

# Increased export performance and growth trajectory of African continent in general and Libya in specific with Asian Nations

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**Abstract:** The trade relations between Africa and Asian nations are consistently growing, especially with India and China. When we observe the growth trajectory of African nations and more specifically, Libya in the last three decades, the economic growth is stimulated due to the fast-paced growth and developments in oil market. The highest dollar value achieved by Libya due to the export of hydrocarbon products including oil to select Asian nations, notably India. The rising middle classes in Asia's developing economic giants, China and India are driving these steady flows, as are the rising economic growth in Sub-Saharan Africa (SSA), which is increasing the demand for Asian manufactured goods. When we study the changing pattern of exports and imports of Africa, there is a consistent growth from 1990 onwards, with even more sustained momentum after the year 2005. Among leading nations in north Africa, Libya has been striving to increase its global economic performance by liberalizing their business policies and the entire business world looks towards Libya to establish their new business foot prints.

**Key words:** Export, Trade, Investments, Natural resources, Mineral oils – Libyan economy

## 1. Introduction

Trade relations between many Asian nations like India and Africa after post- colonial period reflected their shared economic conditions and ties. Over the last decade, and with the emergence of the Global South, bilateral trade between Asian countries and Africa has recorded impressive growth with India emerging as Africa's fourth-largest trading partner. This has been supported by various initiatives undertaken by the government of India, including "Focus Africa" launched in March 2002, which aims at increasing interactions between the two regions through bilateral trade and investment; India's Duty-Free Tariff Preference scheme for the Least Developed Countries in 2008; and the establishment of India-Africa Summits and private sector-led conclaves. These initiatives have succeeded in exciting bilateral trade and investment flows between the two historical partners to new heights.

Among the performance of leading African nations, in specific the growth of Libyan economy is primarily determined by the oil market development. The discovery of oil (in 1958) has changed the national economy from mostly agriculture oriented to the oil exporting country. Oil sources satisfy approximately 95% of export earnings, 75% of the government receipts and 30-40% of the gross domestic product (Energy Information Administration, 2002). The nominal value of exports raised from LD (Libyan dinars) 6489.2 million in 1980 to LD 40972.050 million in 2007. As the study discloses, most of the foreign currency comes mainly from the crude oil and the oil products export. To this effect, the world oil price directly affects Libyan foreign trade development. The Libyan balance of payment will still be affected by the oil price movements and the overall economic development. Following this, the significant import increase in earlier 1980s (LD 4.3 billion) was induced by the oil price increase. Higher oil prices in 1999 and 2000 led to the export revenues increase that consequently improved macroeconomic conditions and stimulated the overall condition of the Libyan economy.

Located on the northern African coast and east of Egypt, the State of Libya shipped an estimated US\$27.7 billion worth of goods around the globe in 2019. That dollar amount reflects a 149% increase since 2015 but a -9.8% downturn from 2018 to 2019. Given Libya's population of 6.8 million people, its total \$27.7 billion in 2019 exports translates to roughly \$4,100 for every resident in the North African country.

## 2. Objectives of the study

1. To identify key aspects boosting the Libyan exports to Asian nations among other African countries
2. To evaluate the feasibility of goods that can be exported other than petroleum products from Libya to Asian nations
3. To find out the reasons behind the inconsistency and fluctuations in export performance of Libya in last one decade
4. To provide appropriate suggestions for smoothening the export process of Libya to compete effectively in international market.

## 3. Review Of Literature

The present study is related to the issue whether trade policies aimed at import substitution or export promotion are better for developing countries (Irwin, 2002; Shafaeddin, Pizarro, 2007).

Africa is home to all forms of fossil fuels like crude oil, coal, and natural gas. Indeed, Africa holds roughly 7.2 percent, 7.1 percent, and 1.3 percent of the world's proven crude oil, natural gas, and coal reserves, respectively (BP, 2019). These resources are a significant source of wealth for oil-producing countries like Algeria, Angola, Congo Republic, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan, and South Sudan, among others.

According to the Organization of the Petroleum Exporting Countries (OPEC, 2019), these countries make up the top ten oil-producing countries, with a total production of 6,468,000 barrels per day.

