrialists strongly agreed with this idea while more than 13% were in disagreement with 33.3% not sure. Furthermore, 45% of participants from the services category agreed with this opinion, while 30% disagreed with this view and 25% were not sure.

Table 7.10: Capital of Company with Establishment of EU-Mediterranean Common Market (%)

Capital of Company (LD)	Establishment of EU-Mediterranean Common Market					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	0.0	20.0	0.0	0.0	80.0	100.0
Between 25,000 and 50,000	12.0	80.0	0.0	8.0	0.0	100.0
Between 50,000 and 100,000	35.4	41.8	0.0	15.2	7.6	100.0
Between 100,000 and 250,000	13.2	39.5	31.6	13.2	2.6	100.0
More than 250,000	17.0	35.8	34.0	9.4	3.8	100.0
Total	21.4	42.9	14.3	11.4	10.0	100.0

As indicated in table 7.10 the cross-tabulation between capital of the companies and whether or not the establishment of the EU-Mediterranean common market will be more fruitful for the EU-Mediterranean partners highlights that 92% of respondents of firms grouped between LD25,000 and LD50,000 agreed with this idea and only 8% did not agree. Moreover, about 77% of those from firms grouped between LD50,000 and LD100,000 agreed with this opinion, while almost 23% did not agree. However, 80% of the respondents who had the lowest capital (less than LD25,000) did not agree with this thought while only 20% were in agreement.

Table 7.11 presents the cross-tabulation between size of company in terms of the number of employees and the view that the establishment of the EU-Mediterranean common market will be more fruitful for the EU-Mediterranean partners. All the participants who had more than 100 employees and between 21-50 employees agreed with this view. In addition, more than 86% of those who related to the smallest companies agreed with this view while around 14% disagreed. Around 57% of those who belonged to companies with 6-10 employees were in agreement and about 43% disagreed.

Table 7.11: Size of Company with Establishment of EU-Mediterranean Common Market (%)

Size of Company	Establishment of EU-Mediterranean Common Market					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	18.2	68.2	0.0	9.1	4.5	100.0
6-10	28.6	28.6	0.0	7.1	35.7	100.0
11-20	4.8	42.9	23.8	23.8	4.8	100.0
21-50	50.0	50.0	0.0	0.0	0.0	100.0
51-100	0.0	35.0	50.0	15.0	0.0	100.0
100+	100.0	0.0	0.0	0.0	0.0	100.0
Total	21.4	42.9	14.3	11.4	10.0	100.0

Table 7.12: Business Experience with Establishment of EU-Mediterranean Common Market (%)

Business Experience	Establishment of EU-Mediterranean Common Market					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	35.3	0.0	0.0	11.8	52.9	100.0
5 to 10 years	14.3	23.8	14.3	38.1	9.5	100.0
10 to 15 years	32.4	32.4	12.2	13.5	9.5	100.0
15 to 20 years	9.5	58.7	28.6	1.6	1.6	100.0
More than 20 years	17.1	68.6	0.0	8.6	5.7	100.0
Total	21.4	42.9	14.3	11.4	10.0	100.0

The cross-tabulation between the years of experience of the companies and the opinion that the establishment of the EU-Mediterranean common market will be more fruitful for the EU-Mediterranean partners are depicted in table 7.12. Most of respondents (about 86%) from companies who had experience of more than 20 years agreed with this opinion while 14% disagreed. Also, almost 68% of those who had business experience between 15 to 20 years agreed with this opinion and only around 3% disagreed. However, only 35.3% of those who had limited experience (less than 5 years) agreed with this idea while nearly 64% disagreed.

7.5. PERCEPTIONS ON THE EU-MEDITERRANEAN PARTNERSHIP

This section evaluates the perception of participants towards the EU-Mediterranean partnership and if it has been very slows in the past 10 years. These perceptions are cross-tabulated with type of business activity, capital of company, size of company and business experience.

Table 7. 13: Type of Business Activity with Speed of Developments in the EU-Mediterranean Partnership Process (%)

Business Activity	Speed of Developments in the EU-Med Partnership Process					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	40.0	22.9	22.9	5.7	8.6	100.0
Industry	13.3	80.0	0.0	0.0	6.7	100.0
Services	55.0	25.0	0.0	20.0	0.0	100.0
Total	38.6	35.7	11.4	8.6	5.7	100.0

Table 7.13 presents that the correlation between the respondents' type of business activity and their perceptions towards the hypothesis that the economic integration process in the EU-Mediterranean partnership has been very slow. The majority (63%) from the trading sector agreed with the statement, while around 14% disagreed and nearly 23% were not sure. More than 93% from the industrial sector agreed with the statement and only 8.6% disagreed, while 80% of participants of the services sector were in agreement and 20% disagreed.

Table 7.14 shows the cross-tabulation between capital of company and if the economic integration process in the EU-Mediterranean partnership is considered to have been very slow during the past 10 years. The finding shows that around 90% and 88% of the participants from firms with capital between LD50,000 and LD100,000 and between LD25,000 and LD50,000 respectively agreed with this view, while 10% and 12% disagreed. However, only 20% of those companies with capital less than LD25,000 agreed with the statement, while 80% did not agree.

Table 7.14: Capital of Company with Speed of Developments in the EU-Mediterranean Partnership Process (%)

Capital of Company	Speed of Developments in the EU-Med Partnership Process					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	20.0	0.0	0.0	80.0	0.0	100.0
Between 25,000 and 50,000	20.0	68.0	0.0	8.0	4.0	100.0
Between 50,000 and 100,000	67.1	22.8	0.0	3.8	6.3	100.0
Between 100,000 and 250,000	36.8	36.8	15.8	2.6	7.9	100.0
More than 250,000	11.3	49.1	34.0		5.7	100.0
Total	38.6	35.7	11.4	8.6	5.7	100.0

Table 7.15: Size of Company with Speed of Developments in the EU-Mediterranean Partnership Process (%)

Size of Company	Speed of Developments in the EU-Med Partnership Process					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	40.9	31.8	13.6	9.1	4.5	100.0
6-10	28.6	21.4	21.4	28.6	0.0	100.0
11-20	57.1	23.8	9.5	0.0	9.5	100.0
21-50	50.0	50.0	0.0	0.0	0.0	100.0
51-100	0.0	80.0	0.0	0.0	20.0	100.0
100+	0.0	100.0	0.0	0.0	0.0	100.0
Total	38.6	35.7	11.4	8.6	5.7	100.0

The data in table 7.15 shows the cross-tabulation between size of company and the perception that the economic integration process in the EU-Mediterranean partnership has been very slow during the past 10 years. All of the participants from companies with 100+ and 21-50 employees were in agreement with the view. In addition, approximately 80% of those participants from the company groups 51-100 and 11-20 employees agreed. However, only 50% of those from the company group 6-10 employees agreed with this opinion while 28% disagreed.

Table 7.16: Business Experience with Speed of Developments in the EU-Mediterranean Partnership Process (%)

Business Experience	Speed of Developments in the EU-Med Partnership Process					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	35.3	5.9	52.9	5.9	100.0
5 to 10 years	57.1	19.0	23.8	0.0	0.0	100.0
10 to 15 years	39.2	33.8	16.2	4.1	6.8	100.0
15 t0 20 years	34.9	36.5	9.5	9.5	9.5	100.0
More than 20 years	51.4	48.6	0.0	0.0	0.0	100.0
Total	38.6	35.7	11.4	8.6	5.7	100.0

Table 7.16 shows the cross-tabulation between business experience and the opinion that the economic integration process in the EU-Mediterranean partnership has been very slow during the past 10 years. 100% of respondents who had business experience of more than 20 years support this argument. Furthermore, 73% and 71.4% of respondents who had business experience between 10 to 15 years and 15 to 20 years respectively also agreed. At the same time, only 35.3% of those who had business experience less than 5 years support the argument while nearly 59% disagreed.

7.6. PERCEPTIONS ON THE FTA AND ENHANCING LIBYAN TRADE

This section focuses on the perceptions in relation to the role of establishment of the free trade area (FTA) within the Barcelona process in enhancing Libyan trade and cross-tabulating it with their type of business activity, capital of company, size of company and business experience.

Table 7.17: Type of Business Activity with FTA for Enhancing Libyan Trade (%)

Business Activity	FTA for enhancing Libyan trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	25.7	24.8	15.2	17.1	17.1	100.0
Industry	44.4	28.9	0.0	20.0	6.7	100.0
Services	10.0	26.7	33.3	10.0	20.0	100.0
Total	25.2	26.2	17.1	15.7	15.7	100.0

As can be seen in table 7.17 the cross-tabulation of type of business activity and the hypothesis that FTA can be conducive for enhancing Libyan trade indicates that more than 50% of those who run trade-related companies either agreed or strongly agreed with the hypothesis, while around 34% either disagreed or strongly disagreed and 15.2% were unsure. However, almost 73% of those who run industrial companies agreed with this hypothesis but nearly 27% disagreed. The cross-tabulation also indicates that nearly 37% of those owning service companies agreed, while 33.3% were not sure and 30% disagreed.

Table 7.18: Capital of Company with FTA for Enhancing Libyan Trade (%)

Capital of Company (LD)	FTA for enhancing Libyan trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	6.7	0.0	0.0	0.0	93.3	100.0
Between 25,000 and 50,000	28.0	24.0	20.0	24.0	4.0	100.0
Between 50,000 and 100,000	26.6	39.2	11.4	13.9	8.9	100.0
Between 100,000 and 250,000	34.2	18.4	21.1	10.5	15.8	100.0
More than 250,000	20.8	20.8	26.4	22.6	9.4	100.0
Total	25.2	26.2	17.1	15.7	15.7	100.0

Table 7.18 illustrates that the cross-tabulation between capital of company and if the FTA within the Barcelona process can be conducive for enhancing Libyan trade. The highest percentage (about 65%) of those who agreed with this view were from companies with capital of between LD50,000 and LD100,000, while almost 22% disagreed. In addition, around 50% of respondents from companies with capital of between LD100,000 and LD250,000 and between LD25,000 and 50,000 agreed with this perception, while around 31% and 28% disagreed respectively. Conversely, the vast majority (93.3%) of the participants of the smallest companies (less than LD25,000) did not believe with the statement, with only 6.7% agreeing.

Table 7.19: Size of Company with FTA for Enhancing Libyan Trade (%)

Size of Company	FTA for enhancing Libyan trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	45.5	22.7	13.6	9.1	9.1	100.0
6-10	7.1	33.3	9.5	14.3	35.7	100.0
11-20	9.5	33.3	33.3	19.0	4.8	100.0
21-50	0.0	33.3	16.7	0.0	50.0	100.0
51-100	40.0	0.0	0.0	60.0	0.0	100.0
100+	66.7	8.3	0.0	0.0	25.0	100.0
Total	25.2	26.2	17.1	15.7	15.7	100.0

It appears from table 7.19, the cross-tabulation between size of company (number of employees) and the statement that the FTA within the Barcelona process can be enhance Libyan trade, 75% of respondents from the biggest companies (100+ employees) agreed while only 25% were not in agreement. Additionally, around 68% of those who from the smallest companies (1-5 employees) agreed with this statement, while 18% did not agree. In comparison, 50% of the respondents of the groups 21-50 and 6-10 employees disagreed, while 33.3% and 40.3% respectively agreed.

Table 7.20: Business Experience with FTA for Enhancing Libyan Trade (%)

Business Experience	FTA for enhancing Libyan trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	41.2	5.9	0.0	52.9	100.0
5 to 10 years	47.6	28.6	14.3	0.0	9.5	100.0
10 to 15 years	20.3	29.7	17.6	14.9	17.6	100.0
15 to 20 years	38.1	12.7	12.7	23.8	12.7	100.0
More than 20 years	11.4	34.3	31.4	20.0	2.9	100.0
Total	25.2	26.2	117.1	15.7	15.7	100.0

The cross-tabulation between business experience and the perception that FTA can be conducive for improving Libyan trade shown in table 7.20 highlights that around 76% of respondents who had experience of between 5 and 10 years agree with this perception while only 9.5% disagree. Moreover, approximately 50% of those who had experience of between 15 and 20 years and 10 and 15 years agreed, while around 36% and 32% respectively did not agree. On the other hand, 41% of those who had experience of less than 5 years were in agreement with this view but around 53% disagreed.

7.7. PERCEPTIONS ON LIBYA AND THE EU TRADE OBSTACLES

This section analyses Libyan businessmen's perception towards Libya and EU trade obstacles, cross-tabulating with their type of business activity, capital of company, size of company and business experience.

Table 7.21: Type of Business Activity with Libya and EU Trade Obstacles (%)

Business Activity	Libya and EU Trade Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	35.2	28.6	25.7	5.7	4.8	100.0
Industry	33.3	51.1	6.7	2.2	6.7	100.0
Services	35.0	48.3	10.0	6.7	0.0	100.0
Total	34.8	39.0	17.1	5.2	3.8	100.0

Table 7.21 depicts the cross-tabulation of type of business activity with their view on if trade between Libya and EU-countries still faces obstacles despite Libya joining the Barcelona process. As the results indicate, around 64% of the respondents from the trade group agreed with this view, while 11% disagreed and 25.7% were not sure. In contrast, almost 84% of the respondents belonging to the industry group agreed with this view, with only around 9% disagreeing and 6.7% not sure. Furthermore, 83% the respondents belonging to the services group agreed with this view, while only 6.7% disagreed and 10% were unsure.

Table 7.22: Capital of Company with Libya and EU Trade Obstacles (%)

Capital of Company (LD)	Libya and EU Trade Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	46.7	33.3	6.7	13.3	0.0	100.0
Between 25,000 and 50,000	28.0	40.0	24.0	8.0	0.0	100.0
Between 50,000 and 100,000	34.2	49.4	7.6	5.1	3.8	100.0
Between 100,000 and 250,000	42.1	23.7	26.3	0.0	7.9	100.0
More than 250,000	30.2	34.0	24.5	7.5	3.8	100.0
Total	34.8	39.0	17.1	5.2	3.8	100.0

In table 7.22 the cross-tabulation relating to capital of company to the judgment that there are still obstacles facing trade between Libya and EU countries despite Libya the Barcelona process reveals that 80% of respondents from companies with capital of less than LD25,000 either agreed or strongly agreed with this hypothesis. Furthermore, almost 84% of respondents whose capital is categorised between LD50,000 and LD100,000 agreed with this view, while around 9% did not agree. Meanwhile, 64% of respondents from companies with capital of more than LD250,000 agreed and only around 4% disagreed.

Table 7.23: Size of Company with Libya and EU Trade Obstacles (%)

Size of Company	Libya and EU Trade Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	39.4	16.7	27.3	6.1	10.6	100.0
6-10	42.9	45.2	7.1	4.8	0.0	100.0
11-20	34.9	47.6	14.3	3.2	0.0	100.0
21-50	50.0	25.0	25.0	0.0	0.0	100.0
51-100	0.0	80.0	20.0	0.0	0.0	100.0
100+	33.3	58.3	0.0	0.0	8.3	100.0
Total	34.8	39.0	17.1	5.2	3.8	100.0

Table 7.23 shows the cross-tabulation between size of company and the statement that trade between Libya and EU countries still faces obstacles despite Libya joining the Barcelona process. Nearly 92% of the largest companies (100+ employees) either agreed or strongly agreed with this argument. Also, around 88% of the participants from the group 6-10 employees agreed. Similarly, almost 83% of the participants from group 11-20 employees were in agreement.

Table 7.24: Business Experience with Libya and EU Trade Obstacles (%)

Business Experience	Libya and EU Trade Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	58.8	29.4	5.9	0.0	5.9	100.0
5 to 10 years	52.4	19.0	19.0	4.8	4.8	100.0
10 to 15 years	43.5	28.4	20.3	2.7	5.4	100.0
15 to 20 years	30.2	46.0	17.5	3.2	3.2	100.0
More than 20 years	11.4	65.7	14.3	8.6	0.0	100.0
Total	34.8	39.0	17.1	5.2	3.8	100.0

Table 7.24 depicts that the cross-tabulation between business experience and if trade between Libya and EU countries still faces obstacles despite Libya joining the Barcelona process. More than 88% of Libyan businessmen who had limited business experience (less than 5 years) agreed with this view, while around 6% disagreed.

