Libya

PART ONE

Open for trade and investment again

SUNDAY, MAY 15, 2005

ENERGY AND TELECOMMUNICATIONS ARE SET TO PROSPER IN COLONEL QADDAFI'S LIBYA NOW THAT U.S. SANCTIONS HAVE BEEN LIFTED AND AMERICAN TRADE AND INVESTMENT IS RETURNING

SPEAKING recently of the relationship between Libya and the United States, Libyan leader Muammar el-Qaddafi assured the seeds are sown for positive U.S.-Libya relations.

Not long ago the prospect of the normalization of relations between the two countries seemed impossibly remote. However, the resolution of the Lockerbie affair and Tripoli's renunciation of weapons of mass destruction has brought an end to nearly two decades of international isolation and U.S. sanctions against Libya, opening up bright prospects for the development of its economy.

U.S. oil firms won the lion's share in the first round of bidding for drilling rights

The return of American companies to the high-potential oil fields of the North African state is well under way, and Colonel Qaddafi has been emphasizing the need for economic reform to encourage investment in both this and other sectors.

"Libya is experiencing an investment boom from local and foreign investors," he recently told government officials and supporters. "We have to change to sustain this momentum and win the respect and trust of our partners."

President George W. Bush formally canceled all remaining U.S. economic sanctions on Libya last year, removing bans on scheduled and charter air services to Libya, and imports of Libyan refined petroleum products.

Hopes are high that Libya is on the way to resuming its role as a fully-fledged trading partner. Diplomatic links have been restored and a liaison office has been opened in the Libyan capital, Tripoli.

With United Nations and European Union sanctions also lifted, Libya's economy is effectively reopened to the world, and discussions have started on Tripoli's request for eventual membership in the World Trade Organization.

Colonel Qaddafi is the longest serving Arab leader, having been in power since 1969. In a recent speech celebrating the anniversary of the establishment of the Libyan Jamahiriyah (popular republic), Qaddafi urged his people to let freedoms blossom.

At the same time he reaffirmed Libya's cooperation in the global war on terrorism, warning Libyans not to support foreign extremists.

Potentially one of the biggest oil-producing nations in the world, Libya has been off-limits to U.S. investment since the mid-1980s. That is already starting to change, however.

In January, Libya awarded its first contracts for drilling rights to U.S. companies in 18 years. Three American firms, Amerada Hess, ChevronTexaco, and, in particular, Occidental, won the lion's share of oil blocks in the first round of the exploration and production sharing agreement (EPSA-4) auction. More than 120 companies made bids for the 15 onshore and offshore exploration blocks on offer. Another winner was Woodside, one of Australia's largest oil and gas producers.

Continued on page 2

The oil and gas sector dominates Libya's economy, but there are moves to diversify.

MUAMMAR EL-QADDAFI, Leader of Libya

FACTS & FIGURES

POPULATION
5.6 million

AREA
680,000 square miles

CURRENCY
Libyan dinar (LYD)

EXCHANGE RATE
$1= 1.3 LYD

CAPITAL
Tripoli

GDP PER CAPITA
purchasing power parity
$6,400 (2004 est.)

GDP GROWTH
4.5% (2004 est.)

NATURAL RESOURCES
Petroleum, natural gas, gypsum

EXPORTS
Crude oil, refined petroleum products

IMPORTS
Machinery, transport equipment, food

SOURCE: CIA World Factbook

ENERGY AMERICAN TECHNOLOGY AND EXPERTISE WILL HELP DOUBLE PRODUCTION CAPACITY BY 2010

Sleeping oil giant set to awaken as U.S. investment flows in

IF PROJECTIONS about the extent of its oil resources prove correct, Libya could become the fourth largest oil-producing country within OPEC, after Saudi Arabia, Iraq, and Kuwait. Some studies suggest that proven oil reserves—currently put at 36 billion barrels—could be tripled once the country is thoroughly explored with the use of modern techniques.

"There is a lot of work to be done, taking into consideration that only 30% of Libya has been explored for oil reserves," says Fathi Ben Shatwan, who as Secretary of the General People's Committee (GPC) for Energy effectively heads Libya's energy policy.

Libya currently produces approximately 1.6 million barrels of oil per day (bpd). As foreign investment floods into the sector following the lifting of sanctions, Tripoli aims to almost double the country's oil production capacity to 3 million bpd by the end of the decade.

"We are expecting to increase our oil production capacity to 2 million bpd by the end of this year," declares Mr. Ben Shatwan. "We have many fields to develop and we are very optimistic about achieving this goal."

Officials estimate that a minimum of $30 billion will be required, and Tripoli is relying on the capital and expertise of American and other international companies such as Occidental and the Oasis Group (comprising Marathon, Amerada Hess, and Grace Petroleum) to make a major contribution.

FATHI BEN SHATWAN
Secretary of General People's Committee for Energy

"American companies possess advanced technology and they are very strong," says Mr. Ben Shatwan. "They have experience behind them in operating in Libya's market, and we predict that they will do very well. They already have a good share of the oil sector."