According to the International Panel on Climate Change, human activity is the primary cause of environmental pollution, particularly cement production, gas flaring, and the burning of fossil fuels (IPCC, 2014). As a result, the aforementioned oil-producing countries are likely to be the most polluting countries in Africa.

Nigeria, Africa's first oil-producing and exporting country, had an average annual growth rate of 7% from 2000 to 2014, resulting in total CO<sub>2</sub> emissions of 94,294.7 kilotons, placing it third among the most polluting countries, slightly behind Algeria (CDIAC, 2017). Because of its vast desert, the latter is the third continental oil producer and has a significant potential for renewable energy production. It's worth noting that renewable energy accounted for only 5% of Algeria's overall energy consumption in 2015, despite the country's 3.7 percent economic growth (WB, 2019).

Although various studies, such as Wolde-rufael (2005) and Richard (2012), have looked at the impact of energy on African economic growth, it is crucial to note that renewable energy and CO<sub>2</sub> emissions have received less attention.

The study by Bouznit and Pablo-Romero (2016), which indicated that when economic growth increases, so do CO<sub>2</sub> emissions, is the most important in the literature looked at.

The relationship between economic growth and CO<sub>2</sub> emissions can be broken down into three effects: (a) as economic growth increases, so does environmental pressure (scale effect); (b) countries can reduce their environmental problems by developing sectors that pollute less (composition effect); and (c) technological advancements that compensate output processes (technical effect) (Carvalho and Almeida, 2010). The link between these factors would provide us with a comprehensive picture of these countries' positions on these two dimensions.

The present debate is on whether trade policies aimed at import substitution or export promotion are better for developing countries (Irwin, 2002; Shafaeddin, Pizarro, 2007).

## 4. Discussions

The recent growth in developing nation trade between Africa and Asia exemplifies the South-South trade explosion. The growing empowerment of middle class in Asia's developing economic giants—China and India—are motivating this business flow, as are rising financial growth in Sub-Saharan Africa (SSA), which is increasing demand for Asian produced goods.

These trends are encouraging trade that is qualitatively distinct from Africa's traditional North-South trade with the European Union (EU) and the United States, where trade flows have been predominantly promoted through preferential agreements. The rising South-South complementarities between the two developing regions indicate that the current trade is likely to continue.

As the global marketplace becomes more linked, the economic well-being of millions of people in Sub-Saharan Africa is at risk. The evolution of Africa-Asia trade, as well as its developmental, commercial, and policy ramifications, are discussed here.

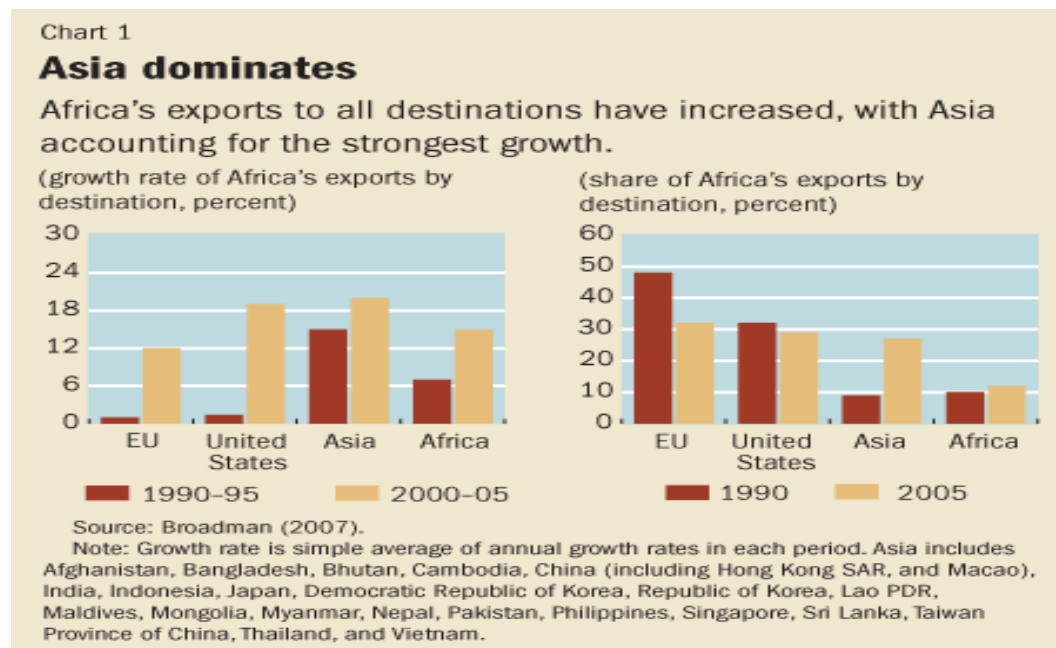
## 5. Geographical influences on economic fortunes

