



Libya

Target market report for the
export of GB seed potatoes

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MAP OF LIBYA



Agricultural Overview:

Around 4% of the land area of Libya are suitable for grazing, with less than 2%, or 2.2 million hectares, being arable. Virtually all crops are grown for local consumption.

Due to the shortage of water and poor soil the percentage of land utilised for farming is very little not exceeding 5%, from a total area which comprises of around 1,775,000 Km².

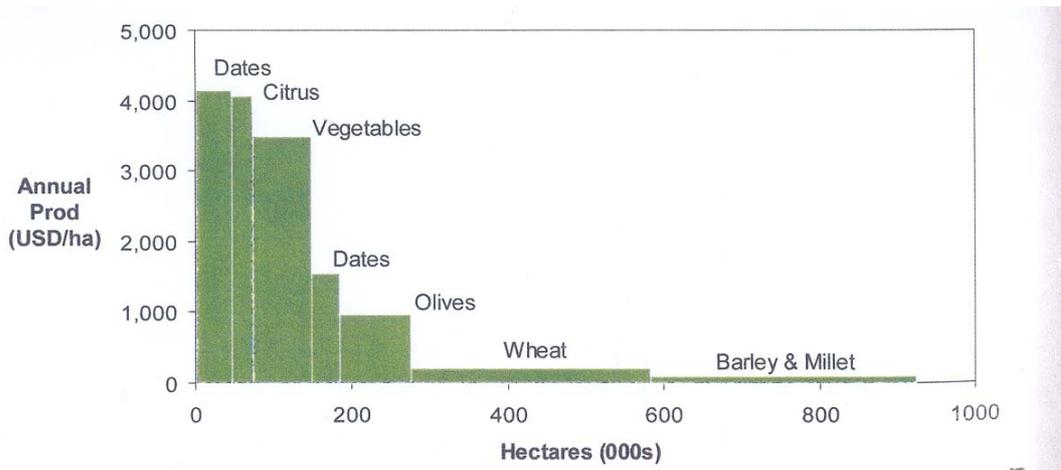
The irrigated cropping pattern consists of about 52% permanent crops including olives, fruit trees, citrus and fodder; with the remaining 48% consisting of annual crops such as wheat, barley, vegetables, potatoes, pulses and others.

Data provided on the Great Manmade River (GMR), does not allow for a more detailed assessment of the investment case. However, from the data available it becomes clear that, only high value crops are likely to be an economically viable option for GMR irrigated agriculture, if at all. This could be achieved by allowing water charges for GMR water to more accurately reflect its cost, moving incentives away from the production of low-yield crops towards increasing water efficiency, which must be a long term goal.

Poor infrastructure for the storage, packing, handling and transport of agricultural goods has a backlash effect on quality. Local markets for fruits and vegetables need upgrading to allow for adequate storage, especially during the high production season when supplies exceed demand.

Regional extension services are limited, while crop insurance services are virtually non-existent.

Estimated revenue potential per hectare by agricultural product.



Note: Based on FAO and USDA global databases, data was verified during interviews in Tripoli in August 2005
 Source: FAO Aquastat; USDA; Monitor analysis

Climate:

The Libyan climate may be described as being arid with a wide range of temperatures. The Sahara desert in the South and the Mediterranean sea in the North are the principal factors that determine the climate in the country and at the same time have had a major influence on the distribution of both the population as well as the location of productive development.

Competitors:

The farmers do not import seed potatoes directly they buy from importers. The potato seeds are currently obtained from Holland, France and Denmark.

Structure of Farming Industry in the Country:

Due to change on government policies on land ownership, farms have been subject to division leading to small land-holdings. Family farms are often composed of several scattered plots.

45% of farms are reported to be less than 10 hectares and only 25-30% of all farms are above 30 hectares. The size of the average farm is about 10 acres.

Variety of potatoes in the market:

Spunta is the favourite variety of seed potato used in the Libyan market, although Valor is also grown. Local companies are responsible for the marketing of seed potatoes.

Local Consumption:

The size of the market for seed potatoes in Libya at the present time is around 10,000 tonnes per year, it is expected that this figure will be doubled in the near future. The average potato consumption per capita is 35.5kg.

Import Regulations:

There are no special import regulations. They comply with standard International Regulations. According to the main potato seed importer here in Libya, there are no transport issues.

Seed certifications issued by the Libyan authorities are considered as a form of confirmation for local purpose.