As a member of the Organization of the Petroleum Exporting Countries (OPEC), the amount of oil that Libya actually produces depends on negotiations with the cartel.

Mr. Ben Shatwan is confident, however, of being able to present a strong case for being granted a higher quota, based on Libya's historical production capacity of 3.3 million bpd, its targeted future production capacity of 3 million bpd, and its potentially vast reserves.

> OPEC is being asked to raise the quota of oil Libya is allowed to produce

"We feel positive about negotiations with OPEC," he says.

Established seven months ago in response to the lifting of sanctions, the GPC for Energy will fulfill the need for a regulatory body in the oil and gas sector, while also overseeing electricity and the development of renewable resources such as wind and solar power.

"Since foreign activity began to increase recently, we felt it was necessary to create a governing body that has combined responsibilities for oil and gas, electricity, and renewable energy," Mr. Ben Shatwan explains.

"We feel there is a need to create a new law that will allow the authorities to assist foreign companies in their endeavors here in terms of transparency and simplifying matters for those looking to invest."

Investment is needed not only in exploration for oil, but also in Libya's oil infrastructure, which is in need of upgrading. "We are trying to design pipe networks for oil and gas. Our refineries are a bit old and we need to renew them so that our products are up to standard."

Libya refines 380,000 bpd and is seeking help from foreign companies to develop and increase the number of its refineries.

"We are looking for investment in these areas, which is the reason why we are connecting upstream with downstream investment projects," says Mr. Ben Shatwan. "Foreign companies tend to invest upstream because it is more profitable. However, our strategy will encourage them to invest in both."

Italy's Eni is currently the sole integrated gas player in Libya, with the giant Wafa gas development in the Sahara. Eni's $5.6 billion West Libya Gas Project includes a new 300-mile underwater Green Stream pipeline from the large gas processing plant at coastal Mellitah to Sicily, the first direct gas link from Libya to Europe.

"At full capacity, this project will be producing 10 billion cubic meters of gas per year, 80% of which will be exported to Europe," says Mr. Ben Shatwan.

Only a third of Libya has been explored for oil reserves.

Open for business again

Continued from page 1

The successful conclusion of the first bidding round—now being followed by a second—marks the end of the dominant position built up in the Libyan oil sector during the American absence by European firms like France's Total, Spain's Repsol, and the Italian giant Eni.

The return of U.S. companies will advance Libya towards its goal of doubling its oil production capacity to 3 million barrels a day by 2010.

Libya is relying on boosting its income from oil to fuel its economic revival. The state-dominated economy is primarily dependent on oil, which accounts for 95% of exports, 75% of government receipts, and 30% of GDP, and is the principal source of foreign exchange.

The authorities are eager to diversify and to encourage the growth of the private sector. Potential growth areas include agriculture, construction, manufacturing, and tourism.

"Since the lifting of most international sanctions, we have been discussing development projects," says Abdulgader Elkhair, Secretary of the General People's Committee (GPC) for Economy and Trade.

" We are mainly trying to work towards diversifying the economy and generating income in non-oil sectors and services. We have injected a large amount of money into agriculture and manufacturing," says the secretary. "So far, this has depended mainly on the public sector. The challenge lies in how we are going to encourage the private sector."

The process of motivating the private sector began in the early 1990s with the introduction of a law to encourage the development of small- and medium-sized companies. In 2003, the government decided to privatize 360 public companies. More than 40 state enterprises have been privatized so far, and another 80 are set to follow soon. "Industries such as cement and petrochemicals will soon be available to Libyan and perhaps foreign investors," says Mr. Elkhair.

ABDULGADER O. ELKHAIR, Secretary of the General People's Committee for Economy and Trade

Telecommunications is a sector in which Libya aims to catch up fast. "We missed the opportunity of growing and benefiting from the technologies that originated in the United States," says Mohammad el-Qaddafi, Chairman of the General Post and Telecommunication Company and the son of Libya's leader.

"Now that sanctions have been lifted it is a good opportunity for us to develop the telecommunications sector and position it as one of the main contributors in the Libyan economy," he concludes.

ENERGY HOPES FOR GIANT FINDS ARE HIGH AS MAJOR INTERNATIONAL COMPANIES PREPARE TO COMPETE FOR A SHARE OF LIBYA'S HIDDEN WEALTH

National Oil Corporation launches new round of bids

STRONG competition is anticipated among leading oil companies as they bid for a share of Libya's oil wealth in the second bidding round process. Following the successful completion of the first bidding round in January, Libya's National Oil Corporation (NOC) anticipates a high level of interest in the 44 open blocks now being offered for exploration and development.

The prospect of gaining access to blocks where there is a good chance of making significant new finds is expected to encourage bids from international majors such as ExxonMobil, ConocoPhillips, ChevronTexaco, Shell, BP, and Statoil. "There is great potential to find more oil, and we are pleased that the companies realize this potential," comments Chairman of the NOC Management Committee Abdulla Salem el-Badri.