Almost 77% of the participants who had the longest experience also agreed with this view, while only 8.6% were not in agreement. In addition, 76% of the participants who had business experience of between 15-20 years agreed with only 6.4% disagreeing.

7.8. PERCEPTIONS ON THE IMPACT OF HIGH PRICES OF EU PRODUCTS ON TRADE

This section tests the impact of high prices of EU products on trade and cross-tabulates it with type of business activity, capital of company, size of company and business experience.

Table 7.25: Type of Business Activity with the Impact of High Prices of EU Products on Trade (%)

Business Activity	The Impact of High Prices of EU Products on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	45.0	36.7	10.0	3.3	5.5	100.0
Industry	46.7	31.1	6.7	4.4	11.1	100.0
Services	49.5	26.7	11.4	11.4	1.0	100.0
Total	47.6	30.5	10.0	7.6	4.3	100.0

The cross-tabulation between type of business activity and their perceptions on the high price of EU products as an obstacle to Libyan trade is depicted in table 7.25. Around 82% of the participants owning the trade-related companies agreed with the contention, with only around 9% disagreeing with it, while 10.0% were not sure. Furthermore, nearly 77% of the participants who run the industrial companies agreed with this thinking, while almost 16% disagreed and 7% not sure. Similarly, about 76% of the respondents owning service-related companies agreed with the statement, while about 9% did not agree and only 10.0% were not sure.

Table 7.26: Capital of Company with the Impact of High Prices of EU Products on Trade (%)

Capital of Company (LD)	The Impact of High Prices of EU Products on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	20.0	66.7	0.0	13.3	0.0	100.0
Between 25,000 and 50,000	28.0	48.0	8.0	16.0	0.0	100.0
Between 50,000 and 100,000	64.6	5.1	17.7	5.1	7.6	100.0
Between 100,000 and 250,000	47.4	39.5	7.9	5.3	0.0	100.0
More than 250,000	39.6	43.4	3.8	7.5	5.7	100.0
Total	47.6	30.5	10.0	7.6	4.3	100.0

Table 7.26 shows the correlation between capital of a company and the opinion that one of the obstacles is the impact of high prices of EU products on trade. It indicates that about 87% of Libyan businessmen whose capital of company is less than LD25,000 and between LD100,000 and 250,000 believe this opinion. Almost 83% of the respondents whose capital of company is more than LD250,000 hold this view. 76% of the respondents whose capital of company is between LD25,000 and LD50,000 LD believe this view and only 16% of them did not believe it.

Table 7.27: Size of Company with the Impact of High Prices of EU Products on Trade (%)

Size of Company	The Impact of High Prices of EU Products on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	42.4	30.3	18.2	9.1	0.0	100.0
6-10	59.5	19.0	7.1	7.1	7.1	100.0
11-20	55.6	30.2	4.8	4.8	4.8	100.0
21-50	33.3	50.0	0.0	16.7	0.0	100.0
51-100	13.3	46.7	20.0	13.3	6.7	100.0
100+	50.0	33.3	0.0	0.0	16.7	100.0
Total	47.6	30.5	10.0	7.6	4.3	100.0

The findings in table 7.27 reveal the correlation between size of company and the opinion that the high price of EU products has had an impact on trade. The majority or about 86% of participants with a company size of 11-20 employees agreed with this point of view and about 10% did not agree. On the other hand, over 83% of participants who had company sizes of 21-50 or 100+ employees agreed and nearly 17% disagreed. Furthermore, more than 78% of those companies with 6-10 employees agreed and only 14.2% disagreed.

Table 7.28: Business Experience with the Impact of High Prices of EU Products on Trade (%)

Business Experience	The Impact of High Prices of EU Products on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	41.2	29 4	11.8	17.6	0.0	100.0
5 to 10 years	57.1	19.0	9.5	4.8	9.5	100.0
10 to 15 years	50.0	37.8	2.7	4.1	5.4	100.0
15 t0 20 years	41.3	27.6	20.6	7.9	3.2	100.0
More than 20 years	51.4	28.6	5.7	8.6	5.7	100.0
Total	47.6	30.5	10.0	7.6	4.3	100.0

Table 7.28 depicts the cross-tabulation between business experience and the perception that the high price of EU products is an obstacle. It shows that about 88% of the participants who had business experience between 10-15 years agreed with this perception and around 10% disagreed. In addition, 80% of those who had more than 20 years of business experience agreed with the perception while over 14% did not. Also, about 76% of the participants who had business experience between 5 to 10 years agreed, while over 14% did not agree.

7.9. PERCEPTIONS ON THE DIFFERENCE IN THE QUALITY OF LIBYAN AND EU PRODUCTS AS AN OBSTACLE

This section focuses on the participants' view on the difference in the quality of Libyan and EU products which inhibit trade and cross-tabulating it with type of business activity, capital of company, size of company and business experience.

Table 7.29: Type of Business Activity with the Quality Differential on Trade (%)

Business Activity	Quality Differential on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	48.6	41.0	6.7	3.8	0.0	100.0
Industry	0.0	48.9	31.1	20.0	0.0	100.0
Services	25.0	15.0	25.0	10.0	25.0	100.0
Total	32.7	36.0	19.0	9.0	2.8	100.0

The correlation between type of business and the thought that the difference in terms of product quality inhabits trade between Libya and EU countries is depicted in table 7.29. More than 89% of the participants who belong to trade companies believe in this thinking and only 3.8% do not believe it. About 49% of the participants belonging to industry companies agree with the statement while 20% disagree. 40% of those who belong to services companies agree and 25% disagree.

Table 7.30 shows the correlation between capital of company and whether the difference in a product's quality inhibits trade between Libya and EU countries. The great majority (88%) of respondents from companies with capital between LD25,000 and LD50,000 agreed with the view and only 8% disagreed. However, about 74% and 71% of participants from companies with capital between LD50,000 and LD100,000 and LD100,000 and LD250,000 respectively were in agreement with this view. 53.3% of participants from companies with the smallest capital (less than LD25,000) were in disagreement while only 33.3% agreed.

Table 7.30: Capital of Company with the Quality Differential on Trade (%)

Capital of Company (LD)	Quality Differential on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	20.0	13.3	13.3	33.3	20.0	100.0
Between 25,000 and 50,000	64.0	24.0	4.0	4.0	4.0	100.0
Between 50,000 and 100,000	17.7	55.7	15.2	8.9	2.5	100.0
Between 100,000 and 250,000	28.9	42.1	28.9	0.0	0.0	100.0
More than 250,000	47.2	15.1	26.4	11.3	0.0	100.0
Total	32.7	36.0	19.0	9.0	2.8	100.0

Table 7.31: Size of Company with the Quality Differential on Trade (%)

Size of Company	Quality Differential on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	45.5	43.9	7.6	3.0	0.0	100.0
6-10	14.3	47.6	11.9	19.0	7.1	100.0
11-20	42.9	15.9	27.0	9.5	4.8	100.0
21-50	25.0	58.3	16.7	0.0	0.0	100.0
51-100	0.0	40.0	60.0	0.0	0.0	100.0
100+	25.0	33.3	16.7	25.0	0.0	100.0
Total	32.7	36.0	19.0	9.0	2.8	100.0

Table 7.31 depicts the correlation between company size and the statement that the difference in terms of product quality inhabits trade between Libya and EU countries.. Over 89% of the respondents from company size of 1-5 employees agreed with the statement and only 3% did not agree. Almost 83% of the respondents from company size 21-50 employees agreed and none disagreed. At the same time, 58.3% of the participants from the biggest company size (100+ employees) agreed with the statement and 25% disagreed.

Table 7.32: Business Experience with the Quality Differential on Trade (%)

Business Experience	Quality Differential on Trade					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	5.9	47.1	5.9	29.4	11.8	100.0
5 to 10 years	28.6	28.6	38.1	4.8	0.0	100.0
10 to 15 years	40.5	29.7	24.3	4.1	1.4	100.0
15 to 20 years	14.3	54.0	19.0	9.5	3.2	100.0
More than 20 years	65.7	17.1	2.9	11.4	2.9	100.0
Total	32.7	36.0	19.0	9.0	2.8	100.0

Table 7.32 indicates the correlation between business experience and difference in terms of product quality inhabits trade between Libya and EU countries. The majority (83%) of Libyan businessmen with business experience of more than 20 years agreed with this thinking and around 14% disagreed. Almost 70% and 68% of those with 10-15 years and 15-20 years business experience respectively agreed with the opinion, while 5.5% and 12.7% with 10-15 years and 15-20 years business experience respectively disagreed. Yet, about 53% of the respondents who had less than 5 years business experience agreed with the thinking and about 41% did not agree.

7.10. PERCEPTIONS ON ADOPTING THE HIGH CUSTOMS ON EU PRODUCTS

This section cross-tabulates the perception of adopting high custom duties on EU products will decrease imports from EU countries with type of business activity, capital of the company, size of the company and business experience.

Table 7.33 shows the correlation between type of business activity and the view that adopting high customs duties on EU products by Libyan authorities contribute to a decrease in imports from EU countries. Almost 86% of Libyan businessmen who belong to trade companies supported this viewpoint and only about 14% disagreed. Furthermore, over 53% of Libyan businessmen who belong to services companies agreed with the view while about 12% disagreed. However, the majority (about 67%)

of Libyan businessmen who belong to industry companies disagreed with the view and about 29% were in agreement.

Table 7.33: Type of Business Activity with Adopting High Customs Duties on EU Products will Decrease EU Imports (%)

Business Activity	Adopting High Customs Duties on EU Products will Decrease EU Imports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	54.3	31.4	0.0	5.7	8.6	100.0
Industry	8.9	20.0	4.4	26.7	40.0	100.0
Services	28.3	25.0	35.0	8.3	3.3	100.0
Total	37.1	27.1	11.0	11.0	13.8	100.0

Table 7.34: Capital of Company with Adopting High Customs Duties on EU Products will Decrease EU Imports (%)

Capital of Company (LD)	Adopting High Customs Duties on EU Products will Decrease EU Imports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	40.0	26.7	0.0	33.3	0.0	100.0
Between 25,000 and 50,000	68.0	4.0	4.0	0.0	24.0	100.0
Between 50,000 and 100,000	38.0	22.8	25.3	5.1	8.9	100.0
Between 100,000 and 250,000	36.8	31.6	2.6	10.5	18.4	100.0
More than 250,000	20.8	41.5	1.9	18.9	17.0	100.0
Total	37.1	27.1	11.0	11.0	13.8	100.0

The cross-tabulation between capital of firms and whether or not adopting high customs duties on EU products will decrease imports from EU countries is presented in table 7.34. The majority (about 72.0%) of respondents who belong to firms with capital between LD25,000 and LD50,000 believed in this point of view and only

24.0% did not. Additionally, over 69% of respondents from firms with capital between LD100,000 and LD250,000 agreed and about 29% disagreed. On the other hand, of firms with the smallest capital (less than LD25,000), about 67% of the respondents agreed and about 33% did not agree.

Table 7.35: Size of Company with Adopting High Customs Duties on EU Products will Decrease EU Imports (%)

Size of Company	Adopting High Customs Duties on EU Products will Decrease EU Imports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	59.1	21.2	0.0	3.0	16.7	100.0
6-10	40.5	28.6	0.0	23.8	7.1	100.0
11-20	15.9	41.3	33.3	6.3	3.2	100.0
21-50	66.7	16.7	0.0	8.3	8.3	100.0
51-100	26.7	0.0	6.7	20.0	46.7	100.0
100+	0.0	25.0	8.3	25.0	41.7	100.0
Total	37.1	27.1	11.0	11.0	13.8	100.0

Table 7.35 depicts the cross-tabulation between size of the companies and perception that adopting the high customs on EU products will decrease importing from EU countries, about 80.0% of the participants who classified as smallest companies (group 1-5 employees) were agree and about 20.0% of them were disagree. However, the majority of (almost 67%) the participants who classified as the biggest companies (group 51-100 and 100+ employees) were not on agreement with this perception.

Table 7.36 reveals that the correlation between business experience and the viewpoint that adopting the high customs duties on EU products will decrease imports from EU countries. Around 80% of the respondents who had business experience between 10 to 15 years agreed with the view and about 18.0% disagreed. Moreover, over 76% of the respondents who had business experience between 5 to 10 years agreed; while about 24% disagreed.

Table 7.36: Business Experience with Adopting High Customs Duties on EU Products will Decrease EU Imports (%)

Business Experience	Adopting High Customs Duties on EU Products will Decrease EU Imports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	11.8	47.1	0.0	29.4	11.8	100.0
5 to 10 years	38.1	38.1	0.0	14.3	9.5	100.0
10 to 15 years	35.1	44.6	2.7	9.5	8.1	100.0
15 to 20 years	44.4	9.5	12.7	11.1	22.2	100.0
More than 20 years	40.0	5.7	37.1	2.9	14.3	100.0
Total	37.1	27.1	11.0	11.0	13.8	100.0

7.11. PERCEPTIONS ON LACK OF INFORMATION ABOUT EU MARKETS

This section investigates the cross-tabulation relating to the respondents' view that the lack of information about EU markets is one of the obstacles and their type of business activity, capital of the company, size of the company and business experience.

Table 7.37: Type of Business Activity with Lack of Information about EU Markets (%)

Business Activity	Lack of information about EU markets is one of the Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	32.4	37.1	5.7	19.0	5.7	100.0
Industry	4.4	40.0	26.7	15.6	13.3	100.0
Services	25.0	38.3	0.0	35.0	1.7	100.0
Total	26.2	40.0	7.1	22.4	4.3	100.0

It is obvious from table 7.37 that the cross-tabulation between type of business and the claim that lack of information about the opportunities available in EU markets is one of the obstacles facing Libyan businessmen to export to these markets. Where most of the participants from trade related companies (almost 70%) agreed with this claim, about 25% did not agree. About 44% of the respondents from industry related companies agreed with the argument and nearly 28% disagreed. Almost 63% of those who run services related companies agreed and around 37% did not agreed.

Table 7.38: Capital of Company with Lack of Information about EU Markets (%)

Capital of Company (LD)	Lack of information about EU markets one of the Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	20.0	66.7	0.0	13.3	0.0	100.0
Between 25,000 and 50,000	68.0	4.0	12.0	8.0	8.0	100.0
Between 50,000 and 100,000	24.1	30.4	1.3	36.7	7.6	100.0
Between 100,000 and 250,000	23.7	42.1	21.1	13.2	0.0	100.0
More than 250,000	5.7	54.7	11.3	18.9	9.4	100.0
Total	26.2	40.0	7.1	22.4	4.3	100.0

As we can see from table 7.38 which shows the cross-tabulation between capital size of the firms and the perception that lack of information about EU markets is one of the obstacles facing Libyan businessmen to export to these markets, approximately 87% of respondents from the smallest companies in terms of company capital agreed with the perception and only 13.3% disagreed. Also, 72% of respondents whose company capital is between LD25,000 and LD50,000 were in agreement and 16% disagreed.

Table 7.39: Size of Company with Lack of Information about EU Markets (%)

Size of Company	Lack of information about EU markets is one of the Obstacles					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	30.3	30.3	9.1	24.2	6.1	100.0
6-10	31.0	54.8	0.0	11.9	2.4	100.0
11-20	17.5	47.6	0.0	34.9	0.0	100.0
21-50	58.3	16.7	0.0	8.3	16.7	100.0
51-100	13.3	20.0	53.3	13.3	0.0	100.0
100+	16.7	50.0	8.3	8.3	16.7	100.0
Total	26.2	40.0	7.1	22.4	4.3	100.0

Table 7.39 reveals the correlation between size of company (number of employees) and the thought that lack of information about EU markets is one of the obstacles facing Libyan businessmen to export to these markets. Almost 86% of the participants from companies with 6-10 employees agree with this thought and more than 14% do not agree. 75% of the respondents in group 21-50 employees agreed and 25% did not agree. Furthermore, 67.7% of the respondents from the biggest companies (100+ employees) are in agreement while about 25% disagreed.