Market for seed potatoes in Libya:

There is a market for seed potatoes in Libya however there is one local importer who has the monopoly within the sector. His company has very strong links with the Dutch Embassy as they import potato seeds from Holland. I have spoken with Mr. Zabtia and he has asked me to inform the BPC that he would be more than happy to deal direct with the council, and offer his assistance. The harsh reality of the potato seed market in Libya, is that there are only 2 companies who are capably operating successfully in this field.

DOING BUSINESS IN LIBYA : AN INTRODUCTION

KEY FACTS

Head of State (de facto)	:	Muammar Al-Qadhafi <i>Leader of the Revolution</i>
Head of Government	:	Dr Shukri Mohamed Ghanem <i>Secretary of the General People's Committee (Prime Minister)</i>
Population	:	circa 5.5 million
Language	:	Arabic. <i>English is now officially the 2nd language.</i>
Currency	:	Libyan Dinar (<i>approx. 1LYD : £2.2</i>)
GDP per capita	:	circa US\$3500
Major Industries	:	Oil & Gas, cement, textiles, food processing
Main import sources	:	Italy, Germany, UK, France, Turkey
Main export markets	:	Italy, Germany, France, Spain <i>(almost exclusively Oil & Gas exports)</i>
UK Visible Exports	:	£216 million (2004) <i>(invisible exports estimated to at least match this)</i>
UKTI Priority Sectors	:	Oil & Gas, Airports, Education, Ports & Logistics, Telecommunications and Tourism
ECGD Cover	:	On cover (www.ecgd.gov.uk)
British Embassy Address	:	British Embassy Commercial Section Bourj Al Fateh, 24 th Floor Tripoli Libya Tel: 00218 21 335 1084-8 Fax: 00218 21 335 1082 E-mail: Trade.Libya@fco.gov.uk

THE MARKET

Libya can be a difficult market in which to operate, and is not one for companies with cash-flow issues. However, companies with export success in other difficult markets, a good product to offer and the energy and time to invest in long-term potential then you should be able to join the British companies already doing successful business in Libya. Decision-making processes are slow and substantial face-to-face business development time can be required to make initial in-roads, but the opportunities Libya offers are potentially huge

The Oil & Gas industries drive the Libyan economy, contributing around 90% of all Libya's export earnings and accounting for some 25% of GDP.

Libya remains essentially a centralised economy with the State being the dominant player in most sectors of economic activity. Until relatively recently, private business was actively discouraged. Consequently, the Libyan private sector is still in its infancy. There are some excellent local private enterprises emerging, but these remain in the minority. It is currently not impossible, in practice, to conduct meaningful financial checks and due diligence on Libyan entities but caution is required.

Years of isolation and sanctions have taken their toll on Libya's institutions. The bureaucracy is large and inefficient. Basic and reliable information can be hard to come by. Much of what most visitors expect to be openly available simply is not (e.g. business directories, trade publications, basic market facts and figures, reliable city maps).

But many things are changing for the positive. Libya has indicated a wish to shift its economy to one more based around the private sector and market-oriented principles. There has been exponential growth in private retail establishments and private house building. Libya has also reformed its exchange rate structure and import licensing arrangements to good effect. More changes are in the pipeline, but will take time to be implemented successfully. However, most business opportunities remain dependent on the state budget for support. Much of the state budget is now disbursed through local municipal authorities (Shahabiya). There are 33 of these covering the country with responsibility for the delivery of front line services within that area (e.g. water and sanitation, primary health). In the meantime, conditions for traders and investors can be confusing.

How Do I Get To Libya?

Getting a business visa can be a problem. It is not currently possible to simply apply: a Libyan sponsor is required, so organised Trade Missions are a popular first route to market, and are held frequently in Libya. Many experienced exporters to Libya continue to use the Trade Mission route as they find the format attractive. *For more details on Trade Missions contact UKTI or the British Embassy.*

UK companies may be approached directly by Libyan contacts offering their services with visas and meetings in Libya. This can be a good entry point, but it can later prove difficult to extricate yourself from such relationships if you decide these contacts are not to be your chosen "agent". Contacts claiming to have the inside track on specific projects are many but those who can deliver are very few indeed as most are feeding on the lack of generally available information about the market.

Getting Paid

If you get business in Libya, getting paid has been a problem for some. The problem is not usually IF you will get paid but WHEN. Mechanisms are slow. Irrevocable Letter of Credit (LC) is recommended as the most assured method. The Libyan customer will decide which bank confirms the LC. The most experienced UK-based banks are British Arab Commercial Bank (BACB) and Arab Banking Corporation (ABC). However, the UK retail banks are now keen to increase business with Libya. Their City of London based HQs are perhaps better contacts than your local branch.