The blocks on offer are located in Libya's main oil and gas basins, including Sirt, where 90% of current production takes place, gas-rich Ghadames, and the relatively unexplored basins of Murzuq, Kufra, and Cyrenaica. Also included are 10 promising offshore blocks.

Timetable for bids

Applications to participate in the bidding process must be submitted to NOC by June 4. Qualifying companies will be notified by June 18, and will have access to a data room session to be held in Tripoli between June 25 and July 8.

Clarification meetings will be held between July 15 and August 8.

Bidders will submit their bids by hand on October 2 at the Mehari Hotel in Tripoli, where a bid opening ceremony will be held in public.

The winner is expected to be announced at the end of the session and signing of the EPSA will take place in the first half of November.

Libya is understandably eager to secure the best deal it can from the process. That means the successful bidders are likely to be those offering to keep the lowest share of production for themselves, leaving the highest percentage to NOC. As was clearly demonstrated by the level of interest in the first round of bidding, this is unlikely to put bidders off.

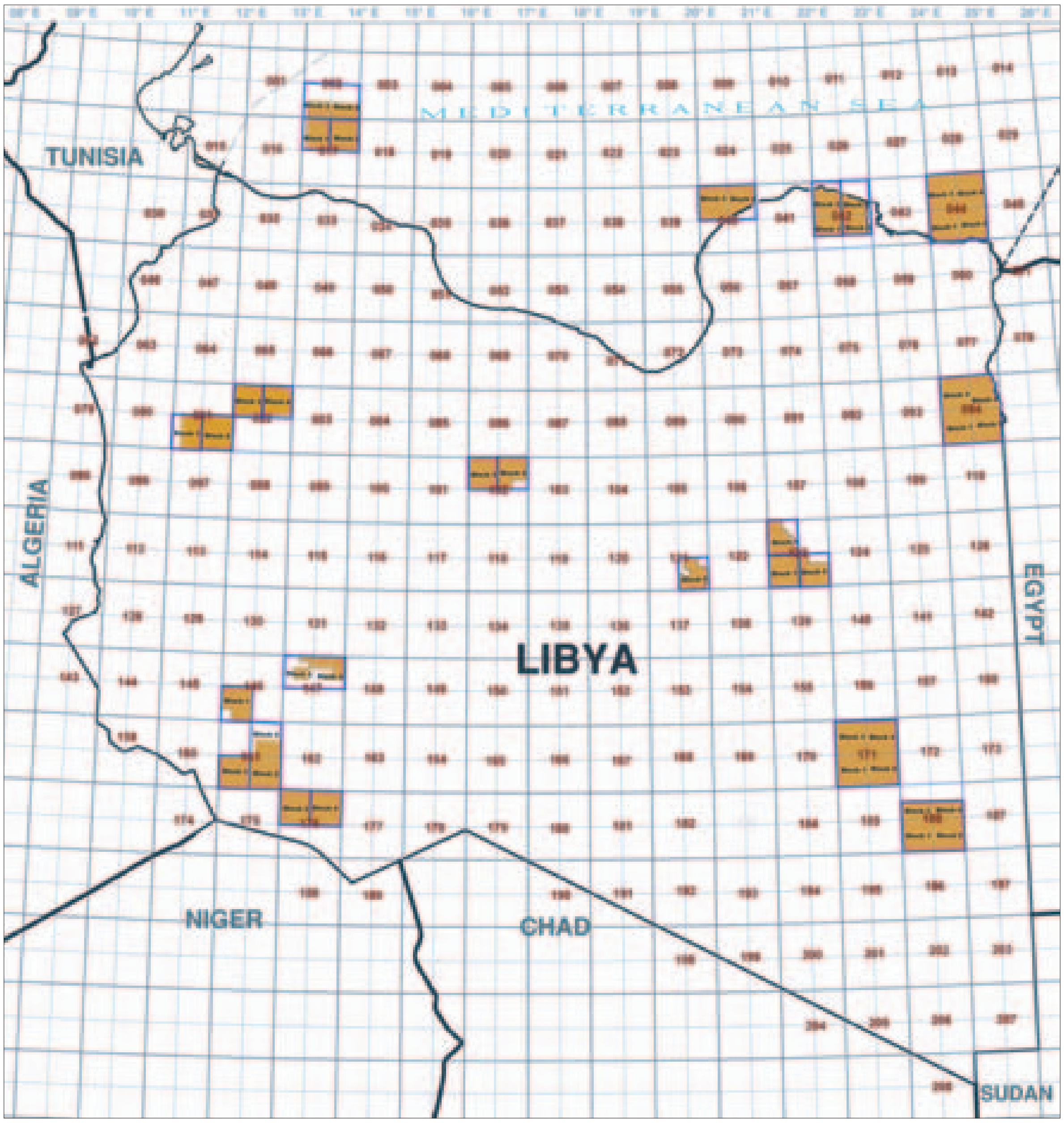
"The low bids in production sharing that we received in the first round reminded me of the 1980s," recalls Mr. El-Badri. "We have not witnessed these kinds of percentage shares in more than 20 years."