Sub-Saharan Africa is made up of a diverse group of countries, each with its own economy, population, and surface area, and with GDP per capita ranging from less than \$200 to \$7,000. Africa is home to one-third of the world's resource-dependent economy.

There are 45 minor economies on the continent, with two regional heavyweights (South Africa and Nigeria) accounting for 55 percent of total economic activity. Nonetheless, 18 countries, accounting for 36% of Africa's population, have experienced consistent growth during the last decade. Another 14 countries, which account for one-fifth of Africa's population, have seen minimal or negative GDP per capita growth in the last decade, and many have been impacted by conflict. Burundi, the Democratic Republic of Congo, and Eritrea are among them.

Africa is also distinct in terms of both physical and human geography. It has the most countries per square kilometer of any developing region, with each country sharing borders with four neighbors on average. A huge majority of Africa's population lives in countries with poor geographic and economic development prospects. Landlocked countries account for almost 40% of the population, compared to 23% in Eastern Europe and the former Soviet Union. Furthermore, the low population density is exacerbated by high internal transportation costs, which are approximately twice as high as in comparable emerging regions. Except in South Africa and Nigeria, the result is a market that is limited and shallow. In such circumstances, trading in Africa is prohibitively expensive.

Prices for Africa's main commodities exports have raised significantly since 1999. The rapid growth of Asia's developing countries, particularly China and India, fueled the price increase. At the same time, the desire for manufactured products among the middle classes in these Asian countries has grown. These demand patterns present Africa's firms with significant potential to expand and diversify their exports. They also give African entrepreneurs the opportunity to extract additional value locally by processing commodities before exporting them.



**The role of China and India:** Between 1990-95 and 2000-05, China and India, two of the world's most dynamic economies, doubled their yearly growth rates in African exports. The dominating role of these countries, particularly China, also extends to Africa's imports.

Africa's exports to Asia have yet to make a significant contribution to SSA export diversification, in terms of trade partners or products, including increased value addition through further processing. Despite the fact that the current surge in natural resource exports to China and India provides short-term benefits, African countries require methods to harness the current export boom to develop long-term economic prospects.

More at-the-border trade policy improvements, such as lowering Asia's growing tariffs or harmonizing or unifying Africa's conflicting regional trade agreements, will undoubtedly assist Africa's exports to Asia and others. Dealing head-on with domestic limits in Africa, on the other hand, is going to be just as important, if not more so. Indeed, if African countries want to improve their global economic performance in Asia and beyond, more than just liberalizing trade policies will be required.

#### Libya's exports 2019 – Country wise breakup

Top export destinations of commodities from Libya in 2019:

- Italy with a share of 33% (10 billion US\$)
- China with a share of 16.5% (4.98 billion US\$)
- Spain with a share of 10.1% (3.04 billion US\$)
- France with a share of 9.56% (2.87 billion US\$)
- United Arab Emirates with a share of 3.43% (1.03 billion US\$)
- USA with a share of 3.17% (952 million US\$)
- Greece with a share of 3.04% (914 million US\$)
- United Kingdom with a share of 2.74% (823 million US\$)
- Netherlands with a share of 2.68% (807 million US\$)
- Malaysia with a share of 2.46% (740 million US\$)

During the 2015-16 fiscal year, India exported USD 122.58 million to Libya. India, on the other hand, imported USD 8.86 million worth of goods from Libya in 2015-16. Stone, plaster, tobacco, coffee, medications and pharmaceuticals, and other goods are among India's key exports to Libya.