Agents and Distributors

Libya has had legislation on the statute books about Commercial Agencies since 1971, but this legislation has been largely dormant due to the wider changing economic policies of the regime. In January 2003, Libya sought to enact new guidelines updating and implementing the original tenets of the law.

The new regulations mean that foreign companies selling certain products to the Libyan market will require a registered Libyan Agent to enable them to do so. That Agent would, in turn, have to satisfy certain criteria regarding the availability of local servicing and spares for the products in question. The new regulations can be said to be "consumer protection" in their orientation. Implementation of the regulations was, however, suspended when it became clear that the majority of potential local agents were ill-equipped to meet the new criteria. Strict enforcement too early would have led to serious disruption to the supply chain.

The Libyan authorities are now looking at a step by step introduction of the rules. The implementing rules have been amended in draft to restrict agency coverage to those mass consumption products used widely in the market place (E.g cars, plant equipment, foods, clothing, white goods, consumer durables and disposable, household goods, medical supplies, building supplies, computers etc). A revised full range of goods will issue when implementation is finalised.

Foreign companies with their own registered offices in Libya - selling their own goods and services - should be unaffected by the rules.

Given the still emerging nature of the Libyan private sector, it is essential that companies seeking to appoint an agent visit the market first before making a choice. Agents with a track record remain very few and far between. Companies are advised to consult the commercial section of the British Embassy for more specific advice. It should also be noted that, given the tribal nature of Libya, one agent may not be able to give you full country coverage.

HINTS AND TIPS FOR DOING BUSINESS IN LIBYA

Do your market research. Ensure that there is a market for your product. You may wish to commission specific market research ranging from a simple list of companies and contact names to a full market briefing from the UK Trade and Investment Team in Libya.

Personal contact is the key to doing business in Libya. To enter the Libyan market and maintain your position takes a lot of legwork and patience. We recommend that you keep regular track of your business in Libya, make contact with your agents and clients regularly to build up good relationships and continually update your product material.

Several trips will normally be required to secure business in Libya. It will take time and effort to build up trust and personal relationships with the key decision-makers. Tender processes are not transparent and contract signature may not always be the key stage of the business process. When dealing with state enterprises who rely on budget allocation, the opening of a Letter of Credit (LC) will be the crucial stage.

Marketing Material

Libyan clients tend to remain with those who have stayed with them and met their needs, so it can be difficult to break into the market with a standard product.

Libyan managers receive far less paper-based marketing material than managers in Europe and are therefore far more receptive to material sent in the post. They will probably read and keep material and may contact you as a result.

Marketing material in Arabic is not a necessity but demonstrates a clear commitment to the market. Specific material (even a short web-based document) illustrating products and projects in Libya (or similar to those in Libya) will be an advantage.

Language

Letters, faxes and marketing material will be read and understood in English - although an Arabic translation or an Arabic summary of the marketing material will be more effective. Official documents (contracts etc) will need to be in Arabic and official business discussions may be conducted in Arabic.

Faxes and letters to Libyan entities should generally be addressed to job titles rather than names (e.g. for the attention of the Secretary of the People's Committee) and you should check that they have been received. Follow up any conversations in writing and maintain regular contact. Libyan managers expect more regular contact and a prompter response than those in Europe would typically expect.

Amongst the general population (taxi drivers, security guards, shopkeepers) English is limited, although there are signs of improvement.

Patchy communications

Telephones can be unreliable in Libya and it can take a long time to get an open line. Voicemail is unusual. Almost everyone in business has a mobile phone. Mobile phones are perhaps used far more for core business than in Europe and it would not be considered unusual if you to contact someone for the first time on a mobile phone. Some UK mobiles will roam in Libya, the most reliable at present is the "T-Mobile" network. Mobile phones can be hired locally but this tends to be expensive.

Post is unreliable in Libya and sending documents by courier firm is recommended. Fax is the preferred method of communication, although there is an increase in the use of e-mail. Not everyone has access to the Internet so including a brief summary of web-site material in print may be appropriate. Telephones, faxes and Emails are not suitable in Libya for commercial or personally sensitive communication.

It is not uncommon for Libyan managers to be available for meetings early in the morning or late at night. The division between work and social time is not as clear as it is in northern Europe and a Libyan will not generally think twice before calling someone at home during the weekend to discuss work.

Libyan Standard Time is two hours ahead of GMT and seven hours ahead of US Eastern Standard Time. Libya in general works a six-day week – Saturday to Thursday – with Friday as the rest day. However, many companies also take Saturday off. Business hours are generally shortened on a Thursday.