He points out that some of the blocks have the advantage of being close to existing production facilities. "This is probably what prompted the interest and the low bids. The companies that bid very low did their homework," he says. "If you take the predominant winners into consideration, like Woodside, which already operates in Libya, and Occidental, which used to operate in the country, you realize their success was based on experience and knowledge."

Exclusive ownership of the blocks will be retained by NOC, while the successful bidders will bear 100% of the costs of exploration, appraisal, and training for at least five years.

Investors will have been encouraged by the timely and transparent handling of the first round of bidding carried out by the NOC, which is equally committed to ensuring open competition in the new round. Further bidding rounds will follow. "We still have more than 306 blocks to offer to foreign companies," says Mr. El-Badri.

NOC has been entering into exploration sharing agreements with foreign oil firms since 1974. Together with more than 30 subsidiaries, the company controls both the upstream and downstream sectors of the industry, and accounts for 63% of production. In addition to exploration and production, NOC is active in refining, exporting, and marketing. Its international investments, including a network of overseas refineries, are controlled by Oilinvest, of which NOC owns 70% of the shares. Oilinvest subsidiary Tamoil has already captured 5% of the retail market for refined oil products in Italy.



The 44 oil blocks on offer in the second bidding round are sited in Libya's main oil and gas basins.

The new bidding rounds mark the return of U.S. firms as partners for NOC, which regards exploration as a priority. Mr. El-Badri talks of "widening exploration activities aggressively in order to increase reserves and subsequently increase production."

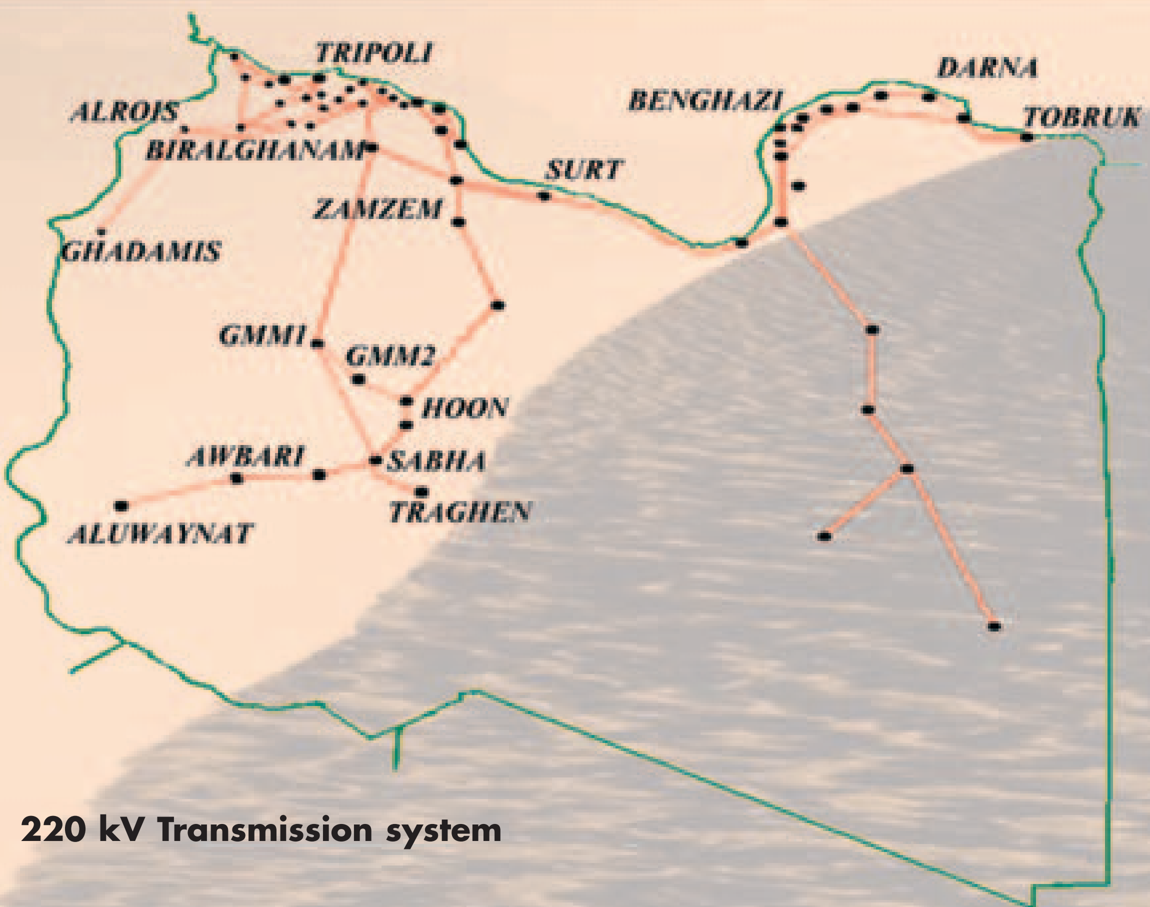
The new bidding rounds mark the return of U.S. firms as partners for NOC

He is confident that the bidding process is attracting companies fully capable of boosting production to the level Libya is aiming for. "The companies that won in the first round have the necessary technical support, especially for the offshore blocks," he says. "I have no doubt that they will fulfill their obligations."

