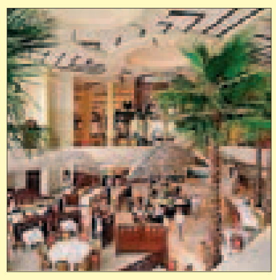
Finance Page 3

The banking sector is being reformed and modernized before the arrival of foreign competition

Energy Page 4

U.S. oil companies have joined the scramble to secure exploration rights as Libya opens up its oil industry



Infrastructure Page 6

A construction boom is under way to meet the needs of an expanding economy

Our World

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PHOTO : AHMED TARHUNI

Libya

At the dawn of a new era

Relations between Libya and the U.S. continue to improve as Colonel Gaddafi's oil-rich North African state rebuilds links with the international community and seeks economic development through reform

■ FREED from international sanctions, Libya is entering a new era at home as well as abroad. After years of being regarded as a rogue state by the West, the oil-rich North African nation is opening up to foreign investment and becoming a more market-based economy.

Attracting foreign capital, technology and know-how is a priority for a country that hopes to develop and diversify the economy, create jobs, and improve living standards for its 5.6 million people.

Change is likely to be gradual, but the need for it is recognized at the highest levels of government. The basic principles of Colonel Muammar Gaddafi's revolution remain unchallenged in the Great Socialist People's Libyan Arab Jamahiriya. However, the leader himself has acknowledged that the public sector has failed the people, and has endorsed a transition to what he refers to as a form of "popular capitalism."

Most of the population lives and works in and around the big cities in the northern coastal belt bordering the Mediterranean. Libya is largely desert, but beneath the dunes lies one of the world's most sought after commodities—oil.

Exactly how much oil there is no one knows, as only a quarter of the country has been fully explored, but Libya is believed to be sitting on Africa's largest crude reserves. It is hardly surprising, then, that U.S. oil companies have been eager to take up where they left off when U.S. sanctions forced them to leave Libya back in the mid 1980s.

Delegations have been visiting Tripoli and dialogue has been taking place on reform and cooperation

Libya is equally eager to see them return. Oil has dominated the economy since production started more than 40 years ago, and the high oil prices of recent years have delivered big returns. Libya wants to more than double production over the next five years, and for that it needs massive foreign investment.

Much of it will come from U.S. oil giants like ExxonMobil and Occidental Petroleum, who have already signed up to undertake major exploration projects.

On the diplomatic front, relations between the United States and Libya have improved dramatically since Tripoli accepted responsibility for the 1988 bombing of a Pan Am passenger plane over Lockerbie, Scotland, and agreed to dismantle its weapons of mass destruction.

U.S. economic sanctions were lifted in 2004, opening the way for American companies to resume doing business in Libya. United Nations sanctions, imposed in 1992, had already been lifted in 2003.

A U.S. diplomatic liaison office has been opened in the Libyan capital, Tripoli, as a first step towards ending a suspension of direct diplomatic relations between the two countries that has lasted for a quarter of a century.

Delegations from the U.S. Congress have visited Tripoli, and dialogue has been taking place on trade, investment, economic reform, and cooperation on counter terrorism. American businessmen have been flocking to Tripoli in search of business opportunities.

Secretary of State Condoleezza Rice has reaffirmed the U.S. commitment to "broaden and deepen" ties between the two countries. The constantly improving relationship, which was inconceivable a few years ago, is seen as advantageous for both nations.

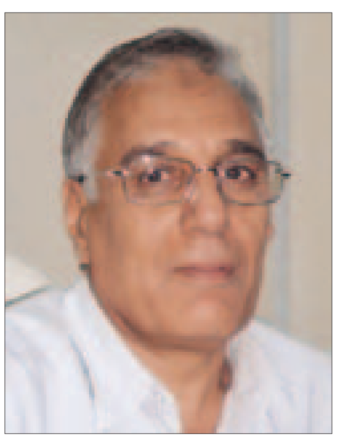
THE COUNTRY IN BRIEF

- **OFFICIAL NAME:** Great Socialist People's Libyan Arab Jamahiriya
- **CAPITAL:** Tripoli
- **AREA:** 679,362 million sq. miles
- **POPULATION:** 5.7 million
- **LANGUAGES:** Arabic is the primary language. English and Italian are understood in major cities
- **RELIGIONS:** Sunni Muslim (97%)
- **GDP:** $37.48 billion (2004 est.)
- **GDP per capita:** $6,700 (2004 est.)
- **MAJOR EXPORT PRODUCTS:** crude oil, refined petroleum products
- **NATURAL RESOURCES:** petroleum, natural gas, gypsum
- **MAJOR MARKETS:** Italy (37%), Germany (16.6%), Spain (11.9%), Turkey (7.1%), France (6.2%)

Source: CIA The World Factbook

THE ECONOMY Stimulating private enterprises and local and foreign investment

Reducing state control is the key to securing sustainable growth



ABDULGADER ELKHAIR
Secretary for Economy and Trade

Oil is still their most profitable asset, but there is a drive to diversify and maximize income from other sectors

■ DEVELOPMENT of the economy stalled during the sanctions period, but as Libya benefits from reentering the international marketplace there is a clear opportunity to renew the process of change.

Economic and financial conditions are good. Thanks to the dramatic rise in global oil demand, the state coffers are bulging with petrodollars. Libya has been enjoying strong economic growth, its fiscal and external current account balances show large surpluses, and international reserves are high.

Spearheading the drive for change is Libya's Prime Minister, Shokri Ghanem. He has given a new impetus to economic and structural reforms since his appointment in June 2003, and the subsequent lifting of international sanctions.

Under Mr. Ghanem's leadership, the government intends to reduce its direct role of the state in the economy and encourage local and foreign investment to foster sustainable growth.

Another important figure in the reform process is Seif Al Islam Gaddafi, the Libyan leader's son. Although he holds no formal government office, he is politically influential and is credited with making a significant behind-the-scenes contribution to the process of reconciliation with the West.

Diversification is a priority. Oil will continue to underpin the economy, but Libya's dependence on the hydrocarbons

Continued on page 2

NASCO

Libya is heavily dependent on imports to feed its people.

Nasco: a potential lucrative trade partner

■ "A loaf of bread in Libya is the cheapest in the world, and it is important to us that every citizen has access to it," says Altayb Saffi Menafi, with pride.

Mr. Menafi is the Secretary for the National Supply Corporation, Nasco, which was established one year after the revolution, and given the task of ensuring that no Libyan goes hungry.

Basic food staples like bread, rice, oil, macaroni, sugar, and tea are heavily subsidized in Libya, which, because of its limited capacity for agriculture, imports around 75 percent of its food, including 80 percent of the wheat it consumes.