Petroleum (crude and derivatives) and aluminum ores are India's principal imports from Libya. On the other hand, India exports a diverse range of goods. Automobiles, electrical devices, cotton, mechanical engines, rubber, rice, coffee, and spices are just a few examples. In 2016, bilateral trade was worth 370.46 million dollars.

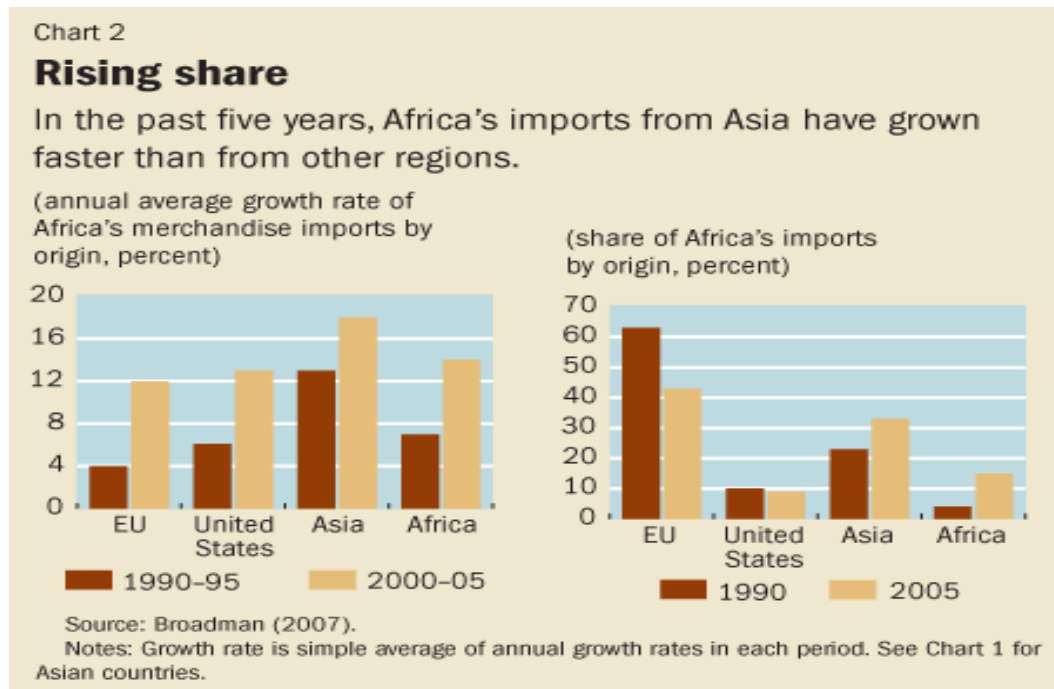
As per table given below, Egypt, which accounted for 46.1 percent of India's exports to the area in 2017, was followed by Algeria (18.8%) and Sudan (16.6 percent). During the period 2001–17, India's exports to Algeria grew at a CAGR of 23.2 percent, the highest in the region. Exports to other nations, particularly Libya and Morocco, grew rapidly throughout the era.

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Egypt	384.8	2241.7	46.1	11.6
Algeria	32.2	913.2	18.8	23.2
Sudan	109.3	810.1	16.6	13.3
Morocco	57.2	499.0	10.3	14.5
Tunisia	42.4	288.1	5.9	12.7
Libya	8.3	114.7	2.4	17.8
Northern Africa	634.2	4866.7	100.0	13.6

Source: Afreximbank research (2018); Exim India research (2018); UNCTAD stat.

In the following chart, it is clearly portrayed that between 1990-95 and 2000-05, there is a significant growth in Africa's imports from Asia and is faster than other regions. This growth has steadily increased in

subsequent years due to the increased dependency of various products and services offered preferably from India and China. Frequent movement of people between these two continents also fetched to develop a balance between these two regions to promote communal harmony, standard of living, digital marketing and shared values.