NOC is undertaking aggressive exploration activities as it aims to significantly boost reserves and production levels.

GENERAL ELECTRICITY COMPANY OF LIBYA (GECOL)

Lighting up Libya's skyline



Power self-sufficiency has been Libya's pride since 1969. With the highest per capita electricity consumption in Africa and demand expected to double by 2010, the country requires substantial investment in the energy sector.

As the sole entity responsible for electric power generation, transport, and distribution, GECOL is focusing on reinforcing infrastructure and introducing new technologies.

The company is exploring the paths to renewable energy and paving the way for private-sector ventures.

Top-quality standards, low-cost service, and reliability are GECOL's main guidelines.

At the helm of a powerful enterprise, GECOL is lighting Libya's expanding skyline.

GECOL, SWANI ROAD, TRIPOLI-LIBYA, P.O. BOX 81187 TEL: +218 21 480 7433/32 FAX: +218 21 480 7434

Electricity: 5,000MW needed to satisfy demand

GECOL is responsible for generation, transmission, and distribution of electric power throughout Libya.

ELECTRICITY SUBSTANTIAL INVESTMENT IS NEEDED TO UPGRADE INFRASTRUCTURE OVER THE NEXT FIVE YEARS

DEMAND for electricity in Libya is growing at an annual rate of around 8% and will continue to rise as the economy expands. It is expected to reach 5,800MW by 2010, surging to 8,000MW by 2020.

Current installed generation capacity stands at approximately 4,700MW, but plans have been set in motion by the state-owned General Electricity Company of Libya (GECOL) to generate an additional 5,000MW within the next five years.

"There is a need to achieve this goal before 2010 in order to meet the rising demand and to guarantee the security of supply to all social and economic sectors in the country," says Secretary of the People's Committee for GECOL Omran Ibrahim Abukraa.

GECOL is responsible for generation, transmission, and distribution of electric power throughout Libya. The utility has drawn up a master plan aimed at raising the level of security and adequacy of supply, improving efficiency, and building up national and international interconnection.

However, the upgrading will require substantial funding, and Libya is looking for foreign investors. Mr. Abukraa estimates the total cost at around $7.5 billion by the end of 2010.

New link planned with Tunisia and Egypt to facilitate exports to Europe

This includes plans to spend $3.5 billion on building eight new steam cycle and natural gas combined cycle power plants over the next five years. Unlike conventional steam power plants, combined cycle power plants use a combination of a gas turbine and a steam turbine to operate more efficiently and cost-effectively.

At present, the majority of Libya's existing power stations are oil-fired, although a few have been converted to gas. Foreign companies are to be allowed to invest in gas production for conversion to electricity and subsequent exports to Europe.

To this end, it is planned to link Libya with Europe through Tunisia and Egypt. A transmission line of 220KV already exists between the three and another of 400KV is planned.

The transmission network that GECOL manages is the longest in the region, serving cities scattered along the Libyan coastline and extending more than 1,000 miles south into the desert.

A $1 billion improvement and expansion of the grid is in progress. GECOL is about halfway towards upgrading the system's voltage level from 220KV to 400KV. This involves the installation of 2,800 miles of new power lines, with the aim of connecting up the whole country.

Last year, Siemens of Germany won a contract to install new network control centers in the regions of Tobruk, Benghazi, Tripoli, Zawia, and Sebha. The centers will monitor the operating state of the grid. Switching operations will be performed from a main control room, improving reaction to system disturbances and reducing the risk of blackouts.

Studies into renewable energy

AWARE that supplies of oil and gas are limited in the long term, Libya intends to make more extensive use of renewable resources in the future.

GECOL has been looking into alternative energy sources for a number of years. Its goal is to satisfy up to 6% of Libya's energy needs from renewable resources.

Experts from other countries have been invited to conduct studies and identify potential sites where electricity could be generated by wind power. A project is already under way to construct the country's first wind farm, with installed capacity of approximately 25MW.

GECOL's master plan allocates 200MW to be generated by wind plants. "In the future, we aim to increase the percentage of usage of this resource," says Omran Ibrahim Abukraa.

Several pilot projects in solar power are in place.

As a country mostly comprised of desert, Libya also has huge potential for the production of solar power. Several pilot projects are under way. "It is a high-potential program that is being worked on and studied thoroughly," says Mr. Abukraa.