ALTAYB SAFFI MENAFI
Secretary
of NASCO

Nasco imports 50 kilos of wheat flour for about $18 and sells it to the bakers for approximately $1.50. "We spend more than LYD 800 million ($622 million) a year in subsidies that go strictly towards food provision," says Mr. Menafi.

A state-run, non-profit organization, Nasco's job is to facilitate the production, import, and subsidy of basic foodstuffs, and to ensure that all Libyans—regardless of income or status—have access to a plentiful, nutritious, and affordable supply. "Our mission is to help everyone stay healthy," Mr. Menafi explains.

Nasco has warehouses all over Libya, and a distribution system that reaches even the most remote communities. "There is no problem when it comes to food availability, as we take care of distribution and cover any extra costs linked to transport."

With food consumption rising in Libya as the size of the population increases, Nasco is a potentially lucrative trading partner for American companies involved in the production of grain flour, corn oil, and rice. Recently a new policy has been implemented, enabling it to deal with producers and manufacturers directly without going through agents and middlemen.

"We would welcome cooperation with American suppliers," says Mr. Menafi. "We could potentially cooperate very well when it comes to grain and flour, corn oil, and some brands of rice and sugar. We like to deal directly with the producers and manufacturers."

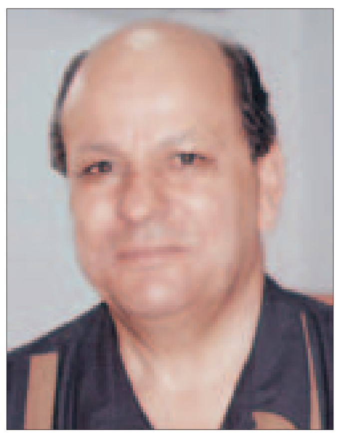
Nasco has already met with U.S. firms dealing with rice, according to Mr. Menafi. "We have not yet met with any that deal with cooking oil," he says.

"American companies are all more than welcome to come here if they specialize in any of the products we need. We invite them all to join us. I am looking forward to the day when American companies establish a sizeable presence here."

INVESTMENT The perfect time to explore and exploit opportunities

Foreign capital flows in as the economy opens up to the world

'One of the best investment laws in the world' offers incentives to draw companies into the Libyan market



RAJAB SHIGLABU
General Director of the Libyan Foreign Investment Board

MAHAMUD AHMED AL-FTISE
Secretary of the Board of Privatization

The oil industry is the big attraction for foreign investment, but there are opportunities in a number of other promising sectors.

■ BILLIONS of dollars have been flowing into Libya since the lifting of sanctions, and the country is well on its way towards achieving its aim of becoming a leading destination for foreign direct investment (FDI).

The big attraction is, of course, the enormous potential of the oil and gas sector; however, other sectors of Libya's economy, such as agriculture, construction, health, industry, telecoms, and tourism are also worth investigating.

The government puts a premium on transparency and building investor confidence, and has been working to create a favorable business environment by removing bureaucratic procedures. Improvements in the situation regarding visa and export controls are believed to be not far off.

Rajab Shiglabu, General Director of the Libyan Foreign Investment Board (LFIB), insists that Libya has one of the best foreign investment laws in the world. "It provides a lot of incentives for foreigners, but safeguards our interests at the same time," he says.

Since 2000, the LFIB has issued more than 179 approvals to small and medium-sized projects originating from foreign companies. Mr. Shiglabu says there are plenty of opportunities for U.S. investment. "It would be nice to see Americans involved in non-oil sectors, like construction and housing, power plants, and the service sector."

Excellent prospects exist for U.S. exporters in advanced oil field technology, medical equipment and hospital supplies, aviation, power generation and transmission systems, computers and software, telecommunications, water resource equipment, farm machinery, and agricultural commodities such as wheat and corn.

Libya's domestic market is small but has a strong purchasing power, and its geographical position and free trade zone in Misratah make it an ideal location for exporting to Europe and other parts of Africa.

Libya is approaching the third year of its five-year privatization plan, which lists 361 state-owned enterprises for transfer to the private sector. These range in value from $50,000 to $3 billion.

So far, only 65 state-owned companies have been transferred to the private sector, most of them small and medium-sized agricultural and industrial firms. Still, the process has been given a boost recently with the announcement that Libya is prepared to sell more than 60 percent of its stake in the Italian-based oil refiner Tamoil.

A number of large enterprises on the privatization list will be available for foreign investors to buy, such as cement, glass, steel, and airline companies.

However, Mahamud Al-Ftise, Secretary of the Board of Privatization, explains that switching the ownership of state-run companies to the private sector is aimed primarily at increasing productivity and profits, and focused on transferring ownership to local entrepreneurs.

"We need to create a national business community which can accept and work with foreign investors on the same level," he says.

INVESTMENT LAW NO. 5

Offering additional incentives

■ INTRODUCED in 1997, Law No. 5 established the legal framework for foreign investment in Libya's non-oil sectors. Additional regulatory changes were added in 2002.

The objective of the law is to attract foreign capital while providing incentives, which include:

- a five-year exemption from customs duties on equipment and materials to set up a project, and on raw materials, components, or spare-parts,
- a five-year tax exemption from income taxes the first day of production if profits are reinvested—extendable for an extra three years,
- exports exempted from excise taxes and fees,
- a guarantee that projects will not be nationalized or frozen by the government.

The law confers the right to open a foreign currency account, to transfer dividends annually, and to repatriate capital should a company be sold. At the same time, it sets a quota for employing local people, and requires investors to use local raw materials whenever possible and to produce necessary commodities for the economy.

Established by Law No. 5, the Libyan Foreign Investment Board acts as a one-stop shop for investors. For more information, see the LFIB website: www.investinlibya.com

BEYOND the image of recent years is a nation ready to do business

Providing investors with a strong business network

Libya has great potential, but is probably one of the least understood countries, says a leading business consultant

RYAD SUNUSI
Executive Director of the Phoenicia Group

■ ALTHOUGH Libya is modernizing in every sense of the word, it is still very much a country where contacts and who you know can sometimes be as important as what you know. And, while the authorities are striving to reduce bureaucracy and improve the business environment, newcomers to the Libyan market still have to contend with unfamiliar rules and regulations.

"One of the most common obstacles facing a company upon entering a first-time market is the lack of knowledge of the business and regulatory framework, who to talk to, and how to properly and efficiently establish itself," says Ryad Sunusi, Executive Director of the Phoenicia Group, a U.S. incorporated, Libya-based consultancy and business services firm.

"Libya is no different. It has its own unique business and legal structure, which needs to be understood to make the most of any potential venture."

Founded in 2000, the Phoenicia Group initially focused on the oil sector. Since then it has expanded and diversified its interests and portfolio of services to become a trade and investment consultancy, marketing and events management firm.