The following export product groups represent the highest dollar value in Libyan global shipments during 2019. Also shown is the percentage share each export category represents **in terms of overall exports from Libya to other foreign destinations**:

1. Mineral fuels including oil: US\$27.1 billion (97.9% of total exports)
2. Gems, precious metals: \$223.8 million (0.8%)
3. Iron, steel: \$173.1 million (0.6%)
4. Copper: \$61.3 million (0.2%)
5. Organic chemicals: \$34.1 million (0.1%)
6. Aluminum: \$28.5 million (0.1%)
7. Fish: \$19 million (0.1%)
8. Electrical machinery, equipment: \$12.3 million (0.04%)
9. Machinery including computers: \$7.5 million (0.03%)
10. Inorganic chemicals: \$4 million (0.01%)

Libya's top 10 exports accounted for 99.9% of the overall value of its global shipments.

Exports structure from Libya in 2019 represented by the following main commodity groups to Asian countries:

- **95%** (28 billion US\$): - Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
- **2.7%** (811 million US\$): - Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewelry; coin
- **0.609%** (183 million US\$): - Iron and steel
- **0.33%** (99 million US\$): - Copper and articles thereof
- **0.231%** (69 million US\$): - Fertilizers
- **0.145%** (43 million US\$): - Aluminum and articles thereof
- **0.124%** (37 million US\$): - Fish and crustaceans, mollusks and other aquatic invertebrates
- **0.118%** (35 million US\$): - Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes

- **0.079%** (23 million US\$): - Commodities not specified
- **0.061%** (18.4 million US\$): - Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

In macroeconomic terms, Libya's total exported goods represent 33.2% of its overall Gross Domestic Product for 2019 (\$83.5 billion valued in Purchasing Power Parity US dollars). That 33.2% for exports to overall GDP in PPP for 2019 compares to 20.5% for 2018. Those metrics suggest a relatively increasing reliance on products sold on international markets for Libya's total economic performance even though based on a short timeframe.

Another key indicator of a country's economic performance is its unemployment rate. Libya's average unemployment rate was 17.3% for 2019 same as one year earlier, according to Trading Economics. Libya's capital city is Tripoli, nicknamed by local residents as "Bride of the Sea" or "Mermaid".

In 2020 Libya was the number 102 economy in the world in terms of GDP (current us \$), the number 93 in exports, the number 90 in total imports, the number 124 in terms of GDP as Per capital (current US \$) and the number 118 most Complex economy according to the Economic Complexity Index (ECI).

### Exports of Libya

crude Petroleum	(\$5.46B)
Gold	(\$1.65 B),
Petroleum Gas	( \$717M)
Scrap Iron	( \$ 104M)
Refined Petroleum	(\$98.1M)

### In Asia, the Major Export countries

UAE	(\$887 M)
China	(\$712m)
Turkey	(\$1.658)

Most of the foreign Currency Comes mainly from the crude oil and the oil Products export. As the result of this, the world of Price directly affects Libyan foreign trade development.

The Libyan balance of payment will still be affected by the oil Price movements and the Overall economic development.

Higher oil prices in 1999 and 2000 LD (Libyan dinar) to the to the export revenues increases that consequently improved macro economic conditions Stipulated overall conditions of the economy.

Based on the condition of geographical distribution, the researcher assumed that the null hypothesis as:

**H<sub>0</sub>:** The Geographical distribution of exports is independent.

And the researcher selected Chi-Square test to test the null hypothesis

Value of Libya's exports classified by commodities section (thousands of LD)

S. NO	Commodity	2020	2019	2018	2017
1	Animal Products	20.2	29.5	51.4	57.1
2	Product of Plant kingdom	9.7	8.8	9.2	13.5
3	<b>Minerals &amp; oil Products</b>	<b>9,146.2</b>	<b>38,953.1</b>	<b>38,005.0</b>	<b>24,885.4</b>
4	Chemical Industry Products	20.3	64.5	151.2	172.5
5	Pearls & precious stones	3185.3	1675.5	2111.7	2335.2
6	Metals	558.6	414.4	462.1	435.2
7	Electric Equipment	38.2	25.3	36.7	32.2

The chi-square statistic is 6934.4151. The  $p$ -value is  $< 0.00001$ . The result is significant at  $p < .05$ .