Table 7.40: Business Experience with Lack of Information about EU Markets (%)

Business Experience	Lack of information about EU markets					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	5.9	88.2	0.0	5.9	0.0	100.0
5 to 10 years	19.0	52.4	0.0	23.8	4.8	100.0
10 to 15 years	18.9	55.4	1.4	20.3	4.1	100.0
15 t0 20 years	30.2	17.5	23.8	20.6	7.9	100.0
More than 20 years	37.1	5.7	5.7	40.0	11.4	100.0
Total	26.2	40.0	7.1	22.4	4.3	100.0

The correlation between business experience and the opinion that lack of information about the opportunities available in EU markets is one of the obstacles facing Libyan businessmen to export to these markets is illustrated in table 7.40. Almost all the respondents or 94% who had little business experience (less than 5 years) agreed with this opinion while only about 6% disagreed. Over 74% of the participants who had business experience between 10-15 years agreed and about 24% disagreed. On the other hand, more than 51% of the respondents who had longest business experience did not agree with this view, while about 43% agreed.

7.12. PERCEPTIONS ON THE LOW QUALITY OF LIBYAN PRODUCTS

This section is devoted to the cross-tabulation of the consideration that the low quality of Libyan products is the main problem of access to the EU markets with type of business activity, capital of the company, size of the company and business experience.

Table 7.41: Type of Business Activity with the Low Quality of Libyan Products (%)

Business Activity	The Low Quality of Libyan Products					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	37.1	40.0	17.1	5.7	0.0	100.0
Industry	33.3	33.3	20.0	0.0	13.3	100.0
Services	45.0	45.0	0.0	10.0	0.0	100.0
Total	39.5	41.9	11.4	5.7	1.4	100.0

The findings in table 7.41 show the cross-tabulation between type of business activity and whether the low quality of Libyan products is the main problem of access to the EU markets. About 77% of the respondents who belong to trade companies agreed with this viewpoint and only 5.7% did not agree. Over 66% of the respondents who belong to industry companies agreed with this thinking and around 13% disagreed. The vast majority of the respondents (90%) who worked in services companies agreed with the viewpoint and 10% did not agree.

Table 7.42: Capital of Company with the Low Quality of Libyan Products (%)

Capital of Company (LD)	The Low Quality of Libyan Products					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	13.3	46.7	0.0	40.0	0.0	100.0
Between 25,000 and 50,000	28.0	64.0	4.0	0.0	4.0	100.0
Between 50,000 and 100,000	48.1	49.4	2.5	0.0	0.0	100.0
Between 100,000 and 250,000	47.4	31.6	21.1	0.0	0.0	100.0
More than 250,000	30.2	18.9	30.2	11.3	9.4	100.0
Total	39.5	41.9	11.4	5.7	1.4	100.0

Table 7.42 depicts the correlation between capital of companies and the view that the low quality of Libyan products is the main problem of access to the EU countries. Almost all the participants or 97.5% and 92% of firms with capital between LD50,000 and LD100,000 and LD25,000 and LD50,000 respectively were in agreement with this point of view. However, 40% of firms with the smallest capital disagreed, while 60% agreed.

Table 7.43: Size of Company with the Low Quality of Libyan Products (%)

Size of Company	The Low Quality of Libyan Products					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	40.9	40.9	18.2	0.0	0.0	100.0
6-10	21.4	50.0	7.1	21.4	0.0	100.0
11-20	42.9	42.9	9.5	4.8	0.0	100.0
21-50	25.0	75.0	0.0	0.0	0.0	100.0
51-100	100.0	0.0	0.0	0.0	0.0	100.0
100+	16.7	33.3	25.0	0.0	25.0	100.0
Total	39.5	41.9	11.4	5.7	1.4	100.0

The cross-tabulation between size of the companies and the perception that the low quality of Libyan products is the main problem of access to the EU markets is presented in table 7.43. All the respondents in groups 51-100 and 21-50 employees agreed with the perception.

Table 7.44: Business Experience with the Low Quality of Libyan Products (%)

Business Experience	The Low Quality of Libyan Products					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	52.9	17.6	29.4	0.0	100.0
5 to 10 years	9.5	71.4	9.5	9.5	0.0	100.0
10 to 15 years	24.3	52.7	18.9	4.1	0.0	100.0
15 t0 20 years	68.3	15.9	9.5	3.2	3.2	100.0
More than 20 years	51.4	31.4	5.7	0.0	11.4	100.0
Total	39.5	41.9	11.4	5.7	1.4	100.0

Table 7.44 shows the correlation between business experience and the statement that the low quality of Libyan products is the main problem of access to the EU countries The majority of the respondents (about 83%, 84% and 81%) who had business experience of more than 20 years, 15 to 20 years, and 5 to 10 years respectively agreed with this statement. 77% of respondents who had business experience of between 10 to 15 years disagreed. Nearly 53% of Libyan businessmen who had the least experience agreed with this thinking, while more than 29% did not agree.

7.13. PERCEPTIONS ON THE ROUTINE AND ADMINISTRATIVE OBSTACLES IN EU COUNTRIES

This section examines the perceptions concerning the routine and administrative obstacles facing Libyan exports to the EU countries and cross-tabulation with type of business activity, capital of the company, size of the company and business experience.

Table 7.45: Type of Business Activity with the Routine and Administrative Obstacles in EU Countries (%)

Business Activity	Routine and Administrative Obstacles in EU Countries					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	31.4	35.3	2.9	21.6	8.8	100.0
Industry	24.4	20.0	6.7	8.9	40.0	100.0
Services	26.7	13.3	20.0	38.3	1.7	100.0
Total	28.1	25.2	8.6	23.3	13.3	100.0

Table 7.45 indicates the correlation between type of business activity and the point of view which claims that the routine and administrative obstacles in exporting and marketing to the EU countries limit the export of Libyan products. It shows that almost 67% of the participants who belong to trade companies agreed with this view and around 30% did not agree. Moreover, over 44% of the participants who belong to industry companies agreed with this perception while 49% disagreed. 40% of those who belong to services companies agreed and 40% did not agree.

Table 7.46: Capital of Company with the Routine and Administrative Obstacles in EU Countries (%)

Capital of Company (LD)	Routine and Administrative Obstacles in EU Countries					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	33.3	40.0	6.7	20.0	0.0	100.0
Between 25,000 and 50,000	16.7	41.7	0.0	8.3	33.3	100.0
Between 50,000 and 100,000	50.0	5.1	3.8	39.7	1.3	100.0
Between 100,000 and 250,000	24.3	24.3	16.2	13.5	21.6	100.0
More than 250,000	3.8	45.3	15.1	15.1	20.8	100.0
Total	28.1	25.2	8.6	23.3	13.3	100.0

The correlation between capital size of the firms and the routine and administrative obstacles in exporting and marketing to the EU countries limit Libyan exports is illustrated in table 7.46. 73% of participants whose capital of company is less than LD25,000 believe in this statement while 20% do not believe it. More than 58% of the participants in firms with capital between LD25,000 and LD50,000 accept this statement and over 41% reject it.

Table 7.47: Size of Company with the Routine and Administrative Obstacles in EU Countries (%)

Size of Company	Routine and Administrative Obstacles in EU Countries					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	33.3	28.6	0.0	23.8	14.3	100.0
6-10	50.0	35.7	0.0	14.3	0.0	100.0
11-20	19.0	17.5	23.8	38.1	1.6	100.0
21-50	41.7	25.0	25.0	8.3	0.0	100.0
51-100	0.0	0.0	0.0	20.0	80.0	100.0
100+	0.0	50.0	0.0	0.0	50.0	100.0
Total	28.1	25.2	8.6	23.3	13.3	100.0

Table 7.47 clearly shows the correlation between size of the company and the opinion that the routine and administrative obstacles in the process of exporting and marketing to the EU countries limit the export of Libyan products. All the respondents in the group 51-100 employees disagreed with this opinion. 85.7% of the respondents in the group 6-10 employees agreed and only 14.3% disagreed.

Table 7.48 reveals the correlation between business experience and whether the routine and administrative obstacles in exporting and marketing to the EU countries limit Libyan exports. Almost all Libyan businessmen who had not had sufficient business experience (less than 5 years) agreed with this standpoint. On the other hands, of those who had the greatest business experience (more than 20 years), 60% disagreed and 40% agreed.

Table 7.48: Business Experience with the Routine and Administrative Obstacles in EU Countries (%)

Business Experience	Routine and Administrative Obstacles in EU Countries					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	47.1	47.1	0.0	5.9	0.0	100.0
5 to 10 years	38.1	23.8	14.3	23.8	0.0	100.0
10 to 15 years	31.1	25.7	16.2	25.7	1.4	100.0
15 t0 20 years	28.3	16.7	5.0	18.3	31.7	100.0
More than 20 years	8.6	31.4	0.0	37.1	22.9	100.0
Total	28.1	25.2	8.6	23.3	13.3	100.0

7.14. PERCEPTIONS ON THE EFFECTS OF HIGH OIL PRICES ON LIBYAN EXPORTS

This section examines the effects of high oil prices on Libyan exports to EU countries when helped by the improved economic situation and cross-tabulating it with type of business activity, capital of the company, size of the company and business experience.

Table 7.49: Type of Business Activity with the Effects of High Oil Prices on Libyan Exports (%)

Business Activity	The Effects of High Oil Prices on Libyan Exports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	20.0	40.0	34.3	5.7	0.0	100.0
Industry	33.3	33.3	20.0	0.0	13.3	100.0
Services	35.0	45.0	10.0	10.0	0.0	100.0
Total	27.1	40.0	24.3	5.7	2.9	100.0

The correlation between the type of business activity and the view that Libyan exports to EU countries have been helped by the improved economic situation as a result of higher oil prices in the world is shown in table 7.49. 60% of the respondents in trade related companies agreed with this view and only 5.7% disagreed. More than 66% of those in industry related companies agreed with such a point of view and 13.3% did not agree. 80% of respondents from services related companies agreed and 10% disagreed.

Table 7.50: Capital of Company with the Effects of High Oil Prices on Libyan Exports (%)

Capital of Company (LD)	the Effects of High Oil Prices on Libyan Exports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	13.3	46.7	0.0	40.0	0.0	100.0
Between 25,000 and 50,000	16.0	64.0	16.0	0.0	4.0	100.0
Between 50,000 and 100,000	30.4	49.4	20.3	0.0	0.0	100.0
Between 100,000 and 250,000	34.2	31.6	34.2	0.0	0.0	100.0
More than 250,000	26.4	18.9	34.0	11.3	9.4	100.0
Total	27.1	40.0	24.3	5.7	2.9	100.0

Table 7.50 reveals the correlation between capital of firms and the thought that Libyan exports to EU countries have been helped by the improved economic situation as a result of higher oil prices in the world. About 80% of the respondents from firms with capital between LD25,000 and LD50,000 and LD50,000 and LD100,000 believed this statement. 40% of the respondents from firms with capital less than LD25,000 disagreed and 60% agreed.

Table 7.51 depicts the cross-tabulation between size of companies (number of employees) and the idea that Libyan exports to EU countries have been helped by the improved economic situation as a result of higher oil prices in the world. All of the respondents in the group with 51-100 employees agreed with such idea. 75% of the participants in the group with 21-50 employees were in agreement.

Table 7.51: Size of Company with the Effects of High Oil Prices on Libyan Exports (%)

Size of Company	The Effects of High Oil Prices on Libyan Exports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	27.3	40.9	31.8	0.0	0.0	100.0
6-10	7.1	50.0	21.4	21.4	0.0	100.0
11-20	33.3	42.9	19.0	4.8	0.0	100.0
21-50	0.0	75.0	25.0	0.0	0.0	100.0
51-100	100.0	0.0	0.0	0.0	0.0	100.0
100+	50.0	16.7	16.7	0.0	16.7	100.0
Total	30.0	41.0	22.4	5.7	1.0	100.0

Table 7.52: Business Experience with the Effects of High Oil Prices on Libyan Exports (%)

Business Experience	the Effects of High Oil Prices on Libyan Exports					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	52.9	17.6	29.4	0.0	100.0
5 to 10 years	9.5	71.4	9.5	9.5	0.0	100.0
10 to 15 years	21.6	52.7	21.6	4.1	0.0	100.0
15 to 20 years	38.1	15.9	39.7	3.2	3.2	100.0
More than 20 years	42.9	31.4	14.3	0.0	11.4	100.0
Total	27.1	40.0	24.3	5.7	2.9	100.0

The correlation between business experience and the viewpoint that Libyan exports to EU countries have been helped by the improved economic situation as a result of higher oil prices in the world is demonstrated in table 7.52. About 81% of Libyan businessmen who had business experience of between 5 to10 years agreed with this viewpoint and only 9.5% did not agree. 74.3% of participants who had business experience from 10 to 15 years and over 20 years agreed with the view.

7.15. PERCEPTIONS ON THE LIBYAN ECONOMIC INTEREST IS NOT FULLY MET BY THE EU RELATIONSHIP

This section tests Libyan businessmen's perceptions on the statement that Libyan economic interest is not fully met by the EU relationships and cross-tabulation with capital of company, size of company, business experience, business visits to EU countries, preferred countries for business trips, most successful field of cooperation, establishment of a common EU-Mediterranean customs regime and establishment of the EU-Mediterranean common market.

Table 7.53: Type of Business Activity with Libyan Economic Interest and Close Relationship with the EU (%)

Business Activity	The Perception of Libyan Economic Interest is not Fully Met by the EU Relationship					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	5.7	8.6	25.7	29.5	30.5	100.0
Industry	11.1	24.4	13.3	37.8	13.3	100.0
Services	1.7	0.0	13.3	40.0	45.0	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

As it is clear from table 7.53, the correlation between type of business activity and the statement that Libyan economic interest is not fully met by a close relationship with the EU, 85% of the respondents belonging to services companies either disagree or strongly disagree, and 60% of those who belong to trade companies disagreed with it. About 51% from industry companies did not agree with it, while 36.5% agreed.

Regarding the correlation between capital of companies and the point of view that Libyan economic interest is not fully met by a close EU relationship, table 7.54 depicts that about 72% of the respondents in firms with capital more than LD250,000 and between LD100,000 and LD250,000 did not agree with this view and around 13% and 16% respectively agreed. In addition, 63% and 62% of the respondents in firms with capital between LD25,000 and LD50,000 and between LD50,000 and LD100,000 respectively disagreed with the view and nearly 16% agreed.

Table 7.54: Capital of Company with Libyan Economic Interest and Close Relationship with the EU (%)

Capital of Company (LD)	The Perception of Libyan Economic Interest is not Fully Met by the EU Relationship					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	6.7	6.7	33.3	0.0	53.3	100.0
Between 25,000 and 50,000	5.3	10.5	21.1	52.6	10.5	100.0
Between 50,000 and 100,000	6.3	10.1	21.5	32.9	29.1	100.0
Between 100,000 and 250,000	12.0	4.0	12.0	36.0	36.0	100.0
More than 250,000	1.9	11.3	15.1	32.1	39.6	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.55: Size of Company with Libyan Economic Interest and Close Relationship with the EU (%)

Size of Company	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	9.1	6.1	34.8	33.3	16.7	100.0
6-10	11.9	4.8	21.4	16.7	45.2	100.0
11-20	0.0	16.7	25.0	25.0	33.3	100.0
21-50	0.0	17.5	4.8	34.9	42.9	100.0
51-100	0.0	0.0	20.0	80.0	0.0	100.0
100+	8.3	8.3	0.0	50.0	33.3	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

From table 7.55, the correlation between size of companies and the opinion of Libyan economic interest is not fully met by a close relationship with the EU. Approximately 83% of companies with the highest number of employees were not in agreement with this perception and only about 17% agreed. Although none of the participants belonging to companies in the group 51-100 employees agreed with this idea, 80% disagreed.