The group specializes in assisting U.S. and international companies wishing to establish a foothold in Libya by providing advice on the legal, financial, and regulatory aspects of doing business in the country.

According to Mr. Sunusi, "Libya is probably one of the least understood countries in terms of what it is like to do business there, a fact at odds with the tremendous and underrated potential that exists.

By far the most common misconception—especially among U.S. companies—is the perceived security and political environment," he says.

"We are keen to stress to our clients that there is little security risk when issues of terrorism, crime lawlessness, and political transition are raised.

"Libya is a very safe country for U.S. companies to do business in. There is no negativity on the Libyan side against U.S. citizens or businesses. On the contrary, anyone who visits Libya will know Libyans as courteous and hospitable people who welcome visitors, and serious crime is almost non-existent."

Throughout 2006, the Phoenicia Group is running Libya Focus, a year-long promotional campaign designed to showcase Libya's market potential in key areas of economic growth, including oil and gas, tourism, transportation, agribusiness, health, and telecommunications and technology. The campaign will include conferences, exhibitions, seminars, and private retreats.

"What makes Libya Focus unique is our close collaboration with key Libyan government agencies," says Mr. Sunusi. "These are high-profile government-led events, and a forum to hear new investment opportunities and policy developments straight from the policymakers themselves."

The key event, scheduled for the second half of the year, is a U.S.-Libya Business Forum. According to Mr. Sunusi, this promises to be "the ultimate strategic level networking event for U.S. businessmen looking to learn more about doing business in Libya."

Following the success of December's Libya Energy 2005, the country's first international energy conference in Tripoli, the group plans to stage a similar event in December 2006.

Reducing state control

Continued from page 1

sector as practically its only source of income makes its future prosperity highly vulnerable to fluctuations in the international market. There is an acknowledged need to maximize income from non-oil sectors of the economy.

"We have many natural resources apart from oil, and we are keen to expand our economy using oil revenue to develop those resources," says Abdulgader Elkhair, Secretary for Economy and Trade. "Our policy is to diversify, and with the help of entrepreneurs we have the chance to achieve that."

Although areas of strategic importance, such as oil, petrochemicals, and iron and steel remain protected, most trade barriers have been lifted and the government has adopted a free trade policy.

Now that the years of isolation are over, negotiations are under way for Libya to join the World Trade Organization. At the same time, Libya is attempting to exploit its geographical position as a gateway between Europe and Africa. "We have an advantageous location and can potentially play a leading role in trade," says Dr. Elkhair.

Already a leading player in the African Union, Libya is also keen to promote trade agreements with other African nations.

Bringing about a major reorientation of Libya's economy will be neither quick nor easy. Libyans are used to relying on the state for their jobs and cheap food, energy, and water. Around 900,000 people are on the government payroll, and even more work in state-run industries, such as cement and steel.

In a country where unemployment is estimated at 30 percent, privatization needs to be handled carefully to avoid job losses.

Dr. Elkhair says big changes will have to be made and the mentality of the people must change. "Everything Libyans are accustomed to lies in the state-owned economy. We need to stimulate the private sector and make sure it succeeds, so that more employment opportunities are created and better chances arise for local investors."

FINANCE Stringent regulation is policed by a more independent Central Bank

Banks must change to meet future competition

Privatization and new technology will strengthen Libyan banks before the arrival of foreign banking institutions

■ A crucial element in the liberalization of the economy is the ongoing reform and modernization of the banking industry, which is being opened up to the private sector and to competition from foreign players.

State-owned commercial banks are included in the privatization program, and the Libyan parliament has passed a law to allow foreign banking institutions to buy shares in local banks or open branches.

Libya's banking and financial sectors remain underdeveloped. The economy largely operates on a "cash only" basis, and ATM machines have yet to become a common sight on city streets.

Mohamed Ali El Huwej, Secretary of the General People's Committee for Finance, acknowledges the need to reform the banking sector as quickly as possible but says the process must allow time for Libyan banks to prepare for foreign competition. Arab banks are likely to be the first to enter the newly opened market.

MOHAMED ALI EL HUWEJ
Secretary for Finance

"In the future we are looking to bring in international investment banks," says Mr. El Huwej. "This will take place in the next two years, because we need time to rehabilitate our local banks. We are still too weak to compete in the sector with foreign banks."

Arab banks are likely to be the first to enter the newly liberalized market

Stringent regulations have been introduced into the sector, and are being policed by the Central Bank of Libya. The bank is state-owned but has been given greater independence in terms of monetary policy conduct.

Interest rates have been lowered in an effort to encourage private sector demand for credit, and a new national payment plan is going to be launched. Discussions are also under way about creating a stock exchange.

"We need to create a private sector environment," says Mr. El Hawej. "This is why the stock exchange is important."

A prime example of the new face of banking in Libya is Aman Bank, arguably the country's most modern and dynamic in their field. Established in 2003 following the passage of Law 1 that permits private banking in Libya, it now has nine branches and a dedicated customer service unit for foreigners.

Aman Bank prides itself on using the latest technologies and providing its clients with world-class services, including MoneyGram express transfers and MasterCard debit and credit card services. The bank is soon to begin internet banking and currently boasts one of the few ATMs in Tripoli.

"In addition to all the services that most banking institutions offer, we are trying to focus, more than anyone else, on technology," says a bank spokesman. "This helps set us apart from many other banks in Libya, which is becoming an increasingly competitive market."

Abdulfattah Ghaffar, General Manager of the 55-branch, state-owned Umma Bank, says it is preparing for a more competitive environment by improving its services to customers, and providing new services like internet banking. "We have also signed a contract to purchase ATM machines," he adds.

"We are on the right track, and in the future will be able to compete with foreign banks that will eventually open branches here."

Aman Bank is one of the most modern banks in their sector, using new technology and boasting one of the few ATMs in the Libyan capital.

PRIVATE SECTOR Training and know-how are needed from foreign investors

Moving towards a free market

Socialist-style state control is on the way out as Libyans are encouraged to become a nation of entrepreneurs

HUSNI BEY
Chairman of the Husni Bey Group

■ LIBYA has had a state-run economy for the last 36 years. The private sector was very limited and had very little freedom to operate. Now everything is being turned around. State-owned enterprises are being lined up for privatization, and Libyans are being encouraged to become entrepreneurs and take their future into their own hands.

An important turning point came in June 2003. Muammar Gaddafi declared that the private sector had failed, and called for the wholesale privatization of the oil industry, and other sectors, which had been nationalized when he seized power in 1969. He called for companies to be formed that "would not be the property of the state, but of Libyans."

Privatization is progressing fairly slowly, and as yet the private sector is still small. But there is a clear will on the part of the government to help it emerge, and to encourage foreign companies to provide capital, know-how, and training.