Making contact and making appointments.

Should you decide to visit the market you may find it difficult to make appointments too far in advance as this is not generally within the culture of doing business in the country. You do not need to know contact names in order to do this, as job titles are more commonly used than individual names. Calling the company switchboard and asking to speak to the relevant department will almost always get you through to the right person. Etiquette is such that faxes and official communications are addressed using job titles and positions rather than names. It is therefore much easier to make the first approach to Libyan customers than it would be in Europe.

Typically, Operations Managers, Materials Managers, Purchasing Managers, Planning Managers, Project Managers are the appropriate level and type of people to make initial telephone contact with. For first written correspondence it is more common to address your letter initially to "The Chairman" who will then pass it to the relevant department.

Do not be worried or disheartened if you have no confirmed appointments before arrival. Libyan contacts are often reluctant to confirm meetings before you are actually in the country. But they will normally go out of their way to see you when you arrive. You should always adopt a flexible approach to your programme. Downtime is inevitable – be patient! (see below).

Note: if a Libyan manager makes contact with you (or leaves a message on your voicemail) he will expect a response as soon as possible (same day if possible). In Libya it is better to send a holding reply than to leave it more than a couple of days. But do not expect reciprocal treatment!

Greetings.

On a personal level most people find Libyan people extremely friendly and keen to help. Do not be surprised to be invited to someone's house or farm if you get on well with them. People may stop you in the hotel lobby or in the street to talk to you and although you should exercise the same caution you would do when travelling elsewhere do not be alarmed, they are probably trying to practice their English!

Men and women do not embrace in public and not all women shake hands with men. On an initial meeting men will shake hands but the handshake is not likely to be firm. Men who know each other well will greet each other with an embrace or a long firm handshake and when you have an established relationship you should not be surprised for a man to continue to hold your hand as he leads you into his office.

Meeting etiquette.

You will be expected to make an appointment for a visit although it can be very difficult to do this too far in advance. Appointments can change at short notice and you may not be seen promptly so be prepared for this. If you are doing well in a meeting it is common for your host to take you to meet his colleagues and to talk to other managers in the company. It is therefore important to make sure that you do not schedule too tightly.

It is possible to see decision-makers without an appointment although you may be kept waiting to prove a point.

It is not uncommon to be invited into an office whilst others are there or for someone to answer several phone calls during the course of the meeting. You may find a television or radio playing in the background and there may be several interruptions during the course of a meeting.

You will almost always be offered tea or coffee and or something to eat. An Arabic host would be considered rude if he or she did not press their guests to eat and drink so you may find it difficult to refuse. If after countless coffees you need to use the toilet you should ask for the 'bathroom' or the 'washroom', not the 'toilet'.

The first part of the meeting would usually consist of introductions and personal conversation (Where do you live? What did you study? Where? Do you like Libya? etc.). It is important not to cut this short as this is considered impolite. You will then typically be asked 'what can I do for you?' and it is important to be able to give a clear and concise reason for your visit.

Hierarchy is important and you should address your comments to the most senior manager present. In an official gathering or a meeting where several people are present you can expect the most senior manager to formally welcome you and you should be prepared to respond in a similar way. Formal positions and titles are important and if someone is an 'Engineer' or a 'Doctor' it is important to include this when addressing them.

Decisions are rarely made by a single individual – committees are a key part of the business culture in Libya. To win substantial contracts it is therefore important to persuade more than one person with influence – the bidding committee, the management committee and the purchasing committee may all play a role. In this and subsequent visits to market

aim to build relationships with several people within one company – do not rely on excellent contacts with just one. Exercise great care in appointing an agent or using influential political connections to win business.

Dress.

Smart business dress is appreciated although because of the climate men often dispense with jackets and do not always wear ties.

Getting around.

Black and white taxi cars can be hailed in the street or wait in taxi ranks outside the major hotels. There are also yellow and white 'share taxis' or buses that follow fixed (but not documented) routes. These can be hailed almost anywhere and operate for a fraction of the price.

There are no reliable street maps of Tripoli and not everyone (including taxi-drivers) are familiar with street names. Taxi drivers are not always familiar with companies and most work on prominent land-marks or well-known shops. Make sure the driver knows exactly where he is going before you set off! You should expect to pay a flat fare of LD5 for any reasonable journey inside the main Tripoli city boundaries. A journey from the center of town to the airport (20km) should cost LD20. If you expect a driver to wait for you throughout a meeting, to find out directions to the meeting or to help with additional services (such as helping you get through reception) it will cost significantly more.