Table 7.56: Business Experience with Libyan Economic Interest and Close Relationship with the EU (%)

Business Experience	The Perception of Libyan Economic Interest is not in Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	8.1	9.5	35.1	23.0	24.3	100.0
5 to 10 years	0.0	14.3	38.1	14.3	33.3	100.0
10 to 15 years	17.6	5.9	5.9	11.8	58.8	100.0
15 to 20 years	3.2	7.9	9.5	54.0	25.4	100.0
More than 20 years	2.9	11.4	0.0	45.7	40.0	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.56 demonstrates the cross-tabulation linking business experience and the feeling that Libyan economic interest in not fully met by a close relationship with the EU. 85% of Libyan businessmen who had the greatest business experience (more than 20 years) did not believe this thinking and only about 15% believed it. Furthermore, 79% of those who had business experience between 15 to 20 years did not think the statement was right and only almost 11% thought it was right.

Table 7.57 presents the correlation between participants’ business visits to EU countries and the thought that Libyan economic interest in not fully met by a close relationship with the EU. 71.5% of the participants who had made business visits many times to one country only disagreed with this thought and 15.5% agreed with it. About 70% of the participants who had made business visits many times to more than one country were in agreement with the view and only 19.5% were not in agreement.

Table 7.57: Business Visit to EU Countries with Libyan Economic Interest and Close Relationship with the EU (%)

Business Visit to EU Countries	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Once, to only one country	0.0	0.0	80.0	4.0	16.0	100.0
Once, to more than one country	6.7	0.0	40.0	20.0	33.3	100.0
Many times, to only one country	4.8	12.7	11.1	30.2	41.3	100.0
Many times, to more than one country	6.5	13.0	10.9	41.3	28.3	100.0
Never	0.0	9.8	49.2	8.2	27.9	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.58: Preferred Countries for Business Trips with Libyan Economic Interest and Close Relationship with the EU (%)

Preferred Countries for Business Trips	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Asian Countries	34.6	0.0	50.4	15.0	0.0	100.0
Arabic Countries	0.0	8.3	75.0	8.3	8.3	100.0
EU Countries	0.0	0.0	7.0	43.0	50.0	100.0
African Countries	8.3	8.3	8.3	19.4	55.6	100.0
American Countries	3.8	6.4	37.2	34.6	17.9	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.58 shows the correlation between participants' preferred countries for business trips and the view that Libyan economic interest is not fully met by a close relationship with the EU. Almost all of those who prefer to do business with EU countries (93%) disagreed with this view. 75% of the respondents who prefer to do business with African countries disagreed with the idea and only 16.6% agreed with

it. Of those who prefer to do business with American countries, 52% disagreed and 10.2% agreed with the view. On the other hand, 34.6% of the participants who prefer to do business with Asian countries agreed while 15% disagreed.

Table 7.59: Most Successful Field of Cooperation with Libyan Economic Interest and Close Relationship with the EU (%)

Most Successful Field of Cooperation	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Political	2.9	11.4	0.0	45.7	40.0	100.0
Military and Security	10.0	13.3	0.0	40.0	36.7	100.0
Economic	6.1	16.3	28.6	28.6	20.4	100.0
All	4.8	4.8	28.6	35.7	26.2	100.0
None	8.3	0.0	25.0	0.0	66.7	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.59 highlights the correlation between most successful fields of cooperation within the Barcelona process and the EU-Mediterranean process and the opinion that Libyan economic interest in not fully met by a close relationship with the EU. Of the participants who considered that political cooperation is the most successful field, nearly 86% of them disagree with the aforementioned view while only about 14% agree. 77% of those who believe that military and security cooperation is the most successful field disagree with the opinion and about 23% agree. Of those participants who think that economic cooperation is the most successful field, 49% do not agree with the view and more than 22% agree.

With regards to the cross-tabulation concerning establishment of EU-Mediterranean common customs and the statement that Libyan economic interest is not fully met by a close relationship (i.e. more should be done) with the EU, table 7.60 reveals that of those participants who strongly agree with the establishment of EU-Mediterranean common customs over 83% disagree with the statement and only around 17% agree. Furthermore, 60% of those who agree with the establishment of EU-Mediterranean common customs do not agree with the statement while about 17% agree with it.

Also, almost 41% of the participants who are against the establishment of EU-Mediterranean common customs disagree with the opinion and only 8.3% agree with it. Finally, about 67% of those who strongly disagree with the establishment EU-Mediterranean common customs strongly disagree with the statement.

Table 7.60: Establishment of a Common EU-Mediterranean Customs Regime with Libyan Economic Interest and Close Relationship with the EU (%)

Establishment of EU-Mediterranean Common Customs	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	7.1	9.5	0.0	42.9	40.5	100.0
Agree	9.3	8.0	22.7	36.0	24.0	100.0
Not Sure	0.0	13.7	17.6	41.2	27.5	100.0
Disagree	0.0	8.3	50.0	12.5	29.2	100.0
Strongly Disagree	11.1	5.6	16.7	16.7	50.0	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

Table 7.61: Establishment of EU-Mediterranean Common Market with Libyan Economic Interest and Close Relationship with the EU (%)

Establishment of an EU-Mediterranean Common Market	The Perception of Libyan Economic Interest is not Fully Met by the EU					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	4.8	4.8	28.6	9.5	52.4	100.0
Agree	0.0	8.3	25.0	20.8	45.8	100.0
Not Sure	0.0	13.3	10.0	60.0	16.7	100.0
Disagree	3.3	11.1	16.7	37.8	31.1	100.0
Strongly Disagree	17.8	6.7	24.4	28.9	22.2	100.0
Total	5.7	9.3	9.5	44.3	31.0	100.0

As can be seen from table 7.61, in the correlation between establishment of the EU-Mediterranean common market and the belief that Libyan economic interest in not fully met by a close relationship with the EU, about 62% of the respondents who strongly agreed with establishment of the EU-Mediterranean common market disagreed with this thought and 9.6% agreed. Of the respondents who agreed with the establishment of the EU-Mediterranean common market, nearly 67% did not agree with the view and only about 8% agreed. Approximately 69% of those who disagreed with the establishment of the EU-Mediterranean common market disagreed with the idea and only 14.4% agreed. What is more, about 51% of Libyan businessmen who strongly agreed with the establishment of the EU-Mediterranean common market did not agree with the statement while about 25% agreed.

7.16. PERCEPTIONS ON ECONOMIC RELATIONS OF LIBYA WITH THE AFRICAN UNION

This section seeks to cross-tabulate the opinion that supports Libya to commit itself economically with an African union which will better serve Libyan interest with capital of company, size of company, business experience, business visit to EU countries, preferred countries for business trips, most successful field of cooperation, establishment of EU-Mediterranean common customs and establishment of the EU-Mediterranean common market.

Table 7.62: Type of Business Activity with Economic Relations of Libya with an African Union (%)

Business Activity	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	10.0	10.0	15.0	60.0	5.0	100.0
Industry	5.7	17.1	28.6	22.9	25.7	100.0
Services	0.0	0.0	26.7	33.3	40.0	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

Table 7.62 demonstrates the correlation between type of business activity and the view that Libyan interest will be better served if it commits itself economically with an African union. About 73% of the respondents in services companies did not support this view, and 65% of those in trade companies did not agree and only 20% agreed. Nearly 49% of those from industry companies did not support the view, while about 23% supported it.

Table 7.63: Capital of Company with Economic Relations of Libya with an African Union (%)

Capital of Company (LD)	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	40.0	0.0	20.0	6.7	33.3	100.0
Between 25,000 and 50,000	11.3	3.8	30.2	30.2	24.5	100.0
Between 50,000 and 100,000	0.0	13.2	28.9	39.5	18.4	100.0
Between 100,000 and 250,000	0.0	17.7	21.5	32.9	27.8	100.0
More than 250,000	0.0	12.0	16.0	68.0	4.0	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

Table 7.63 presents the correlation between capital of companies and the opinion that economic relations of Libya with an African union would better serve Libyan interest. 72% of participants with company capital more than LD250,000 did not agreed with this opinion and only 12% agreed. Nearly 61% of the participants with capital between LD100,000 and LD250,000 disagreed with the viewpoint and over 17% agreed. However, of those with company capital less than LD25,000, 40% agreed and the same figure disagreed with the thought.

Table 7.64: Size of Company with Economic Relations of Libya with an African Union (%)

Size of Company	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	0.0	13.6	36.4	22.7	27.3	100.0
6-10	21.4	14.3	21.4	7.1	35.7	100.0
11-20	4.8	9.5	14.3	61.9	9.5	100.0
21-50	0.0	25.0	25.0	50.0	0.0	100.0
51-100	0.0	0.0	0.0	80.0	20.0	100.0
100+	0.0	10.0	40.0	0.0	50.0	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

Table 7.64 indicates the correlation between size of company and the view that if Libya commits itself economically with an African union it would better serve its interest. All the participants who belong to group 51-100 employees did not agree with this point of view. More than 71% of participants with 11-20 employees did not believe the view while about 15% believed it. Almost 36% of those respondents relating to the group 6-10 employees agreed; however, about 43% disagreed.

Table 7.65: Business Experience with Economic Relations of Libya with an African Union (%)

Business Experience	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	29.4	0.0	23.5	0.0	47.1	100.0
5 to 10 years	9.5	0.0	42.9	19.0	28.6	100.0
10 to 15 years	4.1	2.7	36.5	23.0	33.8	100.0
15 t0 20 years	3.2	7.9	30.2	44.4	14.3	100.0
More than 20 years	0.0	8.6	5.7	74.3	11.4	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

According to table 7.65, the correlation between business experience and the argument that Libyan interest would be better served if it commits itself economically with an African union, 85.7% of respondents who had over 20 years experience disagreed with this argument and only 8.6% agreed. About 59% of the respondents who had 15-20 years business experience disagreed with the idea and almost 11% agreed with it. However, 29.4% of those who had the least business experience agreed with the statement while 47.1% did not agree with it.

The results in table 7.66 demonstrates the correlation between participants’ business visits to EU countries and the consideration that economic relations of Libya with an African union would better serve Libyan interests. All Libyan businessmen who had made business visits many times to one country only disagreed with this attitude. On the other hand, of the respondents who had made many business visits to more than one country, 63% disagreed with the view and 19.6% agreed.

Table 7.66: Business Visit to EU Countries with Economic Relations of Libya with an African Union (%)

Business Visit to EU Countries	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Once, to only one country	0.0	0.0	72.0	4.0	24.0	100.0
Once, to more than one country	12.7	19.0	30.2	23.8	14.3	100.0
Many times, to only one country	0.0	0.0	0.0	60.0	40.0	100.0
Many times, to more than one country	8.7	10.9	17.4	41.3	21.7	100.0
Never	0.0	11.5	9.8	50.8	27.9	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

Table 7.67: Preferred Countries for Business Trips with Economic Relations of Libya with an African Union (%)

Preferred Countries for Business Trips	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Asian Countries	16.7	33.3	0.0	50.0	0.0	100.0
Arabic Countries	0.0	25.0	25.0	0.0	50.0	100.0
EU Countries	3.8	15.4	28.2	28.2	24.4	100.0
African Countries	22.2	11.1	22.2	22.2	22.2	100.0
American Countries	0.0	3.8	23.1	53.8	19.2	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

The cross-tabulation with regards to preferred countries for business trips and the point of view that if Libya commits itself economically with an African union it would better serve its interest is depicted in table 7.67. 73% of participants who prefer to do business with American countries were in support of this view and only 3.8% were not. Of those participants who prefer to do business with EU countries, over 52% disagreed the opinion and around 19% agreed. Of the participants who preferred to do business with African countries, 44.4% did not agree with viewpoint and 33.3% agreed.

Table 7.68: Most Successful Field of Cooperation with Economic Relations of Libya with an African Union (%)

Most Successful Field of Cooperation	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Political	0.0	2.9	17.1	62.9	17.1	100.0
Military and Security	0.0	10.0	0.0	90.0	0.0	100.0
Economic	6.1	14.3	40.8	14.3	24.5	100.0
All	3.6	15.5	26.2	22.6	32.1	100.0
None	50.0	0.0	25.0	0.0	25.0	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

Table 7.68 shows the correlation between most successful field of cooperation and the view that economic relations of Libya with an African union would better serve Libyan interest. 80% of the participants who thought that political cooperation is the most successful field within the Barcelona process did not agreed with this opinion and only about 3% agreed. Of those participants who agreed that military and security cooperation is the most successful field, 90% of them disagreed with the suggestion and only 10% agreed. Around 38% of the respondents who considered that economic cooperation is the most successful field disagreed and more than 20% agreed.

Table 7.69: Establishment of a Common EU-Mediterranean Customs Regime with Economic Relations of Libya with an African Union (%)

Establishment of EU-Mediterranean Common Customs	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	0.0	7.1	0.0	92.9	0.0	100.0
Agree	0.0	26.7	14.7	16.0	42.7	100.0
Not Sure	5.9	2.0	33.3	39.2	19.6	100.0
Disagree	12.5	0.0	70.8	16.7	0.0	100.0
Strongly Disagree	33.3	0.0	33.3	0.0	33.3	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

On the subject of the correlation between attitude of establishment of EU-Mediterranean common customs and the suggestion that Libyan interest would be better served if it commits itself economically with an African union, table 7.69 depicts that the great majority of the respondents (about 93%) who strongly agreed with the establishment of EU-Mediterranean common customs disagreed with the statement and only almost 7% agreed. Of those who agreed with the establishment of a common EU-Mediterranean customs regime, around 59% did not agreed with the opinion. Nevertheless, about 13% of participants who did not agree with the establishment of EU-Mediterranean common custom agreed with the view and about 17% disagreed. 33% of the respondents who strongly disagreed with the establishment of EU-Mediterranean common customs agreed with the point of view while the same percentage disagreed.

Table 7.70: Establishment of EU-Mediterranean Common Market with Economic Relations of Libya with an African Union (%)

Establishment of EU-Mediterranean Common Market	Economic Relations of Libya with an African Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	0.0	10.0	0.0	80.0	10.0	100.0
Agree	3.3	23.3	13.3	46.7	13.3	100.0
Not Sure	0.0	0.0	40.0	6.7	53.3	100.0
Disagree	12.5	0.0	50.0	12.5	25.0	100.0
Strongly Disagree	28.6	0.0	42.9	14.3	14.3	100.0
Total	5.7	11.4	24.3	35.7	22.9	100.0

The statistics in table 7.70 reveal the correlation between perception on the establishment of the EU-Mediterranean common market and the idea that economic relations of Libya with an African union would better serve Libyan interests. By distributing the answers given to the establishment of the EU-Mediterranean common market through horizontal distribution, 90% of Libyan businessmen who strongly agreed with the establishment of the EU-Mediterranean common market did not agree with this idea. Of those who agreed with the establishment of the EU-Mediterranean common market, 60% disagrees with aforementioned view and 26.6% agreed.

Besides, 37.5% of the respondents who disagreed with the establishment of the EU-Mediterranean common market did not agree with the idea while 12.5% agreed. Of those who strongly disagreed with the establishment of the EU-Mediterranean common market, 28.6% disagreed and the same proportion agreed.

7.17. PERCEPTIONS ON LIBYA'S POTENTIAL ENTRY INTO AN ARAB UNION

This section concerns the view that Libya should join an Arab Union to enhance its economic capabilities and cross-tabulates it with capital of company, size of company, business experience, business visits to EU countries, preferred countries for business trips, most successful field of cooperation, establishment of a common EU-Mediterranean customs regime and establishment of the EU-Mediterranean common market.

Table 7.71: Type of Business Activity with Libyan Entry into an Arab Union (%)

Business Activity	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	30.0	20.0	15.0	25.0	10.0	100.0
Industry	35.0	25.0	20.0	14.3	5.7	100.0
Services	26.7	20.0	26.7	26.7	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

With regards to the correlation between type of business activity and the statement that Libya's entry into an Arab union would enhance its economic capability (see table 7.71), 60% of the participants who belong to industry companies were in agreement with the statement and only 20% did not agree. 50% of participants from trade companies agreed while 35% did not agree, and 47% from services companies agreed and about 27% did not agree.

