CHAPTER VII

SUMMARY, CONCLUSION AND RECOMMENDATIONS
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Petroleum was discovered in Libya in commercial quantities in 1959, bringing the country huge amount of reserves within few years. National income increased with the increase of oil production. The oil revenues became the backbone of the economy as 60 per cent of the national income and 99 per cent of the foreign exchange came from oil revenues. It is good for a developing country to find a rich source of income, such as oil, to ease its development requirements, but not good to depend on it entirely for its economic life. Petroleum moreover is an exhaustible resource, and its market is not controlled by Libya; hence its insecurity and lack of continuity made it unacceptable for Libya to depend upon it in the long run.

The country has two choices either to find itself a new source of income to secure its future economic life or depend on this exhaustible source with its insecure market. The second choice might result in Libya's return to its state of poverty before oil; the poor experience would then become a thing of past merely adding few pages to the history of the country. The first choice is more favourable and Libya has made many steps in this direction.

Petroleum is becoming depleted, and during this process the country should use part of its revenues to build a more solid base for its economy. Agriculture and other pre-oil sources will not be sufficient to substitute for oil. The country is in need to develop its mineral resources but there is not much hope in this field. The most feasible
way of helping Libya to diversify its sources of income and secure its economy in the long run, would be industrialisation. With large supply of oil as fuel and great petroleum revenues, its only need at present is to develop the necessary manpower to operate the most advanced machinery in the new factories and to start from the point of technology which the developed nations have already reached.

The country realizes the importance of diversifying its sources of income. It is trying to push through industrialisation. The government is increasingly investing in social and capital overhead since Libya is poor in this type of capital. A great amount of investment has gone to housing, education, transportation and communication system, among other social capital overhead investments. From the various interpretations of development we conclude that development is accompanied with the increase in productivity and a more equal distribution of benefits. Here in case of Libya we found huge incentives to convey good news about the rate of increase in national income, income per head and the level of agricultural and industrial output for the period which we have analysed. The courageous conservation policy of the Libyan leader brought immediate rewards to the national economy, and an equivalent wise policy is needed to manage the development programme of the country.

RECOMMENDATIONS

To diversify the country's source of income, I believe the following points will be beneficial:

1. Since oil is a finite source of income and the country is trying to find itself a way to diversify its source of income, it should be careful
not to use its oil revenues excessively or accelerate production and so gamble with revenues in the troubled world monetary market. Oil should be produced only to the extent of the need of revenues for development of new source or sources of income and for needed consumer goods, and not for the sake of increasing the country's monetary holdings.

2. The country may receive more profits from its oil through downstream oil operations such as oil refining, than from an increase in oil production.

3. Although foreign investment is needed for the possibility of bringing in foreign experience and skilled labour, this investment should be limited to the fields which, at present, the country is unable to explore and not extended to the industrial field where it will be in competition with the local industrial projects. This will defeat the very purpose of foreign investment.

4. More detailed studies for the industrial sector should be made beginning new projects. Priority should be given to the already existing industries, if needed, and to industries where raw material exists locally, and to industries in high demand by the local market to substitute for imported products. In all cases the established industries should be in line with the market and have expected ability to build its factories and management.

5. Government help and protection should be afforded to industries with the possibility of standing on their own feet in the feasible future, but not to industries otherwise situated. The industrialisation should be strong enough to give the country the chance to depend on it as a necessary alternative to oil, and to improve the standard of living.

6. The private sector should be given its due importance. Incentives
should be given to private entrepreneurs to develop their skills, which will prove helpful for the development of industrial sector.

7. The government may find a solution for making credit for industry cheaper and easier. Speeding the establishment of an industrial bank is greatly needed and as soon as possible.

8. The price of electricity needs to be reduced for industrial uses.

9. The government may expand the market for its industrial products through trade agreements with the other countries.

10. For training needed workers, Libya's educational system need more concentration on technical education.

11. Libya is a vast area, therefore, more investment in communication system will be necessary since without a better communication system, industrial growth will be handicapped.

As far as agriculture is concerned the main problem is to find a way to accelerate agricultural production in Libya. Any way suggested depends on the current state of input utilization and production efficiency. Libyan agricultural production is affected by natural conditions and lack of knowledge on the part of farmers. The failure of Kufra project is the clear example of such failures. In spite of using the best techniques of irrigation and modern machinery they could not achieve the set target in this sector. This indicates an unprofitable use of resources in the agricultural sector of the country. The overall marginal physical product of labour is very low in this sector. The production from the existing resources can be increased if the farmers are helped to learn the proper use of the modern techniques.
Moreover there is a gap between labour requirements and labour availability, any agricultural development plan must consider closing this gap. Limited water supply bottlenecks the expansion of cultivated land. The scarce water resources must be used carefully. The use of fertilizers should be encouraged. The use of fertilizers can play an important role as a substitute for land. And thus we can suggest intensive cultivation as the solution to the development of agriculture.

Intensive cultivation, economic studies and educational programmes have a great potential to make positive contributions to the Libyan agricultural sector. The quality of agricultural production should be improved so that they can compete with the imported food products. In order to remove the present inefficiency the government should change the present environment and more efficient use of existing resources should be made in order to increase the agricultural production. One of the main difficulties of this sector is marketing the produce. There is lack of transport services, and there is no adequate quality control. Libyan experience is development is development with unlimited supply of capital. Up till now Libya has completed one three year plan and a five year plan. The first plan was very successful in terms of its achievements with 23 per cent of the annual growth rate. In the second five year plan the growth rate is slightly below the target and the plan could not spend the whole amount allocated. It clearly shows the lack of absorptive capacity in the economy. In its future planning Libya should be careful about the allocations. Allocations should be made on a well thought out strategy. The limited absorptive capacity cannot be increased by making huge allocations, an efficient use of these allocations is a necessary condition for development.