In the last two years, the General People's Congress has passed numerous laws to help stimulate the economy and boost the private sector. The banks have been encouraged to issue credit loans to local entrepreneurs.

"The country is changing for the better," says Mohamed El Mansouri, Chairman of the Libyan Businessmen Council. "One only has to compare it to how it was four years ago. Things have changed dramatically.

"Although the process of developing the private sector started late, it is steadily expanding."

Mr. El Mansouri, himself the Chairman of a private company called Tasharukiat Alsaqr Alakhdar for Medical Equipment & Consumables, says the Businessmen Council is in regular contact with the government and investors.

"We are asked for feedback on the strengths and weaknesses in legislation that affects the business community. Most of our work involves communicating and raising awareness of all sectors in our economy to both local and foreign investors."

Mohamed Kanoun, Chairman of the General Union of the Chambers of Commerce and Industry, says that reorienting the economy towards the private sector is a great challenge. "We need to avoid the pitfalls of the transition from a state-owned economy to a free-market one."

He emphasizes the contribution to be made by foreign investors.

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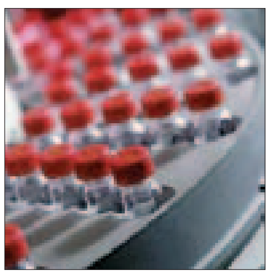
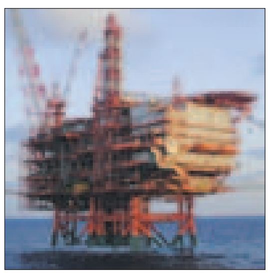
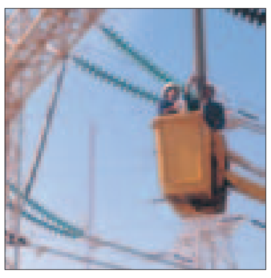
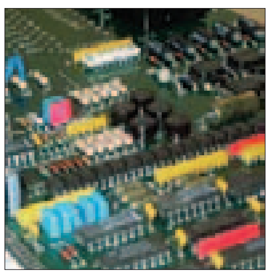






INDUSTRY Liberalization has brought about dramatic change

Innovative marketing in the pharmaceutical sector

The new firm, Siran Pharmaceutical, is seeking partnerships that will be favorable for the country as well as the company

■ HEALTHCARE in Libya has always been heavily subsidized to the point where medicine is either free or incredibly cheap. Since 2004, however, when the government decided to allow private organizations to enter the market, the pharmaceutical sector has changed dramatically.

New companies have appeared on the scene representing world famous brands and providing premium quality medicine at market prices.

They are up against a black market, where merchandise is imported illegally

Siran Pharmaceutical & Medical Supply is a new company set up by the long established Husni Bey Group, distributing brands such as Abbott Laboratories, Wyeth Consumer Health, and Mentholatum UK. The company, which has offices in Tripoli and Benghazi, is divided into four separate divisions: pharmaceutical, nutritional, dental, and medical.

General Manager Faiza Husni Bey says that innovative marketing and sales techniques are educating the Libyan public in the value of premium quality brands in pharmaceuticals.

FAIZA HUSNI BEY
General Manager of Siran Pharmaceutical & Medical Supply Import Co.

Nevertheless, she believes the number of companies in the sector will fall. "Since the sector was liberalized, numerous private companies have materialized in the business of importing pharmaceutical products—more than the Libyan market can handle, in my opinion. I think that as government regulations are increasingly implemented, a lot of these companies will merge or close down."

Siran Pharmaceutical is open to considering new partnerships with foreign companies, especially American ones, who can bring know-how to the business.

"We select our partners on the basis of what is best for our business strategy and for the country and, naturally, its people," says Dr. Bey. "We are very serious about what we do and take pride in our transparency. We are also open to anyone who would like to work with us to bring what is needed into Libya."

OIL & GAS Potentially huge resources attract intense worldwide interest

U.S. firms lead oil rush

Libya has reopened its oil sector and international energy giants are competing for licenses to explore for black gold

■ A GLANCE at the statistics makes it easy to see why U.S. firms are so eager to get a slice of the action in Libya's energy sector after an absence of two decades. Libya is floating on an ocean of oil.

Eight oil and gas basins occupy approximately 78 percent of a land area slightly larger than Alaska. Only a third of that has been explored, but so far around 39 billion barrels of oil and 54 trillion cubic feet of gas have been discovered. Studies indicate that Libya potentially has oil reserves totalling100 billion barrels.

Libya welcomes the experience and technology of American companies

American firms snapped up exploration licenses in the first of two bidding rounds in January 2005, with Asian and European companies following suit in the second round in October.

The first major U.S. company to resume oil production in Libya is Occidental Petroleum, which has secured concessions for nine oil blocks extending over an area nine times the size of the state of Qatar.

ExxonMobil, the only U.S. firm to win a license in the second bidding round, will be exploring an offshore area comprising 2.5 million acres. And the Oasis Group, a consortium of the Amerada Hess Corporation, ConocoPhillips, and Marathon Oil, has been seeking a 25-year extension on an existing agreement.

Meanwhile, Anglo-Dutch Shell, has signed an agreement to work with Libya's National Oil Corporation (NOC) to explore for gas and develop a modern liquefied natural (LNG) gas industry.

"There are two reasons why international oil companies are so excited," says Secretary for Energy, Fathi Ben Shatwan. "The

Continued on page 5

Moving towards a free market

Continued from page 3

"Foreign capital is very important, particularly after more than two decades of little to none. We also need training and know-how in areas like business management."

Siran Pharmaceutical's parent company, the Husni Bey Group, started in 1944 as an import and distribution company specializing in household goods.

One of the first companies to be nationalized in the 1970s, it has since reestablished itself as one of the most important private groups in Libya today. They have diversified interests ranging from import-export and shipping to tourism and providing bonded warehousing for the oil industry.

Chairman Husni Bey believes that Libya has turned over a new leaf in its history, and is now in a position to grow. He praises the government's commitment to allow the country to move forward and prosper through a transparent economy.

"They changed the taxation law, for example, which has become very fair and encouraging for new businesses. I would hope that people recognize these changes and work within this framework to allow our economy to progress."

Mr. Bey believes Libyan businessmen have an important contribution to make. "I feel a need to contribute to the changes taking place. Nowadays, many business people share my philosophy on the private sector; however, we need to talk to each other more and build a deeper trust.