Table 7.72: Capital of Company with Libyan Entry into an Arab Union (%)

Capital of Company (LD)	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	13.3	20.0	0.0	26.7	40.0	100.0
Between 25,000 and 50,000	34.2	10.5	34.2	21.1	0.0	100.0
Between 50,000 and 100,000	31.6	21.5	19.0	27.8	0.0	100.0
Between 100,000 and 250,000	45.3	13.2	15.1	15.1	11.3	100.0
More than 250,000	8.0	68.0	24.0	0.0	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.72 shows the correlation between capital of companies and the standpoint that Libya joining an Arab union would enhance its economic capability. Nearly 67% of Libyan businessmen with the smallest capital disagreed with this opinion and 33% agreed with it. Around 27% the respondents whose capital of company is between LD50,000 and LD100,000 disagreed with the standpoint and almost 53% agreed. However, 76% of those with capital greater than LD250,000 agreed with the view and not one of them disagreed.

Table 7.73: Size of Company with Libyan Entry into an Arab Union (%)

Size of Company	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	36.4	31.8	22.7	9.1	0.0	100.0
6-10	14.3	21.4	14.3	28.6	21.4	100.0
11-20	42.9	9.5	9.5	33.3	4.8	100.0
21-50	0.0	50.0	25.0	25.0	0.0	100.0
51-100	20.0	0.0	80.0	0.0	0.0	100.0
100+	50.0	50.0	0.0	0.0	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.73 shows the correlation between size of company in terms of number of employees and the view that Libya joining an Arab union would enhance its economic capability. All participants of the biggest companies (over 100 employees) were in agreement with this thought. Almost 68% of the respondents belonging to the smallest companies agreed and only about 9% disagreed. On the other hand, 50% of those whose companies were in the group 6-10 employees disagreed with this perception and more than 35% agreed.

Table 7.74: Business Experience with Libyan Entry into an Arab Union (%)

Business Experience	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	17.6	5.9	0.0	47.1	29.4	100.0
5 to 10 years	19.0	38.1	0.0	33.3	9.5	100.0
10 to 15 years	39.2	20.3	4.1	32.4	4.1	100.0
15 to 20 years	23.8	14.3	54.0	4.8	3.2	100.0
More than 20 years	42.9	42.9	14.3	0.0	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.74 gives the correlation between business experience and the perception that Libya joining an Arab union would enhance its economic capability. Nearly 86% of Libyan businessmen who had business experience of more than 20 years agreed with this view. 59.5% of participants who had 10 to 15 years business experience agreed with the viewpoint and 36.5% disagreed. 76.5% of the respondents whose business experience was less than 5 years disagreed with the view while 23.5% agreed.

The correlation between respondents' business visits to EU countries and the opinion that the joining of Libya with an Arab union would enhance its economic capability is shown in table 7.75. It depicts that the vast majority (93.3%) of Libyan businessmen who had made one business visit to the EU but to more than one country agreed with this view and only 6.7% disagreed. For participants who had made one business visit to the EU and only to one country, only 68% agreed with this opinion and 12% disagreed.

Table 7.75: Business Visit to EU Countries with Libyan Entry into an Arab Union (%)

Business Visit to EU Countries	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Once, to only one country	16.0	72.0	0.0	12.0	0.0	100.0
Once, to more than one country	40.0	53.3	0.0	6.7	0.0	100.0
Many times, to only one country	44.4	14.3	22.2	6.3	12.7	100.0
Many times, to more than one country	32.6	10.9	23.9	23.9	8.7	100.0
Never	21.3	13.1	27.9	37.7	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.76: Preferred Countries for Business Trips with Libyan Entry into an Arab Union (%)

Preferred Countries for Business Trips	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Asian Countries	50.0	0.0	33.3	0.0	16.7	100.0
Arabic Countries	50.0	25.0	25.0	0.0	0.0	100.0
EU Countries	44.9	14.1	16.7	20.5	3.8	100.0
African Countries	27.8	11.1	16.7	22.2	22.2	100.0
American Countries	15.4	38.5	23.1	23.1	0.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.76 gives the results of the correlation between the perception of preferred countries for business trips and the view that Libya should join an Arab union to enhance its economic capabilities. 75% of the participants who preferred to do business with Arabic countries agreed with this view and 25% were not sure. Of the participants who preferred to do business with EU countries, 59% agreed with the viewpoint while around 23% disagreed. Alternatively, over 44% the participants who

preferred to do business with African countries disagreed with the view and about 39% agreed.

Table 7.77: Most Successful Field of Cooperation with Libyan Entry into an Arab Union (%)

Most Successful Field of Cooperation	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Political	71.4	25.7	2.9	0.0	0.0	100.0
Military and Security	0.0	40.0	20.0	40.0	0.0	100.0
Economic	32.7	22.4	20.4	18.4	6.1	100.0
All	29.8	15.5	29.8	21.4	3.6	100.0
None	0.0	25.0	0.0	25.0	50.0	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

The information in table 7.77 presents the correlation between most successful field of cooperation and the point of view that claims Libya joining an Arab union would enhance its economic capability. Almost all the Libyan businessmen who considered political cooperation is the most successful field within the Barcelona process agreed with this point of view. 55% of the respondents who believed that economic cooperation is the most successful field agreed with the view and 24.5% did not agree. Those who thought that military and security cooperation are the most successful fields, 40% agreed and 40% disagreed.

Table 7.78 reveals the findings of the correlation relating to the establishment of a common EU-Mediterranean customs regime and the belief that if Libya joined an Arab union it would enhance its economic capability. By distributing the answers given to the establishment of a common EU-Mediterranean customs regime through horizontal distribution, 85.7% of the respondents who strongly agreed with the establishment of EU-Mediterranean common customs agreed with this thinking. 32 % of the respondents who agreed with the establishment of EU-Mediterranean common customs agreed, while 36% did not agree. Nearly 71% of Libyan businessmen who disagreed with the establishment of EU-Mediterranean common customs agreed with the belief and 25% did not agree. Lastly, 50% of those who strongly disagreed with the establishment of EU-Mediterranean common customs agreed and another 50% disagreed.

Table 7.78: Establishment of a Common EU-Mediterranean Customs Regime with Libyan Entry into an Arab Union (%)

Establishment of EU-Mediterranean Common Customs	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	50.0	35.7	14.3	0.0	0.0	100.0
Agree	26.7	5.3	32.0	36.0	0.0	100.0
Not Sure	35.3	19.6	21.6	17.6	5.9	100.0
Disagree	16.7	54.2	4.2	12.5	12.5	100.0
Strongly Disagree	16.7	33.3	0.0	16.7	33.3	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.79: Establishment of EU-Mediterranean Common Market with Libyan Entry into an Arab Union (%)

Establishment of EU-Mediterranean Common Market	Libyan Entry into an Arab Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	26.7	33.3	0.0	40.0	0.0	100.0
Agree	40.0	23.3	30.0	3.3	3.3	100.0
Not Sure	10.0	0.0	50.0	40.0	0.0	100.0
Disagree	37.5	25.0	0.0	25.0	12.5	100.0
Strongly Disagree	28.6	28.6	0.0	14.3	28.6	100.0
Total	31.4	22.9	20.0	20.0	5.7	100.0

Table 7.79 depicts the correlation between establishment of the EU-Mediterranean common market and the opinion that if Libya joined an Arab union it would enhance its economic capability. By distributing the answers given to the establishment of the EU-Mediterranean common market through horizontal distribution, 60% of the respondents who strongly agreed with the establishment of the EU-Mediterranean

common market agreed with the aforementioned opinion and 40% did not agree. Furthermore, of the respondents who agreed with the establishment of the EU-Mediterranean common market, about 63.3% agreed and only 3.6% disagreed. 62.5% of those who disagreed with the establishment of the EU-Mediterranean common market were in agreement with that idea and 37.5% disagreed. Finally, with respect to respondents who strongly disagreed with the establishment of the EU-Mediterranean common market almost 57% agreed with the view while about 43% disagreed.

7.18. PERCEPTIONS ON LIBYA JOINING AN ISLAMIC ECONOMIC UNION

This section analysis the perception of Libya becoming part of an Islamic Economic Union rather than having close economic and financial relations with the EU and cross-tabulating it with capital of company, size of company, business experience, business visits to EU countries, preferred countries for business trips, most successful field of cooperation, establishment of a common EU-Mediterranean customs regime and establishment of the EU-Mediterranean common market.

Table 7.80: Type of Business Activity with Joining an Islamic Economic Union (%)

Business Activity	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Trade	31.4	25.7	20.0	5.7	17.1	100.0
Industry	0.0	33.3	20.0	26.7	20.0	100.0
Services	18.8	50.0	12.5	12.5	6.3	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

The correlation between type of business activity and the view that Libya should be part of an Islamic Economic Union rather than having close economic and financial relations with the EU is shown in table 7.80. The majority (about 69%) of the respondents owning services companies supported this statement, along with around 57% of the respondents owning trading companies. However, around 47% of the respondents owning industrial companies did not support the statement with only 33.3% supporting it.

Table 7.81: Capital of Company with Joining an Islamic Economic Union (%)

Capital of Company (LD)	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 25,000	0.0	46.7	53.3	0.0	0.0	100.0
Between 25,000 and 50,000	64.0	12.0	4.0	16.0	4.0	100.0
Between 50,000 and 100,000	23.9	55.2	4.5	9.0	7.5	100.0
Between 100,000 and 250,000	15.8	28.9	13.2	21.1	21.1	100.0
More than 250,000	7.5	15.1	35.8	11.3	30.2	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.81 highlights the correlation between capital of company and the statement that Libya should be part of an Islamic Economic Union rather having close economic and financial relations with the EU. 79% of the participants belonging to firms with capital between LD50,000 and LD100,000 agreed with this statement and only 16.5% disagreed. In addition, 76% of participants who belong to firms with capital between LD25,000 and LD50,000 were in agreement with the view, while 20% did not agree. However, around 42% of participants from firms with capital between LD100,000 and LD250,000 were in disagreement while almost 45% agreed.

The correlation relating size of company and the thought that Libya should be part of Islamic Economic Union rather having close economic and financial relations with the EU is shown in table 7.82. All Libyan businessmen who were related to company size 21-50 employees believed in this view. At the same time, 80% of respondents who were related to company size 51-100 employees disagreed with that thinking. However, 50% of those who from the biggest companies (100+ employees) disagreed while none were in agreement.

Table 7.82: Size of Company with Joining an Islamic Economic Union (%)

Size of Company	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
1-5	27.3	27.3	18.2	9.1	18.2	100.0
6-10	21.4	42.9	28.6	0.0	7.1	100.0
11-20	17.6	47.1	5.9	11.8	17.6	100.0
21-50	50.0	50.0	0.0	0.0	0.0	100.0
51-100	0.0	0.0	20.0	80.0	0.0	100.0
100+	0.0	0.0	50.0	0.0	50.0	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.83: Business Experience with Joining an Islamic Economic Union (%)

Business Experience	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Less than 5 years	0.0	52.9	29.4	0.0	17.6	100.0
5 to 10 years	4.8	66.7	19.0	0.0	9.5	100.0
10 to 15 years	5.5	50.7	21.9	2.7	19.2	100.0
15 to 20 years	39.0	10.2	11.9	28.8	10.2	100.0
More than 20 years	50.0	0.0	14.3	17.9	17.9	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.83 reveals the correlation between business experience and the viewpoint that Libya should be part of an Islamic Economic Union rather than having close economic and financial relations with the EU. Almost 65% of the participants who had business experience of between 5 to 10 years agreed with this opinion while only 9.5% did not agree. Meanwhile, 39% of those participants who had business experience from 15 to 20 years disagreed with the view, while around 49% agreed with it. Furthermore, around 36% of those who had business experience more than 20 years were in disagreement, while 50% agreed.

Table 7.84: Business Visit to EU Countries with Joining an Islamic Economic Union (%)

Business Visit to EU Countries	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Once, to only one country	0.0	87.5	12.5	0.0	0.0	100.0
Once, to more than one country	53.3	6.7	40.0	0.0	0.0	100.0
Many times, to only one country	33.3	10.5	22.8	3.5	29.8	100.0
Many times, to more than one country	14.0	30.2	20.9	18.6	16.3	100.0
Never	15.3	42.4	8.5	23.7	10.2	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

The cross-tabulation regarding participants' business visits to the EU countries and the opinion preferring Libya to be part of an Islamic Economic Union rather than having close economic and financial relations with the EU is shown in table 7.84. The great majority of Libyan businessmen (87.5%) who have one business visit and only to one EU country agreed with the hypothesis. In contrast, almost 33% of those who had many business visits but to only one EU country disagreed with the view while about 44% were in agreement. Furthermore, around 35% participants who have had many business visits to more than one country were not in agreement while around 44% agreed.

The data in table 7.85 shows the correlation between preferred countries for business trips and the standpoint that Libya should be part of an Islamic Economic Union rather having close economic and financial relations with the EU. 50% of respondents who preferred to do business with Arab countries agreed with this idea. Although 50% of respondents who preferred to do business with Asian countries disagreed with that suggestion 33.3% were in agreement. Also, 39% of those who preferred to do business with EU countries disagreed, while around 38% agreed.

Table 7.85: Preferred Countries for Business Trips with Joining an Islamic Economic Union (%)

Preferred Countries for Business Trips	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Asian Countries	33.3	0.0	16.7	50.0	0.0	100.0
Arabic Countries	25.0	25.0	50.0	0.0	0.0	100.0
EU Countries	24.6	23.2	13.0	2.9	36.2	100.0
African Countries	15.2	33.3	24.2	12.1	15.2	100.0
American Countries	19.2	46.2	15.4	19.2	0.0	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.86: Most Successful Field of Cooperation with Joining an Islamic Economic Union (%)

Most Successful Field of Cooperation	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Political	16.0	0.0	24.0	24.0	36.0	100.0
Military and Security	50.0	40.0	0.0	10.0	0.0	100.0
Economic	16.7	39.6	16.7	6.3	20.8	100.0
All	18.1	34.9	19.3	14.5	13.3	100.0
None	0.0	50.0	50.0	0.0	0.0	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.86 illustrates the correlation concerning most successful field of cooperation and the point of view that Libya should be part of Islamic Economic Union rather having close economic and financial relations with the EU. 60% of the participants who believed that political cooperation is the most successful field disagreed with this view with only 16% agreeing. In comparison, the great majority (90%) of respondents who considered that military and security cooperation is the most successful field of cooperation agreed with the opinion while just 10% did not agree. What is more, 53% of those who thought that economic cooperation was the most successful field of cooperation agreed with the idea, while nearly 28% disagreed.

Table 7.87: Establishment of a Common EU-Mediterranean Customs Regime with Joining an Islamic Economic Union (%)

Establishment of EU-Mediterranean Common Customs	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	60.0	0.0	0.0	30.0	10.0	100.0
Agree	26.7	41.3	17.3	5.3	9.3	100.0
Not Sure	7.8	25.5	21.6	19.6	25.5	100.0
Disagree	0.0	66.7	12.5	4.2	16.7	100.0
Strongly Disagree	0.0	33.3	50.0	0.0	16.7	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

Table 7.87 shows the correlation between the establishment of a common EU-Mediterranean customs regime and the argument that Libya should be part of Islamic Economic Union rather having close economic and financial relations with the EU. Of those participants who strongly supported the establishment of a common EU-Mediterranean customs regime. By distributing the answers given to the establishment of a common EU-Mediterranean customs regime through horizontal distribution, 60% agreed with the contention, while 40% disagreed. Also, 68% of participants who agreed for establishment of a common EU-Mediterranean customs regime were in agreement with the statement, with only 14.6% disagreeing. In addition, 66.7 % of respondents who disagreed with the establishment of a common EU-Mediterranean customs regime agreed with the view while around 21% disagreed. 33.3% of those who were strongly disagreed about the establishment of a common EU-Mediterranean customs regime agreed with the statement, while around 17% disagreed.