	2020	2019	2018	2017	RowTotals
Animal Products	20 (16.08) [0.96]	29 (52.89) [10.79]	51 (52.37) [0.04]	57 (35.66) [12.77]	157
Product of Plant kingdom	9 (3.99) [6.28]	8 (13.14) [2.01]	9 (13.01) [1.24]	13 (8.86) [1.94]	39
Minerals&oil Products	9146 (11365.31) [433.37]	38953 (37390.78) [65.27]	38005 (37021.73) [26.11]	24885 (25211.17) [4.22]	110989
Chemical Industry Products	20 (41.68) [11.27]	64 (137.11) [38.99]	151 (135.76) [1.71]	172 (92.45) [68.45]	407
Pearls & precious stones	3185 (952.94) [5228.15]	1675 (3135.07) [679.99]	2111 (3104.13) [317.74]	2335 (2113.86) [23.13]	9306
Metals	558 (556.96) [0.00]	414 (410.25) [0.03]	462 (465.38) [0.02]	435 (436.41) [0.00]	1869
Electric Equipment	38 (39.04) [0.03]	25 (28.75) [0.49]	36 (32.62) [0.35]	32 (30.59) [0.07]	131
<b>Column Totals</b>	12976	41168	40825	27929	<b>122898 (Grand Total)</b>



## Libya's exports pattern with Asian countries for the last 5 years

**Table 2:** Asian countries geographical distribution of exports ( million of LD)

Exporting countries	2020	2019	2018	2017	2016
China	1128.7	6665.3	6798.4	2354.5	687.6
UAE	1350.1	2196.4	1407.8	2328.7	3887.1
Malaysia	0.8	410.1	1010.8	218.9	4.5
Singapore	275.2	530.3	826.9	415.1	558.9
Turkey	2327.3	676.2	433.1	379.2	228.6

The chi-square statistic is 15922.5538. The  $p$ -value is  $< 0.00001$ . The result is significant at  $p < .05$ .

Results						
	2020	2019	2018	2017	2016	Row Totals
China	1128 (2415.43) [686.20]	6665 (4980.60) [569.65]	6798 (4979.17) [664.39]	2354 (2706.84) [45.99]	687 (2549.96) [1361.05]	17632
UAE	1350 (1529.92) [21.16]	2196 (3154.68) [291.34]	1407 (3153.78) [967.49]	2328 (1714.49) [219.53]	3887 (1615.13) [3195.65]	11168
Malaysia	1 (225.08) [223.08]	410 (464.11) [6.31]	1010 (463.97) [642.59]	218 (252.23) [4.65]	4 (237.61) [229.68]	1643
Singapore	275 (356.72) [18.72]	530 (735.57) [57.45]	826 (735.35) [11.17]	415 (399.76) [0.58]	558 (376.59) [87.38]	2604
Turkey	2327 (553.86) [5676.65]	676 (1142.05) [190.18]	433 (1141.72) [439.94]	379 (620.68) [94.10]	228 (584.70) [217.61]	4043
Column Totals	5081	10477	10474	5694	5364	37090 (Grand Total)

As the calculated value of  $\chi^2$  – is less than the tabulated value , we have accept the null hypothesis that the geographical distribution of exports of Libya is independent,

In case of Geographical Distribution of exports, during 2020 the exports value observed to have a great change because of the identified reasons:

- 1) The high internal transportation costs.
- 2) Rapid growth of Asia's developing countries particularly China & India, especially increase in price levels of fuel.
- 3) Political protests are the reasons for decreased exports of Libya.

## 6. Conclusion

The state of Libya is improving its export pattern and the last five years figures really speak about its great efforts to diversify its export potential and to expand its business arms to other category of products besides crude oil and mineral oils. The leading Asian countries like India and China also extending their trade support to



African countries particularly Libya. At domestic level, Libya is taking more initiatives to fine tune its socio cultural, political and technological environment. Even though North Africa is blessed with mineral oils as its prime natural resources, Libya has clearly realized that unless it takes some corrective actions about their system, it is very difficult to establish relations, gain confidence and compete with other leading nations across the globe by applying a win-win strategy.

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