Ports & Logistics

With almost 2000km of Mediterranean coast and with the population and natural resources spread across the coastal belt, Ports play a major part in Libya's economy. There are 15 ports - of which 10 are commercial and 5 are for the hydrocarbon industry. The Ports, like many other sectors, are in general need of investment and upgrade. This is said to be a priority for future funding.

A Report on Libya's Ports is available from UKTI and the British Embassy.

INVESTING IN LIBYA

Law 5

In 1997, Libya introduced “Law 5” to encourage and protect foreign investors entering the Libyan market. The basic tenets of the Law can be attractive to investors. However, practical implementation has been difficult, with some investors finding it difficult to access all the rights and privileges allowed for under the Law. The **Libyan Foreign Investment Board** is working hard to change this and the climate is improving.

More details are available from www.investinlibya.com .

Privatisation Process

Libya has embarked on process to restructure existing State enterprises and make some (around 50) available for foreign investment. **The General Board for Ownership Transfer (GBOT)** has been established to oversee this process. The portfolio of available companies includes cement factories, food processor and other manufacturers. Two of the local State-Owned Commercial Banks have also been earmarked.

More details are available from www.tamleek.gov.ly .

Opening a Branch

Many foreign companies take the step of opening a formal branch office in Libya. The application process includes the presentation of a lengthy package of documents in English and Arabic. But the time taken to process applications has shortened significantly in the past year. Sound professional advice is essential to navigate the application process and the tax system that follows establishment. *Contacts with locally established accountancy firms and lawyers who can help in this area and others are available from the British Embassy.*

The British Business Group in Libya

The locally resident British Business community has formed the **British Business Group in Libya (BBG)** to share common experience and information about the Libyan market, and to give business the potential for a strong common voice in dealing with both the Libyan authorities and the British Embassy. Membership is now stands at around 40 companies. Full, Overseas and Individual Memberships are available. Regular meetings, briefings and more social gatherings are held. Members also have access to a visa facilitation facility, which allows them to apply for UK visas on behalf of their Libyan business contacts.

More details on how to join are available from tripoli@1stengineering.com or from the British Embassy.

SEED POTATO IMPORTERS

1. Libyan Tractor & Agricultural Commodities Company
Mr. Lutfi Hajrasi
Chairman & General Manager
Industrial Complex
Sidi Abdul Kareem
Tajoura
(20km outside of Tripoli)

Tel: 00218 21 370 5000/5005

Fax: 00218 21 370 5004

This company is a joint venture with Massey Ferguson. I have spoken with the company and they would be more than happy to liaise with BPC and assist in offering advice as to how to enter the Libyan market.

2. Zagrit Seed
Eng. Ramadan Zabtia
General Manager / Owner
Tel: 00218 21 480 2057
Fax: 00218 21 483 3724
Mob: 00218 (0)91 212 2972
Email: rzabtia@zagritseed.com
www.zagritseed.com

Eng. Zabtia informed me that he advises the BPC to contact him direct. This gentleman is very big in potato seeds and would be a good contact to have. He is looking forward to hearing from the council.

OTHER USEFUL CONTACTS

Kirk Hollingsworth

Senior Country Manager, Libya

UK Trade & Investment

Kingsgate House

Victoria Street

London

Tel: 020 7215 5000 or 7215 4649

Fax: 020 7215 4273 or 7215 4904

E-mail: kirk.hollingsworth@uktradeinvest.gov.uk

Web: www.uktradeinvest.gov.uk

Commercial Section

British Embassy

Bourj Al Fateh, 24th Floor

Tripoli

Great Socialist People's Libyan Arab Jamahiriya

Tel: 00 218 21 335 1084-8

Fax: 00 218 21 335 1082

E-mail: Trade.Libya@fco.gov.uk

Web: www.britain-in-Libya.org

General Union of Chambers of Commerce, Industry & Agriculture

Mr. Mohammed Hussein Kanoun (General Director)

Tel: 00218 21 4441457 or 4441613

Fax: 00218 21 3340155

Secretariat (Ministry) of Economy & Trade

Mr. Miloud Addouki (Head of Agencies & Companies Registration)

Tel/Fax: 00218 21 4806995

General Board of Ownership Transfer of Companies & Public Economical Units (GBOT)

Dr. Mahmud Ahmed Al-Ftise (Secretary of the Board)

Tel: 00218 21 4890015 or 4891540

Fax: 00218 21 4892373 or 4890015

Libyan Foreign Investment Board

Mr. Rajab Shiglabu (General Director)

Tel: 00218 21 3618686 or 3609613

Fax: 00218 21 3617918

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