"We should start thinking of business not just as an opportunity, but also as a long-term responsibility," he adds. "We need to invest

LISCO has added the U.S. to export destinations ranging from Europe and the Middle East to China

Steel giant will double its capacity

One of North Africa's largest iron and steel producers is expanding to meet increasing demand at home and abroad

■ AS Libya enters a new era of economic development, the Libyan Iron and Steel Company, Lisco, will play a vital role. The largest and most important industry outside the oil sector is gearing itself up to more than double its capacity to 2.5 million tons by developing facilities on the 4.5 square mile plant it occupies near the city of Misurata.

"Expansion plans have been finalized," says the company's Chairman for the past ten years, Mohamed Elmabruk. "Some are already being carried out, and others are waiting to be undertaken.

"We have already signed a contract with one foreign partner, and the execution of the project will be finalized in 2006. The Islamic Bank in Jeddah is financing part of the plan, and the other part will be paid for from our own resources."

Lisco has been ISO certified since 2002 and holds a European Quality Award. Almost all of its employees are Libyans.

American companies and businessmen are invited to take part in the development. "All potential partners, from the U.S. and elsewhere, who show interest and ability to participate in executing these plans will be invited to furnish offers and take part in the tenders," says Dr. Elmabruk.

State-owned Lisco is one of the largest iron and steel making companies in North Africa, with a complex designed to produce 1,324,000 tons of liquid steel annually. It imports steel pellets as a raw material from countries like Brazil, Canada, and Sweden, and uses environmentally friendly natural gas to produce sponge iron and hot briquette iron.

Lisco has been ISO certified since 2002, and holds a European Quality Award. In a country that employs a large number of foreign workers, the company is proud of the fact that 98 percent of its 6,500 employees are Libyan.

Financially, Lisco is in good shape. "Right from the beginning of 2002, as the country's economic policies were restructured, we started improving and making a profit," Dr. Elmabruk notes.

In addition to providing for all of Libya's domestic needs, Lisco sells its products to a wide range of countries.

"We export more than 60 percent of our final product, while the current policy of the company involves selling most of our reinforced bar production in the local market. The domestic industry consumes about 25 percent of our flat products, while the rest is exported."

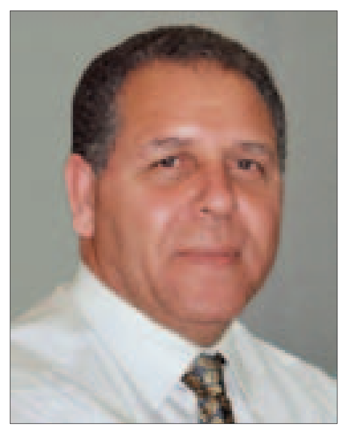
Lisco's biggest local client is the General Company for Piping in the Libyan coastal town of Benghazi. The rest goes to the private sector and oil companies.

About 50 percent of the company's exports are directed to Italy and Spain. The rest go to other European countries such as France, Greece and Turkey, to African and Middle Eastern countries including Egypt, Tunisia, Morocco, and Jordan, and also to China.

In 2004, Lisco started exporting about 60,000 tons of HBI to the United States through an Italian company.

The company's return on exports in 2003 was $165 million, it rose to $275 million in 2004 and in 2005 it is expected to reach $250 million. Turnover jumped to more than $435 million last year. In 2003, it was approximately $300 million, and is expected to exceed $400 million in 2005.

Production costs rose in 2005 due to a recent substantial increase in the price of imported steel pellets, however the prices of Lisco's final products were down by 40 percent.



MOHAMED ELMABRUK
Chairman of Lisco

FATHI BEN SHATWAN
Secretary for Energy

Continued from page 4

first is that they want to secure energy supply due to the difficulties this sector is facing in terms of stability of the market.

"The second is the current high price of oil. It's a profitable business even if they are bidding for a low production profit share with us."

U.S. firms also have experience of working in Libya from the pre-sanctions days. "American companies are very well aware of Libyan territory; they have a solid past experience, and they are familiar with our geology," says Dr. Ben Shatwan.

In the glory days of the 1970s, Libya's oil production was 3.3 million barrels per day (bpd). Now, with international links being restored and its oil industry reopened for business, Libya is on course to get back to that figure by 2010.

ELECTRICITY Demand has been rising by 6-8 percent annually and will continue to increase rapidly

Major plans to boost power supplies

New power plants and upgraded transmission and distribution systems are needed to drive the economy

In addition to improving the infrastructure, Gecol is restructuring, upgrading its technology and improving training of employees.

■ DEVELOPMENT of Libya's energy sector is by no means limited to oil and gas. Consumption of electricity has been rising sharply in line with the development of the economy, and major expansions of the country's generation, transmission, and distribution systems are planned for the next five years.

With help from international partners, the General Electric Company of Libya (Gecol), Libya's national utility company, is overseeing ambitious plans to revolutionize the sector.

"Electrical energy is the most important sector in any country worldwide, due to its direct impact on socio-economic activities and on the development of all other sectors," says Omran Ibrahim Abukraa, Secretary for Gecol.

"The fundamental objective of our plans is to secure and guarantee the electrical power supply to meet the growing demand for energy in all sectors."

Libya has invested hugely in electricity over the last two decades. Gecol, which has sole responsibility for generation, transmission, and distribution, operates around 30 power plants.

Total installed capacity stands at 4,900 MW. Demand, however, has been increasing by around 6-8 percent annually, and will continue to rise rapidly as international companies enter the Libyan market.

Demand currently peaks at around 3,800 MW, but in the summer of 2004 there were widespread blackouts as the power plants struggled to cope.

To respond to the growing need, Gecol has drawn up plans for $3.5 billion of investment in eight new combined cycle and steam cycle power plants by 2010. The utility says a further $2.6 billion will need to be invested by 2020.

"Recent studies have shown that peak demand is expected to reach 5,800 MW by 2010 and about 8,000 MW by 2020," says Mr. Abukraa. "Around 5,500 MW needs to be added by 2010, using natural gas as a primary fuel source. About 2,400 MW of this extra capacity is under construction, and the rest is in different stages of contracting."

OMRAN IBRAHIM ABUKRAA
Secretary for GECOL

Deals have been signed with Russia's Tekhnopromexport and South Korea's Hyundai, worth $600 million and $280 million respectively.

Gecol's master plan also includes the building of hundreds of new substations and thousands of miles of overhead lines and underground cables to upgrade the transmission and distribution systems. A new 400 kV grid and an expansion of the existing 220 kV system are expected to cost around $1 billion.

Siemens will provide five of 10 district network control centers planned for 2010

"The 400 kV system will be the highway backbone of the transmission network," says Mr. Abukraa. "It will reinforce interconnection between the various parts of the country, and enhance our capability for interconnection with neighboring countries. This will give Gecol the opportunity to play an important role in the North Africa power grid and to become one of the most important players in the future electricity market in the region."