INTERVIEW WITH OMRAN IBRAHIM ABUKRAA OF GECOL

"Our vision is to lower costs, boost efficiency, and develop into a leader in the region's electrical energy market"

As the Secretary of the People's Committee for GECOL, how do you foresee the future for Libya's electricity sector?

If we proceed carefully, the future will be bright. We have to be very practical. Energy is a complicated sector; you can spend years building it, but five or six wrong decisions can set it back. We need to execute our projects in time, and be very patient with regards to the reorganization and restructuring of the sector.

Our vision is to develop into a leader in the electrical energy industry in the region of North Africa and the Mediterranean basin, to guarantee security of supply according to the best technical and economical specifications.

How will the projects in GECOL's master plan be financed?

Financing electricity projects is always a critical issue. Normally we finance our projects through the state annual budget. In the past few years, particularly, we have also benefited from assistance from financing institutions and development banks like the Arab Bank, who participate in providing a portion of our required budget for some projects. Our costs represent almost 30% of Libya's national budget.

How much potential do you see in the use of natural gas for power generation?

We have taken steps in this direction, but it is not enough. There are many advantages in using natural gas in power generation. It will decrease costs because gas is cheaper in comparison to other fuels, and it is more environmentally friendly than other sources.

As far as GECOL is concerned, we are ready to use gas, and most of our plants are ready to receive and burn gas instead of liquid fuel, which could generate significant savings for the state economy.

"Our objective is to restructure the whole sector and to lower production costs"

Do you see an increased role for foreign investment?

We are in the process of establishing partnerships between our national companies and foreign ones in order to enable foreign investors to understand the Libyan market and encourage them to participate in bigger businesses in the future.

Many joint ventures have been established in accordance with the investment law in Libya, and we are in the process of announcing many others. Joint venture companies are now working in fields such as engineering services, maintenance, and construction of new gas and steam power plants.

At this stage, our main objective is to restructure the whole sector in order to decrease the cost of electricity production and increase the efficiency of the sector. When these conditions are fulfilled, then we will move towards opening the market to private participation, including foreign investment.

What kind of environment can foreign investors expect to find?

In general, we insist on preparing a fair and comfortable business environment for our partners. Transparency is a priority. We use numerous measures to avoid any form of corruption.

The main players in this sector are Spanish companies. Other participants include Korea and, most recently, the United States. Foreign companies will be responsible for the engineering and supervision of most of Libya's power generation.

What are your plans for exporting electricity?

The Libyan network is interconnected with the Egyptian network, and we are in the final stages of synchronizing the Tunisian and the Maghreb (Northwest African) network with our system.

In the past two years, the Arab Fund has been financing technical studies on how to upgrade the interconnection between the Middle East, the Maghreb, and Spain. I believe the studies are finished and there may be meetings this year to plan the construction of a 400KV transmission network in the region.

If we successfully complete this plan, we will be able to create an energy market between the Middle East, the Maghreb, and Europe, especially since Spain and Morocco are trying to reinforce their interconnection network.

TELECOMMUNICATIONS NEW CELLULAR PHONE NETWORK WILL USE LATEST TECHNOLOGY TO PROVIDE HIGH QUALITY SERVICES TO 75% OF LIBYAN TERRITORY

Libya steps into interconnected age

FOR a big country like Libya, consisting mainly of uninhabited desert, with many small scattered villages, telecommunications is a key sector.

The General Post and Telecommunication Company (GPTC) has already made notable progress in extending services across the country. "The goal is not to make a profit but to provide services to all areas," says Mohammad el-Qaddafi, GPTC's Chairman. "Even remote villages will be included," he adds.

The geographical conditions make a cellular system the obvious solution. Last September GPTC's subsidiary Almadar signed a $120 million deal with Finland's Nokia and Alcatel of France for the supply of a nationwide cellular phone network.

The network will provide wireless services to 2.5 million users throughout 75% of Libyan territory. Deployment is expected to be completed by the end of this year when it is hoped that mobile services will be available to 80% of the population—a high percentage by international standards.

In addition to extending the existing GSM/EDGE infrastructure provided by Alcatel in 1996, a state-of-the-art 3G/UMTS (Universal Mobile Telecommunications System) technology will be introduced. Users will be able to access a range of high-quality mobile services, including mobile video telephony and conferencing, online games, live TV over mobile, a 3G video portal, video messaging, webcam access, live sporting events, and instant messaging services.

"GPTC will pioneer the UMTS technology in Africa and position Libya as the frontrunner in the development of the continent's telecommunication landscape," says Mr. Qaddafi. "A widespread cellular phone service will bring undisputed benefits for our society, and we are doing our utmost to ensure the highest quality of service."

The established state-owned cellular phone company, Almadar, now has competition from a new mobile operator, Libyana, which is also state-run.

> First step towards full competition once local companies are well established

Libyana launched 600,000 cellular lines last September in the cities of Tripoli, Benghazi, and Sebha, where 50% of the population live. By the end of March, it had signed up186,000 subscribers. The company has signed a $38.5 million network expansion deal with Chinese equipment maker ZTE and plans to extend its services to 45 cities across the country.