The correlation relating to establishment of the EU-Mediterranean common market and view that Libya should be part of an Islamic Economic Union rather having close economic and financial relations with the EU, is highlighted in table 7.88. By distributing the answers given to the establishment of the EU-Mediterranean common market through horizontal distribution, 60% of Libyan businessmen who strongly supported the establishment of the EU-Mediterranean common market agreed with this view while 20% disagreed. In addition, 57.7% of the participants who supported the establishment of the EU-Mediterranean common market agreed with the hypothesis while 23% disagreed. Moreover, 50% of those participants who did not support the establishment of the EU-Mediterranean common market agreed with contention, while 37.5% disagreed. Of the respondents who strongly disagreed with establishment of the EU-Mediterranean common market about 43% agreed with the view while around 29% disagreed.

Table 7.88: Establishment of EU-Mediterranean Common Market with Joining an Islamic Economic Union (%)

Establishment of EU-Mediterranean Common Market	Joining an Islamic Economic Union					Total
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	
Strongly Agree	0.0	60.0	20.0	0.0	20.0	100.0
Agree	50.0	7.7	19.2	11.5	11.5	100.0
Not Sure	10.0	40.0	10.0	40.0	0.0	100.0
Disagree	0.0	50.0	12.5	0.0	37.5	100.0
Strongly Disagree	0.0	42.9	28.6	14.3	14.3	100.0
Total	21.2	33.3	18.2	12.1	15.2	100.0

7.19. CONCLUSION

This chapter has focused on the cross-tabulation of the research results. It has looked in particular at the Libyan businessmen in their companies, focusing on: type of business activity; size of company (in terms of employees); capital of company; business experience,. It has considered their preferences regarding business visits to EU countries; preferred countries for business trips; most successful field of cooperation; establishment of a common EU-Mediterranean customs regime; and establishment of the EU-Mediterranean common market.

The analysis highlights that the vast majority (80%) of Libyan businessmen whose firm capital is less than LD25,000 were strongly disagreed with either the establishment of customs union or common market. Furthermore, the data showed that those who had the lowest years of business experience did not support the establishment of either a customs union (59%) or a common market (64%).

The data shows that 84% and 83% respectively of the industrial and service companies think that the trade between Libya and the EU countries still faces a number of obstacles even after Libya joined the Barcelona Process, while trading companies' responses were about 64%.

The majority of respondents from service, trade and industrial background (85%, 60% and 51% respectively) did not support the statement that Libyan economic interests are not fully represented by a close relationship with the EU. Also, participants strongly agreed and agreed for the establishment of a common EU-Mediterranean customs regime 60% and 68% respectively of them agreed with this argument and 40% were disagreed. Moreover, the majority of Libyan businessmen either disagreed (60%) or strongly disagreed (58%) with establishing an EU-Mediterranean common market.

CHAPTER EIGHT

INTERPRETING AND CONTEXTUALISING THE FINDINGS

8.1. INTRODUCTION

The aim of this chapter is to interpret and analyse the findings and data that were collected from the questionnaire which was designed to understand the perceptions and attitudes of the respondents. The answers of the respondents underpin the empirical part of the study, which aims to understand the implications of the perceptions and the reasons behind these attitudes. In addition, the study assesses the effect on economic and trade relations between Libya and the EU. In other words, an interpretative technique is used in this chapter with the objective of giving further meaning to the results.

This chapter is divided into six sections: the first is the introduction; the second section further interprets the findings from analysis conducted on the perceptions and opinions of the Libyan businessmen about Libya’s trade relationship with the EU; the third section provides an analysis of the obstacles which facing trade between Libya and EU countries; the fourth section is devoted to analysing the most important influencing the volume of Libyan trade with the EU countries; the fifth section is designed to analyse the probability of the alternative forms of integration and cooperation for Libya with other trading blocs; and the last section is the conclusion, which summarises the results and highlights the main findings of the chapter.

8.2. PERCEPTIONS AND ATTITUDES OF LIBYAN BUSINESSMEN TOWARDS LIBYAN TRADE WITH THE EU

In general, the responses that were obtained from the participants in this study indicate that they are satisfied with the development of trade and economic relations between Libya and the EU. Furthermore, they expressed a positive impression about the steps that are being taken towards closer cooperation between Libya and the EU. This positive perception towards regional integration through the Barcelona Process is, perhaps, partly attributed to the fact that the EU-Mediterranean Partnership (EMP) adopted the economic sector as a driving force for regional cooperation.

Accordingly, the analysis of the data obtained from the Libyan businessmen showed that the majority believe that achievements in the economic field were the most successful element within the EMP, while the political and the military and security aspects played a minor role.

8.2.1. Advancing Economic Cooperation within the EU-Mediterranean Partnership

The findings indicate that the majority (around 56%) of Libyan businessmen agreed or strongly agreed with the statement that moving towards establishment of an EU-Mediterranean customs union would be a crucial step in the economic integration process. In addition, more than 65% of the respondents supported the view that the establishment of an EU-Mediterranean common market, in which the free movement of goods, capital and people between the various countries together with common economic and fiscal policies, would be the most advantageous option for the EU-Mediterranean partners.

This positive impression persisted despite the fact that the majority of respondents believed that the economic integration process among the EU-Mediterranean partners has been very slow during the past ten years and that it should now be speeded up with a focus on attempts to remove the obstacles that slowed the process of integration.

However, as can be noted from tables 7.6 and 7.10, the vast majority (80%) of Libyan businessmen whose firm's capital is less than LD25,000 (small capital size) strongly disagreed with either the establishment of a customs union or a common market. The reason behind this rejection is that these businessmen are worried that the customs union or common market would turn into a fortress against products from non-member countries. If this were the case, then these businessmen would face high customs duties on many of their imports from outside the union. As their capital size indicates, these firms can be considered to be developing companies with a weak level of business experience; consequently the businessmen are worried that they would not be able to compete within the customs union or common market with bigger companies. This is backed up by the results which highlight that of those who had the lowest levels of business experience (less than five years) nearly 59% and 64% of the respondents did not support the establishment of a customs union or a common market respectively.

8.2.2. The Effect of a Potential Free Trade Area on the Libyan Economy

The findings reveal that the majority of Libyan businessmen agreed or strongly agreed that the establishment of an FTA between Libya and its EU-Mediterranean partners would have a positive effect on many aspects of Libyan trade, including enhancing further trade, helping to decrease prices of EU commodities in the Libyan market, rapidly increasing the volume of trade between Libya and the EU countries, creating incentives to increase Libyan exports to the EU countries and helping to eliminate all the obstacles that hinder trade between Libya and the EU countries.

Indeed, around 51% of the respondents supported the statement that the FTA within Barcelona process can be conducive for Libya by enhancing trade. However, when the support is broken down according to the type of business activity, respondents coming from industrial background provided the highest level of support with about 73%. This high support can be explained by two things: a) they have expectation that with FTA the barriers on Libyan products will be removed in the EU, therefore they will be able to sell more freely in EU countries; and b) the price of raw materials will fall as a consequence of the FTA, which in turn will lead to decreases in the price of Libyan products thereby boosting demand and improving profitability.

In fact it was relatively surprising to discover that relative lower level of support given by those who run trading and service related companies, about 50% and 37% respectively. On the face of it businessmen from a trading background should give more support to the creation of the FTA than the other sectors, as the essential premise of the FTA is to liberalise trade between the signatories. However, the reason behind the relatively weak level of support fact is that these traders who already have links with the EU might consider that their position will be compromised under an FTA. It may be that in the existing market structure these traders are able to make a profit in the face of little competition because of the barriers and tariffs; however, the FTA would lower barriers to entry and thus increase competition potentially reducing profit margins. In addition, the Libyan market is a very traditional one and the FTA would permit the large efficient European companies with modern goods access to Libya; which would see them potentially dominate the Libyan market. The lack of support for an FTA from the service companies can be attributed to the fact that Libya is still very weak in the provision of services, while the EU countries have the most advanced companies in this field, thus people own service companies consider that an FTA with the EU would result in these companies easily entering the Libyan market, as the local companies would not be able to compete in terms of quality and price.

These negative impressions towards the FTA could also be seen by the responses from the companies with a capital of less than LD25,000, with the vast majority (more than 93%) strongly disagreeing with this position. Again presumably it is the fear of competition from larger, more efficient, longer established EU companies with more modern goods and services.

It should also be noted that the data shown in table 6.13 highlights that the majority of the participants (66%) think that the establishment of an FTA between EU-Mediterranean partners will help to decrease prices of the EU commodities available to the Libyan market. The reason behind this expectation is that the tariff barriers presently imposed on EU products will be reduced by the agreement, thereby reducing the cost of imports from the EU. The benefit of this would be to reduce the cost of inputs to Libyan products, which would reduce the cost of Libyan goods making them more competitive in non-member countries, thus raising sales and increasing turnover.

For that reason, almost 59% of Libyan businessmen considered that the formation of the FTA would rapidly increase the volume of trade between Libya and EU countries, (table 6.14)

Furthermore, it was not surprising that the majority of Libyan businessmen (about 64%) believed that the establishment of the FTA under EU-Mediterranean process could be an important source of incentives to increase Libyan exports to EU countries (table 6.15).

In addition, table 6.16 shows that over 56% of respondents were agreed or strongly agreed that the establishment of the free trade area will help to eliminate all the obstacles that hinder the intra-trade between Libya and EU countries.

8.3. THE MAIN OBSTACLES FACING TRADE AND ECONOMIC COOPERATION BETWEEN LIBYA AND THE EU

According to the results from the questionnaire the majority (about 74%) of Libyan businessmen think that trade between Libya and the EU still faces a number of obstacles, despite the fact that Libya has joined the Barcelona Process. However, when this statement was cross-tabulated to type of business activity, those respondents belonging to the industrial and services sectors were more supportive of the belief than those belonging to the trading sector. The level of positive responses from industrial companies was 84% and from service companies was 83%, while only 64% of trading companies' responses was supportive of the statement. The reason for this differential is because the industrial and service sectors are less experienced in terms of the production process, administrative management, advertising and marketing, as Libya was a closed economy for many years and the private sector was emasculated with heavy state involvement in the running of these sectors. Therefore, these sectors and their outputs still face many obstacles in competing with their European counterparts. This can be observed from the responses that came from the group with less experience (less than 5 years), where about 88% agreed with the statement.

However, the data presented in table 7.25 highlights the cross-tabulation between type of business activity and perceptions on the high price of EU products being one of the obstacles to trade. It came as no surprise that around 82% of respondents who owned trading companies, around 67% of respondents who owned industrial companies and around 76% of respondents who owned service companies support the statement. The relatively slight differences in views between the types of business activity can be attributed to the inputs used in the different business activities: the trade and industrial companies need to buy manufactured goods or raw material from European countries, while service companies do not need to buy goods from abroad.

The existence of strong competition between Libyan and the EU countries products in both markets was perceived to be one of the impediments facing trade between Libya and the EU countries. Thus, the responses derived from the questionnaire show that the majority (about 69%) of Libyan businessmen support the argument that the difference in quality between products inhibits trade between Libya and the EU countries (table 6.19). In fact, it was no surprise that almost all the respondents belonging to trading companies agreed with this view, because as stated previously traders depend on both imports and exports. On the one hand, the high quality of EU products results in high prices thereby reducing demand in Libya. On the other hand, it is also important to remember that Libya is not an industrial country and therefore the quality of its products is very low. This means that Libyan goods are difficult to market in the EU products where quality expectations are high, while in the Libyan market they face strong competition from south-east Asian products.

The field study conducted with the Libyan businessmen (table 6.20) revealed that the majority (about 67%) believe that trade policies differ amongst EU country rather than a unified EU policy existing towards Libya and that the different policies act as obstacle to trade. However, the findings highlighted table 6.21 indicate that the majority of respondents specified Italy as the country which has the least trade impediments according to their experience. Moreover, in table 6.22 the data showed that nearly 25% of them considered that the UK has the most serious trade impediments among the EU countries for Libyan traders, while around 14% perceive this to be the case with Germany. This result is expected as Libya-Italy relations are affected by many factors, such as (Aliboni, 2001:2-3):

I. A stable framework of good relations, stemming from a unique combination of historical, political and cultural perceptions:
    - Italian political forces consider Libya with interest and, more often than not, with sympathy;
    - Italy is not perceived by Libya as an intruding post-colonial power; and
    - Italy is regarded by Libya as a helpful mentor or bridge country in its relations with Europe and the Western world.

II. A strong and growing mutual significance from the economic view:
    - Libya is Italy's first provider;
    - Libya is Italy's first client;
    - Libya has a considerable financial stake in Italy; and
    - Oil and gas is the engine of Libya-Italy economic relations.

III. In the Italian security perspective towards the South, Libya's regional role is regarded as a relevant factor for both regional stability and governance:
    - Italy agrees with the concerns of Libya's Arab neighbours about the stability of this country, in particular in relations to Islamism;
    - As a result, Italy, in combination with other European and Mediterranean countries, has always sought to involve Libya in some regional or sub-regional coalition (the Arab Maghreb Union; the Five plus Five Group in the Western Mediterranean; the Euro-Mediterranean Partnership).

These factors helped to motivate Italy to adopt policies towards Libyan investors that eased restrictive practices, such as visa applications which are considered uncomplicated for Libyan travellers, and generally has processes that are more friendly than those of other EU countries. While, the political problems that happened in 1980s and the UN sanctions imposed on Libya in 1990s led by the UK and the US were behind the UK having the highest level of impediments for Libyan businessmen.

8.4. PERCEPTIONS ON LIBYAN TRADE WITH THE EU

Libyan economy, like many developing countries, is distinguished by its high dependence on natural resources. In this case oil and gas revenues are the main source of national income but during the last three decades Libya's development plans have been badly affected by sharp fluctuation in oil prices. This situation generated instability in the development process and created uncertainty about the future prosperity and development of its economy. As a result of the instability and uncertainty Libyan trade policies were changed from the end of 1980s at which time the private sector became more liberalised; prior to this the government controlled all trade activity under the nationalisation of commercial activities policy. Also, the government encouraged foreign investment into the country by adopting a number of steps to enhance internal and external trade.

Therefore, assessing Libyan businessmen's attitude towards the trade relations of Libya with the EU countries is conducted by this study. This covers several factors influencing Libyan external trade and its exports and imports to the EU countries.

According to the responses obtained from the Libyan businessmen (table 6.23), the majority of participants supported the statement that the geographical proximity of the EU countries to Libya encourages Libyan businessmen to import their goods from the EU countries. This can be attributed to the fact that the short distance reduces the expense of transport and shipping.

Furthermore, the majority of Libyan businessmen (76%) as shown in table 6.25 think that adopting high customs duties on EU products would result in a decrease in the level of imports from EU countries. Table 7.33 shows that the great majority (86%) of participants who run trade-related companies either agreed or strongly agreed with this. As has been discussed previously traders seek to compete with the Southeast Asian products that are presently dominating the domestic market by reducing the costs added to the EU products. However, the majority (about 67%) of the participants who run industrial companies disagreed or strongly disagreed with the same argument. This comes as a natural response as the domestic industrial companies need to compete with foreign products in terms of price and quality; thus when customs duties help to maintain the high costs of products from the EU products, thereby reducing competition for domestically produced goods.

As the results indicate, the majority of the Libyan businessmen (about 66%) thought that the lack of information about the opportunities available in the EU markets is one of the obstacles facing Libyan businessmen in exporting to these markets (table 6.26). However, further scrutinising the respondents by breaking down the responses according to business activities (as shown in table 7.37) it can be established that those who are from trading companies and services give the highest support, with about 70% and 63% respectively. Such a result can be attributed to:

(i) The lack of the facilities that can help the companies to enter to the EU market such as the internet which has became an important tool for businesses to communicate with customers through advertising their services.
(ii) The lack of information about the EU market that is translated to the Arabic language.

It was no surprise, when it is found that relatively less support to the statement about lack of information was given by those who run industrial companies, with only about 44% of them supporting it (table 7.37). The reason for this lower level of support is due to the fact that similar to other developing countries, the majority of the limited domestic production capacity of Libyan companies is for the local market. Therefore, they do not look for openings in external markets.