In 2004 a $225 million deal was signed with Germany's Siemens to provide five district network control centers, scheduled for commissioning in early 2008. A total of 10 control centers are planned by 2010. A new national control center is expected to come into operation in 2006, in addition to a renewed Tripoli control center.

Cooperation is taking place between Gecol and several U.S. companies, and Mr. Abukraa says there are good opportunities for leading electrical firms, "in particular, companies from the U.S. who have the technical and financial capability."

OIL & GAS Libya's National Oil Company aims to raise production levels

Further bidding rounds planned for this year

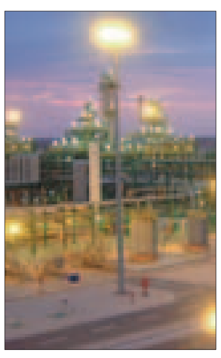
New opportunities for energy firms as NOC prepares to stage two more oil block auctions

■ ORCHESTRATING the rebirth and development of Libya's energy sector is the National Oil Company (NOC), which will be working in close partnership with the international firms awarded exploration permits.

The state-owned organization is currently preparing two further auctions of oil blocks for 2006, following the success of the two initial bidding rounds in phase four of the Exploration and Production Sharing Agreements (EPSA IV). Both rounds attracted intense worldwide interest.

The first round of bidding in January 2005 saw a clear victory for American oil firms, with most of the 48 blocks in the open-bidding contest being won by U.S. organizations and consortia.

In October, the second round—for a further 44 blocks—was dominated by mostly Asian companies, with many of them bidding at close to loss-making margins in order to secure a foothold. Indeed, competition in the second round was so aggressive that one of the NOC's top executives described it as "a real bloodbath".



Libya could emerge as a major gas producer

Abdullah Salem El-Badri, NOC's Chairman, is proud of the acknowledged clarity, fairness and transparency of the bidding process, which is central to the opening of Libya as an investment destination.

Mr. El-Badri makes no attempt to underplay the importance of the contribution that U.S. companies will make to the oil sector. American firms have the capital, the technology, and the experience to transform Libya's still untapped reserves into massive wealth creation for the country.

ABDULLA SALEM EL-BADRI
Chairman of the NOC

The eagerness of the U.S. oil companies to recommence operations in Libya signals a new Libya/U.S. relationship, marked by pragmatic cooperation, he says. "It emphasizes the significant role that Libya is expected to play as a major energy supplier, and gives a clear sign of confidence in Libya as a land of opportunity and secure investment."

The NOC carries out its oil and gas exploration, production, and refining activities through wholly owned subsidiary companies. It is also part of an international joint venture with Italy's Agip-Eni, which runs the West Libyan Gas Pipeline Project.

Boosting oil production and establishing Libya as a major gas producer are the major challenges faced by the company today. The 2006 oil production target is 2 million barrels per day.

"We are working to enhance production of currently producing fields, and we are waiting to realize positive results from the recent bidding rounds, and from previous agreements still in the exploration phase," says Mr. El-Badri.

WATER Huge underground reservoirs are being tapped to boost agriculture

Creating a miracle in the desert

Nearing completion is a project that could prove the most remarkable and enduring legacy of the Gaddafi era

■ LAUNCHED more than 20 years ago, the Great Man-Made River (GMMR) Project is a hugely ambitious scheme to transport water from deep beneath Libya's empty wasteland to the fertile, populated areas along the northern coast.

With 95 percent of Libya comprised of desert, water is in short supply for everything from drinking to irrigation. Incredibly, the solution to the problem lies buried beneath the dunes. Trapped in huge underground basins thousands of years old are enormous water reserves, discovered during the search for new oil fields in the 1950s.

The prospect of a reliable, plentiful supply of fresh water makes it possible for Libya to vastly increase the amount of arable land, extend agricultural production, and boost national self-sufficiency in food.

Accessing the water and conveying it to where it is most needed is an enormous challenge that has resulted in one of the world's largest engineering schemes. Billions of dollars are being spent on a conveyance system of production wells, pumps, and underground pipelines to convey the water across hundreds of miles to specially built reservoirs.

The logistics of the project have been on a daunting scale. Just one example would be the fleet of more than 100 tankers required to haul thousands of tons of cement daily from the Libyan Cement Company to the Al Nahr Company pipe manufacturing plants at Brega and Sarir.

Launched by Col. Gaddafi in 1983, the GMMR project is being completed in five phases, which will eventually link up to create one huge integrated network. With some justification, the Libyan leader has dubbed the scheme "the eighth wonder of the world."

ABDUL MAJID M. ELAGOUD
Secretary for the Great Man-Made River Project

The cost of the project so far is $14 billion. Water is already being supplied to the cities of Benghazi, Sirte, and Tripoli, and to the Jeffara plain in the western coastal belt.

"The availability of water affects the development of almost all sectors of our economy," says Abdul Elgaoud, Secretary for the GMMR. "We were in serious danger of further desertification of our land, but in agriculture, things have improved massively."

While management of the project is entirely in Libyan hands, technical partnerships with international companies, including American firms, have made a major contribution.

According to Mr. Elgaoud, the project is nearing the final stage of implementation, but there are still opportunities for U.S. investors in utilization of water for agriculture, manufacture of the impermeable membranes around reservoirs, and continuing pipe production at the Al Nahr plants.

"We need to keep one or two of our own lines of production for the future, but we have others that we would like to convert to fiber glass pipe manufacturing plants.

"It's a very good technology that can be used for sewers and irrigation schemes and it's very easy to export them to neighboring regions like the Gulf."

AGRICULTURE

Irrigation is crucial to sustain agriculture in Libya.

Hopes for growth in farming sector

■ AGRICULTURE is the second largest sector in Libya's economy, employing 17 per cent of the labor force, but accounting for only around 9 per cent of Libya's GDP.

Crops include wheat, barley, olives, dates, citrus, vegetables, peanuts, and soybeans, but poor soil and irregular rainfall mean the country has to import most of its food. Only a small area of Libya receives enough rainfall to support agriculture, and irrigation is crucial.

However, a major impact is being made by the Great Man-Made River Project (GMMR, see page 5), which could bring almost 400,000 acres of land into cultivation.

Agriculture is one of the government's main priorities

Agriculture is one of the main priorities of the government, which wants the country to rely less on food imports, and nascent opportunities in the field of agriculture are beginning to attract the attention of foreign investors.

The industrial farming company Technofarm is benefiting directly from the activities of the GMMR, through the massive improvements in irrigation it is providing.

Technofarm has been in Libya for three years. Launched in Benghazi by European and Egyptian agriculture companies, it has since been joined by American investors, and is now expanding into other parts of the country.

"We basically have about 5,000 acres of farmland and most of them are under a production-sharing agreement with the government," says General Project Manager Greg Cunningham.