Explaining the rationale behind having two state-run mobile companies, Mr. Qaddafi says: "Both are owned by GPTC, but there is strong competition between them to be the best and it gives people the opportunity of choosing between two service providers."

The headquarters of the General Post and Telecommunication Company, which is responsible for both fixed-line and cellular phone networks.

He describes the move as a first step towards privatization and full competition in the market. "We feel we should move from a monopoly to a competitive sector before we ask investors to come in," he says.

The authorities want time to allow the local companies to develop. "Once these companies are well established, we are going to initiate the public offering of the shares to the Libyan community at the beginning and foreign investors later," says the Chairman.

"We feel that by doing this we will create local investors that can compete with foreign investors, because if we move into privatization now we will create a foreign monopoly."

Libya was one of the first Arab countries to have a well-established telecommunications system, but its evolution was affected by economic sanctions and it missed the opportunity to synchronize with the developments in the Western world. With sanctions now lifted, Tripoli is eager to build up the sector.

Both the fixed-line and cellular phone networks are owned by the government through GPTC, which also provides internet related services and operates the postal system.

In addition to extending the mobile network, GPTC is also developing the fixed-line system. Libya has a relatively low fixed-line penetration rate, but work to develop an additional 1.5 million fixed lines is currently under way.

MOHAMMAD EL-QADDAFI
Chairman of the General Post and Telecommunication Company (GPTC)

Exhibition will showcase sector

AN opportunity to learn about new projects and trends in Libya's telecom and IT sectors will be provided at Taqnya 2005, an exhibition being held in Tripoli from May 29 to 31.

The exhibition, held annually, provides an opportunity for the unveiling of new projects and plans for the telecom and IT sectors in Libya, and serves as a meeting point between international companies and service providers, GPTC, and local Libyan communication and information technology companies.

For more information see: www.Texpo.ly

Meanwhile, Internet penetration is still limited but growing.

Advanced satellite technology will be brought to Libya through a long-term strategic agreement between GPTC and PolarSat, announced in March. The Canadian company will provide satellite-based communications VSAT (very small aperture terminal) technology to GPTC clients throughout Libya.

"By 2006 we aim to have reached 100% mobile phone penetration, 30% of the population covered by fixed lines and 50% or more covered by the internet network," says Mr. Qaddafi.

Emphasis is being put on the development of human resources, with major training programs included in the contracts with Alcatel and Nokia. "We are also trying to create centers of excellence that can provide up-to-date training not only for Libya but for the whole region," says the GPTC Chairman.

Talks are being held to enhance cooperation between Libya and the United Arab Emirates (UAE) in postal, financial, and electronic services. GPTC and Emirates Post have been discussing the creation of a partnership for the development of two central hubs for exchanging goods between Asia, Africa, and Europe.

"Development of postal services is one of our priorities," says Mr. Qaddafi. "The idea is to make the post independent of telecommunications, turning it into one or several companies. The project should be ready in two or three years."

TRADE WITH ECONOMIC SANCTIONS NOW REMOVED, STEPS ARE BEING TAKEN TO ESTABLISH A WORKING RELATIONSHIP WITH LIBYA'S BUYERS

Large potential market for U.S. food exports

LIMITED in what it can grow, Libya depends on food imports, which, because of U.S. trade sanctions, have been largely from Europe, Arab countries, Asia, and Brazil.

Libya buys in approximately 80% of the 1 million tons of the wheat it consumes annually, purchasing approximately 400 thousand metric tons (TMT) of durum, 350 TMT of bread wheat, and 400 to 800 TMT of flour and semolina per year. Other essential purchases from abroad include rice, corn oil, yeast, sugar, and tea.

Responsibility for ensuring that all Libyans have access to a plentiful and affordable supply of basic food items lies with the National Supply Corporation (NASCO), a non profit state-owned government agency.

Founded in 1971, NASCO is considered one of the most important achievements of the Libyan revolution. Through its activities in import, storage and distribution, the agency has unified food costs throughout the country, protecting Libyan consumers from fluctuations in international prices and minimizing the burden of inflation.

"Our supplies are not only for poor people, but for those of all social status," explains Altayb Saffi Menafi, Secretary of the People's Committee for NASCO. "In general, every Libyan family can get its essential food items for less than 30 Libyan dinars ($24) a week. Bread, for example, is probably the cheapest in the world here. It is part of a wider social and commercial vision."

With the gradual removal of obstacles to commerce between the United States and Libya, NASCO now has an important role to play in reestablishing normal trading relations.

"We would like to start importing flour, corn oil, and sugar from the U.S.," says Mr. Menafi. "We know that the United States is the leader in quality control, and we have no doubts about the quality of their products."