The cross-tabulation of business experience with the lack of information about the opportunities available in EU markets as an obstacle facing Libyan businessmen to export to these markets (table 7.40) highlights that almost all those with the least experience were in total agreement with the statement. Conversely, the majority (over 51%) of those who were most experienced in their business did not agree. This is basically as a result of the experience factor, which results in the businessmen adapting to the requirements of the EU markets and being able to discover the opportunities available. In addition, their experience creates a familiarity with the regulations and laws concerning the exports to the EU markets.

The findings also revealed that the majority of the respondents (81%) think that low quality is the main problem facing Libyan products entering the EU markets (see table

6.28). Again when the figures are analysed thoroughly differences can be found between companies from different types of business activity (see table 7.41). The vast majority (90%) of respondents belonging to service companies supported this position, which is higher than the support given by trade (77%) and industrial (67%) companies. This can be attributed to the low quality of the infrastructure in Libya especially in the tourism sector, which makes this sector less attractive to customers from the EU countries.

Moreover, the data contained in table 6.29 demonstrates that the majority of the Libyan businessmen considered that the regulatory and administrative obstacles associated with the process of exporting and marketing in EU countries limit the export of Libyan products. When cross-tabulated the former point of view with the capital of company categories as shown in table 7.46, it was found that less support was given to this statement by those who are larger capitalised firms, while more support was given by those from the lower capitalised firms. This is due to the issue of experience because those companies which have a greater capital base are probably more experienced and as a result they have acquired grater knowledge in relation to the regulatory and administrative affairs related to exporting to and marketing in the EU. This is supported by the findings depicted in table 7.48, which shows that the great majority (about 94%) of those companies with lesser experience agreed with the hypothesis, while the greater the degree of experience the less the respondents supported the statement.

The Libyan economy depends heavily on crude oil as a principal source of export revenues. As a result of the complete lifting of UN and international sanctions, the high levels of oil prices in international markets and government policies to develop and diversify the exports activity there has been an increase in the exports earnings in the recent years. All these factors have helped to improve the Libyan economy, which led to increase in the size of exports to the EU countries. Therefore, the majority of the Libyan businessmen (71%) believe that Libyan exports to EU countries have been helped by the improved economic situation since the 1990s as a result of higher oil price in the world (table 6.30). In addition, 68% of respondents stated that there has been positive change in their business with EU countries since the sanctions were lifted (see table 6.31). In addition, the table 6.32 reveals that about 73% claimed that there had been an expansion in trade volumes between Libya and EU countries as a result of the lifting of these sanctions.

8.5. POTENTIAL ALTERNATIVE FORMS OF INTERNATIONAL COOPERATION AVAILABLE TO LIBYA

One of the most characteristic aspects of this era is the rapid growth in international trade and the degree of interdependence in the international economy. Consequently each developing country has become connected globally through an extensive network of international economic relations. Libya as one developing country has been joined to a number of international economic blocs, such as the Arab Economic Unity Agreement, the Arab Maghreb Union, the Euro-Mediterranean Partnership and the African Union. An attempt was made to measure the perceptions of Libyan businessmen towards the international bloc in which Libya should become involved in terms of the size of its trade and economic relations.

This section is divided into four sub-sections, each one of which will examine an issue relevant to the development of Libyan economic relations, by assessing the potential impact of economic and trade cooperation through different regional or international economic blocs. These four blocs assessed through the questionnaire were: the European Union; the African Union; an Arab Union and an Islamic Economic Union.

8.5.1. Libyan Economic Interests is not fully Served by Close Ties with the EU

In this question an attempt was made to measure the Libyan businessmen's perception on whether or not Libyan economic interests are not fully served by close ties with the EU. Table 6.33 shows that the majority (more than 75%) of respondents were of the view that Libya's relations with the EU is essential, but that only 15% thought that the current state of EU-Libya relations work in the favour of Libya. This is born out in table 7.53 which highlights that the majority of respondents from the service sector, trading companies and industry (85%, 60% and 51% respectively) did not support the statement that Libyan economic interest is not fully served by close ties with the EU. It was no surprise when find that the considerable percentage of those who belonged to industry background supported the same statement. This is because of the competition faced by Libyan products in the EU market; Libyan businessmen do not have sufficient experience nor is quality of their products sufficiently good to allow them to compete with EU products.

Furthermore, when cross-tabulating this statement with capital of companies (see table 7.54), those firms with lower capital were more inclined to disagree or strongly disagree with it, in comparison to responses given by those with higher levels of capital. Moreover, table 7.55 highlighted that the largest companies (in terms of number of employees) did not agree with the statement, while those who had fewer employees were more in support of the statement. In addition, as can be seen in table 7.56, the majority of those with greater experience were not in agreement with the statement, while greater support was shown from the companies with less experience.

Again, this can be attributed to the issue of competition, as those firms with lower levels of capital should have less experience in competing with European firms in terms of productivity and market. Furthermore, they are concerned that European companies will dominate the Libyan market if the integration process with EU goes too deep, by removing the barriers for European products.

The cross-tabulation between business visits to EU countries and the statement that Libyan economic interests are not fully served by close ties with the EU are shown in table 7.57. The majority of those respondents who have visited EU countries many times either to one country (around 72%) or to more than one country (around 70%) did not support this statement. In addition, one business trip to more than one country (53%) also did not support the view, while the majority of those who had one business trip to one country (around 80%) were not sure. However, it is apparent that there is a distinct difference in the levels of support between the multiple visits and the single visit. The reason could be that those who had multiple business trips to EU countries either to just one country or to a number of countries seek to secure their business by increasing the integration process between Libya and EU countries which might reflect positively on their business. Also, those who had just one business trip to the EU to multiple countries although their experience is small think that the Libyan economic interest is represented by close ties with the EU.

In addition, it was found that the majority of those who preferred to do business with EU, African and American countries believed that the relationship with the EU was in the interests of Libya. However, the majority (over 50%) of those who preferred to do business with Asian countries were not sure about the statement that Libyan interests are not fully served by the links with the EU and about 35% of them did support it (table 7.58). The disparity in the views can be attributed to the fact that those who believe that Libyan economic relationship with EU serves Libyan interests, as the two sides have a stable framework of strong relations, resulting from a unique combination of historical, political and cultural perceptions. While the latter view was as a result of the worries of deep integration between Libya and EU will affect negatively on their business.

Furthermore, the data in table 7.60 came as no surprise. It highlighted that the majority of respondents who either agreed or strongly agreed with the view that the establishment of a common EU-Mediterranean customs regime would be a crucial step in the economic integration process did not support the statement that Libyan economic interests are not fully served with the formal links to the EU, but they see that EU as an important partner. However, it was a surprise that the majority of those who either disagreed or strongly disagreed with the view that the establishment of a common EU-Mediterranean customs regime would be a crucial step in the economic integration process also believed that the Libyan economic interests are fully served by a close relationship with the EU. The reason behind this might be because they are aware that the economic stability of the EU countries can benefit the Libyan economy, but they fear that the establishment of a customs union, in which tariff barriers will be dismantled, would result in their products being uncompetitive with EU products in terms of prices and quality. Thus the respondents did not support the establishment of a customs union.

The same reason was behind the results presented in table 7.61. The majority of Libyan businessmen who either disagreed or strongly disagreed with the view that the establishment of EU-Mediterranean common market (in which there would be free movement of goods, capital and people among the partners countries) would have positive effects did not support the statement the relationship with the EU was in the bests interests of Libya, whereas, in a common market, member countries agree to take the customs union a step forward by additionally promoting the free movements of labour and capital.

However, unsurprisingly those who gave positive responses in encouraging close ties with EU were also in agreement with the statement that the establishment of an EU-Mediterranean common market will be beneficial for Libya.

8.5.2. Libya and an African Union

As alternative international economic union, table 6.34 shows that the majority (nearly 66%) of Libyan businessmen did not support the view that Libya should commit itself economically to an African Union, as this would better serve Libyan interests than a relationship with the EU. In fact it was no surprise that the majority of respondents from each type of business activity did not support this hypothesis (see table 7.62). This reason behind this result is the respondents' concerns with the inherent political and economic instability experienced by the African Continent.

Moreover, in assessing the cross-tabulation between the capital of firms' category and the view that with a relationship with an African Union would better serve Libyan interests (see table 7.63) the majority of participants belonging to larger capitalised firms did not agree with this view. However, in contrast, there were weaker levels of disagreement from participants whose companies had lower levels of capitalisation. Furthermore, considerable support for the proposition was received from those associated with companies with the lowest level of capital (less than LD25,000). This can be attributed to the fact that their limited capital might reflects a lack of experience, therefore they are concerned about competing with companies from developed countries, while in Africa the impediments are less in terms of exports and imports as well as marketing process. This is clear from the findings highlighted in table 7.65, which illustrate that companies with less experience were more supportive of this view, than those with greater experience.

Interestingly, the data also shows that around 44% of respondents who preferred to do business with African countries did not support the idea that Libya's interests would be best served by commit itself economically to an African Union (table 7.67). This is because they understand that the widespread instability and underdevelopment in the African continent would not help with Libyan economic development. Unsurprisingly the majority of those who preferred to do business with Arab countries, the EU and American countries did not support close ties with an African Union; however, there were still considerable numbers (over 33%) of those preferring to do business with these countries who supported the idea. This can be attributed to their desire to widen their markets in order that they could sell the goods they imported goods from these other countries to African countries.

Table 7.69 depicts that the great majority of the Libyan businessmen who believed that the establishment of a common EU-Mediterranean customs regime would be a crucial step in the economic integration process did not prefer Libya to commit itself economically to an African Union. This is a natural outcome from their orientation towards increasing the level of economic integration with the EU. Nevertheless, instability in African countries motivates those who disagreed with the establishment of a common EU-Mediterranean common regime not to support the idea that Libyan interests would be better served if it commits itself economically to an African Union.

The same reason was behind the results shown in table 7.70, in which the majority of Libyan businessmen either disagreed or strongly disagreed with the point of view that the establishment of an EU-Mediterranean common market, in which the free movement of goods, capital and people among those countries would have positive effects, did not prefer Libya to commit itself economically to an African Union, Furthermore, substantial percentage of those who either disagreed or strongly disagreed with the establishment of an EU-Mediterranean common market did not think that Libya should commit itself with an African Union.

8.5.3. Libya and an Arab Union

This question has gives a further option for building Libyan international economic ties, through an Arab Union. The majority (over 54%) of Libyan businessmen agreed with the hypothesis that Libya should join an Arabic Union in order to enhance its economic capabilities. However, around 26% did not agree with this view.

When assessing the degree of support for this hypothesis by the type of business activity (see table 7.72), it is found that relatively higher levels of support (60%) are given by those who run industrial companies, while lower levels of support are given by those who run trading (50%) and service companies (47%). This is because the industrial companies think that they can compete in the Arab market because of similarity in terms of quality across all Arab countries. However, a considerable percentage of trading and service companies still supported the statement; because they consider that they can buy from EU countries and sell to Arab countries.

Meanwhile, the data in table 7.73 indicates that the relationship between the hypothesis that Libya should join an Arabic Union in order to enhance its economic capabilities and capital of company. The majority (around 67%) of respondents belonging to firms with the lowest level of capitalisation (less than LD25,000) disagree with the statement. Conversely, no one from those who belonged to the highest level of capitalised companies (more than LD250,000) was in disagreement with it, with the majority (76%) being in agreement. This may be because the largest firms by capitalisation are nationalist as they are support the state, which is itself nationalist.

In relation to the responses related to the business visits to EU countries (see table 7.76) the majority of all categories support the view that Libya should join an Arab Union to enhance its economic capabilities. This can be attributed to the fact that they want to expand their market to sell more imported goods from EU countries. This can be observed from the findings displayed in table 7.77, which highlights that the majority of Libyan businessmen who preferred to make business with Asian countries, Arab countries, EU countries and American countries supported the idea of Libya joining an Arab Union.

In addition, there was no real difference between of the level of support for the proposal that Libya join an Arab Union when cross-tabulated against agreement or disagreement with the statement that the establishment of a common EU-Mediterranean customs regime would be a crucial step in the economic integration process (see table 7.79). Again the reason behind that can be attributed to the nationalism orientation in which the majority of the respondents believe. This was very clear from the results presented in table 7.80. Again there was real difference in the level of support from Libya joining an Arab Union between those who agreed or disagreed with the contention that the establishment of an EU-Mediterranean common market, where the free movement of goods, capital and people among the members, would have positive effects for the Libyan economy.

8.5.4. Libya and an Islamic Economic Union

A further option given to the respondents in the questionnaire was, in the opinion of their opinion, should Libya be part of an Islamic Economic Union. Table 6.36 shows that the majority (61%) of Libyan businessmen were in favour of this view, while only about 16% were not in favour. Table 7.81 shows the responses broken down by type of business activity. The participants from trade and services backgrounds gave the highest level of support with around 69% and 57% respectively. In contrast, only 33.3% from an industrial background supported the view, while 47% did not support the statement. This is can be explained by two things: first, those who are related to trade and service companies see the future in the relationship with EU, but desire to play a major role in transit trade between EU countries to Muslim countries; and second, those who own industrial companies do not have the capability to export to Muslim countries.

However, looking at the cross-tabulation of category capital of companies and the statement that Libya should be part of an Islamic Economic Union (see table 7.82) it was found that the highest level of support for the statement was given by those who were from the smallest firms, while negative attitudes to the statement were from the bigger firms. This can be linked to religious beliefs, since most of those who belong to the small firms are younger businessmen, which shows that religion is the primary and most significant factor in the choice of younger Libyan businessmen. The importance of the age factor can also be seen in the interaction of experience and the support given to an Islamic Economic Union. If experience is considered as an indication of age, the results in table 7.84 show that the majority of the participants supporting Libya’s association with the Islamic world come from those of a younger age. For instance, more than 70-% of those in the 5-10 years business experience group are in favour of this statement. This can be explained by the fact that the younger population in Libya is more exposed to an Islamic identity formation than the previous generation because of global and domestic Islamic developments.

Again the potential for expanding the transit market for imported goods was the motivation behind the majority of Libyan businessmen whether they agreed or disagreed with either of the two statements regarding to the establishment of a common EU-Mediterranean customs regime and the establishment of an EU-Mediterranean common market supporting Libya joining the Islamic Economic Union.

8.6. REFLECTING ON THE SHAPE OF LIBYA-EU ECONOMIC RELATIONS

The general analysis of economic integration has its origins within the international trade literature, in which the economic integration theory is viewed as a branch of international trade theory. This presents the economic gains of international trade to trading partners when tradable goods are produced and exported according to the principle of comparative advantage based on their factor endowments. At the same time, economic integration theory focuses on the economic gains and losses accruing to countries which remove trade barriers and ease factor mobility among member countries. In the case of economic integration trade arrangements that involve preferential liberalisation of trade between a limited numbers of countries are examined. As the formation of economic integration means free trade among the member countries, but protection of the entire union against the rest of the world, the formation of economic integration is desirable if the losses due to trade diversion are outweighed by the gains of the generation of trade creation and trade expansion effects.

The theory put forward that the progressive economic integration accelerates the process of economic development in the long run by the generation of its dynamic effects. Also, with the achievements of these effects the speed of economic growth and economic development is accelerated not only in the union but also in non-member countries as these countries increase their exports to the union because of increased demand within the union as a result of its economic growth. The literature considers that trade creation in relation to economic integration has on the whole been significantly greater than trade diversion; on balance, the attempts at economic integration appear to contribute to the efficient allocation of production factors globally. Economic integration process entails only limited static effects. However, greater advantages can be achieved in dynamic effects following by allowing both the member and non-member countries to gain potential benefits from the customs union.

The mutually advantageous exchange of goods and services between Libya and the EU countries has resulted in an increase in Libyan export earnings and a consequent improvement in its balance of trade and balance of payments. The economic integration with the EU will also tend to improve the quality of Libyan products, help to diversify Libyan exports and extended its market reach. This will lead towards an improvement in its terms of trade. Long-term commodity agreements between the EU and Libya could help stabilise prices and prevent exploitation by the producers in EU by ensuring fair prices for Libya.

