ABSTRACT

Oil was discovered in commercial quantities in 1959 and since then its revenues have been increasing and forming the bases for the country's social and economic growth and development. Petroleum is an exhaustible natural resource and although Libya possess a considerable amount of oil reserves, it is still limited. The oil market is not controlled by Libya, so the possibility of crises or finding a substitute, make it unacceptable for the country to depend on oil as the only source of income.

While oil is being depleted the country should seek solutions to its problems. The country must find another source of income to substitute for oil. A feasible substitute seems to be industrialisation. The country has the necessary capital for investment in capital goods and social and overhead capital, and it has the necessary cheap fuel and some of the needed raw material. The country need to proceed into the industrial field carefully with extensive studies, since it does not have the industrial experience either in the public sector or in the private sector.

The country's main problem is the lack of industrial labour, both skilled and unskilled. Therefore it need to encourage labour into this field and help to train them. The government intervened directly and indirectly in helping the country to industrialise, and progress has been recorded in this field, both by the private sector and to a greater extent by the public sector. The country's industrialisation is expected to be a success and to give the country the needed economic security. It does not mean that the other sectors of the economy should not be de
developed, "because they are highly developed. Other sectors of the economy especially agricultural sector are equally important and need attention. It should be a round development and one sector should form the basis of the other.

The development of oil industry and the resultant increasing revenues had a great impact on the socio-economic life of the country, causing the economic structure to be changed. The Libyan economy before the discovery of oil was dependent upon foreign aid and the revenues from few agricultural exports which was very insufficient for economic development of the country. The per capita income was one of the lowest and the public work was undeveloped. The country was very much affected by the IInd World War and much of its infrastructure was lost in the war. The discovery of oil gave the country a chance to experience a high rate of economic growth. But that opportunity was not properly availed at that time by the Libyan government. The Libyan people were still poor after many years of the oil discovery. The most important event in the Libyan history is the First September 1969 Revolution when a few young army officers overthrew the monarchy and established the military rule under the leadership of Colonel Qathafi which latter became a socialist state. It is since that period that we are going to analyse here. A modern educational system, communication, industry, trade, and agricultural development all accompanied the revolution of 1969.

The problem is that oil is an exhaustable commodity and is not going to last for ever. It is unacceptable for a country to depend on one resource in its economy, especially if the price of the commodity is not stable. Oil constitute about 99 per cent of the country's total
exports and about 60 per cent of its general national product. It is obvious that Libya depends on only one source of income. Libya is a developing country where the revenues from oil provide a golden chance and bright hope for future development. The country needs security for continuing this process of development. The diversification of the economy is the most desirable goal in securing the path to a better future. This goal can be achieved through industrialisation of the country. Industrialisation will both answer the need of the country for diversification and increase the per capita income. Four factors are necessary for every country in order to develop its economy: capital, foreign exchange, skilled labour, and a market. Capital and foreign exchange present no problem for Libya. The third factor, skilled labour, is what the country is trying to develop through the system of education, vocational training, on-the-job training for Libyans by imported labour and encouragement of the Lebanese to receive education and turn to industry and agriculture. The fourth factor also presents some problem as there is lack of communication and transportation facilities, but it is hoped that the conditions will improve in the coming years. Heavy investments are made in this field by the government. The development of communication and transportation system will help in the expansion of local and external markets which can be further developed by better production and governmental help for exports through trade agreements.

Libya in developing its industry, should not neglect agricultural and other sectors of the economy, but more importance should be given to the industrial sector. Libya in its search of development needs to find its own way—a way acceptable to Islamic law. Islam indicates that the government must act for the good of the society. The Prophet said, "all
of you are managers and every manager is answerable to those whom he manages. Therefore, the government is the manager of the society and is responsible for its good. It must interfere, if needed, as much as required. To Muslims, Islam is not only a religion but also a way of life. Qathafi claimed that he has found a way based on Islam which he called a third way in his Green Book and provide solutions to economic, social and political problems of the society.

The Libyan economic development is an unusual and interesting experience in the developing world. Even the worst critics of Libya's political strategy concede that the structural change in the pattern has greatly influenced the conditions of the masses in a positive manner. What remains probably the most convincing rationale of watching the course of economic development of her multi-dimensional but integrated economy during the revolutionary era in the mirror of its immediate past. The new economic technics have emerged from the last two plans along with their special bearings and the impact of these plans on the society is a rewarding and fascinating subject of study. All economic and social changes in the revolutionary era in contrast to the stagnation of pre-revolutionary period go to make a topic, the study of which is worthwhile in many ways.

Every country has different circumstances for its economic development. Economic development started in the 18th century in Western Europe with the development of industry, followed by the rest of the European and other countries. But this example cannot always be a good guide to the development for every country. Circumstances are now different from those which prevailed in the 18th century. The developing
countries, most of them ex-colonies, are not in a position to follow the 
English example, since they do not have colonies where they can buy cheap 
raw material and sell it back as a manufactured products at a higher 
price. Most of the middle eastern countries are poor and a great number 
of obstacles stand in their way such as lack of skilled manpower, and 
lack of absorptive capacity. Libya was one of the poor countries before 
the discovery of oil. The revenues from oil has given the country the 
chance to join the family of developing nations. But oil has tied the 
country's economic growth to the export sector, and growth in the export 
of oil over all other sectors has secured the way for development. Libya 
as a latecomer to economic development can get all advantages of modern 
knowhow for industrialisation. The relevant questions are: what path the 
country should follow for its development? Is it the agricultural way, 
which was one of the source of income for the country before oil or is it the industry? If it is industry what kind of industry, light or heavy. 
What kind of techniques are going to be used? Is it to be capital using 
and labour saving or labour using and capital saving?