"In two years, we should have close to 50,000 acres overall. Our goal is to have enough area to produce crops that will allow us to get into the added value and manufacturing as well."

Mr. Cunningham says other U.S. concerns should investigate Libya, as it offers plenty of opportunities, including the possibility of creating a homegrown produce market.

INFRASTRUCTURE Minister would like to see more U.S. companies involved

Construction boom is under way as the economy expands

Major projects are planned to meet the growing demand for housing, water and transport

■ AS Libya moves towards a new economic era, there is an urgent need to enhance the country's infrastructure, both to promote sustainable growth and to improve the lives of Libyan citizens.

The rapidly rising urban population has already prompted a building boom in response to the need for homes, hospitals and schools. Major water and sanitation projects are also under way.

Libya's transport infrastructure of airports, ports and roads needs to be expanded and upgraded, and major hotel and resort construction projects are being undertaken to boost the promising tourist sector.

"Libya faces a real challenge because it has set high goals for itself," says Taher Jehaimi, Secretary for Planning. "A lot of work needs to be done if we are to attain these goals.

"Much of our budget nowadays is invested in infrastructure, the upgrading and maintenance of our road network, hospitals, and educational institutions."

All this activity creates a wide range of opportunities for foreign investors, and Dr. Jehaimi would like to see American companies becoming more involved in areas such as construction, housing, and power generation.

Almost half a million new homes need to be built over the next 10 years

"The bidding is a public process and all qualified companies can participate. Some interested parties have already begun to inquire about the program and offered their services."

Dr. Jehaimi's ministry is responsible for huge development budgets, which are mainly allocated directly to the municipalities for housing, water and

DR. TAHER E JEHAIMI
Secretary for Planning

sanitation. At present, it is putting the finishing touches to the five-year development plan for 2006-2010.

"We are fortunate that we do not need to worry too much about providing the financial requirements of the plan, thanks to rising oil revenues," the minister says.

One of the priorities of the plan will be housing. Libya faces a massive housing gap. "Our population is young and growing rapidly," says Dr. Jehaimi. "We estimate that we need about 450,000 new housing units over the next ten years or so."

Programs to increase production capacities in steel and cement have been started to facilitate expansion in construction. However, the minister says the local market lacks the resources to provide for the requirements of large construction programs, so foreign specialized companies may be invited to participate.

The development plan calls for upgrading water and sanitation schemes for the cities and towns across the country.

Dr. Jehaimi estimates that LYD8 billion (approximately $6 billion) will be spent on water and sanitation projects over the next five years. Most of these will be medium-sized schemes.

"We are looking to acquire more desalination plants, in an effort to meet the rising demand for water and, of course, to diversify our sources of supply."

TRANSPORT Plans to carry out major upgrades at ports and airports

Preparing to become a transit hub

■ MAJOR improvements are planned for Libya's airports and ports to take advantage of the country's potential as a transport hub and to develop the tourism sector.

Tripoli International Airport is to get a second terminal, and a completely new airport of international standard is to be built at the coastal city of Benghazi, Libya's second largest city.

Traffic at Tripoli airport is growing at an annual rate of around 14 per cent, according to its Director, Milad Matouk.

"Before the embargo, an estimated three million passengers a year were passing through," he says. "Today, we are trying to regain that figure; we currently stand at an estimated 1.5 million a year for passengers, and it is gradually increasing. We need to build a new terminal, and perhaps add some runways and extend the airport."

It is hoped to complete the development program by 2010. Projects include the refurbishing of runways and the installation of new airport facilities, such as air navigation equipment and communications systems.

Mr. Matouk says Libya is ideally situated to serve as a transit point for air routes between Europe, Africa and the Middle East.

"With long-distance flights, airplanes need to transit somewhere. Libya is in the middle of North Africa and located at a strategic point in the routes of many airlines, and has the potential to act as a hub."

Since the lifting of international sanctions, Libya's Civil Aviation Authority has been

Continued on page 7


The tallest building in Libya, the Al Fateh Tower is AUCC's flagship project, and a second tower is at the planning stage.


Production has already started at AUCC's new cement plant where it will eventually reach more than 3 million tpa.


Libya has some of the best preserved Roman ruins to be seen, such as these at the ancient city of Leptis Magna.

Continued from page 6

working to improve aviation facilities, starting with air navigation, air-traffic systems, communication systems, runways and landing facilities.

"It will take time to return to the standards we enjoyed prior to the sanctions period, but we are hoping to reach our goals within a couple of years," says Mohamed Shlebik, the authority's Chairman.

He expects an international tender to be put out for the establishment of the new Benghazi airport this year. "Time-wise, we expect the project to take about two years to develop from the day we start implementing the plans."

Other airports need to be upgraded to transport visitors to developing tourist areas. "We have already started receiving proposals from foreign companies, particularly from the UK, regarding the upgrading of tourist destination airports, such as Ghadames," says Dr. Shlebik.

Modernization is also on the way for Libya's maritime sector. More than 20 ports are dotted along the Mediterranean coastline, including major international harbors at Tripoli, Misurata, Benghazi, and El Khoms.

"Their existing capacity is 16 million tons, but this could be raised to almost 24 million tons a year if we increased shipments," says Bashir Benhamed, Chairman of the Maritime Transport and Ports Administration.

A major new port is under construction in the Gulf of Sirte, which will run at a capacity of nine million tons per year. "Our intention is to make this port a transit point within the Mediterranean networks," says Mr. Benhamed.

Some of Libya's ports have been built to receive cruise liners and will play a vital role in the tourism industry.

Most of the handling activities in the harbors are taken care of by private companies. "We are seriously looking for investment in the fields of handling, training, and equipment," says Mr. Benhamed.

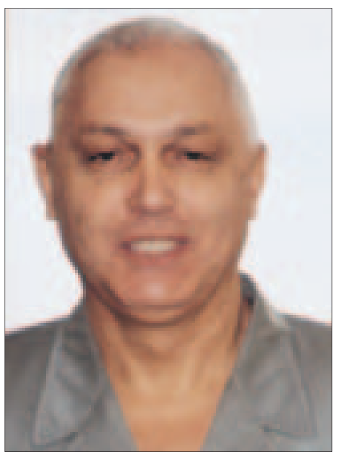
CONSTRUCTION AUCC plans twin Al Fateh tower

Leading builder is ready to undertake joint ventures

New cement plant will be among North Africa's largest and move Libya towards self-sufficiency

■ MASSIVE construction projects are changing the skyline of Libya's big cities. Many of these are underway in the capital, Tripoli, but rapid growth in building is in evidence throughout the country.

At the center of this explosion of activity is the Arab Union Contracting Company (AUCC), whose flagship project, the 25-storey Al Fateh Tower in Tripoli, is the tallest building in Libya.