On the American side, U.S. Wheat Associates (USW) regards Libya, along with other North African countries, as an export market of huge potential. As sanctions have been eased, USW officials have held meetings with representatives from NASCO and the state-run General National Flour Mills and Fodder Company (Tahlef). They say they are doing all they can to facilitate stronger working relationships between the U.S. wheat industry and Libya's buyers and millers.

Since President Bush removed restrictions on market development in Libya last September, USW and other groups have been able to use funds from the U.S. Department of Agriculture for expanding activities in Libya. Additionally, USW hopes to offer technical milling assistance, which is extended to all North African countries from USW experts in Tunis, the capital of Tunisia.

The Libyan authorities are encouraging the development of wheat mills. "We are encouraging the private sector and foreign companies to participate in this process," says Mr. Menafi.

Libya imports 80% of the wheat it uses for bread and other foods.

ALTAYB SAFFI MENAFI
Secretary of the People's Committee for NASCO

ALI BELAID
Director of the Department of Health Specifications and Standards, NASCO

Editor's note

On page 6 of Summit Communications supplement on Malaysia, dated Sunday, December 19, 2004, the portrait photo in the Sin Chew Media box features Managing Director of Sin Chew Media C.C. Liew, not Executive Director Gan Chin Kew as stated.

On page 14 of the same report, the name of the Chairman of the Construction Industry Development Board (CIDB) is Abdul Rahman Abdullah, not Arman Abdullah.

COUNTRY STAFF
Commercial and Project Director:
Virginia Cortavitarte
Editorial Research:
Alejandro Fernández

"Libyans and Americans need to cooperate"

THE dramatic improvement in relations between Libya and the United States will bear fruit in growing economic and political cooperation, trade, and American investment, opening up new opportunities for both countries.

The United States is eager to promote the reintegration of Libya into the international community as a model to encourage other states, such as Iran and North Korea, to give up weapons of mass destruction activities.

Within Libya itself, the process of change is gathering pace as the country starts along the path towards becoming a market economy.

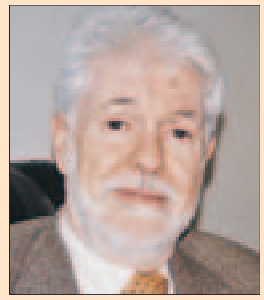
Former Prime Minister Abuzed Omar Dorda says an ongoing debate is taking place inside Libya. "We need to figure out what to do to improve all facets of our society—socially, economically, and infrastructure-wise."

He says that Libya and the United States need to rebuild the confidence between the two countries to their mutual advantage. "Libyans, including myself, have a lot of respect for Americans. We need to cooperate with each other."

Abdalla Fellah, General Commissioner of the Libyan Businessmen Council, says investors will be encouraged to come to Libya by the sheer amount of potential for investment due to the isolation the country suffered during the economic sanctions. "Now there is no reason why they should not invest in a country full of business opportunities," he says.

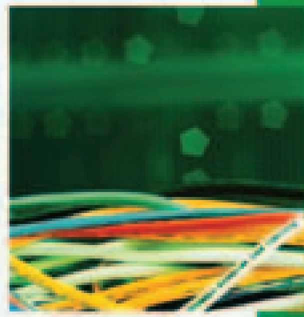
Libya is a safe country to invest in, says Mr. Fellah. "There are many foreign companies willing to invest in agriculture and petrochemicals, and there is great potential in other sectors, but they still have to be developed."

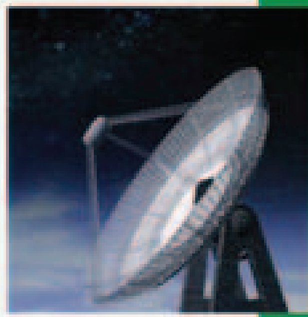
ABUZED OMAR DORDA
Former Prime Minister



ABDALLA M. FELLAH
General Commissioner of the Libyan Businessmen Council

GET CONNECTED TO LIBYAN OPPORTUNITY





Established in 1984, the General Post and Telecommunication Company (GPTC) is one of the most important companies in Libya. A wholly state-owned company responsible for developing and operating the country's postal and telecom infrastructure, GPTC owns Almadar Telecom Company, Libya Telecom and Technology, and Libyana Mobile Phone. Making communication between businesses better, cheaper, and easier, GPTC plays a leading role in Libya's economic development.

Giving Libyan purchasers in the field of communication and information technologies the chance to meet representatives of international companies, GPTC is organizing TAQNYA 2005. An annual exhibition that will be held in Tripoli from the 29th to the 31st of May 2005, TAQNYA 2005 will include a series of seminars and workshops as well as the unveiling of the latest projects in Libyan communications.

2005
تقنية

TAQNYA 2005
Tel: +218 21 3619097, Fax: +218 21 3619736
Email: info@texpo.ly, www.TExpo.ly

GENERAL POST AND TELECOMMUNICATION COMPANY
Tel: +218 21 3619011, Fax: +218 21 3600836
Email: info@gptc-libya.com, www.gptc-libya.com