The circumstances in Libya are unique because the country has 
agricultural land but an underdeveloped water supply. The necessary 
water must be developed before the country can strive for increasing 
investment in the agricultural sector.

Libya need to industrialise not because it is the trend of most of 
the underdeveloped nations and not because of national pride, but because it is the country's way to a better future. It will develop the country 
faster. Libya is a country with abundant capital but a shortage of 
labour. The country has necessary fuel to produce energy for industry
and possesses the necessary raw material for some industries like steel and some food processing industries, but it is necessary for Libya to use these existing resources effectively to develop its industries and diversify its economy. The public sector is the dominant one and get the huge amount of money from oil and therefore can invest in heavy industries and overhead capital such as communication system. The role of private sector is negligible in Libya. The private sector with its smaller amount of capital and little incentives and experience invests in light industries and agriculture only.

Some writers have said that agriculture must take priority in economic development. This idea may be right in regard to other developing countries, where they suffer from rapid increase in population and the agricultural sector have widespread poverty and surplus labour. Development of agriculture will accomplish the following objectives: free some labour for industry, improve the ability of agricultural labour to have more income to buy, and increase the country's export from agricultural products to save some foreign exchange to be invested in the industry.

The case of Libya is different from other countries because the country does not have a big agricultural sector and a large part of Libyan population still lives in the desert as Bedouins. They will be future labour for the new industries if they are educated and given vocational training which the government has already begun. The country need rapid development, and it is prepared to invest to ensure that the industrialisation is the way for its development. The country need a great push in industry; then the pull will come from industry to agriculture and other sectors of the economy.
METHODODOLOGY

Existing publications are reviewed, the available statistical data is analysed and a comparison between pre-revolutionary conditions and the present conditions of the economy as a whole is drawn. An account of the achievements of the revolutionary government is given and the direct and indirect effect of oil industry is discussed.

Organisation Of The Study

The study is organised in seven chapters with chapter 1st as an introduction.

To understand the historical background is an intelligent way to safeguard against taking a false view of the problem of development. Studying the history of Libyan economic development is an important step in evaluating the country's economic development. Therefore chapter IIInd gives an account of a brief history and background of the economic structure of the Libyan economy in the pre-revolutionary era.

In chapter IIIRd we study the role of agricultural sector in the economic development with special reference to Libya. The main problem is to increase the agricultural production. The Libyan agriculture is very much affected by the natural conditions. Some of these constraints relevant to agricultural development are discussed. Then we have reviewed the position of agriculture in the two successive periods i.e the pre-revolutionary period (1951-1969); and the position of agriculture during the revolutionary regime (1970-80). Oil had a great influence on agricultural development. In the early years of its development the prosperity
in this sector had rather a harmful effect on the agricultural production. Then we have given a brief account of the achievements and failures of the revolutionary regime in this sector.

Chapter IV is on industrial development. Since Libya does not have a very large agricultural sector on which we rely for future development we emphasise on the need to industrialise the country where the chances are better. However agricultural sector and the industrial sector are interdependent and the development in one sector will help the other one. Agricultural sector can develop the industrial sector by providing food for its employees and thus can save foreign exchange which the government is at present spending on imports. In order to have an idea about the present position of industry in Libya we discuss the industry in the Libyan economic structure. Libya had virtually no industry as such till 1970. It was only after 1970 that the large industrial projects were established and we find that the performance is better than in other sectors of the country. Progress in some of the industrial projects like steel project and some of the oil based industries is remarkable and we can hope that the industry will constitute the bases of the economy in future when the oil will be exhausted. The Libyan government played an important role in the development of industry and all large establishments are owned by the government. Several laws have been enacted for the protection of national industries from foreign competition and at the same time keeping in view the importance of foreign capital in economic development, laws are made to encourage the foreign capital in the economy as long as they are beneficial for national development. The government has invested a great amount of capital in different industrial projects and programmes
and it is hoped that faster growth will be achieved in this sector.

Chapter V is on planning of the country. The new Libyan rulers so far have given two development plans to their country. One three year development plan 1973-75, and the other five year plan 1976-80. We have a retrospective study of these plans and sketch out an economic profile of the economy which is not without a social side. Planning in Libya is a recent phenomenon. Planning in the modern sense does not exist in Libya in its early years of independence and before when it was an Italian colony. The first five year plan was formed in Libya when it was a kingdom, but the true planning in the modern sense started only after the revolution when the government undertook the first three year plan. It was the first comprehensive plan based on a well thought out strategy. The general strategy during this period is not to allow any single activity to dominate the others. Through planning Libyans in fact are aiming at a diversified economy independent of oil resources which have but to exhaust any way. It needs economic diversification to have more than one source of income. We will see in this chapter that the accent has been shifted from the traditional oil and gas mining to unexplored or little explored fields such as agriculture, industry and public works which got the lion's share in allocations.

Chapter VI shows the development of oil industry in Libya. Firstly the historical development of oil industry since its emergence is given. Then the revenues from oil is shown. Some light is thrown on its production and exploration activities. The Libyan oil policy is to receive as much revenue as they can from their oil wealth. Qathafi adopted a very aggressive policy and we find that in the years after the revolution the
production of oil decreased while the revenues increased due to higher prices. The main oil policy is to control its oil wealth and utilise it in the best way to enhance economic development and to increase the general welfare. Many petro-chemical industries are being established in order to receive more benefit from the oil wealth and a major part of the revenues are spent on public works. The Libyan people are much better now than what they were in the pre-revolutionary period as it is reflected in the increased medical facilities, educational facilities, increased number of roads, housing and increased employment opportunities for Libyans. Chapter VII includes a summary, conclusions and recommendations.