ZIAD ADHAM AL MUNTASSER
Chairman of Arab Union Contracting Company

AUCC is the leading construction company in the country, with a long list of building projects to its credit, ranging from hospitals, medical schools, and administrative buildings, to housing and sewerage networks.

"In the housing sector, we have built thousands of homes throughout the country," says AUCC's Chairman Ziad Muntasser. "Currently, we are engaged in the construction of 2,870 flats in Tripoli, and hope to complete the project this year."

'There are so many positive things happening rapidly in the country'

Already planned is the construction of a twin Al Fateh tower in downtown Tripoli. "We are, of course, looking for partners to join us in this endeavor," says Mr. Muntasser.

Apart from pure construction activities, the company also has divisions that deal with real estate and construction materials. AUCC has become one of the market leaders in selling ready-made concrete. It has two plants for floor tiles, a plant for cement hollow blocks, and another for pre-stressed beams, and is Libya's biggest producer of aggregate.

"Due to the numerous infrastructure projects underway in Libya, there has been a strong rise in demand for cement," Mr. Muntasser says. "This is why AUCC decided to enter this field."

Libya has all the raw materials necessary for producing cement and should be more than self-sufficient, and able to export large quantities. AUCC decided to build its own plant in order to meet local and external demand.

The first line of the plant, recently inaugurated by Libya's leader Muammar Gaddafi, has commenced production of 1,400,000 tons per annum (tpa). Work on a second line is due to start in 2006, with the aim of reaching a total cement production of 3,200,000 tpa.

"We hope that with the completion of the second plant, Libya will be self-sufficient in its needs for cement," says Mr. Muntasser. "This plant will be one of the biggest in the North African region and the Middle East."

By providing AUCC with its own source of cement, the plant will put the company in a better position to expand on its construction activities.

According to Mr. Muntasser, AUCC is eager to undertake joint ventures with other companies. "There are so many positive things happening rapidly in the country, and in order to achieve our ambitions we have to cooperate with both local and foreign companies, particularly with those who have the technology that will be beneficial to our activities."

AUCC has been cooperating with companies from Europe and Asia, and is eager to work with American firms.

"We are ready to combine our local knowledge and experience with foreign technology, expertise, and know-how. We could even work with foreign investors on small-scale projects for short trial periods to assess compatibility of operations."

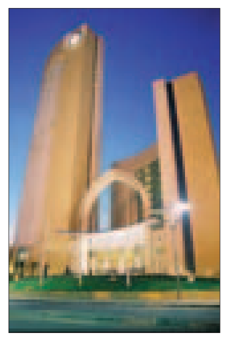
Mr. Muntasser identifies the tourism sector as one possible area for partnerships. "Libya has a shortage of hotels. If we find the right partners who would like to invest in such tourism projects, then we would be ready to discuss it with them."

TOURISM Creating the infrastructure

Foreign companies signing up to build hotels and resorts

■ BOASTING 1,250 miles of unspoiled coastline, extraordinary Greek and Roman ruins, and the vast expanse of the Sahara desert, Libya can offer much to appeal to the traveler looking for a less well-visited destination.

With international sanctions removed, tourism, which has been a relatively neglected sector of the economy, is being developed as a potential lucrative long-term source of income.


The Corinthian Hotel in Tripoli, a five-star Libyan-Maltese joint venture

"We are targeting three zones in the north of Libya, representing an area that could accommodate up to a million tourists in the future," says Ammar Eltayef, Secretary for Tourism. "The plan is to create complete tourist cities in the country.

"One zone is on the east coast, near the Roman ruins of Leptis Magna, we have another zone in the Green Mountains, and one in Tobruk, in the far east of Libya. We also consider the desert area in the south of the country as an important attraction."

The main priorities lie in infrastructure building, and the authorities are encouraging both national and international investment. Foreign companies are already signing up to build hotels and resorts.

Ali Aweda is Chairman of the Tourism Development Authority (TDA), which serves as a one-stop shop for investors in the sector. He says Libya is looking for "high-income investors and tourists" and that the aim is to develop high-end tourism, as opposed to mass tourism.

"Cultural tourism is our priority. We have the best-preserved archeological sites available. We have complete ancient Roman and Greek cities still standing along the coast and in the desert. You cannot find this anywhere else in North Africa."

Dr. Aweda would like to see American firms getting involved. "We want to extend an invitation to U.S. investors who are interested in building hotels, resorts, desert camps, marinas, and all other types of tourism facilities. Land is available and there are many incentives."

CULTURE AND FASHION

Setting the trend in Libya

■ LIBYA has a rich cultural tradition that the years of isolation from Western influences have helped to preserve. Yet, thanks to its positioning at the crossroads of Europe, Africa, and the Middle East, that culture already reflects a diverse set of origins, ranging from Berber and Sudanese to Turkish.

The tradition of folk culture remains strong, while the big cities like Tripoli and Benghazi, where most Libyans live, offer a vibrant, creative scene of concerts, exhibitions, lectures, and fashion shows.

As Libya becomes more closely linked to the rest of the world, it is perhaps inevitable that new influences will have an effect. Among those attempting to combine the best of the old with the


RABIA BEN BAKRAA
of Azyaa Karima

best of the new is designer Rabia Ben Bakraa, whose fashion house Azyaa Karima was the first to take the revolutionary approach of marrying traditional skills with classic Western styles.

Initially, she ran into resistance, but since then her designs have won praise both at home and abroad. "I had to get people to understand that I was not trying to abolish our tradition or costume, but to reinterpret it and show the quality of our culture and art," she says.

Ms. Bakraa believes that Libya should promote its culture to the outside world. "We are a very refined people and have not been exposed extensively to mainstream culture. We are still fresh and can teach others so much."

OUR TEAM IN LIBYA Project Management: Juliette Frey and Oliver Harold-Harrison
A more extensive version of this report is available at www.unitedworld-usa.com

GECOL

Powering Libya to it's peak potential

Electricity generation is one of the cornerstones of Libya's economy and fundamental to its general economic development. As the sole entity responsible for electric power generation, transportation and distribution, the 100% government-owned GECOL is considered as one of the nation's most prominent and respected companies.

With the highest per capita electricity consumption in Africa and demand expected to double in the next five years, GECOL is actively exploring the path to expansion and opening the way to partnerships with private-sector ventures to power its ambitious growth strategy.

Focusing on reinforcing infrastructure and introducing new technologies to become the regional market leader, **GECOL is looking to provide the surge to ignite Libya's economy.**

GENERAL ELECTRICITY COMPANY OF LIBYA

P.O. Box 84185, Tripoli, Libya, Tel: +218 21 480 7420, Email: gecol@gecol.ly, www.gecol.ly