The establishment and activation of economic integration between Libya and the EU in the form of common market is desirable for future development beyond Barcelona process indeed this might be a far fetching position but it should be considered among the policy options. In customs union member countries agree to dismantle all internal tariffs and other impediments to trade as in the case of free trade areas but additionally they agree to practice a common and coordinated trade policy towards the rest of the world. However, in a common market member countries agree to take the customs union a step forward by additionally promoting the free movement of labour and capital. Thus, a common market is an area of internal mobility of goods, services, and factors of production. This paves the way for increased trade between member countries. Reflecting on the Libya-EU case, a common market can be considered as a beneficial option, as this will also prevent Libya from international economic exploitation. Importantly, this will also provide a new economic strength in the international arena for a small country.

Thus, Libya's relation with the EU should be considered beyond Barcelona Process; and should be framed within structured and proactive policies, which are possible within a common market. This, however, entails a great number of difficulties in relation to political considerations. Nevertheless, as Libya has a long historical relationship with the countries north of the Mediterranean Sea, such a common market should not be considered a utopia.

8.7. CONCLUSION

Numerous issues have been discussed in this chapter related to economic and trade relations between the EU and Libya and the effects on the Libyan economy. All the conclusions and outcomes extracted from the questionnaire conducted with the Libyan businessmen will be presented in the following chapter, which is dedicated to displaying the theoretical and empirical conclusions.

The results from the field study show the great majority of Libyan businessmen have positive attitudes towards the idea of establishing a common EU-Mediterranean customs regime as well as a common market as important steps in the economic integration process. At the same time, they think that the economic process among EU-Mediterranean Partners has been very slow during past 10 years and that it should be speeded up.

Furthermore, the findings show that the majority of Libyan businessmen believe that the Libyan economy will benefit significantly following the establishment of an FTA with the EU, through aspects such as the enhancement of trade, a decrease in prices of EU commodities in the Libyan market, an increase in Libyan exports to the EU countries, and that the FTA will help to eliminate the obstacles that hinder trade between Libya and the EU.

The majority of Libyan businessmen were in favour of having economic relations with the EU. Nevertheless, the majority also expressed a desire to join an Arab Union and an Islamic Economic Union, but they did not seek an African Union.

CHAPTER NINE

CONCLUSION

9.1. INTRODUCTION

This chapter illustrates the results of this research from a literature review based on the concept and models of economic integration; the historical background of European economic relations with southern Mediterranean countries; and the evolution of development and trends in Libyan economy and foreign trade over the years. The empirical part of this study is based on a quantitative survey conducted with Libyan businessmen in order to explore their opinions and attitudes on the economic and trade relationship between Libya and the EU by directly focusing on trends, problems and prospects.

This chapter, which concludes the research, comprises five sections including this introduction. The second section presents a summary of the findings of the study, while the third section provides recommendations for possible solutions to the problems raised in the study in order to enhance Libyan economic and trade relations with the EU. The fourth section discuses the limitations of the study and scope for further research, while the last section is the epilogue.

9.2. SUMMARY OF THE FINDINGS

The empirical part of this study is based on quantitative research using a questionnaire survey to explore the economic and trade relationship between Libya and the EU by directly focusing on trends, problems and prospects. The data was collected from a questionnaire given to 210 businessmen in Libya which asked questions on their perceptions and attitudes on this subject.

The main empirical findings are:

- The field study, which was conducted with Libyan businessmen through the questionnaire, shows that the majority of Libyan businessmen have made one or more business visits to at least one EU country. This high percentage reflects the strong economic relations between Libya and these countries and the growth in mutual trade interests between the private sectors on both sides.

- The study reveals that the majority of participating businessmen have positive attitude towards economic cooperation and integration between Libya and the EU within the EU-Mediterranean Partnership or the Barcelona Process in general, and towards the establishment of the free trade area (FTA) in particular.

- As a result, these positive perceptions towards the EU-Mediterranean cooperation are obvious in numerous criteria utilised in this study. For example, the study reveals that the majority of Libyan businessmen believe that achievements in the economic field are the most successful policy within the Euro-Mediterranean Partnership and consider the political and military and security fields to have a minor role.

- The majority of Libyan businessmen have a positive attitude towards the establishment of EU-Mediterranean common customs duties and consider this as a crucial step in the economic integration process. In addition, they view the establishment of the EU-Mediterranean common market, in which goods, capital and people can move freely between countries together with common economic and fiscal policies, will be most advantageous to EU-Mediterranean partners. However, the great majority of firms with small capital disagree with either the establishment of common customs duties or the common market with the EU.

- The majority of Libyan businessmen expressed their dissatisfaction with the slowness of the economic integration process in the EU-Mediterranean partnership during recent years, and they expressed hopes that it would speed up in the future.

- The majority of Libyan businessmen who took part in the survey have a positive attitude towards the FTA within the Barcelona Process and consider this to be conducive for Libya for further enhanced trade.

- This positive attitude is seen among the majority of the Libyan businessmen when they agreed or strongly agreed with the view that the establishment of the FTA between EU-Mediterranean partnerships will help to decrease the price of EU commodities available to the Libyan market.

- Also, the majority of Libyan businessmen consider that the formation of the FTA can play a main role in rapidly increasing the volume of intra-trade between Libya and EU countries.

- The study reveals that the vast majority of Libyan businessmen believe that trade between Libya and the EU still faces obstacles even after Libya joined the Barcelona Process. While there are several obstacles that inhibit trade between Libya and EU countries, the great majority of Libyan businessmen consider that the high prices of EU products and the difference in terms of product quality hinder trade between Libya and the EU countries. With regard to the type of business activity, businessmen belonging to the trade group are relatively more supportive of these statements than other groups. As EU products are of higher quality, which lead to higher prices, the Libyan business environment has faced problems in selling EU products in the Libyan market.

- The field study shows that the majority of Libyan businessmen think that the obstacles confronting them differ from one country to another rather than being an unified EU policy towards Libya. However, the majority of Libyan businessmen favour Italy as it has the least trade impediment for them while the United Kingdom is the country with the most series obstacles for Libyan businessmen.

- The questionnaire highlights that the majority of the Libyan businessmen in the survey believe that adopting high customs duties on EU products by Libyan authorities will result in a decrease in imports from EU countries. The majority of businessmen from trade companies agreed with this statement, while the majority of businessmen from industry companies disagreed with it.

- The majority of Libyan businessmen thought that the lack of information about the opportunities available in EU markets is one of the obstacles facing Libyan businessmen to export to these markets. Almost all Libyan businessmen in the sample who have the least experience agreed with this statement.

- The analysis of Libyan businessmen's opinions shows that the majority of them think that the main problem facing Libyan products entering the EU markets is their low quality.

- The Libyan businessmen expressed their opinion that the routine and administrative obstacles in the process of exporting to and marketing in EU countries limit the export of Libyan products.

- The majority of Libyan businessmen see the future of Libyan economic interest being fully represented by a close relationship with the EU.

- The majority of Libyan businessmen do not support the idea that Libyan interest will be better served if it commits itself economically with an African Union.

- The majority of Libyan businessmen think that Libya should join an Arab Union to enhance its economic capabilities. In the capital of firms category, the majority of richer companies are in favour joining an Arab Union while the majority of small capital firms were not in favour.

- The majority of Libyan businessmen prefer Libya to be part of an Islamic Economic Union. The majority of small capital firms were in favour of joining an Islamic Economic Union when compared with large capital companies.

Thus, the main findings show that Libyan businessmen are mainly in favour of closer EU trade relations. It is expected that the voices of business circles would be reflected in the policy making of the country. To articulate the findings in terms of policy, a number of recommendations have been suggested.

9.3. RECOMMENDATIONS

(i) Reconsider civil society participation in terms of the business environment. For instance, activating the role of economic elites in the regional integration experiment in order to guarantee the success and progress of integration.

(ii) The country needs to make more effort to successful economic diversification by encouraging the redistribution of sources of income and exportable commodities.

(iii) The government should give more support to the industrial sector in particular, and remove all obstacles that impede the process of exporting to the EU market. For example, improve the quality of Libyan products to eliminate the difference between EU and Libyan products so that they can compete in the EU market.

(iv) Exploit the geographical location of Libya which links EU countries with African and Arabic countries by playing a greater role in transit trade between these countries.

(v) Reconsider Libyan customs regulations with regards to tariff imposed on EU products with the objective of increasing the volume of EU countries imports, which is characterised by the high quality of their products.

(vi) Reconsider Libyan trade policy in order to stimulate the export and re-export sectors and create a FTA that is able to attract investors from EU countries and other world countries; and also to benefit from the experience other countries that have followed this development path such as Dubai which has became an attractive city for international trade and investments.

(vii) As Libya is one of the EU main trading partners, it should follow other North African countries (Morocco, Algeria, Tunisia and Egypt) to become associated with the EU-Mediterranean Partnership commenced in Barcelona in 1995. Each of these countries signed its own bilateral agreement with the EU to include trade and other areas of cooperation.

9.4. LIMITATIONS OF THE STUDY

This study attempted to be conducted within a particular remit and framework in a controlled manner. As is the case for any research, this study has certain limitations. These do not undermine the nature of the work; indeed, they might have complemented the comprehensive nature of the work. Therefore, they are identified here so that future research can be envisaged:

Since this study covered a representative sample of Libyan businessmen, further research is needed to conduct interviews with government agencies and official people and decision-makers in Libya who are related to foreign trade, economic and manufacturing and services sectors. This would locate the official views of the government on the issues covered in this thesis with the objective of substantiating the findings of this study.

As this study aimed to find out the attitudes and perceptions of Libyan businessmen in different types of business activities, an intensive study should be conducted to explore specific groups of businessmen belonging to particular sectors and businesses closely related to exports and imports.

Further research is also needed to examine the influence of obstacles facing trade between Libya and EU countries separately and collectively such as the role of the high customs duties adopted by Libyan authorities on EU products in decreasing imports from EU countries and the role of product quality inhibiting trade between Libya and EU countries.

Further study needs also to be conducted with EU companies to assess their attitudes on the obstacles facing them within the process of exporting and marketing in Libya.

Lastly, further studies are needed to compare outcomes of Libyan economic and trade relations with the EU with the experience of other North African countries since their agreement with the EU.

9.5. EPILOGUE

As this study comes to its end, the researcher hopes that it has fulfilled the research aim which is to explore the economic and trade relationship between Libya and the EU. As the preceding chapters and summary in this chapter indicates, the aim of this study is now achieved. However, further studies could be conducted to enhance the findings and further contextualise the results.

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APPENDIX

School of Government and International Affairs
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http://www.durham.ac.uk/sgia

Questionnaire Survey for Doctoral Study

Exploring the Economic and Commercial Relations between Libya and the EU: A Perception Analysis of Libyan Businessmen

By

Atef Ahmed Saeeh

Dear Participant,

This survey aims to understand Libyan businessmen's perception and opinion on trade and economic relations between Libya and the EU countries. It is part of a Ph.D research conducted by myself at Durham University, United Kingdom.

You are kindly requested to spare some of your valuable time to complete this questionnaire survey. Please be assured that the information provided in this questionnaire will be treated with extreme confidentiality, and therefore please note that this questionnaire does not ask your name. Your full cooperation will contribute to the successful completion of this research, which is, therefore, very much appreciated.

Should you have further clarification, please do not hesitate to contact me through e-mail (atef.saeeh@durham.ac.uk) or my local mobile phone (Mobile: 0912145947).

Thank you very much for your valuable time and for your cooperation.

Best regards,

Atef Saeeh
Ph.D Researcher
Durham University
UK

Questionnaire

The Attitude of the Libyan Businessmen towards Trade and Economic Integration with the EU

Personal Details:

1-Type of business a activity:

☐ Trade ☐ Industry ☐ Services

2-The capital of the firm:

☐ Less than 25,000 ☐ between 25,000 and 50,000 ☐ between 50,000 and 100,000 ☐ between 100,000 and 250,000 ☐ more than 250,000

3- Size of the company (number of employees):

☐ 1 – 5 ☐ 6 – 10 ☐ 11 – 20 ☐ 21 – 50 ☐ 51 – 100 ☐ 100+

4- Business experience:

☐ Less than 5 years ☐ 5 to 10 years ☐ 10 to 15 years ☐ 15 to 20 years ☐ more than 20 years

5- Have you ever visited any of the EU countries for business throughout the last 5 years?

- ☐ Yes once and to one country only (the name of this country…………)
- ☐ Yes once, to more than one country
- ☐ Yes many times, to one country only (the name of this country……….)
- ☐ Yes many times, to more than one country
- ☐ Never

6- Which country do you most prefer to make business with?

- ☐ American countries
- ☐ African countries
- ☐ EU countries
- ☐ Arabic countries
- ☐ Asian countries

Opinions and Perceptions:

7- In your opinion which field of the cooperation and integration process can be most successfully achieved within Barcelona Process or EU-Mediterranean process?

- ☐ Political
- ☐ Economic
- ☐ Military and security
- ☐ All the above
- ☐ None of the above

8- "I think the establishment of the EU-Mediterranean common customs will be crucial step in the economic integration process."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

9- "The establishment of EU-Mediterranean common market, where the free movement of goods, capital and people among these countries, will be more fruitful for EU-Mediterranean partners."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

10- "I think the economic integration process among EU-Mediterranean partnership has been very slow during the last years, and it should be faster than before."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

11- "The free trade agreement within the Barcelona Process can be conducive for Libya for further enhanced trade."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

12- “Libya has taken great step towards economic cooperation and integration after joining to Barcelona Process.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

13- “Establishment of free trade area between EU-Mediterranean partnerships will help to decrease prices of the EU commodities available for Libyan markets.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

14- “The formation of free trade area will increase rapidly the volume of intra-trade between Libya and EU countries”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

15- “The establishment of free trade area will help to increase Libyan exports to EU countries.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

16- “The establishment of the free trade area will help to eliminate all the obstacles that hinder the intra-trade between Libya and EU countries.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

Obstacles

17- "The intra-trade between Libya and EU countries is still facing some obstacles even after joining Libya to Barcelona Process"

☐ Strongly agree
☐ Agree
☐ Not sure
☐ Disagree
☐ Strongly disagree

18- "The high price of EU products is one of the obstacles."

☐ Strongly agree
☐ Agree
☐ Not sure
☐ Disagree
☐ Strongly disagree

19- "The difference in terms of product quality inhibits the intra-trade between Libya and the EU countries"

☐ Strongly agree
☐ Agree
☐ Not sure
☐ Disagree
☐ Strongly disagree

20- "These obstacles differ from one EU country to another rather than being unified EU policy towards Libya."

☐ Strongly agree
☐ Agree
☐ Not sure
☐ Disagree
☐ Strongly disagree

21- Which EU country has the least trade impediments for Libyan businessmen according to your experience?

Please state................................

22- Which EU country has the most serious trade impediments for Libya?

Please state................................

Libyan Import – Export to the EU

23- "The closeness of EU countries location encourages Libyan businessman to import their goods from EU countries."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

24- "Tourism plays a role for Libyans to purchase from EU markets."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

25- "Adopting the high customs on EU products by Libyan authorities contributes to decrease in the importing from EU countries"

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

26- "Lack of information about the opportunities available in EU markets is one of the obstacles facing Libyan businessman to export to these markets."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

27- "I think that Libyan exports to the EU countries are facing some obstacles."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

28- "The low quality of Libyan national products are the main problem which facing interring Libyan products to EU markets."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

29- "The routine and administrative obstacles within the process of exporting and marketing in EU countries limit the export of Libyan national products."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

30- "Libyan exports to EU countries have been helped by improved economic situation as a result of higher oil prices in the world."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

31- "There has been positive change in your business with the EU countries, since the sanction lifted from Libya."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

32- "There has been expansion in trade volume between Libya and the EU countries after the sanction lifted from Libya."

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

Alternatives

33. “I feel that Libyan economic interest in not fully represented by close relationship with the EU.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

34. “I prefer Libya to commit itself economically for an African Union, which will better serve for Libyan interest”.

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

35. “I prefer Libya should join an Arabic Union to enhance its economic capabilities.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree

36. “I prefer Libya to be part of an Islamic Economic Union rather than having close economic and financial relations with the EU.”

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly disagree